



# **MARKET SYSTEM ANALYSIS**

## **FOR THE TRADITIONAL SWEET PRODUCERS IN KOSOVO**

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*Women employment opportunity*



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## EXECUTIVE SUMMARY

This market study was conducted by Enhancing Youth Employment (EYE) project in the period of June - September 2015. The purpose of the study was to understand the sub-sector dynamics, its growth potential, and its employment potential in the next two years. The study also aimed to increase its understanding about the export potential and the main challenges and core constraints of this sub-sector. This report assesses only commercial producers whose products can be found in local supermarkets. It does not take into account producers that sell directly to final consumers from their home.

The traditional sweet production ('baklava', 'sheqerpare' and 'tatlja') market has evolved as a new food sub-sector and developed tremendously in Kosovo in the last five years, with high potential for additional employment. The production infrastructure and the quantities have improved gradually but still not yet followed by the required food standards. This sub-sector is dominated by micro and small enterprises, which have grown solely by their own investment and hard work. Some new entrants in this market are former hypermarket employees who have previously worked in managing the stands of the similar products and have decided to enter the market after seeing for themselves the growing demand for these products. The first producer appeared only in 2000, continuing with another one in 2001, and two producers in 2008. There were no companies established during 2008 – 2011. Between 2011-2012 four additional producers entered the market. The major increase on the number of producers happened during 2013 to 2014 with six new producers entering the market.

The estimated market size is greater than 5 million €. This market is characterized by a simple value chain. It includes two – to – three transaction steps and supply of raw materials embedded with the technical knowledge on production equipments provided by export market (mainly Turkey). From the 16 interviewed production companies, which represent 70% of the total producers in Kosovo, the self declared turnover is € 2,683,000.

There are in total 31 producers, small and medium enterprises. The total number of people estimated to work in this sector is 250. All the interviewed producers stated that they started to work from their homes, front yards, home kitchen and basement. The current number of people employed within the 16 interview producers is 176, out of which 115 (70%) are women, 3 (2%) minorities and 63 (28%) are men. The age range of women is 25-45, mostly

never employed before. The potential for increased employment in this sector is estimated to double in the next two years.

This market study identified three main needed interventions in this sector: improved marketing, cutting the distribution costs, and quality certification.

## **Methodology of assessment**

This assessment was done in a period of three months, July – Sept 2015, by an intern hired by EYE. A long questionnaire containing quantitative and qualitative information was used to interview 17 business owners in 5 municipalities: Prishtine, Peje, Mitrovice, Gjakove, Gjilan and Ferizaj. The list of interviewed producers is in Annex 2.

Moreover, there were 95 stores visited during this part of the assessment. The main idea was to gather the preliminary data on the products available and the types of store offering the products, which covers supermarket chains, local retail stores, and small shops. 41 out of 95 of stores visited keep the traditional sweets, majority of them were from the mentioned types of stores excluding small shops.

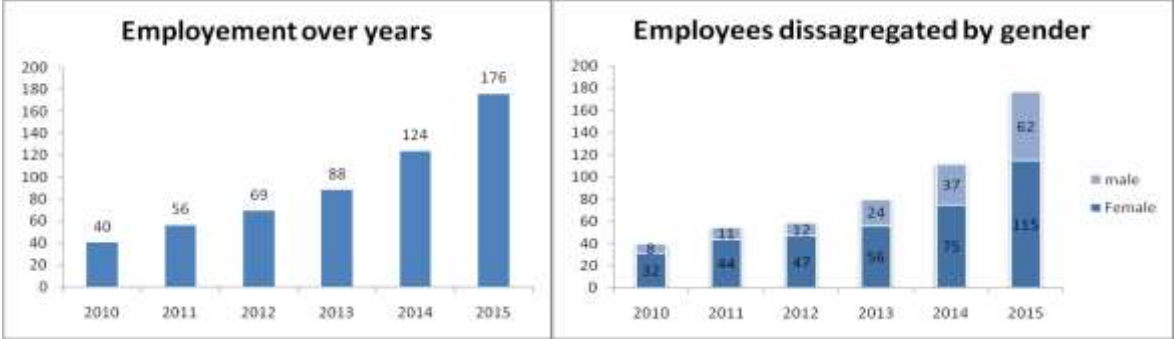
### **1. Relevance of Traditional Sweet Producers for Women**

With women participation up to 70% in production and management of this activity, the traditional sweet production represents an attractive business with great potential for women employment mainly. Women working in this sector do not need any additional skills to obtain employment as the recipes are traditional and most women make these sweets at home. The women employed come mostly from the neighborhood, living in close proximity to the production workshop.

The sector of producing traditional sweets is still on its initial stage of development. The age range of women employed in this sub-sector is 25-45, mostly never employed before.

As first in this sub-sector were only 40 employed in the year 2010 and in 2015 are employed 176. The increase of employment started from the year 2010 to 2015. Per year there is an increase of 10%, and around 20% just in 2015.

While the production lines increased so did the number of employees. As currently 115 out of 176 are women (65%). The number of female employed increased each year around 20%. Women are dominating in this sub-sector. As the employment is an increasing trend.

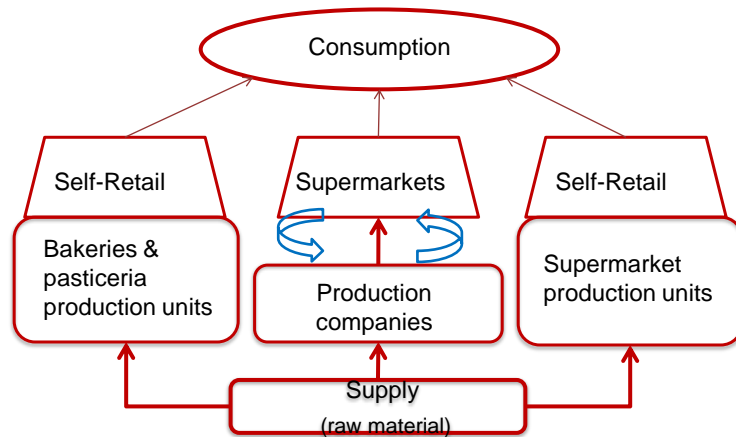


Although the employment share of the locally produced sweets among other sectors is a very small and it is a specific sub-sector, this sector is relevant to create employment because it is a growing sector with potential to export. 13 out of 16 interviewed producers stated that they plan to expand by investing in new building, new machinery and more employees. The estimated workforce in the next 2 years can increase from the current 250 up to more than 500.

## 2. Market Systems and Constraints

The traditional sweet production is characterized by a simple value chain. It includes two – to – three transaction steps and supply of raw materials embedded with the technical knowledge on production equipments provided by export market (mainly Turkey). From the 16 interviewed production companies, which represent 70 % of the total producers in Kosovo, the self declared turnover is € 2,683,000. The study estimated that the traditional sweet production market is a 5 Mill € market, similar in size to the local cheese production, which is 6 Mill €. The potential for employment in this sector is estimated to double in the next two years.

Structure of the core market system



Demand for the traditional sweets of mid to long shelf life is increasing with the retailers. Retailers of this product involve small individual markets, super markets, local and lined up and hypermarkets. The total area occupied with the traditional sweet products is estimated to be around 100 square meters in 41 stores.

The sale of traditionally produced sweets within the retailers is organized in two ways:

i) **By Producers:** In this case, producers themselves provide the maintenance of the shelf with the sweets; In majority markets and hypermarkets the sale is organized by the producer itself, where they arrange and re arrange the shelf. They bring the order, bring the products based on demand, and replace the products that the duration has expired with new products.

ii) **By Supermarket:** The supermarkets make orders for the sweets through their sales departments, or they have a fixed order. They are in charge of maintaining the products and the quantity left they return to the producers. The same is applied to the individual markets, and local super markets.

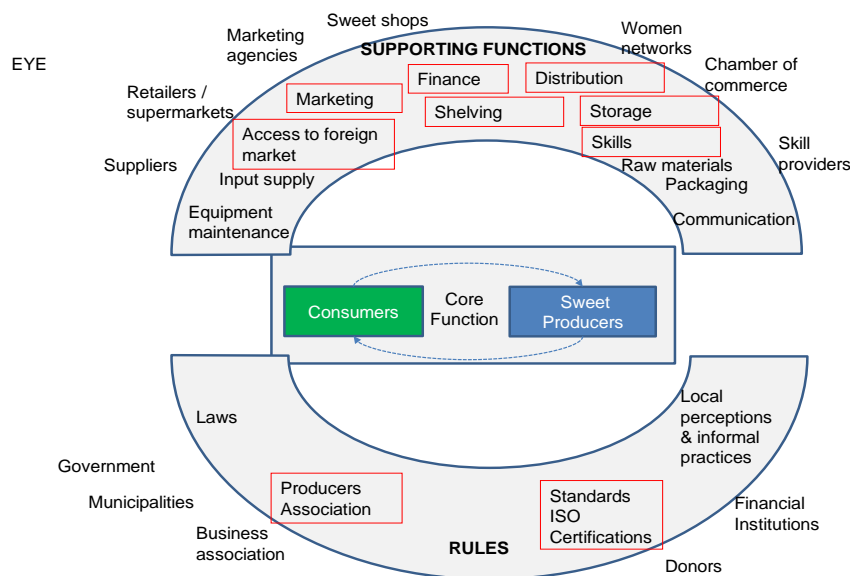
The main suppliers are local producers situated at their individual workshops. The product is sold mainly in supermarkets but also direct sales per orders from the households. There are 10 types of local products identified, which are categorized based on their shelf life as follows:

(i) Short shelf life, up to 7 days, mainly produced by the supermarket or bakeries, which were not part of this assessment; and

(ii) Mid to longer shelf life 30-90 days, produced in separate units and sold through the supermarket, such as 'baklava', 'sheqerpare' and 'tatlia', which products were also our main area of this assessment.

## 2.1 Key Market Functions and Rules

The key functions of the market system for traditional sweet production is analyzed and presented in a visualized way. The functions and rules outlined with the red color are further analyzed below.





### 3. Supporting functions

#### Finance

Although the importance of women in the economy is generally acknowledged, women-led businesses still face obstacles in obtaining credit and in developing managerial skills. In the case of women led business in sweet production, lack of finances needed for equipment, space, raw materials and packaging has been highlighted as one of the main obstacles for further growth. In order to facilitate better access to finance, these businesses need to access technical assistance on risk mitigation in the form of first-loss cover to be able to access loans from the local financial institutions. One mechanism which could be utilized by this subsector is the EBRD Western Balkans Women in Business programme which focuses on supporting the development of women-led small and medium-sized enterprises (SMEs) in the region which provides access to finance and know-how. This EBRD project is implemented in cooperation with TEB Bank and is tailored to ease the loan conditions by using a lean guarantee fund.<sup>1</sup> The interviewed producers do not recognize the importance of business support services to assist them prepare for accessing bank loans. From the interviews, 14 out of 16 interviewed have bank loans, in different banks such as: Raiffeissen, Procredit Bank, TEB, and NLB.

#### Skills Capacity

**The recipes** are mostly traditional. However, most of the producers are planning to diversify their products by testing the market with nontraditional sweets such as cakes and rolls. There is a lack of skill capacity for decorating the cakes. There are no training institutions where the producers can purchase specific trainings for their staff. 40% of companies interviewed indicated that the raw material suppliers LB Group have provided periodical free trainings for cake decorations as part of their marketing strategy of their products.

#### Distribution

Distribution is one of the highest cost factors that increase the price of the product. From the survey with the producers, there are no entities that provide this service in the market, thus the distribution is provided by the producing company. Especially in the last 2 years, the companies

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<sup>1</sup> EBRD supports women entrepreneurs in Kosovo, <http://www.ebrd.com/news/2015/ebrd-supports-women-entrepreneurs-in-kosovo.html>

have invested substantial amounts of money in car fleets that are not fully utilized. The distribution is mainly done by men.

### **Storage**

Storage of the products is a function which is conducted by the producers. Producers have started to invest in storage facilities - refrigerators that keep the products at their optimum temperature of 6-8°C. Storage is identified as a constraint because the production space is limited and facilities to place refrigerators are not adequate.

### **Shelving**

Shelving is function that is performed by the producers at the retailers' facilities. This has been identified as a constraint because this function is performed by each producer individually. For example, in one average size Viva Fresh Store where the shelving space for these products is 5 square meters, every producer (up to 12) sends their own person (12 people) to ensure proper shelving of their products. In the cases where the shelving is conducted by the retailers (very rare), there are no skills that ensure proper shelving. Managing the shelves depends on the size of the markets (super markets), and the area given for the product. Limited shelving space is also considered as a problem because there is more capacity to sell than the area of shelves provided.

### **Marketing**

Generally, the producers interviewed do not engage in marketing of their products. No budgets are planned for this purpose, as producers see very little value for this purpose. There is no product differentiation, as all producers buy the boxes at the same supplier, and have more or less same labels on their products.

### **Access to markets**

Majority of producers interviewed (60%) shows high interest to penetrate in markets outside Kosovo. Their target is Western Europe, more specifically Scandinavian countries, and the Middle Eastern countries. Most of the producers declared they are ready to implement the required standards and work with the intermediate companies.

## 4. Rules

### Association

The producers do not belong to any business association and have never considered the possibility of associating with other sweet producers. Although they agree they share same concerns, there has never been an attempt to associate.

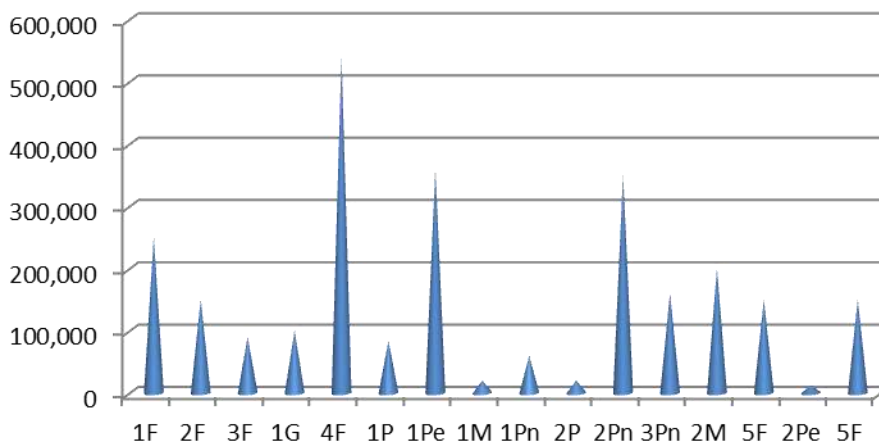
### Standards

None of the producers have undergone certifications for food safety. A standard on the product such as HACCP will give the product a great push for more profit and may open their export markets. In addition, the food safety standard may increase sales domestically.

#### 4.1 Dynamics and Performance of Core Market System

The performance of the core market system starts from the sweet producer to the consumers. The workforce for producing traditional sweets is 70% dominated by marginalized women. 16 producers employ 176 employees out of which 115 are women. The average salary of women that are directly involved in production is 200 to 250€ net monthly. Taking the average salary on yearly basis, per year women generate 3,000€. This shows that this sector has a solid potential of women being employed. The chart below expresses the self declared turnover by surveyed companies that is a total of over € 2 million.

### Revenue 2014



There are 3 areas that are identified as core constraints underpin the expansion of the companies in this sub-sector.

### **Quality standards**

In order to improve the position of the product in the local market, and potentially penetrate in the export market, the traditional sweet producers should implement the Hazard analysis and critical control points (HACCP).

Training for developing and implementing HACCP Food Safety management system are offered by quality assurance companies, which are also available in country. HACCP & GMP (Good Manufacturing Practices) certification will help producers of sweets to demonstrate their commitment to food safety that meet regulatory specifications and customer requirements. By implementing this practice, sweet producers will minimize the risks involved in food production and ensure proper handling through the entire product lifecycle.

### **Association**

The study has revealed that producers have shared concerns that could potentially be addresses by means of associating. Examples of shared concerns are distribution cost and shelving. In addition, the opportunity for shared cost of trainings and capacity building could be tackled through associating. As an associated sector, the producers may improve their access to finance, by representing themselves as a growing sub-sector worth attracting investors funding. And finally, if associated, they will increase their negotiating power vis-à-vis retailers on terms of product placement within their stores.

### **Skills Capacity**

The structure of the traditional sweet production companies is represented informally in 3 main levels: Management, Production, and Distribution. At the production level, in order to expand their offer of their products, the producers will need to hire skilled labour or train their employees. At the retailer level, more skills are needed for handling the shelving of the products.

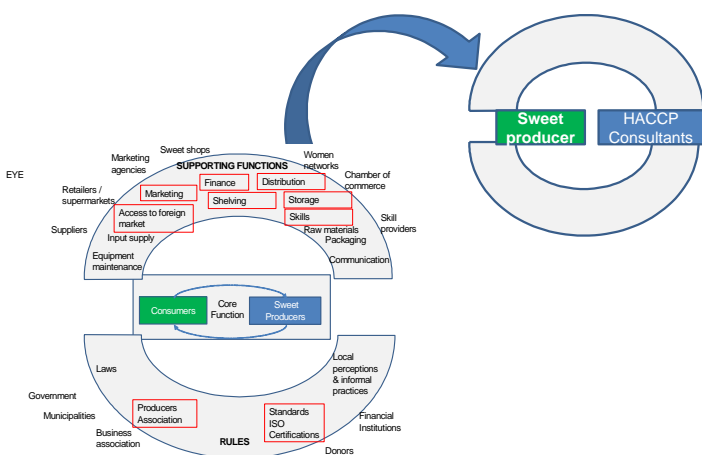
## **4.2 Main Interconnected Markets**

The solutions to market system problems lie in interconnected markets. The interconnected markets are putting together the key players in a separate core market system for contributing to the specific supporting functions or rules of the main market system.

In the traditional sweet production, there are three interconnected markets designed to improve the dynamics of the performance of the core market system. The interconnected market systems are: Skills Provision Market System, Service Provision Market System and the Networking Market System.

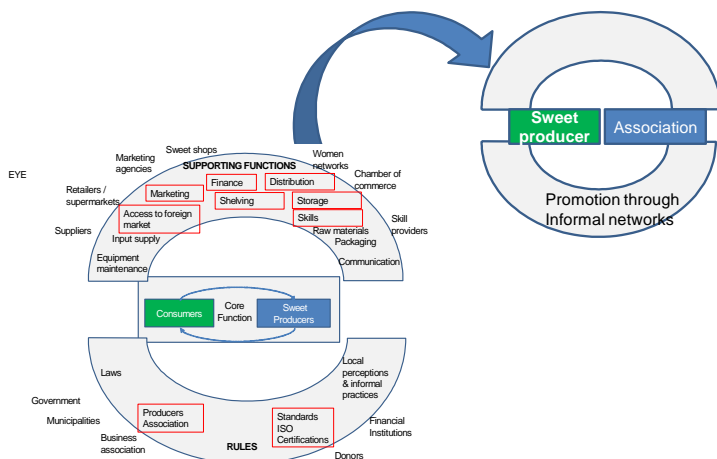
### 1<sup>st</sup> Interconnected Market: Producers – Business Service Providers

The core transaction in this market is represented by the Sweet producers (demand) and certified companies in quality standards – HACCP (supply). HACCP certification has been identified as a key to improve access to local and international market. In Kosovo, there are certified companies and experts in quality standards interested to provide service with affordable cost.

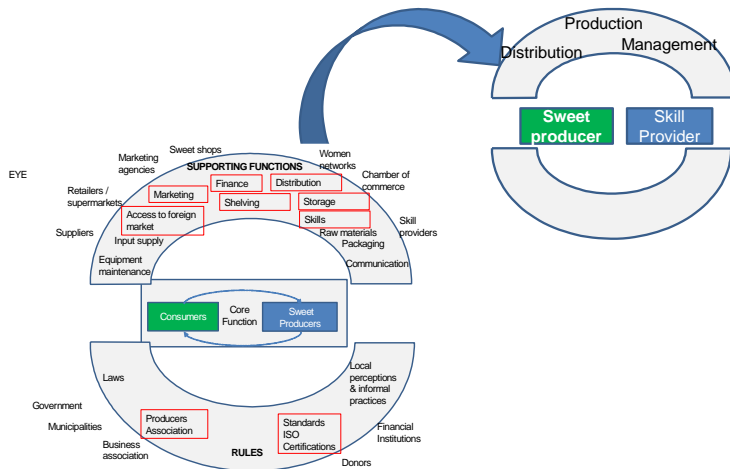


### 2<sup>nd</sup> Interconnected Market: Producers - Association

This market system is represented by the Sweet producers (demand) and the association of the producers. (supply). The producers are not yet organized in an association, as this used to be a small sector. However, the study concluded associating in one group may help the producers not only finding solutions to cutting the cost of distribution, shelving and capacity building, but also may provide them more leverage when negotiating with retailers.



### 3<sup>rd</sup> Interconnected Market: Producers - Skills Providers



This market puts in the core market system, the Sweet producer (demand) and Skill provider (supply). The demand of sweet producer in this case is to build capacities/skills in management, production and distribution. The main players in the supply of skills are training providers of specific type of skills as required in the figure.

Skills of the sweet producers are interconnected with the services provided by the short training market. The traditional sweet production sub-sector relies on labor skills provided by professional training providers in short-term commercial courses. Currently there are companies and organizations offering management / marketing training courses as well as distribution and logistics.

## 5. Stakeholders and Their Interests

### 5.1 Market Players and Stakeholders

There are Market Players and Stakeholders that have a function in the market system that are involved in the sector of sweet production. This section defines the most important actors participating in the market system of sweet production, both those that perform a function and those involved in setting rules. Please see Table 1.Stakeholder Summary.

**Table 1: Stakeholder Summary**

<b>Stakeholder</b>	<b>Function</b>	<b>Most Important Governance Interests</b>	<b>Role of Women and Socially Excluded</b>
Producers	Produces the traditional sweets		High. 70% women labor
Retailers	Sells the product		N/A
<b>HACCP Consultants</b>	Perform training for food security and prepare producers to obtain certification	Increase their base of companies they sell services to.	N/A
Producers of packing materials	Sell packing materials to producers	To sell more	N/A
<b>Marketing Consultants</b>	Sell services to the producers	To sell More	N/A
<b>Food technologist</b>	Sell Services to producers	To sell more	N/A
Suppliers of raw materials	Sell raw materials to producers, provide training on how to use the raw materials	To sell more	N/A

## **5.2 Stakeholder Capacities, Incentives and Interests**

This section describes the characteristics, interests, incentives and capacities of key types of stakeholders and draws conclusions about their suitability as working partners of the sweet producers. This list includes only market system actors you consider capable of “driving change”. For each type of actor, there is analysis done such as their capacities, incentives, inclusiveness, willingness and capacity

<b>Stakeholder</b>	<b>Capacity / willingness</b>	<b>Incentives</b>	<b>Inclusiveness</b>
Traditional Sweet Producers	Already started their business	Increase their profit	High. 70% women labor
Private skills providers	Sells the training courses to the private sector	Become reputable, increase their scope	Great effect of women
Private service providers	Service provision to the new sub-sector	Get additional incomes	Great effect of women
Women organization	Promote new women activity	Entrepreneurship promotion and women empowerment	Women participation

## 6. Current and Future Situation

### 6.1 Mainstreamed Sustainability Matrix of Current Situation

Function or Rule	Who Does	Who Pays	Who is Included/Excluded <sup>2</sup>	Who has Control <sup>3</sup>
<b>CORE FUNCTIONS</b>				
Production	Traditional Sweet Producers	Financed by their own funds, family savings, personal investments	N/A	Owner, Family business
Consumption	Consumers of sweet products	Pocket money	Diabetic persons	N/A
<b>RULES</b>				
Quality standards	Certified companies / experts	The Project	N/A	Government
Business association	Networking organization & informal groups	Producers		Women networking in Kosovo
<b>SUPPORTING FUNCTIONS</b>				
Skills Capacity	Private skills provider	The Project		
Marketing	Private skills provider	The project	Small companies due to lack of finance	
Packaging, Storing, Distribution		The Project		

<sup>2</sup> This focuses on women and socially excluded groups, keeping in mind that greater inclusion of men may sometimes be a valid goal.

<sup>3</sup> This refers to who has power over the function or the rule in either a formal or informal sense. For example, certain players may hold most power in a value chain, government might regulate a function, or a certain interest group may have the power to make and enforce formal or informal rules.



## 6.2 Mainstreamed Sustainability Matrix of Future Situation

Function	Who does	Who pays	Who is Included/Excluded	Who has Control
<b>CORE FUNCTIONS</b>				
Production	Traditional Sweet Producers	Financed by their own funds, family savings, personal investments	N/A	Owner, Family business
Consumption	Consumers of sweet products	Pocket money	Diabetic persons	N/A
<b>RULES</b>				
Quality standards	Certified companies / experts	Production companies	N/A	Government
Business Association	Networking organization & informal groups	Production companies		Women networking in Kosovo
<b>SUPPORTING FUNCTIONS</b>				
Skills Capacity	Private skills provider	Production company		
Marketing	Private skills provider	Production company	Small companies due to lack of finance	
Packaging, Storing, Distribution		Production company		

## 7. Sector Strategy

### 7.1 Overall Sector Strategy

The strategy of intervention in this sectors relies in tackling the core constraints of this growing market which are related to facilitating the process where the producers see the cost benefit of starting to use business support services in the area of food security, marketing and skills, as well as realize that in order to cut some of the production costs, they will need to associate with other producers.

### 7.2 Proposed Interventions

#### *INTERVENTION 1- Certification (HACCP, HALLAL, and ISO)*

##### **The Change:**

Sweet producers are not differentiated from the rest in the food industry. There is a growing concern with food hygiene among consumers. Consumers are becoming more aware on health concerns and more willing to buy safer food. “The HACCP will increase awareness amongst sweet producers on Food Hygiene and the possible hazards: Biological, Physical and Chemical...” In addition, Certifications will help companies to increase their possibilities for experts in foreign markets.

##### **The Partner:**

Certified local companies/ consultants have interest to provide and update the certifications at a market cost.

##### **The Model:**

To stimulate interest for certification, the project may engage in covering partially the cost.

##### **The Barriers:**

Unwillingness of the producers to invest in this certification.

## ***INTERVENTION 2- Marketing***

### **1. The Change:**

The producers use the same packaging and logo and very few of them have used services for product promotion. The interviews with the producers have revealed that no budget is planned for any marketing services. The change that needs to happen in this market is that producers use services of marketing agencies to promote their products. In order for this change to happen, the companies will need to see the cost benefit of this intervention, such as sale increase.

### **2. The Partner:**

The adequate partners to make this change happen are marketing agencies, which could offer services such as logos, designs of the packages, and different ways of how the producers could promote their products. Selected partner should play a great role in educating producer on how to build their own marketing strategy for the future and how to reach their consumers in the future.

### **3. The Model:**

An intervention should be designed where the project will buy the risk of the producers to enter into an agreement with marketing agencies to improve the what they market their product. Once the producers see the benefit from this change, they will continue to buy this service without the intervention of the project.

### **4. The Barriers:**

Unwillingness of the producers to try new things.

## ***INTERVENTION 3- Distribution***

### **1. The Change:**

The change that is aimed to be achieved by this intervention is to facilitate the process by which two to three producers start to share the cost of the distribution.

### **2. The Partner:**

Producers.

### **3. The Model:**

The project will facilitate discussion between producers who show willingness to enter into these agreements. The project could deploy legal expertise to come up with an agreement between the producers which could be adjudicated in the courts, in the case of any disputes.

#### **The Barriers:**

Unwillingness of the producers to cooperate.

**Annex 1: Questionnaire used during interviews  
Traditional Sweets Production Assessment Sheet**

**Interview no:**

**Staff involved:**

**1. General Information**

<b>Company/ Place / Year of start</b>	<b>Contact Tel / email/ website</b>	<b>Date of Interview</b>

**2. Employment**

	<b>2014</b>	<b>2015</b>
<b>Total no of people employed</b>		
<b>Seasonal</b>		
<b>Interns</b>		
<b>Youth in %</b>		
<b>Women (w/number)</b>		
<b>Average salary</b>		
<b>Expected growth on number of people employed</b>		
<b>Other info</b>		

**3. Level of skills & technology**

<b>Where do you find employees – how do you recruit them</b>	
<b>What profiles are most difficult</b>	

<b>to find in your business</b>	
<b>How do you find the equipment</b>	
<b>Where do you get the supply with technology (equipment)</b>	
<b>Where do you get the recipes</b>	
<b>Are you aware about the quality &amp; standards</b>	

#### 4. Market

<b>Customer type</b>	
<b>No of customers</b>	
<b>No of Contracts</b>	
<b>Foreign market places</b>	

#### 5. Products / services & Growth

<b>Main Products / services</b>	
<b>Responsible for products</b>	
<b>Business turnover</b>	
<b>Main competitors</b>	

#### 6. Costs & Benefits

Product	Produced pie (%)	Cost of production / pack(€)	Margin	Sales price	
				Wholesale	Retail

### 7. Diagnostics of problems

<b>What are general constraints of your company</b>	
<b>How do you plan to tackle the constraints</b>	

### 8. Finance

<b>Financial needs last years</b>	
<b>Where did you get the finance, do you have credit now, what is the amount borrowed</b>	
<b>Where did you invested lately</b>	
<b>How would you rate the credit conditions for the business</b>	

### 9. Company Intervention Plan

<b>Planned intervention for 2015</b>	<b>Main challenges</b>	<b>Total Budget</b>
<b>Predicted sales next 3 years</b>		

### 10. Would you be interested to attend to a focus group discussion organized by the project

Comments / story line:

## Annex 2: List of interviewed producers

	<b>Name of person interviewed</b>	<b>Producer</b>	<b>Location</b>
1	Lirie Ilazi	N.P.T Rolleo	Ferizaj
2	Agron Gashi	Fresh sweets	Prishtina
3	Orhan dullovi & Hakif Karalija	ëmbëlsia	Ferizaj
4	Agron Kryeziu	Jon	Prizren
5	Kushtrim Llabjani	Noa	Ferizaj
6	Sela Imeri	Embelsia	Mitrovica
7	Arlind Gusinja	ARA-A	Peje
8	Fatmir Gashi	Fati	Prizren
9	Bekim Zherka	Bleta	Gjakova
10	Labinot Agusholli	Family Agusholli	Peje
11	Skender Asllani	Vlera	Ferizaj
12	Ubeydula Kubilay	Bereqeti	Prizren
13	Milaim Simnica	Fitalialyh	Prishtina
14	Besim Xhema	Fibello	Mitrovica
15	Fllanza Lam	Arba-A	Gjakova
16	Pajtim Shabani	Bujana	Gjilan



**Annex 3: Pictures of shelves with sweets in the stores**



**Figure 1 Shelf in Ideal Shpk Peje**



**Figure 2 Shelf in Viva Fresh Store in Gjakova**



**Figure 3 Shelf in Viva Fesh Store Ferizaj**



**Figure 4 Shelf in Viva Fesh Store Ferizaj**



**Figure 5 Shelf in Emona Mitrovica**