The food industry structure under the effect of increasing number of regional products and small processing entities in the Czech Republic

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1. Introduction

The food markets globalisation and global competition push food producers to merge in large companies operating on wide geographical area and building their strategies for placing their products on at least national or multinational level (Steenkamp and de Jong, 2010; Bunte, 2009). In contrast to this development, a range of factors contributed to the emergence of regional products and the development of short food supply chains (Kneafsey, 2013): either as a certain act of resistance to the globalization, disapproval with industrial, placeless, seasonless food (Benedek and Balász, 2014), the human health and the environment related reasons (Capt and Wawresky, 2014), looking for niche market (Loureiro and Hine, 2002) or others. In the Czech Republic, the food industry experienced acquisitions and FDI on one hand and increasing number of small processing entities on the other hand, leading toward a notably dual structure. Simultaneously, we can observe a rise of products introduced to the market aiming to benefit from their regional identity. In this context various groups of stakeholders launched actions to enhance producers´ and consumers´ focus on regional products. It includes top-down promotions organised by the government or self-organised coordinated by producers´ funded associations or even campaigns driven by retail chains. The accompanying attribute of these kinds of promotions become the establishment of different certifications handling with the regional origin. Thus a range of different marks appears on the market aiming to attract consumers´ attention by a special product´s characteristics.

The paper aims to understand the initial boom and later limbo of certification and marketing of regional products and their effects on the industry performance. Coming out from the identification of the different regional labelling schemes emerging in the country, the research investigates the characteristics of products and producers obtaining certified regional label, surveys opinion of actors in the food chain including consumers, analyses the performance of the schemes and discusses the future of regional labelling in the Czech Republic.

The paper is organised into six parts. After a brief literature review in the next section (2) we specify the conceptual framework (3) and methodology and data (4). In section five we briefly illustrate chosen features of the business environment, mainly concerning the food industry structural development in the country and the schemes of regional labelling. The core of the paper is the analysis of the survey among the holders of "Regional Brand" (one of the schemes) and the interviews with the other actors in the value chain including consumers (6). The analysis is completed by four case study stories in section seven. In the final part we sum up the findings and draw conclusions.

2. Literature review

In the public discourse regional or local food is mostly understood in the contrast to the industrial placeless food related to the global food chains. Due to the shift of production to specific states and regions, the long-distance shipment of foods increased. Weber and Matthew (2008) indicate that farm commodities overreach more than 1000 miles from field to table. Distancing those for whom the food is destined from the place of it´s production means that consumers know less about where their food comes from, and that the value added to food by farmers is captured by the downstream agribusiness (Kneafsey, 2013). Authors confirm that regional affiliation became an important consumers´ criterion (Lorenz, 2014; Verbeke, Rosen, 2002) and related product attribute perception may influence consumer preferences (van Ittersum et al., 2002).

Consumption of locally grown foods offers the marketing strategy for small and medium sized farms and food processors. There is a range of social, economic and environmental well-being such as the ability to regenerate the urban areas and to reconnect them to the rural regions (Jansenz and Sezer, 2013; Lyson 2005); to maintain the local traditions and knowledge (Hendrickson and Heffernan, 2002), to preserve the jobs by rural tourism (Skuras et al., 2006) and other advantages. To capture these benefits the foods re-location and short food supply chains has gained an important policy attention. Halloran and Martin (1989) and Onken and Bernard (2010) showed that since 1980s various state and federal programs provided sponsored marketing programs promoting agricultural products grown locally i.e. within the state. The EU countries were recently encouraged by the "CAP towards 2020" strategy (EC, 2010) and by the EU Regulation on Support for Rural Development (EC, 2013) to fund local marketing programs (Article 35), while several EU Member States have developed legal frameworks and incentives already before (Kneasfey, 2013).

Despite the increased attention of consumers and policy, numerous authors indicate that local food producers find it difficult to access the market, as in particular, the distribution was identified to be the challenge (Dreyer et al., 2014; Visser et al., 2013; Abatekassa and Peterson, 2011, Aramyan et al., 2007). On one hand local producers tend to use alternative marketing channels such as farmers markets, local selling networks, cooperatives or similar short supply schemes as they experienced that the traditional marketing channels make the local food not profitable or not competitive (Hingley et al., 2010, Dreyer 2014). On the other hand, findings appear that in some areas, traditional short supply channels for local food are saturated, or some consumers and producers don´t aim to participate in these direct to consumer market channels. Thus the improvement of market access for local foods remains an on-going challenge (Kolodinsky et al., 2014).

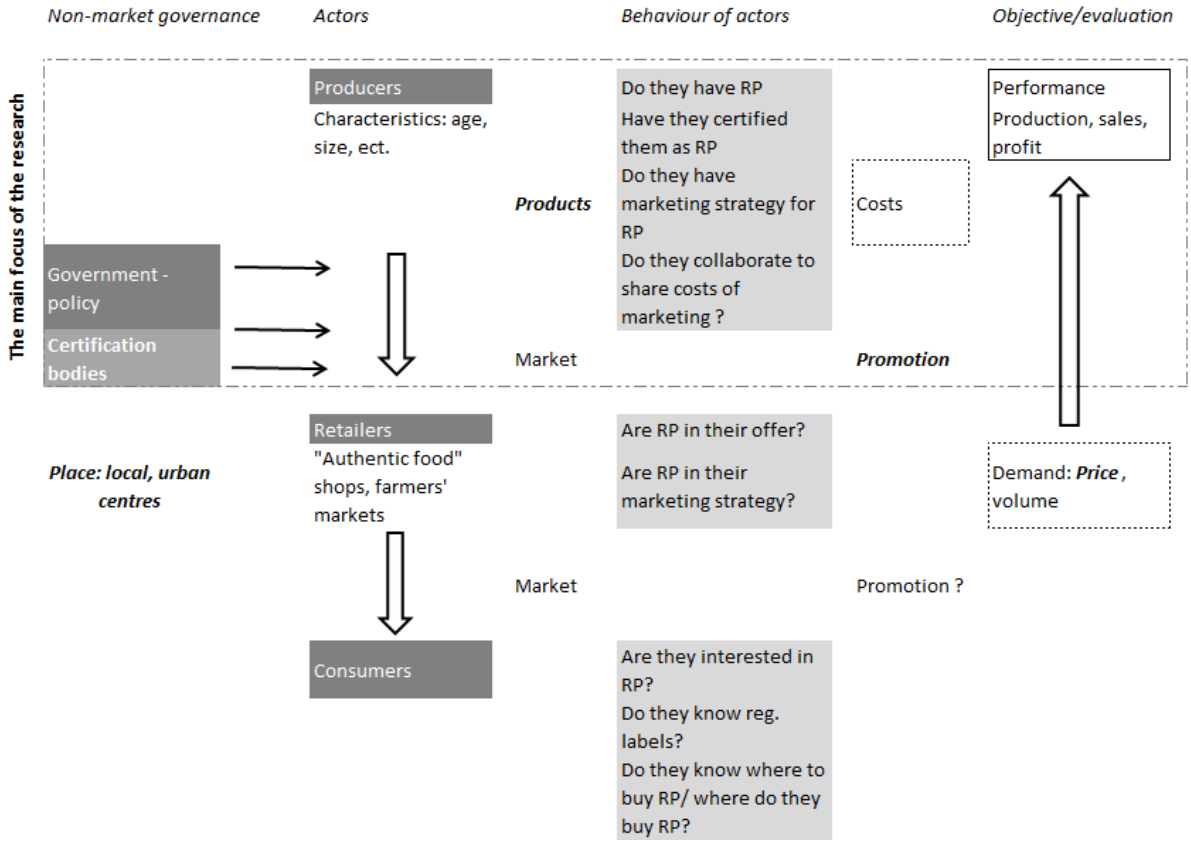
Labels and logos can be used to mediate the important information to consumers. To some degree they can serve as a kind of substitute of the face to face communication. As Kneasfey (2013) confirms they are of most importance when consumers are not buying directly from the producers while they are of less importance by the direct contact. Many countries developed labels and/or logos to indicate the regional origin (QM-Milch e.V., 2016; AMA, 2016). Lorenz (2014) enhanced that it was the means to support the local food producers when some German Federal States have established state regional labels.

As the labels and logos themselves don´t bear the explanation texts it is to communicate elsewhere the main characteristics represented and guaranteed. Van Ittersum et al. (2003) points out that the region of origin represents a credence attribute which consumers cannot verify, thus their acceptation depends on the communication. Based on a range of studies, consumers perceive the "regionality" by a wide scale of products characteristics. Usually the most quoted features are freshness, good taste, nutritional quality, transparency, relation to traditional cuisine, as well as environmentally and socially sustainability (Henseleit at al., 2007; Morris and Kirwan, 2010), some kind of specialties features coming from the raw material itself, from it´s origin or from the processing method, small-scale foods (Dreyer, 2013), better tasting (Jones, 2014) and others. In order to avoid consumers´ disappointment and to build their confidence, it is to communicate the regional characteristics in a transparent way. In other words, once the logos and labels become the means of communication, it is to use them clearly and functionally.

3. Conceptual framework

The initial point of our thoughts about regional products rested that the fact of the presence of about 30 regional labels (regions certifying the origin of products) and continuous high interest of producers to participate in the governmental contest for regional product award confirmed the benefit of regional labelling and localised production. Thus we thought on concentrating on differences in the approaches among producers with the aim to show (econometrically) which of them lead to better outcomes. However, we have learned from the talk with the Association of Regional Brands that the situation is far from being optimistic that the movement of the regional products has got stuck. Actually the Association seeks a way how to promote the movement again. In this context, the Association has welcomed our initiative, believing that our research might provide important knowledge for needed change.

Figure 1 The conceptual framework



Source: own scheme

This is reflected in the conceptual framework (Figure 1) which is now more founded in marketing and institutional analysis. We look at actors both those in the chain and those who promote regional products/labels and their behavior. The farmers and food processors sell their labeled regional products in short chains: on farms, on farmers' markets or through specialized "authentic food" or healthy food shops. Both farmers and processors and retailers have their marketing strategies and behavior which are or not in line (coordinated). We investigate all the four P of the marketing mix strategies of actors (e.g. Kotler, 1967). Government and non-governmental organisations award, certify and control regional labels in order to promote local food production and consumption. Marketing and labelling practices promote sales of regional

food. We assess the performance of regional labeling by evaluating to which extent it promoted sales and price (revenue).

4. Methods and data

The descriptive and comparative analysis has been used for introducing the recent structural changes in food industry, particularly to identify those related to the expansion of short market chains. The industry data come from the Eurostat business statistics and beside the Czech Republic we also look at figures in the other EU member states. A brief presentation of the two regional label schemes is based on the official documents and completed by the interviews with the representatives of their implementation bodies. Another desk research was carried out to review web pages of the producers of certified regional products, the retailers of food and the certification bodies (organisers of the regional label schemes).

The empirical analysis builds on the online survey of experience and opinions of the producers participating in the "bottom-up" scheme of "Regional Brands", on the structured and semi-structured face-to-face interviews with retailers and consumers as well as on several case studies. It is worth to emphasise that we concentrated only on the producers participating in the schemes because we try to identify which characteristics, conditions and practices function better and why.

Before running any survey of actors we first interviewed the managers of the two main regional label schemes: the governmental "Regional foods" award and the independent "Association of Regional Brands". Then we approached by e-mail with the explanation of the purpose of the survey and the link to the online questionnaire all 426 farmers and manufacturers across the country having the certification of the member-regions in the Association of "Regional Brands". Together 160 (38 %) questionnaires returned. The on-line survey contained 37 questions covering actors' characteristics, the motives of the participation in the scheme, the performance, willingness to strengthen collective action in order to lower transaction costs and further expectations of regional labelling.

The material from the survey was completed by three case studies (called producers case studies) showing three illustrative examples of marketing strategies of "Regional Brand" holders.

In order to get the idea about the situation in the value chain we visited a) 20 specialised retail stores in large cities (Prague, Brno) and also outside urban areas - in four South Bohemian towns and interviewed the shop assistants. We visited 5 farmers' markets in Prague checking the offer of regional products and interviewing 20 their visitors (shoppers) investigating their attitude toward reginal products and labelling.

The questions in the online survey and in the structured and semi-structured interviews followed marketing mix approach as introduced in the conceptual framework (Figure 1). We used a simple statistical analysis deploying Chi Square Test and Fisher Exact Test to assess the relationships between characteristics of producers and product and marketing strategies on one hand, and the performance of regional labelling on the other hand.

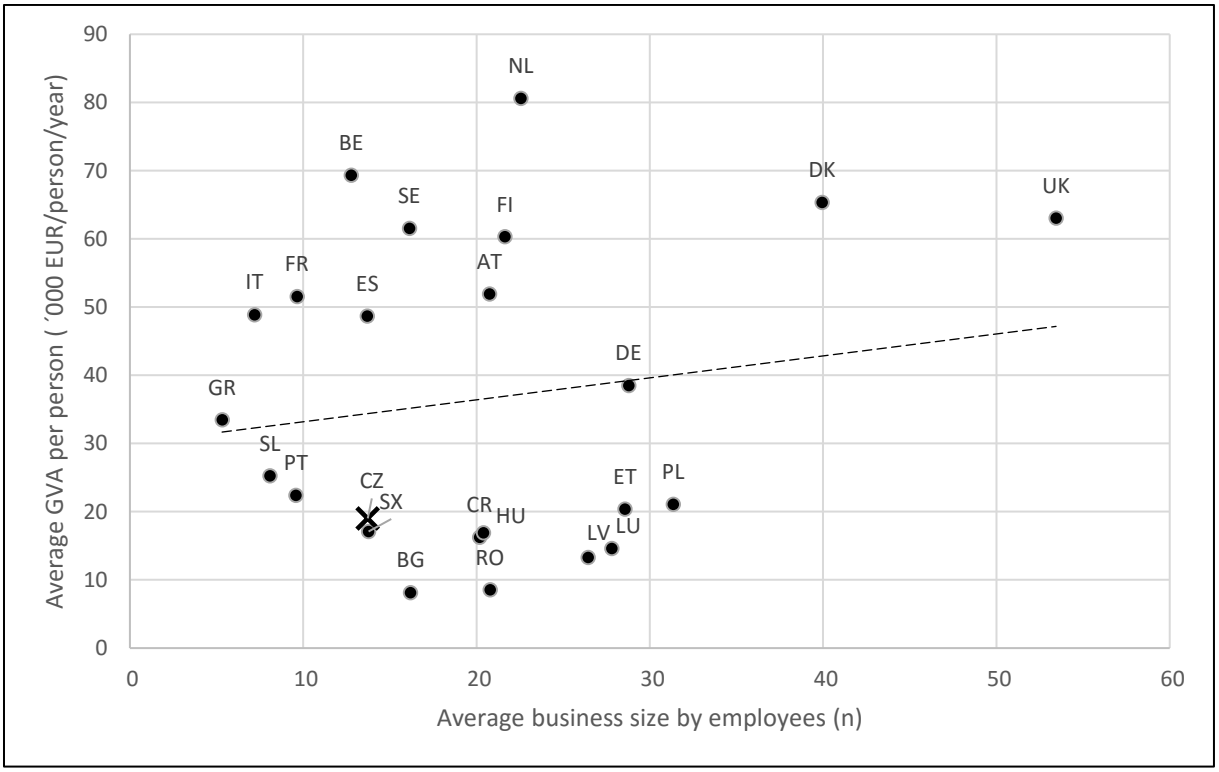
Finally, we carried out a case study on implementation of the "Regional Brand" scheme in the region Vysocina, particularly to investigate the broader scope of certification which includes also retailers who sell regional product.

5. Business context / structural development of food industry

The food industry in the Czech Republic features by both large companies, numerous of them multinationals like Nestle, Lactalis, Kraft foods/Mondelez, etc., and by plenty of small enterprises of employing just few persons. Recently, the latter category has showed progressive development, when within the years 2008 to 2014 the number of smallest enterprises with up to 9 employees increased by 48 %. In contrast, in the same period the concentration of large food processors increased; the number of companies decreased by 8 %. In 2008, out of the total 5 582 food processing entities, the smallest businesses constituted 73% while seven years later their share on the total figure (now 7 313 entities) reached 82 %. It carried with it a significant increase of labour in the sector. In spite of this the efficiency of food industry as a whole measured by the GVA[1] per person increased by 0,6 % but the still positive figure was only due to more progressive improvements in entities from 50 to 249 employees: GVA/ person increased by 31% .

Comparing to other EU countries, food industry in the Czech Republic, with 13,7 employees per business and 19 000 euro GVA / person (in 2013) maintains its position of small sized and low labour efficient food processing sector (Figure 12). It is worth to note that also Germany (the neighbour with the strong business links to Czechia) experienced similar drop in average size and labour productivity if we compare the presented data to 2010 survey.

Figure 2 The relationship between the labour productivity (GVA per employee) and business size in the EU countries (year 2013)



Source: own calculation based on Eurostat data

[1] Gross Value Added

There have been series of direct and indirect government interventions to encourage short supply chains and to promote regional products since 2000. Among the most important ones were the measures of the Rural development programmes (RDP) for the periods of 2007-13, such as the measure supporting farm diversification (311), the rural micro business establishment (312), support to tourism (313) and the support of local action groups and their projects Axis 4 / LEADER. In addition, there were several national initiatives to the quality food and its visibility to consumers including the governmental quality label "Klasa" and the regional label "Regional Food"[2] , the support to farmers' markets[3], the label of the food origin "The Czech product, guaranteed by the Foods chamber"[4], or private web based initiatives like "Find your producer" or publicly and privately organised farm and food festivals.

Two institutional platforms certifying regional products have appeared to be most prominent: The government (the Ministry of Agriculture (MoA) established the labelling programme "Regional Food". It is an annual contest in which a limited number of the best products of regional origin is awarded a certificate of the quality with the right to use the logo "Regional Food" for four years. The competition is opened for small and midsized enterprises (SME) and the winning products are designated to use the award for four years. The program, running since 2007 and sourcing around EUR 2.7 million annually, is accompanied by the government information campaign and promotion activities including occasional direct supports to the participation in food exhibitions or consumers lottery. The list of certified products included 475 items in 2016. The logo, showing a schematic picture of the typical Czech countryside complemented by the words "Regional foods", is identical for all regions, which are defined in accordance to the official NUTS 3 administration.

The other dominant platform, now coordinated by the "Association of Regional Brands" (ARB) was initiated by the governmental programmes in the early 2000s aiming at enhancing the attractiveness of several well-established tourist regions by pointing out local products as a new tourist goal while providing job opportunities to the local communities. The key role in the enlargement of the program played the LAGs, acting as the initiators and organisers of the local stakeholders. They involved not only producers from numerous traditional tourist areas but, having achieved the consensus of local stakeholders, they managed to define also new regions. During one decade, the initial rather isolated attempt progressed to a self-organised collective action. In 2016 ARB involved 27 member regions with 450 certified food products. In most regions the "Regional Brand" is not restricted to food but also handcraft products and tourist services are covered. The tourism remains one of the marketing objectives. The individual regional logos follow the similar design, however, each of the regions has it´ s own variant indicating also the region´s name and character. The certification criteria include the product name (with the preference to the local names), the production being located in the regions, raw materials coming from the region to large extent, at least 5 year product history, originality, unique quality, handmade work and environment friendliness. The weakness rest in the implementation; not all criteria have to be met for getting the certificate.

[2] both of the Ministry of Agriculture
[3] of the Ministry of Environment
[4] of the Federation of the Food and Drink Industries of the Czech Republic (FFDI)

6. Results of the surveys

Producers

The survey addressed to all foods producers with the ARB certification has been replied by 62 (39 %) women and 98 (61 %) men. Out of all, 63 % respondents produce their goods in the rural area (below 2 000 inhabitants) and only 14 % in the city of over 10 000 inhabitants. Together 42 % of respondents produce and distribute their goods with less than 2 person fulltime equivalent and 78% respondents are businesses with less than 9 persons[5]. In the survey we recognised 16 categories of food products, the most frequently certified food products are jams and canned fruits (20%), dairy and meat products (each 10 %). Most of respondents (81 %) indicated that the price of their certified products did not differ from to the similar non labelled products. The rest believe that the price is substantially (on average 20 %) higher. The question about the selling place offered choosing more options. Almost 90 % of respondents sell their certified products in their own shop, 46 % in a specialised retailer shop and 50 % at farmers markets. The internet selling is used by 30 % of respondents. Other selling places are mainly tourist points and tourist events as well as restaurants and other gastro facilities.

Table 1 The effect of marketing practices on the performance of labelling. The results of Chi Square test

		Stabilisation of sales	Production expansion			Stabilisation of sales	Production expansion
Product	Conserved	+		Place	Own shop		**
	Processed				Farmers markets		
	Fresh				Specialised retailer	**	
	Chi Sq test	*			Supermarkets		
Advertisement	Own web				Internet sales		
	Web of others	**	*	Marketing res.	Marketing research (desk res. or survey)	**	
	Web of ARL						
	Printed Leaflets	*					
	Presentation at ARL or other events						
	** significant at 0.05		* significant at 0.1			+ the cat. with high infl.	

Source: own results based on the survey of 160 holders of the regional labels

Among the three surveyed indicators of the effects of regional labelling it appeared that most positive effect can be found on the stabilisation of sales with 28% of answers of positive effects. In contrast, regional certification of products led to the expansion of production only in 19% of cases and the profit increased only by 3% of respondents. Therefore, it is mainly the stabilization of sales we use in the further analysis of producers' marketing practices. It is worth to stress that there is great overlap (23 cases) between the expansion of production (31) and stabilization of sales (45)

[5] The threshold 9 refers to the smallest category of producers in the official statistical surveys.

Using contingency tables and Chi Square tests we investigate the influence of marketing practices on the performance – sales and production. The results are summarized in (Table 1)

We have grouped the original 16 categories of products in three broader clusters to get sufficient number of responses in each cluster: i) "conserved" which include jams, canned fruits and vegetables, honey and alcoholic drinks, ii) "processed" covering meat and dairy products, and bread and pastry, and iii) fresh food like potatoes, fruits, vegetables, fresh meat and fish. The test confirms (does not reject) the association between the category of products and the effect of labelling on the stabilisation of sales at the significance level $\alpha=0.1$; we can also show that conserved products perform better than the others (+).

Concerning the place we can show the influence of the marketing channel on the performance: namely own shop is associated negatively with the expansion of production (i.e. producers without own shop expanded more frequently their production) while selling through specialised retailers seems to have positive impact on the stabilisation of sales.

We also found that using the web of others provides benefit in terms of stabilisation of sale and expansion of the production. And also printed leaflets are good means of communication since those who did it more frequently experienced the stabilisation of sales.

Finally we asked if respondents (regional label holders) conducted some kind of marketing research (desk or own survey of customers). Not many did it – only about one quarter, but if they did it they were more frequently rewarded by stabilisation of sale.

Thus we can conclude that well conducted marketing mix lead to better performance of regional labelling, particularly to the stabilisation of sales. In turn it means that regional labelling cannot substitute other marketing practices.

Retailers

If regional products are to reach a larger number of consumers i.e. if the market of regional products is to expand the retail sector has to change. Actually, we can observe a change in terms of declining general grocery stores and expansion of specialised retail chains with "authentic/ quality food". This change is a bit hidden in the statistics where the small shops' share on food sales declined to only 10% in 2016 (GFK, 2016). By their names, the specialized retail chains frequently evoke the short supply chain and food authenticity (such as "Harvested", "Countrylife", "Our farm" etc.) or their focus to healthy nutrition, e.g. "Biostore", Healthy shop".

To get a view how (or even if) these specialised grocery stores do facilitate sales of the labelled regional products we conducted brief interviews with their shop assistants (Table 2). In the 20 visited grocery stores we found only few products with Czech regional labels among the rich variety of food products; usually we found up to 3 ones. The shop assistants confirmed that consumers are interested in the information on the store products but they rarely ask about regional labelling (or even regional origin). The interviews also showed the imbalance between consumers' desire for information and the actual information supply/availability in the shop[6]. The most frequently asked questions concerned the ingredients including organic production

[6] Some retailers have internet pages where the customers can learn more about the products.

origin, production location[7], on-farm practises, animal diet, the quality in general and healthy impacts. Concerning the products with certified regional labels, most of assistants transfer only a very basic information. One third of stores are equipped with the additional information leaflets from producers and occasionally producers organise tasting promotions.

Table 2 Selling practises in specialised food stores.

	Question	# anwers	Yes %
	Do you sell regional products	20	100
	Do you have any instructions from the producer how to offer the product	20	35
Instructions from producer	Shall you mention some properties of the product	7	43
	Shall you mention the region of the product origin	7	14
	Shall you mention some characteristics of the producer	7	29
	Or anything else?	7	0
	Shall you mention that the prodict has a regional label	6	0
	Do you stress the properties and the origin of the product when selling it?	20	75
Assistant´s activity	Do you tell the customer that the product is certified (regionally)	19	16
	Do customers want to learn about the product?	19	74
	Do customers mention/ask that/if the product is certified.	19	0
Customers´ attention	Do you think the customers buy products because they come from a region?	20	50
	Do you think the customers buy products because these have certain qualities?	20	100

Source: own results based on the survey of 20 specialize store retailers

Consumers

As mentioned earlier we conducted only a small indicative survey of consumers visiting farmers'markets. The reason for choosing farmers' markets was twofold: a) we assumed (based on the case studies of the earlier project FARMPATH (2012), ZAGATA (2012) that farmers' markets were supplied by regional products almost by definition (farmers and small food processors come to local town market places or further cities to sell their produce); b) it was easier to approach the customers in the open markets than at the door of shops. The sample includes 20 customers of four Prague farmers' markets. We distinguish four age clusters (<30 [20%], 31-50 [35%], 50-65 [25%] and >65[20%] and three income clusters (<CZK 25 000 [30%], CZK 25 000 - 40 000 [45%], > CZK40 000 [25%] dispensable per person and month. In statistical testing we worked with only two clusters (below and over 50 and below and over CZK 25 000). Eighty per cent of the interviewed persons visited the market at least once a week.

The awareness of the existence of regional labels (both the "regional food" and the "certified regional labels") is rather low, only 11 respondents knew the logos. It can be shown that the awareness depends on the age (Fisher exact rest, α=0.1); the younger (below 50) expressed the

[7] It is obviously close to regional origin but not the same.

familiarity with the labels more frequently. However, 10 of the 11 aware shoppers (91%) expressed that they are not affected by the labels in their choice.

The State Agricultural Intervention Fund (paying agency) carried out an extensive survey of consumers about their perception of the governmental "regional food" label in 2015 (SZIF, 2016). The study uses two samples: the sample of 1500 women between 25-55 years, and a smaller general population sample of about 550 respondents of both genders and age between 15 and 55 years. Three results of this study are highly relevant to our research

i) only a quarter of the target group respondents (women 25-55 years) and 15% of the general group (15 to 55 years including also men) were aware about the "regional food" label. Note that we found in our small sample that the group below 50 was more aware about the regional labels. For most of the aware respondents the "regional food" label was anyhow related more to the Czech food than to a specific region.
ii) Only two thirds of consumers aware of quality labels trust the labels.
iii) Most of people who have not experienced regional products before expressed that the label associates them with the landscape (Table 3).

Table 3 Consumer Associations regarding "regional food" label.

Immagination	The share of respondnets (%)
Landscape	72
Know place	45
Czech product	41
Clean environment	39

Source: SZIF 2016.

The important implication of the both investigation of the consumer behavior is that if regional labels are to be successful it will be important to communicate the relationship of food products to specific attributes of the regions like landscape, clean environment, experienced landscape (in touristic and recreational visits).

7. Case studies

We conducted four case studies: three on the behaviour of producers including a small goat farmer producing cheese, a large agricultural company with meat processing unit and a medium size dairy processor, and one on the organisation of the regional label in a particular region (Vysocina).

The "producer case studies" are characterised in Table 4. They are located in different regions and the processing units are in the country side. All three certified at least one product under the "regional label", two of them applied and were awarded the governmental "regional food" certificate.

All there have their own shop on the spot, the goat cheese producer has got also to other shops close to "wealthy" consumers. In contrast the other two producers do not concentrate on richer consumers who are willing to pay price premium for quality and the origin of the product. They rather supply common consumers. The first one principally insists on short marketing chain, the other two not. However, the large farm with meat processing actually serves local retailers while failed to have contract with a retailing chain. The blue cheese processor, on the other hand, sells its product through conventional channels (retail chains and wholesalers).

The three cases differ in marketing strategy: the goat cheese producers aim at product differentiation. Goat cheese is significantly more expensive than cow milk cheese (on average two up to three times), thus its consumption is more or less restricted to higher income groups. It seems the producer is successful in the focus on the niche market which is slowly expanding in terms of volume and varieties of products. It allows developing new products which are appreciated by consumers. Price in some respect is the attribute of the quality. Communication with consumers is crucial. However, the regional link i.e. regional label plays no role. Although the farm is a holder of the label for some products the logo is not placed on the packaging of the products. The certificate is displayed in the shop. On the web of this farm/producer there is neither logo of the regional label nor clear reference to the region of certification. The neighbour protected valley of high natural values is mentioned, but not the name of the region presented on the label/logo.

Table 4 Characteristics of the producer case studies.

	small farmer	*large farmer*	*medium size processor*
Location	detached farm in the countryside	countryside, in the large village	countryside, in the village
Product	Goat cheese, fresh, semi-mature	Sausages, pate	Blue cheese (Roquefort type)
Regional labels *)	"Regional Brand non-member"	govt. "Regional product" " Regional Brand member1"	govt. "Regional product" " Regional Brand member2"
Market (retailing)	Own shops on farm and in a medium size town 15 min from the capital city, hotels and restaurants in the capital city.	Local grocery stores, own shop on the farm.	Conventional market channels, own shop at the plant
Target consumers	Higher income group	Common	Common
Link to tourism	Yes	No	No
Product strategy	Quality product, introduction of new products, shift to value added products	Quality product, introduction of new products, shift to value added products	Single product, good quality (but basically the same as the competitors have]
Regional aspects in products/production	Local breed of goats	No particular	Owners of the plant a group of local farmers, milk only from them

Note: *) we point out the membership of the regional label (the organising body) in the Association of Regional Brands.

Source: own scheme

In contrast, the medium size dairy processor aims at market share and selling in bulks. It is one of three main domestic producers of the blue cheese. Any attempts to differentiate the product or to innovate the product were given-up time ago. The farm uses the common Czech name of the cheese (Niva) as the competitors. Thus the main strategy is to be "cost leader". The regionally certified "regional label" and the governmental "regional product" award add only to the reputation in respect to the retailers of wholesalers. The consumer does not know about

them since they are not put on the packaging (except the 2 kg loaf which is cut in the shop to small pieces and thus also not transmitted to consumers).

The large farm with meat processing unit has no clear marketing strategy. It is product focussed, they are stuck with it. In spite of having high quality tasty products the management only operationally place them on the market. It is a mixed farm with strong concentration on animal production, but surprisingly, the farm does not use its own meat in processing. The managers do not see particular link to the region which is worth to communicate with consumers. The regional label certificates are similarly to the previous case part of reputation, but in this case in the agricultural producers community. Thus we can see a lot of disconnections in the process which prevent the farm to build strategy and to believe in it.

Obviously, regional producers find difficult to place their certified products in the market. As pointed out earlier, even authentic food shops do not provide this opportunity generally. Region Vysocina is one of the few which has tried to establish a network of shops selling regional products. The managers of the organiser of the "Regional Brand Vysocina" (ZERA) underlined the need for such a network if the label is to be successful. She also mentioned that the inspiration came from the neighbour Austria. However, also ZERA sees that the movement has lost its drive. It is lack of money which prevent the organisation to provide more support and promotion to the local products. In effect, some producers hesitate to prolong their certification. As a part of the case study we visited four shops in the regional network (certified shops). The one called "Farmers' outlet" presented a number of certified "Regional Brand Vysocina" products. The shop assistant also confirmed the great concern of the owner to sell local product and to provide information on them to the customers. However, the situation was much less satisfactory ion the other shops. The shop assistants were not able to tell us how many and what regional product they had.

8. Discussion and conclusions

The basic precondition for regional labelling is the identity of regions. Regional identity comprises internal cohesion and social integrity, and external (outside the region) recognition (Paasi, 2011). Regional identity – symbols. Having no ambition to discuss the issue of regional identity in depth we would nevertheless like to point out that regional labelling

i) might serve as a mean of strengthening internal cohesion while providing market for local business
ii) will provide benefit for local business if the products are sold outside the region while contributing to the external recognition of the region

Thus labelling has its symbolic value and the business benefit from all the symbols promoting the identity of the regions. Goods and services are suitable for regional labelling if they have sufficient regional reference. This regional reference needs to be communicated to consumers by marketing mix. Price is likely the least important element in it. In contrast – product has to be specific to the region or produced under specific production condition resulting from the character of the region. The SZIF study: found that regional product should preferably refer to landscape, consumers' experience with (familiarity of) the place of production and clean environment if they are to have meaning to consumers.

The problem of the governmental scheme ("Regional Food" award) is the use of NUTS 3 as the reference; these were recently established (about 20 years ago) and thus have no much

regional identity (except some which are more or less in the border of the former regions). These regions are also pretty heterogeneous in terms of geomorphology, nature, agricultural production condition, traditions or settlement. Thus NUTS 3 regions can hardly be related to a specific landscape (perhaps except Vysocina (highlands)). Also consumer will find it difficult to feel familiar with the NUTS 3 region (perhaps except some regional nationalism, if it develops in the future).

In contrast, the "Regional Brands" [those integrated under the umbrella of the ARB] refer to smaller regions which have their histories and are known for specific landscape, amenities and cultural traditions. These factors help to constitute their identities internally and externally. Moreover, the regions have often their Local Action Group of LEADER. LEADER is aimed at strengthening local integrity and social cohesion, deploying the above mentioned factors. The by LAGs established "Regional Brands" have their symbolic value for the regional identity as well as they are potential instruments of external recognition - guiding visitors to the local products. This intention or concept is evident from many web pages of LAGS participating in this scheme[8]. The case of Vysocina region is a bit different, it a part of the identification process of the newly established NUTS 3 region promoted by the regional government[9].

In spite of such a good intentions and plans Regional Brands failed to reach consumers and generate benefit for local business (food producers in particular). We argue based on our research that three factors play the critical role in the failure

i) most of the certified food products have very weak reference to the region
ii) the regions are insufficiently recognised externally particularly in the relation to food production (contribution to the landscape, food tourism, clean environment)
iii) neither the participating producers feel that they are integrated in the collective interest to promote the identity of the region(and retailers) nor retailers and consumers.

The labels guarantee the origin of food, but have very little meaning to consumers if they do not get information which allows them to connect the label with landscape, particularly experienced landscape or clean environment or traditions. This "disconnection" between the region label and the consumer is why the authentic food shops do not build on the regional labels. Of course, retailers do very little for transferring the meaning of the regional labels to consumers.

In the end, producers exhibit very little trust and commitment to regional labels if they do not place the logos on the packaging of their products. Also, the feeling of collective is necessary, for example the producers should sell the products of the others in their shops since it constitutes or strengthens the image of the regional integrity.

Much more promotion is needed to regional recognition and association of regions with products. Labels have to refer to something the consumers know. It is the role of the organisers

[8] see for example the web page of the Moravian Karst LAG http://www.mas-moravsky-kras.cz/mas/lag-moravian-karst/regional-brand/

[9] The advantage is a certain homogeneity of the region from many perspective (geomorphological, natural, agri-environmental) , but the region was never unified in the history.

of the "Regional Brand" certification that it certifies something what has value for producers and consumers (see also Morris and Kirwan, 2010).

Another issue is connected to the fact that in most cases the producers of regional products are small. It is obviously costly for them to serve a number of shops with their products and even the costs of negotiating contracts (transaction costs) are for them too high (see also Kolodinsky et al., 2014). The ARB managed to develop the labelling system but there is no functional network for the distribution of products themselves and for the transfer of the information about the individual products attributes. ZERA has made an attempt in the right direction by certifying shops selling regional products (logos should be displayed in the shop) but also failed to create a functional network exhibiting a certain level of cohesion in marketing regional products.

It is evident from the case studies and it can be also identified in the survey that producers miss the opportunity even of the imperfect but existing system of regional origin labelling. They simply do not know what to do with the regional label in their marketing strategies. It can of course be that also the producers feel the disconnection between the label and the consumer, but similarly to retailers they do nothing for creating the connection.

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