

DEVELOPMENT OF DISTRIBUTION AND SALES OF LOW ALCOHOL BEVERAGES IN POLAND

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Abstract The struggle for the customer is symptomatic of the companies operating on contemporary markets. Developing new distribution channels and sales techniques is manifestation of the struggle. Dynamic market changes determine how vendors operate and induce them to implement innovation concepts in distribution, sales and logistics. These original solutions create new shopping modes and possibilities. The purpose of the paper is to present new solutions in this area, which are implemented and used within the alcohol industry in Poland. Scope of the study relates to beverages of low alcohol excluding beer. The authors focus mainly on solutions for distribution and sales, but they won't pass over complementary solutions for customer communication, including those aimed at education of consumers, which is essential in this industry. The structure of the paper makes it possible to present transformation of alcohol market in Poland, taking into account changes in the processes and the value they create for the consumer.

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1. INTRODUCTION

Alcohol sales in Poland is also steadily growing as many market reports indicate (Euromonitor International 2016a, 2016b). This is even more interesting while global sales of alcohol fell in 2015 for the first time since market research firm Euromonitor International started keeping records in 2001 (Petroff, 2016). In 2014, cider market in Poland has reached approx. 9-10 million litres and in comparison to 2013, when the market started, it was a five-fold increase. In 2015 sales exceeded 10 million litres (Woźniak, 2016). Cider sales has already overtook gin and rum sales, but the cider market is in the initial stage of development. In comparison to other European countries, wine popularity and consumption results in Poland are fairly low. Wine consumption amounts to approx. 4 litres per year. However, there is growing interest in this alcohol, which is met with its continuously improving availability. 2015 saw several percent increase in the value of wine sales in Poland (Szczepańska, 2017). Wine export is on the rise: its value in H1 2016 grew by nearly 78%, reaching PLN 16.6 million (Dziennik Gazeta Prawna, 2016). If these dynamics are to persist until the end of the year, then perhaps the year of 2016 will prove record-breaking for sales of imported fresh grape wines. Despite the positive trends, wine is not often seen on Poles' dining tables. The basic problem is the limited knowledge about wine among both sellers and buyers. The issue of insufficient competence of the sales force does not, obviously, affect all retailers, but it is a serious obstacle nonetheless. Moving on to how wine is actually bought, the most popular seem to be little local shops where wines can hardly be noticed among other products on the shelves. Their selection is mostly totally random, and shop assistants can, at best, explain they come in different colours and not much else. In order to change it and facilitate wine sales (or sales of increasingly popular ciders), thus meeting clients' expectations, new concepts are being developed that are well-worth attention.

2. CONVENIENT SHOPPING FOR LOW ALCOHOL BEVERAGES

Purchasing food is rather a routine task we repeat automatically. We buy food products on a daily basis. Consumer convenience ranks right next to food safety issues in the organization and management of food supply chains. That's why retailers introduced convenience stores many years ago. A visible manifestation of the continuity of this trend is the emergence of convenience food where final processes of processing were moved from households, catering establishments and eating places to food industry enterprises and retail sector. At present the idea of convenient food shopping has progressed much further towards shopping malls, leisure-oriented supermarkets and personalized shopping experience. These are

primarily retailers that want to offer convenience to customers. We observe the emergence of new retail formats, new additional services, new retail arrangements in space and, finally, the search for new retail business models. All these concepts have one guiding principle – to meet consumer needs, to increase the convenience of shopping, and to create added value. One of the most visible trend is omnichannel sales. Food retailers are generally enthusiastic about the potential of omnichannel. They create omnichannel strategies that require a shift in focus from products, their features and prices, to shopper's experience when buying and using the product. Since omnichannel is a cross-channel business model used to increase customer experience, retailers keep on deploying e-commerce solutions, updating websites and mobile apps not only to defend their existing business, but to transform communication patterns and win increased loyalty from customers. This approach has become very visible on the alcohol market. A growing range of alcoholic beverages is available through a variety of sales channels. In Poland especially the selection of alcoholic beverages available on-line and in discount stores (that systematically increase their share of food products sales) significantly expanded. It was followed by the emergence of professional consulting services to shoppers and a massive education campaign. Polish customers have gained much improved accessibility to high quality wine and other low alcohol beverages and the culture of consumption of these beverages has dramatically improved. Growing popularity of wine consumption is one of the noticeable trends in Poland, particularly among young people. The taste of Polish consumers, previously preferring stronger beverages, the perception of wine and drinking manners are continuously changing in Poland. Therefore particular attention is paid to the distribution and sales of wine in Poland and the changes that were introduces to the system and how they impact market and consumers (Majchrzak-Lepczyk & Szymczak, 2011).

Retailers follow opportunities ICT currently brings trying to expand customer's possibilities and enrich their relation with buyers. More and more often they operate under the idea of so-called smart convenience, successful implementation of which shows certain potential to make food supply chains competitive. Convenient shopping has evolved towards combining traditional shopping done in a traditional bricks-and-mortar store with on-line shopping. This concept is the mainstream of smart convenience. We are dealing here with sales over the internet (often with the use of mobile applications) while the retailer comes with an additional offer to the customer and focuses on adding value. The idea is to organize sales in such a way that – despite the time required for order completion – the customer does not have to wait for the delivery of products (Szymczak, 2012). Smart convenience – depending on the implementation – allows to reduce or eliminate (in fact transfer to the customer) the cost of delivery and to verify freshness of products which is important when buying meat, vegetables, fruit and bread. These issues have been the major barrier to the development of e-commerce in the food industry. The same rules apply to the sales of beverages, including alcoholic beverages, whose purchases are commonly combined with the purchase of basic foodstuffs.

One more innovative solution used in wine distribution is the application of drones as transport intermediaries. It is compatible with the current popularity of various unmanned aerial vehicle and follows the trend of using them for various applications. In one of the vineyards in the California's Napa Valley you can have your wine delivered by a drone (Krolfifer, 2013). To make delivery by air even more appealing to clients, the wine is mounted in such a way that it is possible to pour it straight from the drone into glasses. And then there is the Les Ruinettes restaurant located on the mountaintop in the Alps that uses drones to deliver the Don Perignon champagne to its most discriminating clients (Dixler, 2014). The drone makes it possible to facilitate the distribution process because it can quickly reach any place – even one that is hard to reach due to geographical conditions, thus creating an added value. It can be assumed that operational potential of the little flying vessels and the ability to equip them with all sorts of on-board devices increase the range of possible drone deployments that go beyond delivery of small cargo to various recipients (Igliński & Szymczak, 2015). Undoubtedly, the main asset of drone application is the short delivery period and flexibility resulting from the unrestrained selection of the place of delivery due to being unaffected by the constraints imposed by the traditional transport infrastructure.

3. MEETING CUSTOMERS' EXPECTATIONS: A QUESTION OF MERCHANDISING AND CUSTOMER COMMUNICATION

Market research conducted prior to introducing the game-changing innovations is particularly important. This is why Ambra S.A. ordered consumer research that showed that consumers know what they look for in a cider. It is supposed to be a natural product, made of fresh-pressed apple juice rather than juice concentrates. An important feature is the local nature of the product, its origin and identity. It highlights its authenticity and high quality (portalspozywczy.pl 2016b). Based on the insights into consumers' preferences, thousands of special "Bottle Racks – Cider Guides" (Fig. 1) were manufactured that will gradually be sent to shops (portal-spozywczy.pl 2016a). Their function is to enhance cider visibility, which should precipitate clients' purchase decisions. Already being tested is a sales concept for a number of deli chains located in many large Polish cities. Cider has become an alternative for beer, and thus a new player on the low alcohol drink market. Since it is highly universal, it can be drunk on many occasions – from small meetings to mass events. It is an incredible opportunity for Poland, which is one of the largest apple exporters globally. The year of 2014 was a groundbreaking year for cider producers. Russia imposed an embargo for Polish apples, which led to the issue of overstocking. One of the solutions was selling fruit to processing plants to produce this low alcohol drink. The situation became an impulse for increasing cider pro-

duction in Poland, and the concept of Cider Racks will certainly make that drink more popular.



Fig. 1 “Bottle Rack – Cider Guide” by Ambra S.A.; (Cydrownia S.A. 2016)

A consumer having access to a rack may “experience” wine/cider. It is extremely convenient in comparison to local shops, where alcohol is displayed behind the counter acting as a physical barrier. It should be highlighted that the presence of self-service rack in a shop does not guarantee a simple wine purchase, as there are many bottles on the shelves. What helps in this case is distribution of alcohol in such a way that various countries of origin are located next to one another. Still, this is far from perfect. The challenge was taken on by Dragon Rouge designers who created wine racks adapted to various clients’ needs. “Faktoria Win” (Wine Post) is a wine section offered in many shops in Poland. What it intends to do is simplify the decision-making process during a wine purchase. Within every selection there are a few types of wine with the main difference being the taste, colour, aroma or prize (Dragon Rouge 2014). On the shelves there is a special offer of wines falling into five clearly marked categories: best gift, best for a date, best for a meal, best for relaxation, best for a meeting with friends (Fig. 2). Moreover, the “Best for a meal” section explains which meal a given wine is suited for. The back labels have been standardised: they present information about the suggested method of drinking and about the wine type, and give price indication (red colour for red wines, pink for rosé wines and straw yellow for white wines). The idea of col-

our codes for specific tastes was abandoned since it was too confusing (Dragon Rouge, 2014). This concept is perfectly compatible with current trends, since, among others, the report by the Open Research agency “Shoppers’ Perspective 2016” (Open Research, 2016; Kasperski, 2016) clearly shows that up to 70% of shopping decisions are made whilst standing by shop shelves.



Fig. 2 “Faktoria win” (Wine Post) shop shelves and labels with marked wine categories; (Dragon Rouge 2014)

The “Faktoria win” sales model addresses some of the difficulties encountered at sales outlets, since it constitutes a full outsourcing solution for wine sales. It offers a set of service packages to sellers. Entities interested in establishing cooperation can choose from between 34, 62 or 120 wine ranges. The wines are regularly updated so that clients’ seasons or holiday-related preferences are satisfied. And so, in line with the selected wine range, a given outlet is provided with a rack and in-shop branding elements that inform clients about the possibility to purchase wine (Łoś and Groniewski 2015). Furthermore, the shop receives a monthly communication and image-building tool in the form of a magazine. Moreover, a sales outlet is assigned a special consultant and provided with access to trainings and educational materials. To meet Polish clients’ expectation, the “Faktoria win” team designed wine racks in such a way that they are suitable for consumers of diverse needs and drinking habits. The selection of wines for “Faktoria win” is in the hands of professionals, and cooperation with vineyards made it possible – in addition to offering a preferential selection – to negotiate attractive prices for different wines. The

product category was criticised by many but proved successful, since a client purchasing wine in small shops considers PLN 25 to be the starting point for the range of subjectively “expensive” wines. Therefore one will not find any high-quality brands on “Faktoria win” racks. The “Faktoria win” can currently be found in 3619 shops and an upward trend is noticeable. According to company data, the average increase in wines sales in specific shops is approx. 35%, but there are shops where this value grew by even 400% (Łoś & Groniewski, 2015). Judging by the interest shown by shops in this offer, one may estimate that in 2017 “Faktoria Win” may become the largest wine shop in Poland.

4. INNOVATIVE PACKAGING FOR THE INDUSTRY, AND WHAT DATA EXCHANGE TECHNOLOGY HAS GOT TO DO WITH IT

Poles are increasingly interested in luxury alcohols. Premium alcohols are bought not only as presents or means of celebrating special occasions, but they also become investment goods. The trend is reinforced by improvement of material standing experienced by some parts of the society along with their improved awareness. High-quality wine is a luxury product; hence, its container must be adequate. It usually is quite traditional, made of glass with an elegant label. One of the producers has introduced an innovation, comprising changed packaging, with the main focus being comfort and time. It would seem that on such particular drink market, there is little room for new trends due to attention paid to the brand image and consumers’ preferences (with the consumers being mostly well-educated, mature people). One of the companies noticed a growing popularity of wine among the younger generations, who have a different perception of wine. The new product is dedicated to them. The premise for launching a new product was the large, heavy bottle that many people in this age group see as awkward and often cumbersome in transport. The Californian wine Nuvino introduced plastic, handy, little sachet-like containers, which until recently have been reserved for juices or dairy products. The producer has introduced four new wines, each in the PreservPak container (Fig. 3), which guarantees the right taste and quality – not worse than in the case of a glass container. On the shop shelves there are now South African Chardonnay, Chilean Sauvignon Blanc, a selection of Australian red wines and Argentinean Malbec (Nuvino 2016). A wine glass has the volume of 187 ml, which became a reference point in designing the new form of packaging. The innovative product is meant to be comfortable and easy to transport – you can put it in a pocket or a small bag due to its light weight and portability. Moreover, you do not need a corkscrew to open it. Wine stored in such package retains its taste for up to 18 months, and for a month since the bag is opened.

A competitive company, Spotwine from Connecticut, has somewhat modified this solution and used it for Californian white wines (AstraPouch, 2015a). With

respect to the packaging, the offer of that company is much broader since in order to meet their clients' needs they introduced environmentally-friendly AstroMini and AstroPak containers, with the volumes of 187 ml, 375 ml, 750 ml, 1.5l and 3l (Fig. 3). The AstroMini and AstroPak bags are easy to carry and use, e.g. during a journey or on a picnic. Because of their unique design, drinks can be cooled down faster, and a special nozzle facilitates smart dosing and guarantees a longer shelf-life. According to data collected by the company among the entities that used the innovative AstroPak packaging, revenue increased by 30% while the sales of traditional bottled wine has remained the same (AstraPouch, 2015b).

These new wine packages have not reached Poland market yet, because Nuvino and Spotwine do not have any official commercial representatives in Poland.



Fig. 3 New wine containers: PreservPak, AstroMini and AstroPak.; (Nuvino, 2016, Astra-Pouch, 2015a)

The major issue affecting international alcohol distribution is counterfeiting luxury brands. In order to counteract such activity, or at least prevent sales of fake wine at legitimate outlets, manufactures have reached for the most cutting-edge technology available: RFID (Radio Frequency Identification) and NFC (Near Field Communication). The application of RFID tags makes it possible to monitor the flow of specific product batches during the distribution process (track & trace), which is a recognised practice in many supply chains – at least at the level of collective packaging, but this technology may also be used to confirm product authenticity. In this case, the RFID tags must be placed on every product item, which is not feasible in the case of alcohol. Electronic chips facilitating NFC communication cannot be used to track product flow due to the very short communication

range – up to 20 cm. RFID tags and NFC chips are placed on the bottle along the foil line within the wine bottle capsules or under the label, whereas the RFID tags can additionally be placed in the bottom grooves on the bottle or inside the plastic cork .

5. STAYING CONNECTED WITH CONSUMER

An interesting concept that deserves some attention was the so-called “wolnomat” that is a relaxation measuring machine. Such machines were placed on Warsaw boulevards in the summer time, which had been designed for the Leżajsk beer brand (Marketing przy kawie 2016). The goal behind this solution was to encourage the residents of Warsaw to chill out and enjoy the moment by offering additional value to clients and fostering their relations with the brand. The device checked users’ relaxation level. In the course of the test the user was sitting cosily having a brainwaves reader attached to his/her head (Fig. 4). Whoever managed to stay relaxed the longest received a bottle of Leżajsk beer. “Wolnomat” devices were also used in Warsaw during a series of events “Urban Live Beats”, sponsored by the brand. The non-standard form of approaching the client undoubtedly contributes to building relations with device users, which would not be attainable through a traditional purchase or simply drinking that beer in a pub.



Fig. 4 A relaxation measuring machine (“Wolnomat”) designed for the Leżajsk beer brand; (Marketing przy kawie 2016)

It seems that in addition to securing product authenticity, RFID and NFC technologies provide major marketing benefits, since they can help build and maintain relations with customers. Mostly it is about providing access to interactive online content of special apps. If a consumer is aware of the fact that the producer uses the RFID technology, he/she will appreciate the value of guaranteed quality and authenticity. A consumer may only access tag data when he/she visits a sales outlet. This is not the case with NFC. Thanks to the NFC technology, once you put your smartphone next to a bottle, the consumer will be directed to a special website containing detailed information about the product and customised commercial offers. He or she will also be able to download a dedicated app. This functionality engages consumers and helps the company keep in touch with them, which may take the form of an aficionado club. At the same time, maintaining such contacts helps the supplier conduct effective market intelligence and highlight specific advantages of a given product offer.

6. CONCLUSION

Examples reported in the paper undoubtedly show how to make the existing range of products more attractive, thus increasing the company's competitive position. Observation of current trends in the industry reveals a number of interesting solutions aimed at providing additional value to the customer, especially related to the comfort of purchase.

Customers are the engine of growth and business entities should focus on them designing actions and using tools that extend and enrich the B2C relation as it was pointed out in the paper. Without a doubt, there is a large challenge before the industry of low alcohol beverages in Poland that involves a clear commitment to the needs of customers. As a result, both giant and small players in the market will increase their chances of being successful in value creation and being leaders of innovation.

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