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IMPACT OF SOCIO-ECONOMIC CHANGES FOR COMPETITIVENESS IN THE FOODSERVICE INDUSTRY

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ABSTRACT

The development of the foodservice industry is related to the social and economic changes taking place in last three decades. The sector is sensitive to economic and social trends. The author's main aim is to define the most important socio-economic changes which took place in Poland as a result of the political and economic transformation after 1989 and the impact which took place in competitiveness in the foodservice industry. The paper used secondary sources of information such as: data of the Główny Urząd Statystyczny (CSO), business reports, and industry newsletters and publications. The research period was the years 1988–2016. A comparative method was applied for the analysis of collected data and materials. Analysis shows that gastronomic business is one of the most vigorous sectors in Poland. Foodservice enterprises show a significant improvement in the quality and variety of services. Social and demographic trends as well as changing values in society and consumer perceptions promote the development of new opportunities and products in the foodservice industry. The foodservice industry is highly competitive.

Key words: enterprises, foodservice, development, socio-economic changes

INTRODUCTION

The transformation of the economic and social system in Poland began when it was almost commonly accepted that the economic system based on central management and state ownership lost in the competition with the system based on private property and individual entrepreneurship, market competition, coordinating role of prices and regulatory role of law. After 1989 when communism finished, Poland changed enormously. It started the process of the stabilisation of the economy. Blanchard [1997] and Gomułka [1998] point to a positive role of reforms before 1989, as a result of which the private sector in 1989 represented a much bigger share in the economy than others, the former USSR, and to more profound liberalising reforms in the initial period of transformation, which resulted in an extremely dynamic growth of the new private sector.

Year 1989 marked the beginning of the transition to a market economy. The change from central planning to a market economy has had a major impact on the foodservice industry. When the right to own private businesses was restored, many new foodservice

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businesses were opened. The Polish market had been closed to western countries and it changed. American fast food companies, such as McDonald's, KFC have opened numerous outlets in Poland during the 1990s.

Food consumption patterns have also undergone some substantial changes. Research into consumption and its elements is an up-to-date and important area of interest for numerous scholars who represent different domains of science. In the conditions of transformations observed in the economy of Poland, the levels and structures of Poles' consumption were determined by many socioeconomic factors and processes.

MATERIAL AND METHODS

The paper used secondary sources of information, such as data from the Główny Urząd Statystyczny (CSO), business reports, and industry newsletters and publications. The research period was the years 1988–2016. A comparative method was applied for the analysis of collected data and materials. This article presents and assesses transformations in the level and structure of consumption in the foodservice market by Poles in the period of economy marketisation, the period from 1988 to 2016. In some cases, more recent years than 1988 were adopted for analysis due to a lack of relevant data.

RESULTS AND DISCUSSION

Impact of socio-economics on the foodservice industry

Socio-economic factors are lifestyle components and measurements of both financial viability and social standing. They directly influence social privilege and levels of financial independence. Factors such as income, environment and education are studied by sociologists in terms of how they each affect human behaviours and circumstances. As lifestyle measurements, they are believed to be directly correlated to patterns of food choices, migration, disease prevalence and rates of mortality in human populations.

Socio-economic factors influences in the last 30 years have seen many changes in overall consumption, which primarily involves the increasing importance of services in general, including the foodservice.

The development of the foodservice industry undoubtedly is related to the social and economic changes taking place in recent years in Poland. Changes in the conditions and lifestyles should be emphasised in different socio-economic groups [Kowrygo 2000, Sala 2000, Payne 2002, Dąbrowska 2008].

Factors favouring the development of foodservice enterprises are also associated with the development of urbanisation, the expansion of cities, and the growing number of people in cities [Masłowski 2001, Gheribi 2015a].

The scale and structure of the foodservice business are impacted primarily by consumers. Demand conditions foodservice business development related to the level of economic development in terms of the macro (national product, unemployment rate) and the micro level (the income situation, the structure of expenditure, the socio-demographic-cultural households) [Sala 2011].

The move towards eating out is promoted by changes in consumer lifestyle as well as changes in the socio-demographic structure of the Polish population.

Some socio-economic and demographic factors that come into play are: economic growth; increasing the level of education and skills of the population; a change in the demographic structure of the population, a growing share of one- and two-person households; general increase in job involvement; increasing women's professional activity; large growth in consumer income individuals; increasing in spending on food services; increasing importance of convenience in eating out; more families living on two incomes; changes in the structure of free time; the impact of advertising and promotion by large food service chains; more people in the age group of 25 to 44 who are inclined to eat out often.

At the present time in Poland the possibility of increasing the efficiency of the market participants continues to develop, as evidenced by the macroeconomic indicators showing economic growth, unemployment and the demographic situation. Between 1990 (when Poland finally met the centrally-planned economy) and 2016, Poland's GDP per capita increased 7.3 times

– from USD 1,731 (in then current prices) to USD 12,500. In terms of the rate of growth, Poland beat all the states of the OECD and the whole of Europe. The country is ranked 13th in the global list based on the data of the World Bank [Cipiur 2017]. The increase of the GDP in Poland between 1990–2016 is shown in Figure 1. Over the last 25 years, the Polish economy doubled in size, as measured in terms of real GDP. Today Poland is the 8th largest economy in the EU in real GDP terms and can look back with pride on an impressive history of growth over more than two decades. Poland's growth has been based primarily on dynamic exports, strong internal demand, productivity improvements, foreign direct investment (FDI), and the inflow of the EU funds.

In the most obvious way, educational levels influence economic status, as higher paying jobs tend to require advanced or specialised education. Analysis of data from Figure 2 indicates that in the analysed period the number of people with a tertiary educational level significantly increased and dropped with primary and basic vocational. About 25% of Poland's population aged 24 or above has a university education.

The analysis of economic activity of the population aged 15 or more on the labour force surveys (LFS) basis in 1995–2016 that is shown in Figure 3 indicates that the number of unemployed women and men is decreasing, while the involvement in work is growing. This indicates an increase in general involvement in work.

While Poland's workers are well educated, they earn far less than Western European workers. Average monthly gross salaries are increasing in recent decades (Fig. 4) but still are less than in other Western European countries. Wages have been growing in Poland in the analysed period, but at a rate of only one percentage point faster than the consumer price index. The willingness to visit a restaurant increases with the size of income (both expected and current) [Brandhorst et al. 2017].

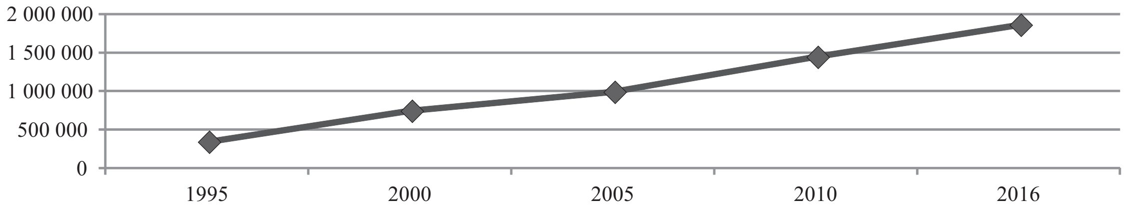

Fig. 1. Gross domestic product growth per capita between 1995 and 2016 (values in current prices in million PLN)

Source: Own calculation on the basis of the World Bank database.

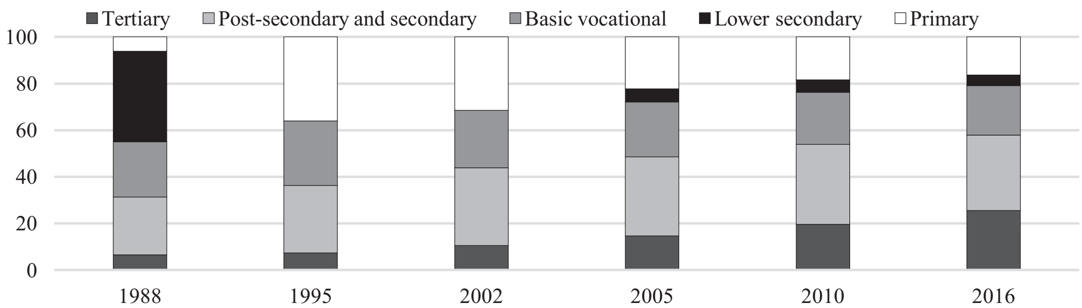

Fig. 2. Population aged 13 and more by educational level in the period 1988–2016 (%)

Source: Own calculation on the basis of the CSO database.

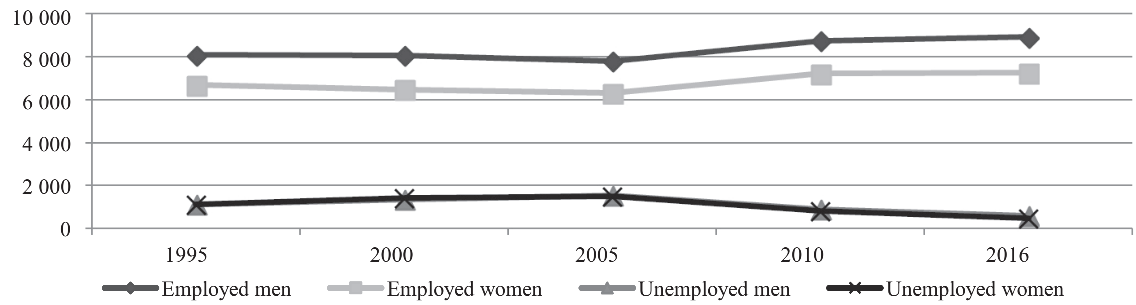

Fig. 3. Economic activity of population aged 15 and more on the labour force surveys basis in the period 1995–2016

Source: Own calculation on the basis of the CSO database.

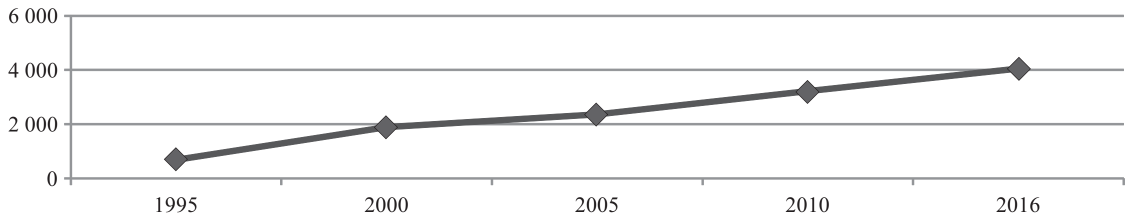

Fig. 4. Average monthly gross salaries in the period 1995–2016 (PLN)

Source: Own calculation on the basis of the CSO database.

The increase of income of the population took impact that Poles are more and more willing they eat outside the home.

The actual individual consumption of foodservice and accommodation in Poland in 2016 was PLN 41,449 million and was higher by 136.5% than in 2005 and per capita in 2016 was PLN 1,079.

One of most noticeable changes in eating habits of consumers in recent years is the increased incidence of meals eaten outside the home. The percentage of Poles aged 15+ who declared that they have visited a catering point in the last 12 months increased by as much as 8% compared to 2015 [Zimna 2017]. Restaurants, pizzerias and fast food are the most popular types of establishments visited by consumers [GfKPolonia 2017].

This upward trend is observed within the majority of consumers' socio-demographic groups as is shown in Figure 5. The highest expenditures on restaurants and hotels was incurred by the employees in non-manual labour positions (PLN 75.71 in 2016) and the self-employed (PLN 72.57 in 2016). The highest dynamics of changes in expenses for foodservices in 2016 compared to 2000 was observed among farmers (1,065%), retirees (572%) and pensioners (551%).

Despite the fact that in the analysed period, the increase in expenditure on restaurants and hotels was recorded in all the quintile groups, in addition it was noted that the highest expenditure was in quintile group V (PLN 112.28 in 2016), these were households in the best income situation. Expenses in this quintile group were 82.8–53.8% higher than in other groups. Analysis of the data from Figure 6 indicates a very strong relationship between the income situation of the household and the amount of expenses on foodservices.

Average monthly per capita expenditure on restaurants and hotels was increasing in all types of households. This expenditure decreased with the number of people in the household (Fig. 7). In addition, it was

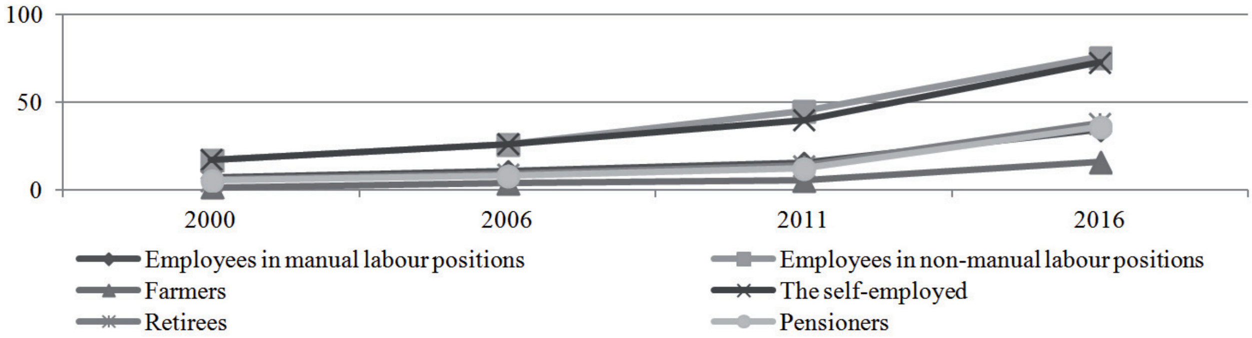

Fig. 5. Average monthly per capita expenditures on restaurants and hotels in households by socio-economic group of households in the period 2000–2016 (PLN)

Source: Own calculation on the basis of the CSO database.

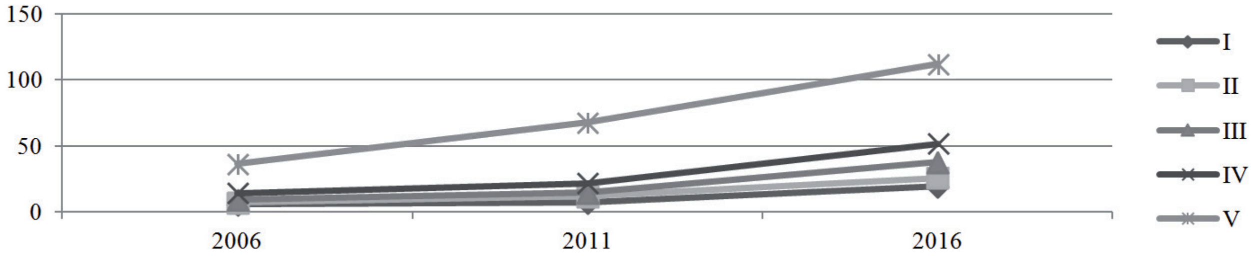

Fig. 6. Average monthly outgoings per capita in households by quintile groups on restaurants and hotels in the period 2006–2016 (PLN)

Source: Own calculation on the basis of the CSO database.

Fig. 7. Average monthly per capita expenditures on restaurants and hotels in households by number of persons in households in the period 2000–2016 (PLN)

Source: Own calculation on the basis of the CSO database.

noted that the highest expenditure was in one-person households (PLN 113.26 in 2016) and was higher by 49.6% than in two-person households.

Another factor significantly affecting the amount of expenditure on restaurants and hotels is the place of residence. In the analysing period, the average monthly per capita expenditure on restaurants and hotels was increasing in all households by class of locality (Fig. 8) but the highest expenditure was recorded in households living in cities of 500,000 and more residents (PLN 106.3 in 2016). It is worth emphasising that the foodservices offered in large cities are the most varied both in terms of the range of services and in prices [Gheribi 2017b]. This creates significant competition among operating companies, in connection with which, companies are fighting for customer satisfaction in order to provide the highest value.

The results obtained indicate the strong impact of socio-economic variables on the willingness to visit restaurants.

The GfK Polonia [2017] reports that price still remains the main determinant and barrier that does not allow some consumers to take advantage of the foodservice offers, but its significance significantly decreased compared to previous years. In my opinion however, it should be emphasised that price is not the barrier that does not allow some consumers to take advantage of the foodservice offers, but rather the low incomes of Poles. Own observations show that the prices of foodservice offers in Poland are very varied, but much lower than in other countries of Western Europe. It should be emphasised that the average monthly income 20% of people with the highest incomes (V quintile group) in 2016 amounted to PLN 2,879 per capita and was 5.2 times higher than the analogous income of 20% of those earning the lowest income (I quintile group). If consumers were to have higher incomes, they would be willing to use foodservices more often.

Education significantly differentiates the level of income as well as the expenditure of households. In households in which the reference person had higher education, the average monthly income per person was 41.3% higher than the national average, while expenses were higher by 38.7% [GUS 2017a].

In conclusion, it can be stated that the main target group of clients in the foodservice industry remain cities with population of over 100,000 residents, with high-income, a high level of education and single or two-person households. However, it should be noted that foodservice companies should consider targetting pensioners and retirees, because there is a lot of potential in them. Pensioners and retirees are a group of people who are very numerous and growing. “Population aging” is the increase of the number of older individuals in a society due to fertility declines and rising life expectancy. It is an irreversible global trend with far-reaching economic and socio-political consequences. Admittedly, the disposable income of these people is not very high in comparison with other countries of Western Europe, but they are willing to use the foodservice offers, and also have the added motiva-

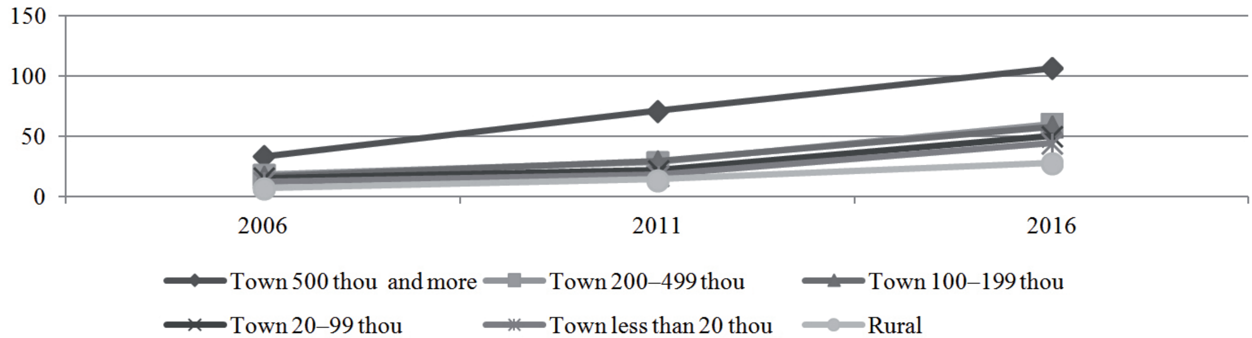

Fig. 8. Average monthly per capita expenditures on restaurants and hotels in households by class of locality in the period 2006–2016 (PLN)

Source: Own calculation on the basis of the CSO database.

tion of meeting with friends. Pensioners and retirees in 2016 occupied the third and fourth place in terms of the amount of expenses for foodservices. That is why I believe that this is a promising group of clients which foodservice operators should not forget. Oliwińska [2014] reports that the lifestyles and life patterns of retirees are changing, and there is a departure from passivity to activity. Factors that limit the activity of older people are, among others, socio-economic factors, of which the most important is low income, which limits participation in social life and various forms of recreation [Bojanowska 2014].

Changes in foodservice industry – sectoral analysis

Social and economic changes in Poland which started from 1980–1990 have influenced consumers, but also the market, and entrepreneurs who run companies in the foodservice industry.

During the period of creating the centrally managed economy in Poland, the foodservice industry belonged to the least developed links in the food economy. By 1980 the primarily socialised foodservice industry developed (84% of total number of foodservice establishments): state-owned and cooperative food services and, to a very small extent, private companies (16%).

In the 1990s, several factors changed the economic structure: the adoption of a new economic model, Poland's opening to the world, the internal balance on the market, and establishing a connection between production and the market's needs, depriving trade of all ideological underpinnings, technological changes, innovativeness, a change in the population's lifestyles, and many others.

The sellers' market turned into the buyers' market. Liquidated industrial jobs were replaced by new ones created in a broadly understood service sector.

Foodservice has gone through major changes and since the end of the last century has undergone a remarkable transformation. This refers to the number of outlets, types, forms of activities, as well as to the revenue size and structure. The Law of 1988 on conducting business and its legislation contributed the most to this process.

In 1989, private outlets accounted for about 46% of their total number, and currently the foodservice industry is almost entirely privately held (98.7% in 2016), which leads mainly to a broad choice and more efficient management (Fig. 9).

In the 1980s and 1990s, simple forms of foodservice dominated, mainly canteens, bars and food stands. In 1993 bars still dominated (41.5%) and food stands (45%) but as a result of economic changes many new types of previously unknown foodservices emerged. Until 2005 all types of foodservices were rapidly expanding, while in 2005–2013 only restaurants recorded the largest growth [Gheribi 2015]. Currently, the foodservice market is still dominated by food stands (35.2%) and bars (30.1%), but their share is steadily decreasing in favor of restaurants (28.3%) – Figure 10. The Polish foodservice market became similar to the world foodservice industry. The data of the CSO shows that the highest concentration of foodservice enterprises was in Mazowieckie Voivodship. In 2016 there were 5,277 foodservice enterprises and 1,205 restau-

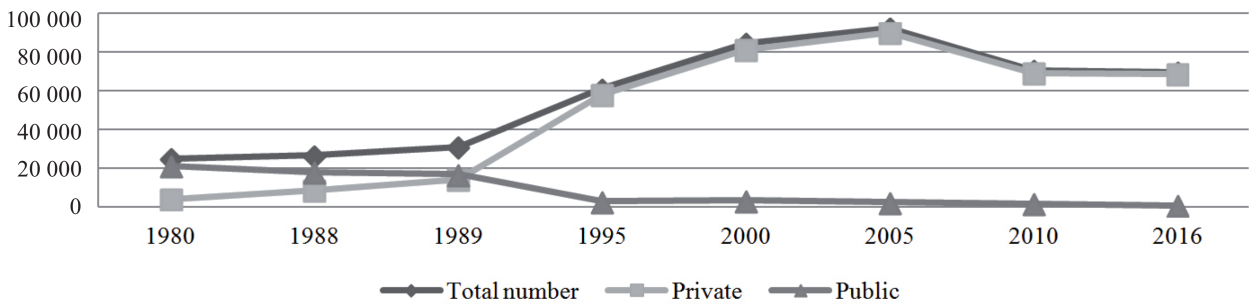

Fig. 9. Changes in numbers of foodservice establishments in Poland in the period 1980–2016

Source: Own calculation on the basis of the CSO database.

rants, which accounted for 26.9% of all foodservice enterprises in Poland and 20,36% of all restaurants in Poland [GUS 2017b]. In Warsaw, in 2016, there were 2,444 catering establishments, including 635 restaurants which indicate that approximately 50% of all facilities in the Mazowieckie Voivodship were located in Warsaw [GUS 2017a]. The increased number of foodservice companies positively influences the quality of the service provided, as companies compete for customer satisfaction. Restaurants represent higher quality services than a few years ago in both the property (interior, accessories), offered meals (breakfast, lunch, dinner, brunch) and services (home delivery, take away sales, organisation of events) [Gheribi 2013]. The increased number of foodservice companies in large agglomerations is due to demand from customers.

Nevertheless, the rising demand for foodservices contributes to an increase in revenue from gastronomic activities, which encourages this type of activity. In the 1980s and 1990s, revenues from foodservice were very small, because the foodservice enterprises were few and they were not as popular as today.

The revenue of foodservice enterprises is generated mainly by own-food production, followed by alcohol and tobacco sales. It is important to stress that the revenue generated by own-food production has been rapidly increasing. In 2016, own-production generated 80.6% of the total gastronomic activity revenue. In 1992–2016, the foodservice business in Poland

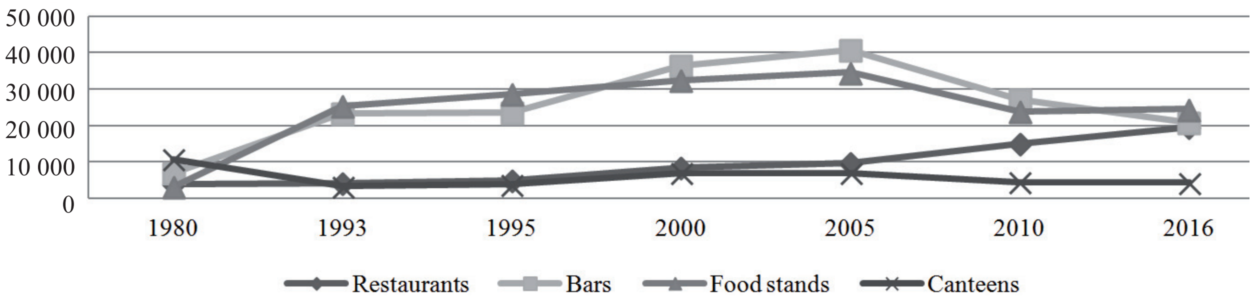

Fig. 10. Changes in structure of foodservice establishments in Poland in the period 1980–2016

Source: Own calculation on the basis of the CSO database.

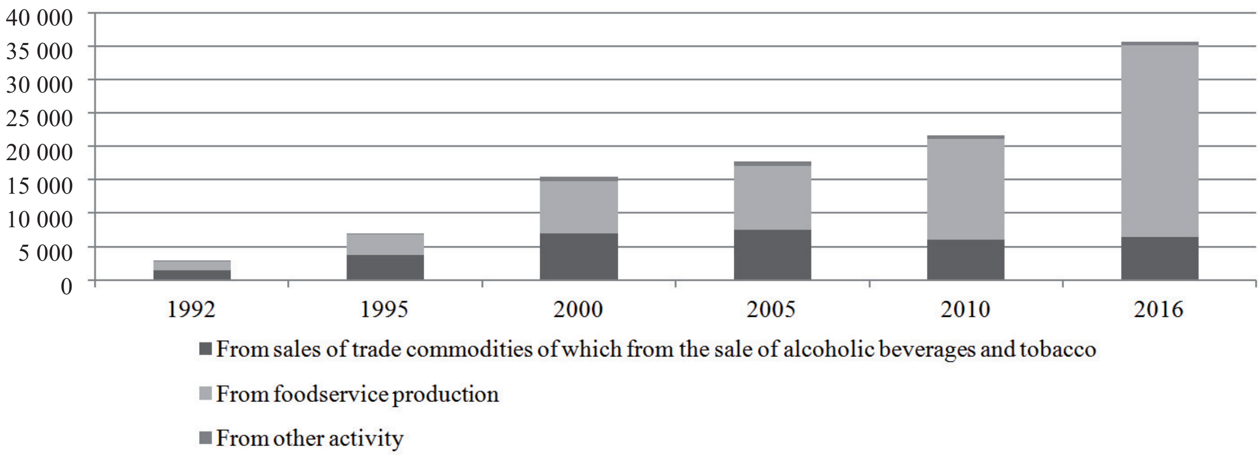

Fig. 11. Changes in revenues from foodservice activity in the period 1992–2016

Source: Own calculation on the basis of the CSO database.

maintained its value growth, which was attributed to increasing consumer confidence and a rising inclination to dine out, as is shown in Figure 13. In 2016, revenues amounted to PLN 356 million (current prices) and were higher by 64.49% compared with the year 2010, and 101.72% compared with the year 2005.

During the 1990s, American fast food companies, such as McDonald's and KFC, opened numerous outlets in Poland. One of the first chains in the foodservice industry in Poland was McDonald's, which opened the first restaurant in 1992 in Warsaw [Gheribi 2017a]. Currently in Poland McDonald's has 385 outlets in more than 150 cities, of which 249 are franchise outlets. Currently in Poland in the foodservice industry there are 204 concepts of network and 3,700 points [Profit System 2017]. McDonald's remains the most popular of foodservice chains. Almost half of Poles aged 15+ declared that they have visited the point of this network in the last 12 months. The KFC, Pizza Hut and Burger King chains also recorded a significant increase in popularity compared to 2015 [GfKPolonia 2017]. Leading global foodservice brands such as McDonald's, Pizza Hut, and Starbucks are opening their outlets in large agglomerations, and other international brands are planning to open there [Collers International 2015]. Increasing competition in the foodservice industry in Poland forces business operators to introduce more innovative offers and become more consumer oriented. Modern ways of communication with consumers are used, the Internet being a popular tool with access to such channels as outlets' websites, internet forums and social networks. According to the number of fans on the Facebook page, the most popular restaurant in Poland in 2017 was McDonald's with 1,530,614 fans, followed by KFC with 781,008 Facebook fans [Horecanet.pl 2017]. It is worth mentioning that the top 10 lists include not only global brands, but local, Polish ones, such as Da Grasso which was placed at number 7 with 121,600 fans. Da Grasso is among one of the largest players in Poland and it is the largest franchise pizza chain. The first restaurant founded by Da Grasso was in Łódź in 1996. Da Grasso has about 175 restaurants in 150 cities, and unlike the competition, Da Grasso has many locations in smaller towns as well.

CONCLUSION

The presented information in the analysed period confirms the continuous development of the foodservice industry in Poland. The development of the foodservice business undoubtedly is related to the social and economic changes taking place in last three decades. Supply data shows that the most dynamic growth comes from restaurants, and the primary and still-growing income share in foodservice comes from catering production. Data on the demand conditions proves that expenses on foodservices still dependent on the level of income, and rising Polish incomes brings hope for the consumer foodservice industry. The increased number of foodservice companies positively influences the quality of the service provided, as companies compete for customer satisfaction.

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WPŁYW ZMIAN SPOŁECZNO-EKONOMICZNYCH NA KONKURENCYJNOŚĆ W BRANŻY GASTRONOMICZNEJ

STRESZCZENIE

Rozwój branży gastronomicznej jest związany ze zmianami społeczno-gospodarczymi zachodzącymi w ostatnich trzech dekadach. Sektor ten jest wrażliwy na trendy gospodarcze i społeczne. Głównym celem pracy jest zdefiniowanie najważniejszych zmian społeczno-gospodarczych, jakie zaszły w Polsce w wyniku transformacji politycznej i gospodarczej po 1989 roku, oraz wpływu na konkurencyjność w branży gastronomicznej. W dokumencie wykorzystano źródła informacji, takie jak: dane GUS, raporty biznesowe i biuletyny branżowe. Badaniami objęto lata 1988–2016. Zastosowano metodę porównawczą do analizy zebranych danych i materiałów. Analiza pokazuje, że biznes gastronomiczny jest jednym z najbardziej dynamicznych sektorów w Polsce. Przedsiębiorstwa sektora spożywczego wykazują znaczną poprawę jakości i różnorodności usług. Trendy społeczne i demograficzne, a także zmieniające się wartości społeczne i mentalność konsumentów sprzyjają rozwojowi nowych możliwości i tworzeniu nowych produktów w branży gastronomicznej. Branża gastronomiczna jest silnie konkurencyjna.

Słowa kluczowe: przedsiębiorstwa, gastronomia, rozwój, zmiany społeczno-gospodarcze