The nature of Greek society is changing rapidly as the country integrates with Europe. This has meant upheaval in the food industry. Where there used to be hundreds of artisanal producers supplying local grocers with short-life products, today it is estimated that two-thirds of all food is industrially processed. A growing proportion is sold in suburban supermarkets, pre-packed in small portions instead of being distributed in bulk and sold to weight in the shop. Shelf life has been extended to weeks by new preserving and packaging methods.

Greeks spend nearly twice as much on food as their European counterparts — a little over 40 per cent (on food beverages and tobacco) compared to 21 per cent in the Community as a whole. "People at the moment are consuming much more than in the past," says **Anastasios Anastassiades**, secretary of the **Federation of Greek Food Industries (SEBT)** "Secondly they are consuming higher quality products and more value added products and all companies in the sector are trying to produce novelties to attract more consumers. People used to cut an orange and eat it. Now they want the convenience of fresh orange juice." He estimates that value added has been growing in recent years at an average annual rate of 2 - 3 per cent.

Food is the largest branch of manufacturing both in terms of the numbers of companies and the numbers of persons it employs. It has the highest volume of assets as well as the greatest amount of debt. Sales outstrip all other branches and it is among the most profitable. Yet the food industry also includes some of the companies recording the largest losses.

The decade of the 1990s will see a process of rationalisation with the dominant, profitable companies securing an ever larger market share and small producers either going to the wall or being absorbed. Greek firms will have to compete with even bigger northern manufacturers within the single European market, though local producers have a significant advantage in that for many products there continues to be a preference for the distinctive flavour of Greek goods. This will change in time as tastes become increasingly bland — as evidenced by the rapid international growth of fast food outlets. Foreign products also face a disadvantage because of the high cost of transport of goods to Greece. Thus there is a tendency for multinational companies to buy into Greek firms and manufacture or package own brands locally. **Unilever, Nestlé, Kraft** and **BSN** are all players in the Greek market.

Larger Greek producers, anticipating the integrated European market next year, have been investing heavily to increase output both to secure domestic market share and to provide surplus for exports. Also, alliances have been forged with producers in other European countries to act as local distributors of imported products. These attract high profit margins — sometimes up to three times those on domestically produced goods. Occasionally such products are repacked and sold under the local company's brand name allowing them to establish a presence in lines which they cannot yet manufacture.

Export successes of manufactured foods have been limited except for the highly successful fruit canning and tomato paste markets. There have been a few significant exceptions such as Fage which has made major inroads into northern European markets with its industrially-produced, traditional-style yoghurts, and Canard Dore which exports up to 95 per cent of its output of duck meat products.

# Sector is Rapidly Evolving

**Aristide Simeonoglou:** "Companies which can modernise their plants, lower their costs and create new products, will survive"

The development of industrial scale food manufacturing came late to Greece. Historically, production was local with a close relationship between raw material producers and food processors. Milling and edible oil refining were the only industries of any size. Because of limited electrification and refrigeration, the only goods with national distribution were dry-packaged and tinned products.

Domestic products were protected by high tariff barriers but there was a fashion for foreign branded goods among those who could afford them, a tendency which continues today and on which the multinationals capitalise.

Trends began to change in the 1970s with the introduction of supermarkets. Domestic manufacturers moved increasingly into industrially produced packaged goods — particularly in the dairy and processed meats. Today there are an estimated 2,000 supermarkets and some 60,000 small stores across the country. "Supermarkets used to have shelf space to offer. Now, they are full and very tough on discounts," says SEBT president **Aristide Simeonoglou.**

The advent of chains, such as a **Vassilopoulos**, **Sklavenitis**, **Marinopoulos** and **Hellaspar**, drove many wholesalers out of business because the large groups were able to buy in bulk at even greater discounts than the middle men could command. Shopping patterns changed as more households acquired cars and families began buying in bulk once a week or even monthly. The trend squeezed the profitability of small to medium sized local groceries which, in trying to compete in the range of products, could only maintain expensive minimum stocks of each. Many of them have closed or been taken over by the chains.

The institution of the small late-night corner shop carrying a limited number of food essentials plus paper products, toiletries and tobacco continues to thrive because of the convenience factor and its role as a local meeting place. "We consider the traditional point of sale, not just as a retail outlet but as a social cell," says **Sotiris Seimanidis**, planning and communications division manager for Delta Dairy.

To support the smaller shops, manufacturers set up elaborate distribution networks. The cost of these operations has put further upward pressure on prices. "Ten years ago, we sold 40 per cent of our products directly to supermarkets and shops and 60 per cent to wholesalers," says Anastassiades who is also managing director of **Hellenic Biscuits**. "Today we sell 70 per cent directly and only 30 per cent to wholesalers."

Some outlets were too small even for the manufacturers to service. In these cases, the producers developed relations with agents who performed the wholesalers' function delivering a limited range of products to shops. Producers liked this arrangement because frequently they could persuade the agents to carry only their brand.

Now there is a new trend emerging: cash and carry. The Dutch based international wholesaler **Makro** has recently opened an outlet in Athens and plans two others — one in the capital and one in Thessaloniki. Such cash and carry operations will be able to command the same or larger discounts than the chains. Instead of having agents deliver, small shopkeepers will be able to collect limited quantities of a wide range of brands at relatively cheap prices, although they will have to offset their carriage costs against the savings.

Hypermarkets, such as **Continent Hellas**, the Greek affiliate of ▶

With the introduction of supermarkets in the 1970's, things began to change rapidly in the Greek food scene.


The foreign chains which recently entered the Greek market, such as Continent, are able to subsidise their food sales.

French retailer **Promodes**, are able to subsidise their food sales with the markup they command on durables and operate on tight margins, perhaps as low as 1- 2 per cent. Other outlets have been used to margins of up to 10 per cent and are demanding ever more discounts from producers in order to be able to compete. "It benefits consumers but not producers," says Anastassiades.