

## CHALLENGES OF THE FOOD INDUSTRY IN POLAND IN RELATION TO GROWING CONSUMER AWARENESS

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**Purpose:** The aim of the study is to examine the food market in Poland and show the most important challenges of this market in the context of growing consumer awareness.

**Design/methodology/approach:** To achieve the purpose of the article, literature and the latest industry reports on the food market in Poland were analyzed and surveys on consumer awareness were conducted.

**Findings:** Analysis and research have shown that consumer awareness (especially ecological and economic awareness) influences purchasing decisions on the food market.

The examined market is very dynamic, and the changes taking place in it require adaptation skills from enterprises, as shown by the supply turnover on the market in recent years.

**Research limitations/implications:** In such a dynamic market, research on consumer awareness and purchasing decisions should be repeated every year to be up-to-date and have a real impact on economic reality.

**Practical implications:** The results of analyzes and research may have a real impact on business practice. Food companies can use these guidelines on consumer awareness to ensure that their market behavior is appropriate not only from a business point of view, but also from a social and ecological point of view.

**Social implications:** A look at consumer awareness analysis may have an impact on social responsibility.

**Originality/value:** The author's own research and current analysis of behavior on the food market.

**Keywords:** consumer awareness, food market, challenges.

**Category of the paper:** research paper; viewpoint.

### 1. Introduction

Poland, as a European country, is at the forefront of the fastest developing economies, which is reflected in the growing ecological and economic awareness. The issue of consumer awareness, both in ecological and economic aspects, concerns many markets and industries. An example of a market in which consumer awareness has a strong impact on enterprises and their behavior is the food industry. The specificity of the food market in Poland results from

and depends on many conditions, both political, economic, social, ecological and meteorological. This dynamic market is full of challenges, and I can prepare for some of them - such as the introduction of legal restrictions, where the process takes months and sometimes years, but some events are unexpected and adaptation skills and appropriate response to them are crucial. The difficulty of the food market also lies in the presence of many different entities - from food producers to distributors. The decisive unit is the consumer, and it is his purchasing decisions that ensure the existence and development of enterprises on the market.

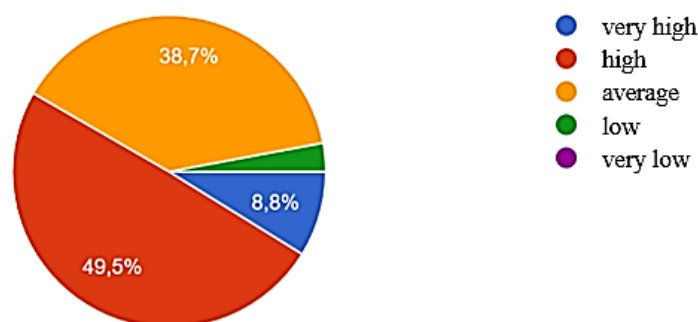
The article cites the challenges that food market enterprises have had to face in recent years. The results of own research on consumer awareness were also presented. The aim of this article is to examine the food market in Poland and show the most important challenges of this market in the context of growing consumer awareness.

## **2. Consumer awareness**

Consumer behavior and their attitudes are characterized by great diversity and interdisciplinarity. The importance of consumer behavior can be related to economics, sociology and psychology. Some definitions emphasize the importance of consumer needs and define consumer behavior as a way of hierarchizing their needs (Rudnicki, 2012). Other explanations focus on the multitude of activities involved in consumer behavior and define them as everything that precedes, occurs during, and follows the consumer's purchase of goods and services (Falkowski, 2009). The complexity of this term and the factors influencing it also comes from the fact that it covers all activities related to the purchasing process, i.e. purchasing, possessing, using and evaluating products and services. The combination of many factors and stimuli often does not depend on the company itself (Burlita et al., 2020).

The determinants of consumer behavior can be determined in two ways - by factors that the consumer consciously reacts to and makes decisions under their influence, and by factors whose influence is independent of the buyer's will. It is not always possible to determine the degree of influence of a given factor and what determined the consumer to make a purchase decision (Zaniewska, Kobylińska, 2023). Consumer behavior and, consequently, purchasing decisions are shaped based on many economic, cultural, social and even ethical stimuli and factors. The importance of these factors is built not only by individual awareness, but also by society's awareness, which results mainly from the level of development of a given country.

Own research on consumer awareness took place in May 2024 through a survey. 204 people were surveyed and the survey concerned consumer awareness on the food market. Volunteers aged 18-65 took part in the study. According to the survey results, 82.4% confirm consumer awareness. Interestingly, 80% of the surveyed women consider themselves conscious consumers, while among the surveyed men this percentage is 85%. A total of 58.3% declare their ecological awareness to be good and very good, as shown in the chart below.



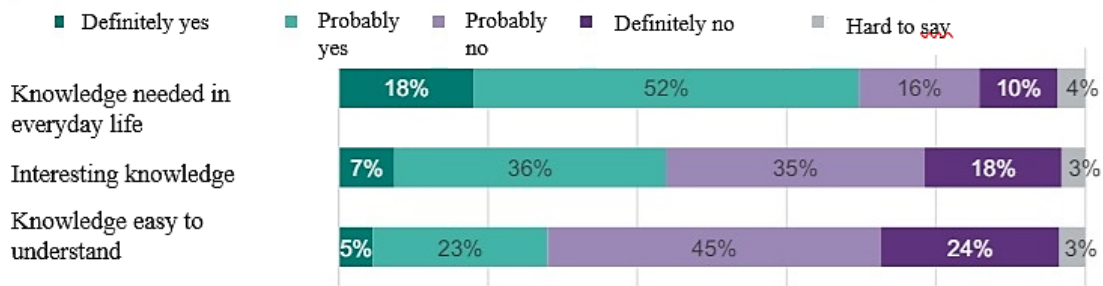
**Figure 1.** Survey question "How do you rate your ecological awareness".

Source: own study based on survey research.

Ecological awareness is the awareness of people's dependence on the rest of nature and the awareness of the impact that human activities have on the surrounding environment. It means not only the appropriate level of knowledge, but also its emotional assimilation, which causes specific purchasing decisions to be made (Sowa, 2018). Consumers' ecological awareness has a great impact on the food market. Their purchasing decisions are a sign of changes for food producers and distributors. The main change, for both health and environmental reasons, is the greater consumption of more environmentally friendly food and drink products (<https://odr.pl/...>, 2021). The ecological awareness of food market consumers is reflected in their purchasing choices, and the most desired products are the least processed, e.g. milk, water, coconut water or plant drinks.

Consumer awareness, especially in ecological aspects, is built on the basis of information channels. The results of the EFSA Eurobarometer show that the main source of information on risk factors related to food consumption in the EU is television (69%) and the Internet (46%). Other sources of information are: press (38%), radio (25%). Respondents from Poland indicated family and friends (38%) as sources of information more often than the press (23%). A significant number of respondents from Poland (58%) declared that they changed their purchasing decisions under the influence of information obtained about possible risk factors related to the consumption of given products, of which 22% changed them permanently (<https://ncez.pzh.gov.pl/...>, 2024).

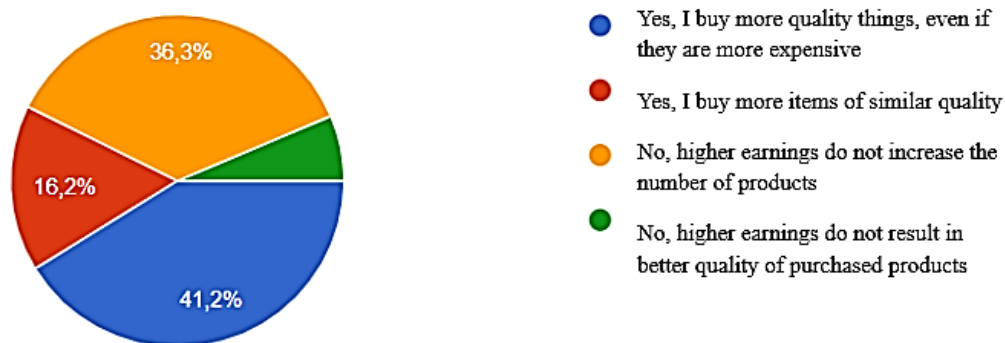
Economic (or financial) awareness is a combination of financial knowledge and consumer behavior and attitudes. The level of economic awareness is difficult to estimate and depends on many factors, including: demographics, related to previous education, attitudes and economic experiences. An important factor, directly related to demographics, is the freedom and level of use of media and new technologies. Surveys of the economic awareness of Poles are carried out periodically by the National Bank of Poland (the last published ones are from 2020) and the results show that the self-assessment of Poles' economic knowledge is quite low, only 8% believe that their economic knowledge is high. It is also interesting that in the years examined, no one declared their knowledge to be at a very high level (<https://nbp.pl/...>, 2022).



**Figure 2.** NBP survey: do you think that knowledge in the field of economics, finance and economics is necessary in everyday life, interesting and easy to understand?

Source: <https://nbp.pl/wp-content/uploads/2022/09/wiedza-ekonomiczna-polakow.pdf>.

Own research on consumer awareness also included the aspect of purchasing decisions based on income. It was examined whether the increase in earnings contributed to a change in the grocery shopping basket. Declaratively, 41.2% of respondents confirmed that as their income increases, they buy more quality things, even if they are more expensive.



**Figure 3.** Survey question: Does your grocery shopping basket change as your earnings increase?

Source: own study based on survey research.

Consumer awareness is unquestionably important. It affects not only the social sphere and health, but also many commercial and production industries. A specific case of a market where consumer awareness is/should be a strong decision-making stimulus for many entities - from producers, distributors to consumers, is the food market.

### 3. Specificity of the food market in Poland

The food sector is one of the fastest growing branches of the Polish economy. Poland is the sixth largest market in Europe, and the potential - calculated in the number of inhabitants in 2023 - is nearly 37.7 million<sup>1</sup> (<https://stat.gov.pl/...>, 2023). The number of grocery stores in Poland, according to data from 2023, exceeds 90,000. Although the food industry still

<sup>1</sup> Data from the Central Statistical Office do not include Ukrainian citizens who came to Poland due to hostilities and received PESEL.

dominates in Poland in terms of the number of retail outlets, there is a clear trend of store closures. The grocery store sector is shrinking mainly with small, independent outlets. Retail chains such as the Portuguese Biedronka or the German Lidl are still growing in strength, both in terms of financial results and the number of stores in Poland. Local, independent stores are being replaced by another chain store - Żabka, the company opened 1,000 stores in Poland in 2023 alone. shops. There are 10,000 of them in total, which is over 11% of all grocery stores in Poland. For comparison, there are 850 Lidl Polska discount stores in Poland (less than 1% of all grocery stores in Poland).

For many years, the importance of large enterprises has been increasing in the Polish food industry, at the expense of medium, small and micro companies. This is evidenced by the increase in the share of the largest units in the value of sold production of this sector, the weakening position of small and medium-sized enterprises, and the decreasing share of micro companies. Data on the entity structures of individual departments producing food and beverages confirm large inter-industry diversification, which is also important for the functioning of food producers during the pandemic. Individual sectors of the food industry can be divided into (Szajner, Szczepaniak, 2020):

- highly fragmented, in which 20-40% of production is produced by small companies (bakery, milling, pasta production),
- fragmented, in which 10-20% of production is produced by small industrial companies (meat, fruit and vegetable, feed),
- with a high degree of concentration - sugar (in which 100% of production is produced by large companies), tobacco (98%), brewing (90%), soft drinks (78%), sweets (76%), dairy (72%), fish (70%) and durable confectionery, oil, food concentrates and spirits, in which over 60% of the sold production is produced by large companies.

Grocery stores in Poland have a strong influence on each other. The failure of some may be the success of others. Competition is most noticeable during holiday seasons, with special offers. However, cooperation between food market entities is mostly competitive rather than cooperative. An example of such competition is Biedronka and Lidl. Their marketing taunts have become the subject of both serious industry analyzes and internet jokes. However, it all comes down to one thing - increasing the popularity of brands or maintaining the popularity of these brands ([https://businessinsider.com.pl/...](https://businessinsider.com.pl/), 2024). However, it should be emphasized that grocery stores are not the only entities operating on the food market in Poland. These are also food producers, distributors and entities providing indirect services such as handling, processing and storage.

The specificity of the food industry results from a variety of goods - in terms of quality, price, ecology, origin and durability. The food market in Poland is a difficult market, for example due to weather changes, on which the acquisition of raw materials and the entire production are strongly dependent. An important building block of the Polish food market is being a producer and exporter of fruit (apples, raspberries, black currants, blueberries),

vegetables, meat (poultry, pork), and dairy products. The processing industry in Poland also includes the production of tobacco and alcohol, which also belong to the list of food products. Polish producers are highly competitive both in the EU and in the world.

## **4. Selected challenges of the food market**

The rules and norms prevailing on the food market are not always the same and the events they are subject to are often beyond their control. In recent years, many events in the economic, political and social sphere have been observed in Poland, which have transformed the functioning of this market.

### **4.1. Pandemic COVID-19**

The economic reality on the food market has been disrupted by the outbreak of the COVID-19 pandemic and its consequences. Introducing restrictions on the number of people in stores, new health protection and hygiene rules, including: the obligation to wear masks, plexiglass windows at checkouts, as well as the increase in demand for online shopping were reflected in the financial results of food industry enterprises. However, food producers have been less affected by the effects of the COVID-19 pandemic than other industrial processing sectors, because the products manufactured in this sector are first-need products and are therefore characterized by lower income elasticity of demand. However, it is not clear that this impact was clearly negative. Changes in rules forced enterprises to be even more flexible and quick in adapting to new conditions. The fact that society bakes bread more at home translates into lower bread sales, but also into an increase in demand for flour and yeast. The biggest problem for every company was maintaining production in the event that the plant was infected with the SARS-CoV-2 virus. Such cases have already occurred, but food companies dealt with them and there was no need to completely stop production. The actions taken concerned the reorganization of activities in the areas of departments where infections occurred among the staff. The preventive actions undertaken by food companies undoubtedly contributed to mitigating potential problems on the supply side, but despite this, production declines occurred in some market segments (Żurek, Rudy, 2024).

### **4.2. Brexit**

Brexit also undoubtedly had an impact, in particular on some food producers in Poland. The impact of Brexit on the food market in Poland results from significant trade exchanges between the UK and Poland before Brexit. This primarily concerns the availability and prices of products from Great Britain that are sold in Poland.

In 2019, the value of poultry meat exports to the British market alone accounted for 14% of all exports from Poland. Great Britain was one of the most important buyers of Polish meat products such as sausages, cold cuts, unprocessed pork and beef. From January 31, 2024, EU exporters of chilled and frozen meat, fish, cheese and dairy products must present sanitary certificates signed by a veterinarian at the border. This introduces both delays and price increases. And from May 1, 2024, physical shipment controls and higher costs have also been introduced, which further limit the availability and freshness of food products such as cold meats, cheeses, pasta and olive oils. In addition, the British market was an important importer of chocolate products, buttermilk, yogurts, bread, cheese and cigarettes. It is also important that until 2019, Poland had a significant surplus in the exchange of agricultural and food products with Great Britain. In 2019, the surplus amounted to EUR 2,140 million (<https://foodfakty.pl/...>, 2021).

Brexit not only means restrictions on the freedom of goods provided by the European Union, but also introduces numerous border controls in Great Britain, which make it difficult to import food products from EU countries. According to the British government, such controls will protect Great Britain against the appearance of diseases and plagues and will equalize the operating conditions for British exporters. In practice, such restrictions caused a number of delays in port operations and prompted some British exporters to refrain from selling (<https://www.rp.pl/...>, 2024).

### **4.3. War in Ukraine**

Another challenge with a political, social and economic background is the war in Ukraine. This affects both the demand and supply sides of the Polish food market. "Russian aggression against Ukraine creates a high risk of a short-term supply shock on the food market" (<https://www.pkobp.pl/...>, 2024). The limited flow of materials and raw materials was further hampered by the fact that Ukraine is not a member state of the European Union. Completely unblocking access to raw materials had the opposite effect - purchasing Ukrainian grain cheaply significantly influenced the price attractiveness offered by Polish producers. As a result, it caused a storm of negative emotions. This situation shows that even extraordinary market situations, such as war, must have their own legal framework to secure the interests of all countries involved.

Poland is not an important trade partner of Russia and Ukraine in the field of food. However, the side effects are much broader. There are warnings that the war, along with extreme weather caused by climate change and the post-pandemic economic shock, will fuel a global food crisis. The fertilizer market is closely linked to the food market. A few weeks ago, the two largest producers of nitrogen fertilizers in Poland announced the reduction or temporary suspension of production due to its unprofitability at current gas prices. Previously, similar decisions were made by major manufacturers in the European market (Perchla-Włosik, Wardzała, 2023).

## 5. Conclusions

The challenges that food market enterprises in Poland must face are related not only to extraordinary events such as a pandemic, Brexit or war, but also to the natural consequences of national and international economic decisions of countries. The free market in Poland is, on the one hand, a pass for many entrepreneurs, but also the elimination of local units, which is shown by the distribution of foreign capital on the Polish food market. Increased consumer awareness is not the only obvious, foreseeable challenge regarding the future of the food market. Growing EU requirements regarding environmental friendliness – primarily the green deal – and unrelenting negative social attitudes regarding this issue - the farmers' strike are just some of them. Undoubtedly, the interesting, dynamic but also difficult food market will face many systemic and situational changes in the coming years.

All these events had a direct or indirect impact on the economic situation in Poland in 2021-2023 and, consequently, on the growing level of inflation. High inflation and decreasing consumer purchasing power affect consumers' willingness and ability to make purchases. The results of research conducted in May 2024 show that a change in the financial situation does not always influence the purchasing decisions of Poles.

And finally, we should not forget about issues related to consumers themselves, or more broadly - the entire society. Consumer awareness, understood in so many aspects: ecological, economic, cultural, ethnic, aesthetic and ethical, is an important decision-making factor in purchases, also on the food market. Enterprises operating on the food market cannot ignore this issue. What is crucial is not only the awareness of the growing knowledge about the quality, origin, impact on health and economy of products, but also the adaptive skills of enterprises and their behavior on the market, so as to be able to use changing conditions to their advantage.

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