



New and Niche Dairy Products Potential Development Study

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GEORGIA SAFETY AND
QUALITY INVESTMENT
IN LIVESTOCK (SQIL)

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New and Niche Dairy Products Potential Development Study

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Executive Summary

The research „New and Niche Dairy Products Potential Development Study“ was conducted in order to evaluate market potential to buy locally produced European cheese types. Qualitative and quantitative research conducted under this assignment, seeks to identify main obstacles in terms of substitute imported cheese types with similar product produced in Georgia.

Quantitative research was carried out from March 24, 2022 through April 12, 2022, while focus-group discussions were carried out from May 7, 2022 through May 22, 2022.

- 71% of respondents purchase imported cheese at least once a month or more regularly, while the same measure for Georgian packed cheese equals 75%.
- Quantitative research revealed that the taste of cheese is one of the most important characteristics in the decision making process. Taking into consideration the taste of cheese most popular imported cheese types are the following: Gauda, Feta, Parmigiana, blue cheese, Edam, Mozzarella.
- The above-mentioned statements are further confirmed by HoReCa sector representatives, who mentioned that their customers rarely ask about the country origin of the cheese served on cheese plates for dessert and appetizer or used in dishes. Instead, particular type of cheese used in a specific dish and its taste is what matters the most for their customers in general. Considering the latter, HoReCa representatives are willing to purchase locally produced European cheese however, they stressed that the supply of such product should be uninterrupted.
- In the point of view of survey respondents, a country, where particular cheese is produced, is important. Quantitative research demonstrated that 69% of respondents agree with this statement.
- Research results demonstrated that the locally produced European cheese has a potential in Georgia. Approximately 80% of European cheese consumers would purchase local analogues if the price is approximately the same between imported and locally produced cheese. As study results showed, a significant part of the survey respondents stated that Georgian cheese is more delicious and better quality than the European (43% of respondents); and in general, 41% of respondents show higher level of trust toward locally produced food as opposed to imported food products.
- Similar to interviewed respondents, both retail and HoReCa representatives mentioned that they would buy locally produced European cheese if it does not cost more than the imported cheese.
- The main incentive for people to purchase locally produced European cheese is their feeling that it supports Georgian economy and local producers. Interviewed respondents stated that they are glad to learn about successful Georgian enterprises.

About the Study

This report presents the results and analysis of quantitative and qualitative research carried out in Georgia, in order to understand the opinions of Georgian retail and business customers, regarding the possibility of producing those types of cheese locally that are currently imported from abroad, described in this document as European cheese.

The study is conducted to predict drivers of market readiness, barriers and price sensitivities for the purchase of locally produced European cheeses.

The Study was carried out by DEPA Consulting under the auspices of Safety and Quality Investment in Livestock (SQIL) Project, funded by the U.S. Department of Agriculture (USDA), implemented by Land O'Lakes Venture 37 in partnership with Georgian Farmers Association.

Methodology

The given assignment consists of the following objectives:

- To study the demand of HoReCa and retail sector in relation to niche dairy products that are available for sale in Georgia;
- To assess HoReCa and retail customers' current demand on imported dairy products such as hard, soft, and cream cheese types in order to identify the most popular types of cheese products and understand market readiness to replace imported niche cheese products by locally produced ones;
- To identify general customers who consume niche dairy products (cheese);
- To gauge the potential for market expansion in this direction;
- To analyse the types of cheese that have been actively imported to Georgia for the past five years;

The assignment was based on qualitative and quantitative research methods: desk research, key informant interview, focus-group discussion and a quantitative survey.

Desk research – desk research was carried out at a preliminary stage of the assignment. The main purpose of desk research was to gather and analyse information about the most popular/ widely known niche cheese types, which have been imported and sold in Georgia for the past five years (2016-2020 and part of 2021).

Key informant interview – five key informant interviews were conducted with cheese producers (medium and large-scale producers).¹ It should be noted that all of them had a long history of successful production of packaged Georgian cheese. A portion of them had broader experience in the production of analogue of non-Georgian cheese.

Focus-group discussion – Focus-group discussions were conducted in the framework of the assignment. Six FGDs were conducted in total with HoReCa sector representatives. Duration of each FGD was approximately 90-120 minutes and each of group was comprised of on average five respondents. Table 1 represents the distribution of FGDs.

¹ List of respondents is provided in annex 1

Table 1: FGD distribution

	East Georgia	West Georgia
Representatives of restaurants	1	1
Representatives of hotels	1	1
Representatives of cafes	1	1

Quantitative survey of retail consumers – Quantitative survey was conducted among 588 consumers of Georgian packaged, or imported European cheese. Research was carried out in four Georgian cities Tbilisi, Rustavi, Kutaisi and Batumi. Surveys were conducted in front of hypermarkets located at the above-mentioned cities: Carrefour, Agrohub, Nikora, Spar, etc. It was the research team’s expectation that it would be easier to identify consumers of imported and packaged cheese within these major markets. Field work took place from March 24, 2022 through April 12, 2022.

Study Limitations

As mentioned in the technical proposal prepared by the study team, qualitative research (KIIs and FGDs) was conducted in an online format due to COVID-19 restrictions/ and in adherence to the recommendations imposed by Georgian government.

As regards the quantitative research, it was conducted in four Georgian cities, with the largest population. Having said that, presented results may not be generalized to the entire population of Georgia. Instead, it can be assumed that the results are relevant to the population of Georgia with an average or higher income range.

Furthermore, the existing agricultural markets in Georgia, as well as their consumers and their major consumer characteristics, are beyond the scope of the study. There are two main reasons for this: (1) Consumers of cheese sold within agrarian markets are not considered as the main target area of the study; (2) The majority of vendors presented at agrarian markets are for the most part not registered as a Food Business Operator and therefore are not subject of the Food Safety State Control.

Thus, results provided in the following chapters, are relevant to the segment of the population with two characteristics: (1) average or above the average income; (2) studied individuals are consumers of cheese sold within major hypermarkets.

Quantitative Survey Demographics

Figure 1: Age distribution

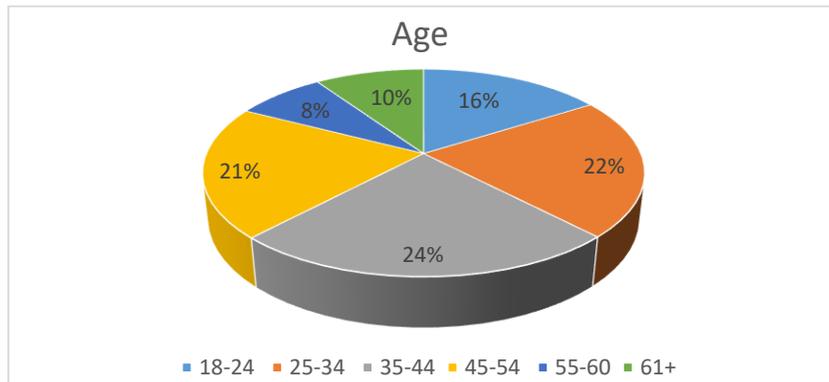
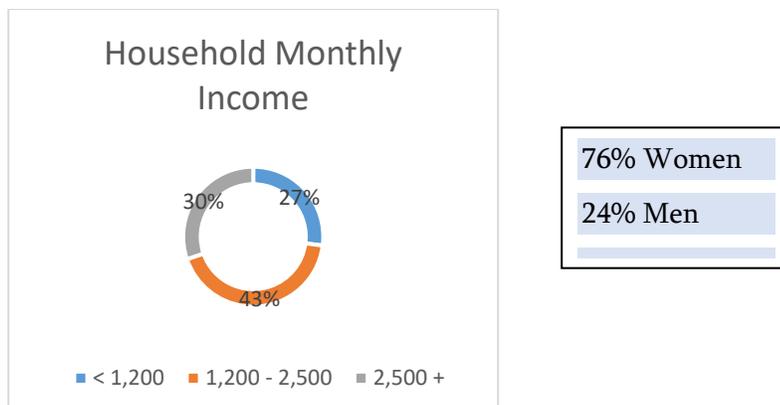


Figure 2: Income distribution



Summary of Main Findings

Image of Georgia as a cheese producer:

According to quantitative research, Georgia as a cheese producer has a good image among the majority of respondents. Georgian cheese is delicious and popular in terms of serving it to the guests. The majority (69%) of respondents state that the country origin of cheese is important for them, and Georgia is regarded as one of the good countries producing cheese. It also has to be underlined that the mentioned importance does not usually translate into subsequent behavior, that is to inquire about the origin of cheese while ordering it at HoReCa spots or within retail shopping areas. Therefore, this so-called importance mainly concerns general awareness about the producing country.

According to HoReCa representatives, Georgian cheese is very delicious and good quality. The only reason why European cheese is used by them is that certain dishes need imported cheese and cannot be made by Georgian cheese because of specifics of taste. For example, pizzas and certain salads.

Importance of producing country and brand:

On a behavioural level, people rarely inquire about the origin of imported cheese at shops, they mostly pay attention to the product's freshness, packaging, and price. Cheese brand such as President is popular and has its consumer segment because it is well-known and promises consumers its quality. However, the majority of respondents still primarily orientate themselves around a cheese type.

Cheese Types:

Most popular imported cheese types are Gauda, Feta, Parmigiana, blue cheese, Edam, Mozzarella.

The main decider for buying specific kind of imported cheese is its taste. Some types like parmigiana and feta are mainly purchase for using in dishes.

Hurdles concerning buying of European cheese produced in Georgia:

The main drawbacks concerning purchasing of locally produced European cheese are that people view the local production of European cheese types as lacking suitable technology, knowledge of production process and the secret recipes. For example Parmigiano cheese's delicate and slow process of preparation, and the type of milk required for its processing. Overall, one of the, main obstacles perceived in terms of locally produced cheeses, both Georgian and European, is the deficit of raw milk in the country and frequent consumption of milk powder in cheese manufacturing. HoReCa representatives stated that quality cheese producers lack stable milk providers and therefore are reliable partners,, resulting continuous problems in the supply chain.

According to both qualitative and quantitative research, safety of locally produced dairy products is also an issue but only for a small portion of respondents and is mainly associated with small, family run producers who are not well monitored and who lack adequate safety training.

For larger producers, like dairy plants, the main issue is the lack of quality milk, which in the opinion of retail market representatives, might hinder production of European types of cheese. Agriculture specialists also share this opinion, stating that milk collection from small-scale dairy farmers is very difficult, since many of them instead prefer to produce small quantity of cheese and sell it themselves.

Incentives:

The main incentive for buying locally produced European cheese is the sense that it helps the economy, local producers and in general, it is nice to see successful Georgian enterprises.

Members of HoReCa sector state that their guests rarely ask about the origin of the cheese served on their cheese plates for dessert and appetizer or used in dishes and cheeses used in particular dishes and it is the taste that matters the most for them. Therefore, they would eagerly buy locally produced if the continuous supply can be guaranteed, as well as good cheese quality and affordable price.

Pricing:

In general, both retail and HoReCa representatives state that, they would buy locally produced European cheese if it cost cheaper or close the price of an imported European cheese. Only a very few are ready to pay premium price. In the qualitative research, HoReCa sector respondents state that, they would love to contribute to the development of Georgian small business, however not at their expense. They regret not being ready to pay more for European cheese, just because its production in Georgia helps the local economy. However, uninterrupted

quality supply is such a problem, that if guaranteed, in this case HoReCa community representatives are ready to pay extra. The latter is very sensitive towards stability of food suppliers, since it directly affects the continuity of the quality they provide to their customers and are stating that unfortunately it is very difficult to find a cheese supplier in Georgia, that could provide stability and quality at the same time. On the other hand, Large scale dairy producers lack quality, because they mostly use milk powder in their product, while small producers fail to ensure steady supply.

The majority of study participants (respondents of qualitative and quantitative research) agreed that they would use a combine imported and locally produced European cheese and buy both.

To summarize, if necessary technology, milk and knowledge is ensured and good quality European cheese is produced locally, both retail and HoReCa buyers are willing to consider utilizing it in parity with equivalent imported products. As for desirable price, respondents view locally produced European cheese as equal to its European analogue and thus believe that it should be in the same price range.

Desk Research

According to statistics from trademap.org top two imported cheese types in Georgia are Gouda and Edam and the quantity has been increasing for the past five years. Feta, Cheddar and Kashkaval cheese are next in the list of popular cheese types, however their import have decreased during 2020. Parmigiano is only sixth in popularity, but its import increases every year. You can see most popular imported cheese types bellow:

Table 2: Cheese imported in Georgia (kilograms)

	2016	2017		2018		2019		2020		5 years % increase
			% Increase from last year							
Gouda	174,955	272,302	56%	259,257	-5%	313,628	21%	324,957	4%	86%
Edam	86,430	125,145	45%	143,993	15%	140,200	-3%	152,924	9%	77%
Feta	76,743	103,574	35%	103,786	0%	102,107	-2%	57,114	-44%	-26%
Cheddar	49,278	68,893	40%	51,970	-25%	78,169	50%	51,274	-34%	4%
kashkaval	42,353	59,909	41%	74,403	24%	76,528	3%	37,618	-51%	-11%
Parmigiano	16,455	17,437	6%	20,374	17%	22,585	11%	29,882	32%	82%
Ementaler	16,994	19,044	12%	26,443	39%	28,772	9%	14,425	-50%	-15%
Brie	6,844	8,141	19%	8,771	8%	10,421	19%	8,372	-20%	22%
Camembert	2,284	2,665	17%	2,781	4%	3,705	33%	3,478	-6%	52%

Table 3: Cheese imported in Georgia (1,000 USD)

	2016	2017		2018		2019		2020		5 years % increase
			% Increase from last year		% Increase from last year		% Increase from last year		% Increase from last year	
Gouda	565	1,088	93%	891	-18%	1,261	42%	1,347	7%	138%
Edam	294	526	79%	513	-2%	567	11%	639	13%	117%
Feta	278	334	20%	304	-9%	304	0%	183	-40%	-34%
Cheddar	207	329	59%	223	-32%	364	63%	250	-31%	21%
kashkaval	183	252	38%	291	15%	342	18%	176	-49%	-4%
Parmigiano	167	185	11%	209	13%	259	24%	317	22%	90%
Ementaler	86	104	21%	131	26%	144	10%	79	-45%	-8%
Brie	46	63	37%	55	-13%	75	36%	64	-15%	39%
Camembert	20	24	20%	21	-13%	37	76%	35	-5%	75%

A large portion of registered imports are not classified according to cheese types. Total amount of cheese product imports in Georgia is given bellow:

Table 4: Undefined cheese types

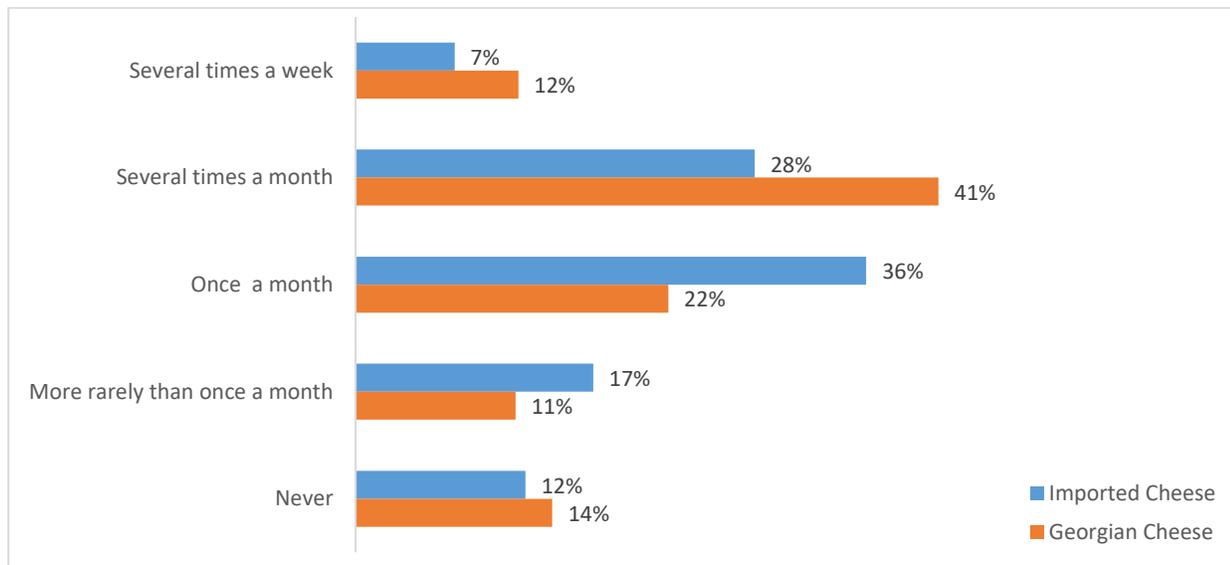
	2016	2017		2018		2019		2020		5 years % increase
			% increase from last year		% increase from last year		% increase from last year		% increase from last year	
USD (1000)	3,235	4,433	37%	4,327	-2%	5,548	28%	4,787	-14%	48%
KG	762,546	966,011	27%	1,024,147	6%	1,204,865	18%	1,020,869	-15%	34%

Therefore, the overall consumption growth is not linear however, during the past five years, it went up by 34%.

Qualitative and Quantitative Research Analysis

Figure 3 illustrates frequencies of consumption of Georgian and European cheese:

Figure 3: Imported Cheese Vs Georgian Cheese



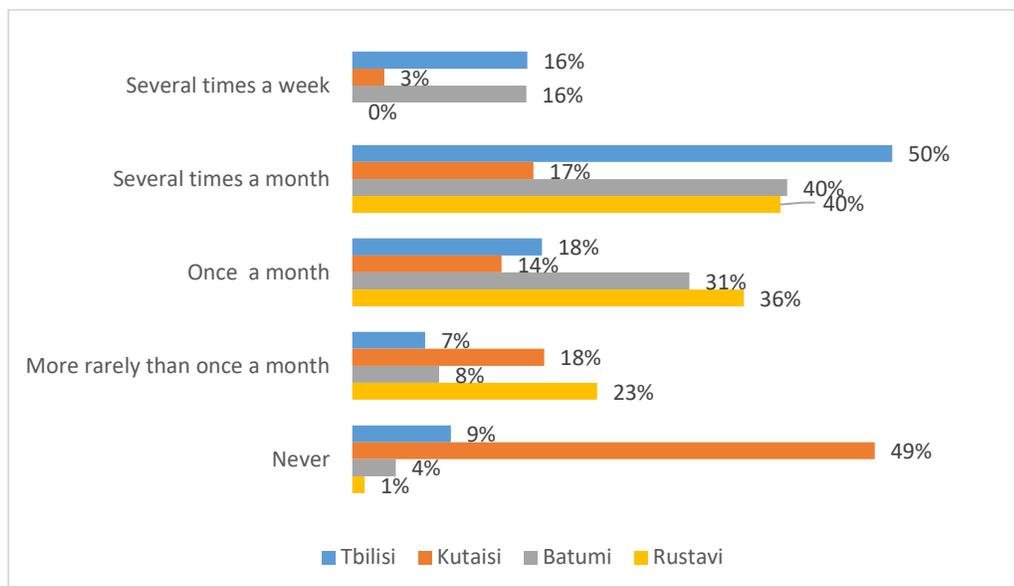
According to quantitative research, 36% of respondents consume imported cheese once a month, and 35% more often than several times a month, 29% consume it less than once a month.

53% of survey respondents mentioned buying Georgian Cheese more than several times a month, and 33% mentioned buying Georgian cheese once a month or less.

As we can conclude from the data shown above, Georgian citizens consume Georgian cheese more often than European, but cheese are part of their daily menu.

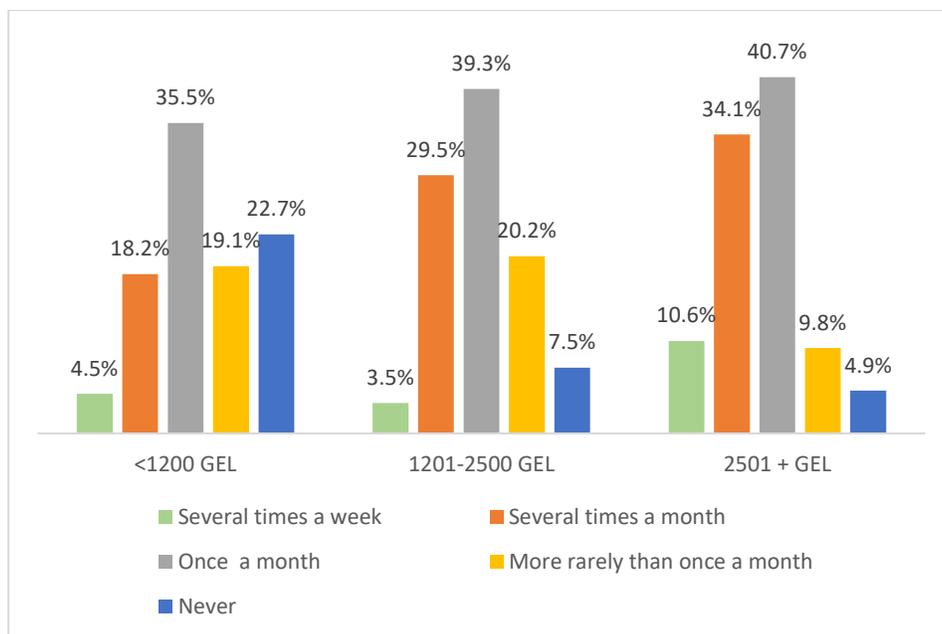
The distribution of imported cheese consumption in Tbilisi and across the regions also provides interesting information. According to this data 85% of respondents from Kutaisi 75% from Batumi and 72% from Tbilisi consume cheese at least once a month and more often, while only 48% in Rustavi. 26% of respondents from Kutaisi and 23% from Batumi said that they consume imported cheese more rarely than once a month. Never having purchased imported cheese was mentioned by 26% of respondents from Kutaisi and 12% of respondents from Tbilisi.

Figure 4: Georgian Cheese consumption in regions



To further study the above-mentioned questions regarding how often the respondents consume imported and Georgian cheese were analysed in terms of monthly household income. 58,2% of respondents whose monthly income is GEL 1200 or less income consume imported cheese more than once a month, 72,3% of respondents with monthly household income between GEL 1201-2500 buy cheese more than once a month and 85,4% of respondents with monthly household income above GEL2500.

Figure 5: Consumption of Imported Cheese according to Income

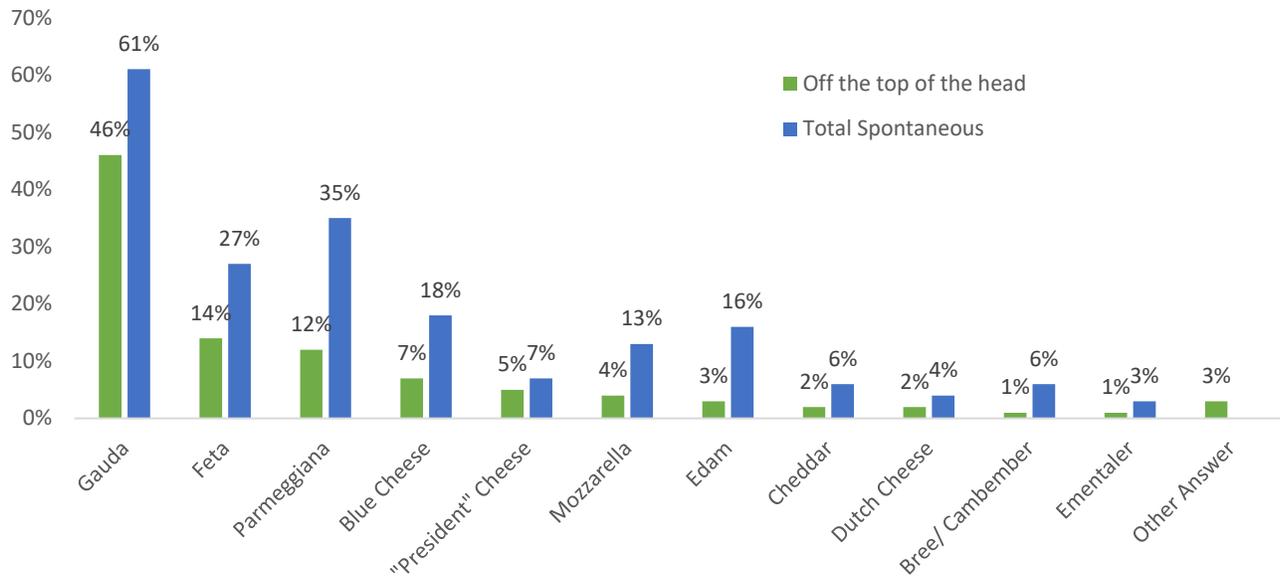


According to a quantitative survey respondents whose monthly household income exceeds GEL 2500 consume imported cheese more often, which comes as no surprise.

In a quantitative survey, respondents were asked to recollect the names of European cheese that they consume. Below is the list of most and least popular European cheese types that research participants named spontaneously.

At the top of the list is the percentage of respondents who named certain cheese from the first attempt, while Total Spontaneous is the percentage of respondents who named a specific cheese type on the first, second or third attempt.

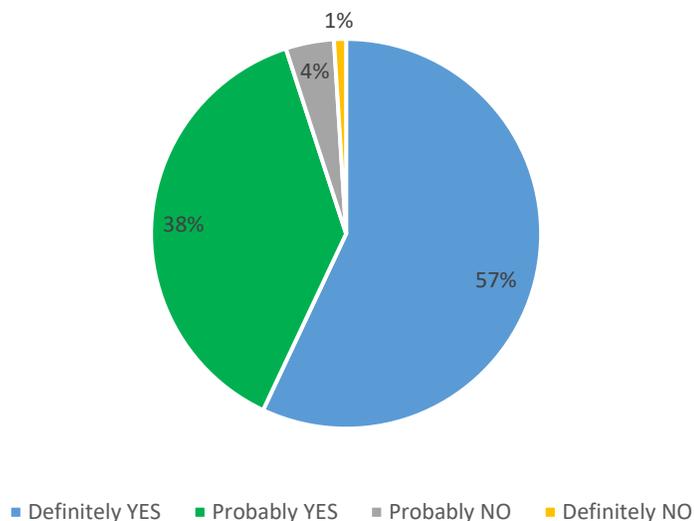
Figure 6: The most popular imported cheese



As shown in the above chart, Gauda is named as most popular cheese. It is used in cooking as well as consumed separately. Feta, Parmigiana and blue cheese are named as popular European Cheese types. It has to be noted that President is the only cheese brand, named by respondents, alongside cheese types. There was no particular President product named, however the brand was recalled by the respondents when asked about imported cheese types, which is why there was a separate category assigned to it in the respondents' perception chart above.

For the cheese types named off the top of the head, respondents were asked, would they be interested to buy cheese, if it was produced locally in Georgia. 95% of respondents answered that, they would be interested.

Figure 7: Potential interest in European Cheese produced in Georgia



There are several important variables, which define the readiness of a Georgian consumer to buy European cheese produced in locally: 1. How important is the place of origin of a specific cheese, does a consumer pay attention or inquire about the product’s origin at all? 2. What is the attitude towards Georgia as a cheese producing country, its traditions, current level of knowledge regarding production, safety, and taste. How is Georgia rated in comparison to leading European cheese producing countries. We compared the results of answers that measure the readiness to buy locally produced European cheese varieties, between segments that place different importance on a cheese’s country of origin. 3. colors were assigned to segments, divided according to importance of cheese origin and further questions are analysed questions within them.

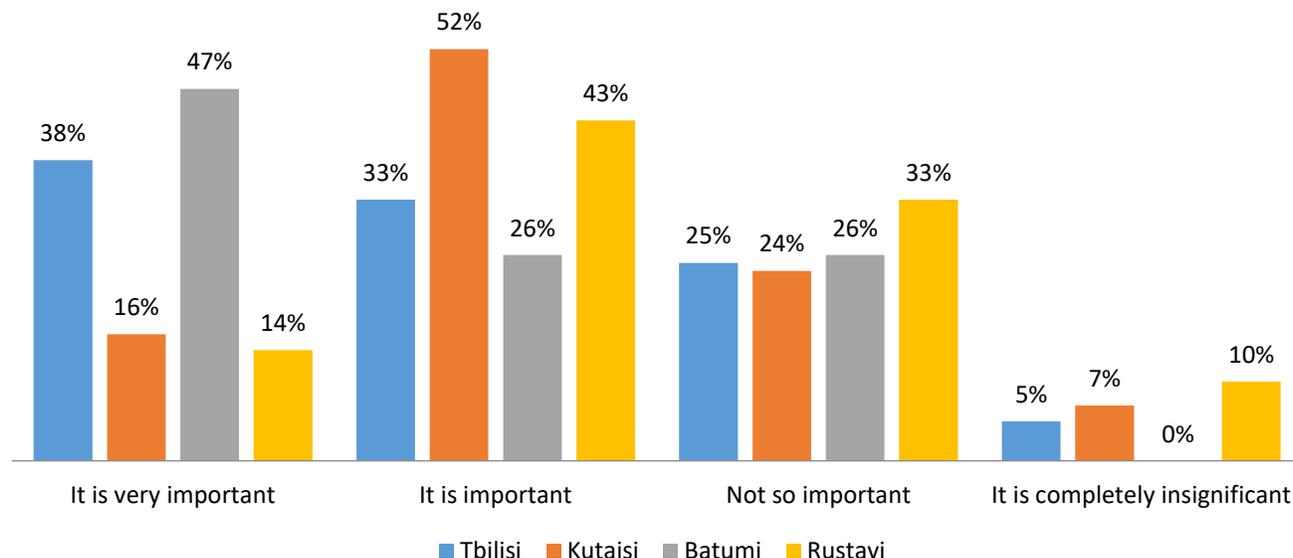
How important is the origin of cheese when choosing the product?

Table 5: Importance of cheese producing country

Very Important	33%
Important	36%
Not so important	25%
Not important	5%

38% of respondents from Tbilisi, 47% of respondents from Batumi, 16% from Kutaisi and 14% from Rustavi stressed that for them, cheese origin is very important. The majority of respondents believe that it is very important, or it is important in which country imported cheese is produced, at the same time 33% of respondents from Rustavi, 26% from Batumi, 25% from Tbilisi and 24% from Kutaisi answered that it is not so important or not important at all.

Figure 8: In which country is imported cheese produced based on regions



Understandably those, for whom cheese origin is very important, tend to agree more than other respondents, to these definitions: „Specific cheese type should be produced in a country, where it originates from;” “There are particular countries who produce an outstanding quality of cheese, and I always try to buy cheese manufactured from that country.”

Table 6: Respondents’ attitudes

	Particular cheese type should be produced in a country, where it originates from.	There are countries that produce an outstanding quality of cheese, and I always try to buy cheese manufactured by that country.
Absolutely agree	28%	38%
Agree	30%	39%
Do not agree	37%	21%
Absolutely do not	5%	1%
Absolutely agree	6%	10%
Agree	51%	71%
Do not agree	35%	13%
Absolutely do not	7%	5%
Absolutely agree	6%	9%
Agree	26%	42%
Do not agree	55%	45%
Absolutely do not agree	13%	4%

This above described segment makes up a third of total imported cheese buyers’ market, therefore it was important to know, how they would react to the possibility of producing European cheese in Georgia. It is encouraging that the respondents for whom cheese origin is most important, agree most to definitions like “Georgian cheese is no worse than European;” “Georgian cheese is high quality, delicious and safe.”

	Georgian cheese is no worse than European	You can produce delicious and good quality European cheese in Georgia, and I would gladly buy local production	Georgian cheese is high quality, delicious and safe	/Cheese type that was named in TOM/ produced in Georgia, is the same as Sulguni produced in the Netherlands, I would not want to buy it
Absolutely agree	40%	39%	40%	6%
Agree	47%	45%	51%	31%
Do not agree	11%	13%	7%	49%
Absolutely do not	2%	3%	2%	13%
Absolutely agree	28%	27%	20%	3%
Agree	57%	66%	70%	32%
Do not agree	15%	6%	9%	50%
Absolutely do not	1%	1%	1%	14%
Absolutely agree	29%	41%	32%	3%
Agree	52%	55%	58%	17%
Do not agree	15%	3%	9%	60%
Absolutely do not agree	4%	1%	1%	20%

“You can produce delicious and good quality European cheese in Georgia, and I would gladly buy local production”. Furthermore, the absolute majority disagrees or does not absolutely agree to the definition such as *“imported cheese produced in Georgia, is the same as Sulguni produced in the Netherlands, I would not want to buy it.”* This means that even among the respondents who are highly sensitive towards cheese origin, an idea of imported cheese production in Georgia is appealing to them.

Impediments for Buying European Cheese, Produced in Georgia

From qualitative research, two potential impediments were identified from the qualitative survey, that caught our attention in terms of possibly hindering both successful production of good quality European cheese and its reception by the local market. One was lack of sufficient technology for production and resources, especially milk. Another was lack of control and safety issues by producers.

In a quantitative survey, we gave respondents the opportunity to compare several statements and decide which they agreed with more. Statements pertained to quality and safety of cheese types produced in Georgia. Pairs that respondents had to choose from, are the Following:

Cheese produced in Georgia is mostly made of: 1. Local raw milk / 2. Milk powder

Cheese produced in Georgia: 1. Is ecologically clean, delicious and healthy / 2. Does not comply with security standards and can be dangerous for health.

Distribution of answers between alternative statements is given in the below chart:

Figure 9: Whether Georgian cheese is ecologically clean or not

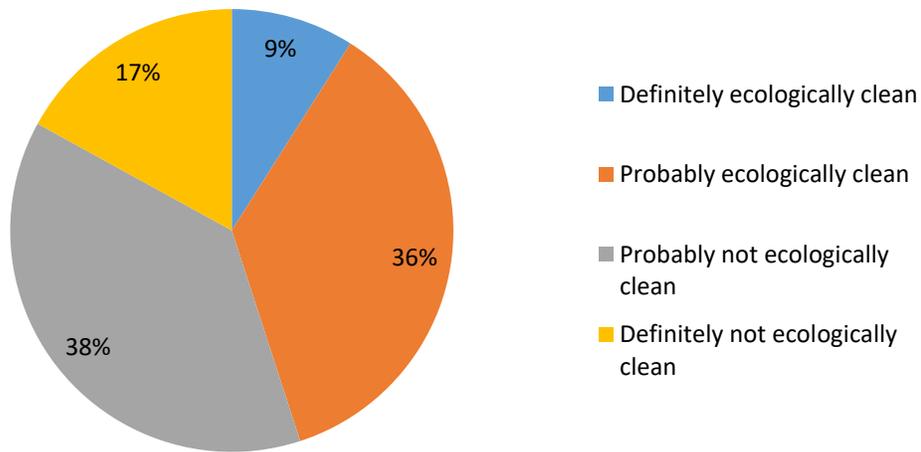
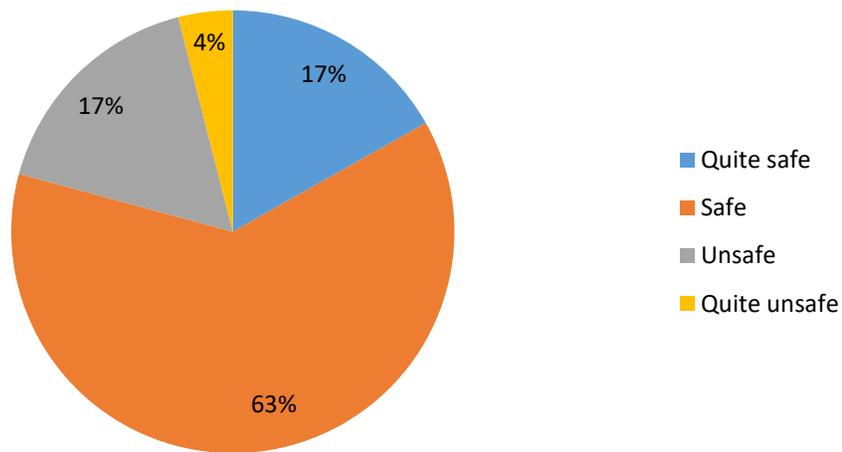


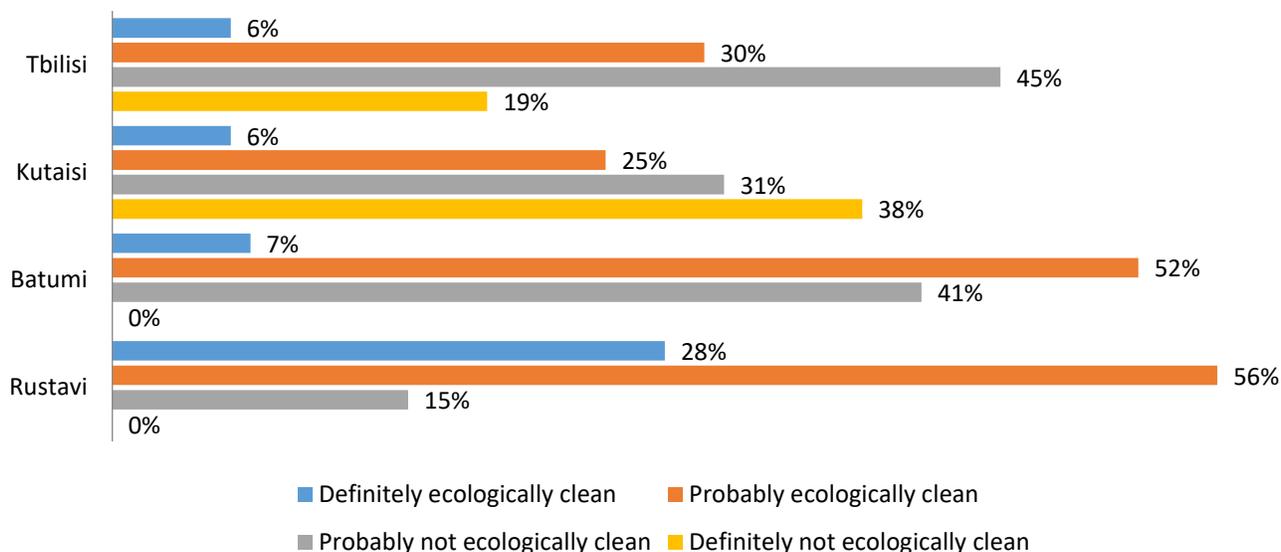
Figure 10: Whether Georgian cheese is safe or not



The pair of questions about: 1. Whether Georgian cheese is ecologically clean and, 2. Whether it is safe – can be divided by regions and range of household income. This is done below.

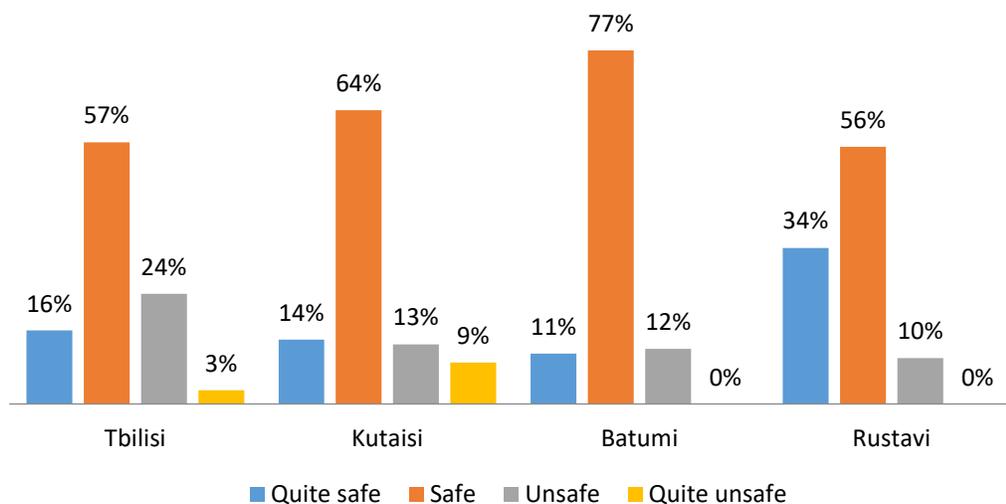
In Tbilisi 45% of respondents believe that cheese produced in Georgia is more likely to be made with milk powder, in total 6% of respondents answered that cheese in Georgia is made with raw milk. In Kutaisi 38% of respondents think that it is definitely made with milk powder, in Batumi 41% of respondents and in Rustavi 15% of respondents answered that cheese is more likely to be made with milk powder.

Figure 11: Raw milk by regions / Milk powder by regions



The statement regarding cheese produced in Georgia being safe or dangerous was analysed according to regions. 57% of respondents from Tbilisi states that Georgian cheese is safe, similar answer was provided by 76,9% of respondents from Batumi, 64% of respondents from Kutaisi and 56 % of respondents from Rustavi.

Figure 12: Safe/ Dangerous by Regions

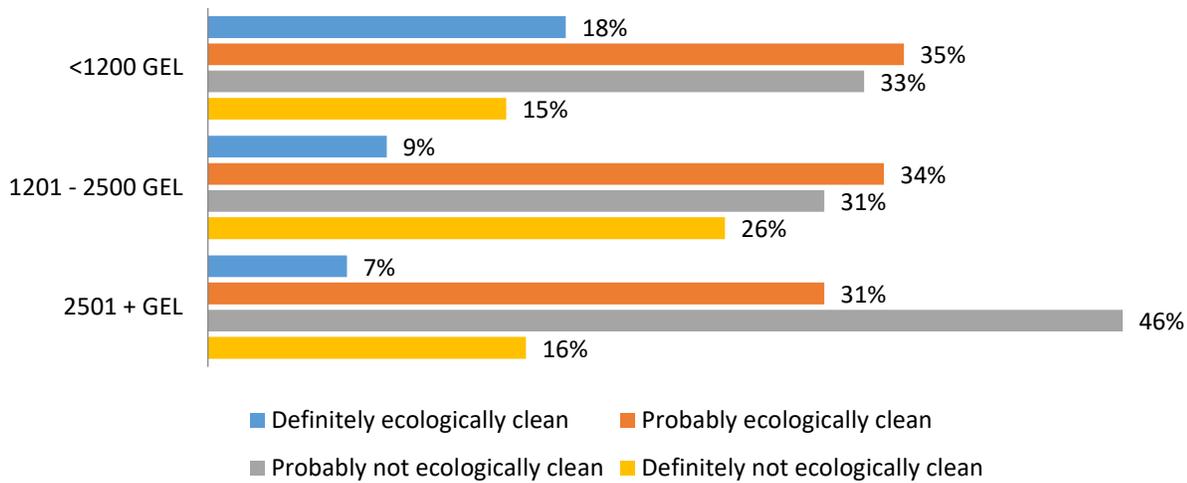


According to the survey data, the majority of respondents from Tbilisi, Batumi, Kutaisi and Rustavi believe that Cheese made in Georgia is safe, compared to respondents who believe that it is dangerous from all above-mentioned geographic areas.

The majority of respondents (46%) whose monthly household income is above GEL 2,501 or more stated that cheese in Georgia is largely made with milk powder, the same answer was provided by 31% of respondents with

an average monthly income of GEL 1201-2500. 18% of respondents with GEL 1200 or less monthly income believe that Georgian cheese is made with raw milk.

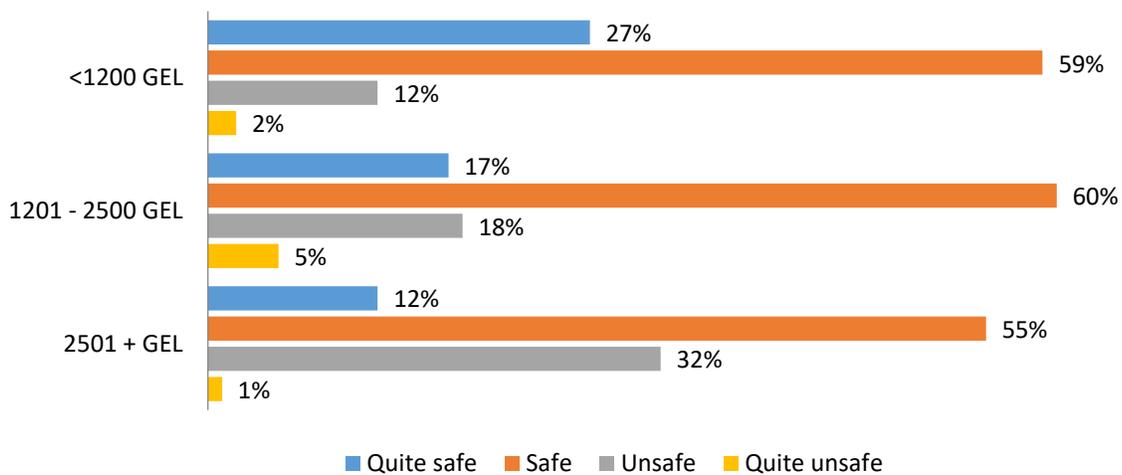
Figure 13: Raw milk / Milk powder by household income



As observed in the above charts, the majority of respondents with higher monthly incomes tend to believe that Georgian cheese is largely made with milk powder as opposed to raw milk.

Similar question whether the cheese produced in Georgian is safe or dangerous was analysed based on respondents' household monthly income. Detailed distribution in each category is presented in the chart below.

Figure 14: Safe/not safe by household income



As shown in the chart, the majority of quantitative survey respondents representing different household income categories believe that cheese produced in Georgia is completely safe, only 5% of respondents in the category of GEL 1201-2500 monthly household income believe that it is dangerous.

As presented above, half of the respondents think that Georgian cheese is made with powder milk and 17% is convinced of this fact. According to the qualitative research, it seems that cheese made with powder milk is mostly associated with factory-level production. As for the safety aspect, 21% of respondents think that cheese

produced in Georgia may be dangerous, while 4% is convinced of it. From qualitative research, we learned that, reservations regarding safety is mainly associated with small, village-based producers who make delicious cheese in small quantities but unfortunately do not follow safety procedures. To summarize this part, reliability of production practices and quality of milk supplies should be communicated in order to reassure and encourage Georgian public, to buy locally produced European cheeses.

To further analyse possible impediments, we asked those respondents who expressed hesitation or definitively rejected the possibility of buying locally produced European cheese, to explain their reasoning for the latter. The respondents were asked to provide two main reasons. There were only 21 respondents, so this data is not statistically reliable, however is still interesting as it represents 5% of European Cheese consumers:

Table 7: The main reasons of refusing to buy locally produced European cheese

	%	# of respondents
Cheese named in TOM/ produced in Georgia is not authentic, it is something else	19%	4
We Georgians should make Georgian cheese	19%	4
We cannot make such cheese because we lack adequate technology and specialists	62%	14
It will not be safe	29%	7
It will not be packaged well	5%	1
I cannot serve it to my guests	19%	4

According to the above shown chart, technology and the lack of knowledge is the biggest impediment perceived by the group. Safety was listed as far less important factor. As for the statement that Georgians should stick to producing Georgian cheese, it turned out to be less important. Main incentive for buying locally produced European cheese is the fact that it helps the economy, and it brings satisfaction to the group members knowing Georgians can do something well, that in turn deserves public support.

All of the respondents that buy imported cheese now were asked why they would consider buying the same type of cheese, only produced locally. They were asked to name two main reasons:

Table 8: The reasons why people wish to buy locally produced European cheese

Cheese produced in Georgia is ecologically cleaner and better for health	10%
Cheese made in Georgia is more delicious	19%
It is better to buy locally produced than imported product for the country's economy	56%
It feels good when Georgians produce good quality product	49%
In Georgia, you can produce same or better quality cheese than abroad	25%
I resort to buying imported only when I am unable to acquire local equivalent	13%
I would not be interested at this point	4%

Therefore, we can assume that main factors for buying local are patriotic sentiment and support of the economy. Later we asked the respondents, which would be an acceptable an acceptable price and whether the group abandon imported product completely or partially.

Would you substitute imported cheese you buy now with locally produced analogue if it was:

Table 9: Whether people are going to buy locally produced European cheese

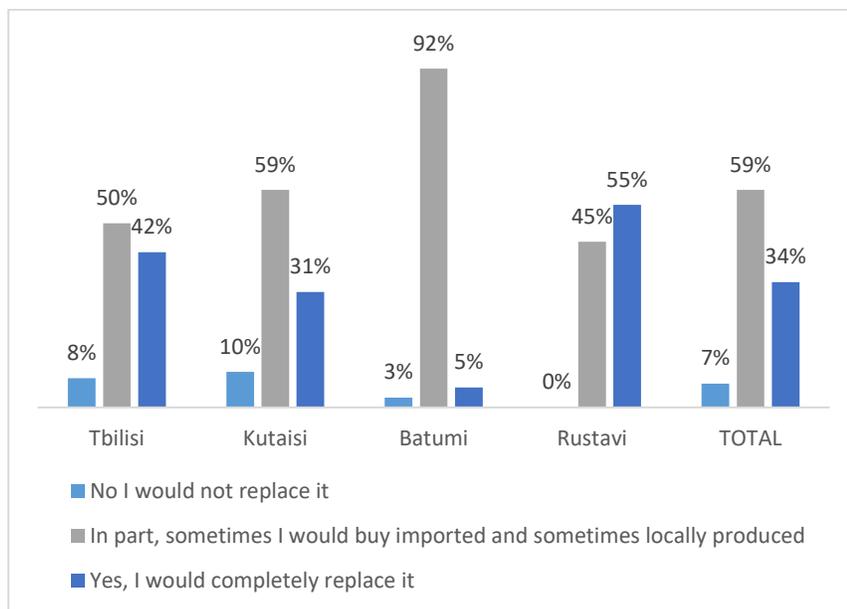
	Definitely YES	Probably YES	Probably NO	Definitely NO
Cheaper	59%	35%	3%	4%
Same Price	30%	49%	13%	7%
More expensive	4%	16%	33%	47%

Overall, there is a significant market for cheaper or similarly priced local product. However, if consumers are offered niche quality cheese with high (premium) price, there seems to be a customer for this type of product as well, making up approximately 20% of the consumer market.

Further 59% of the respondents said that they would buy both locally produced and imported European cheese. 35% of the respondents said that they would buy only locally produced, while 6% said that they would continue buying only imported.

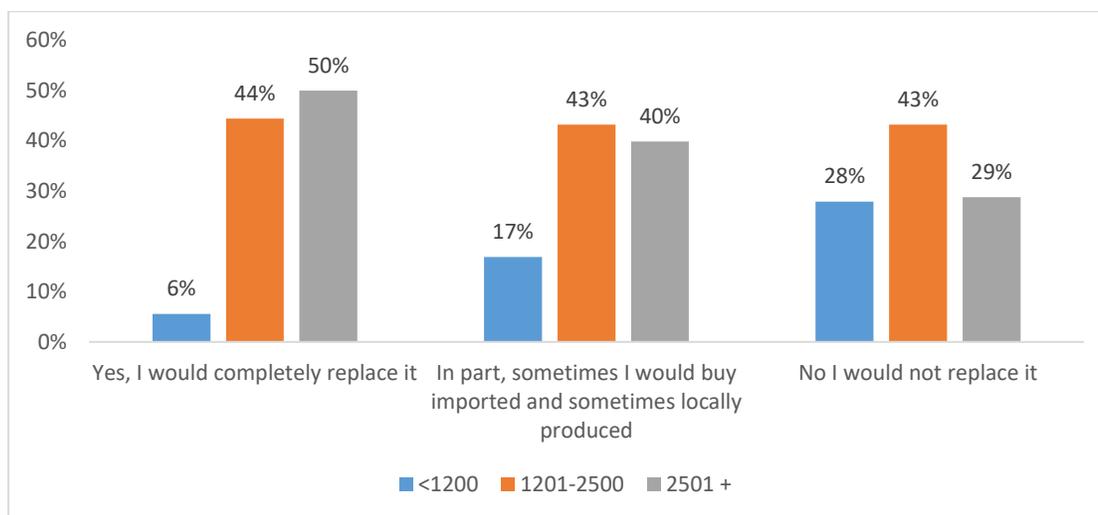
Data measuring whether consumers are willing to replace imported cheese with its local analogue was analysed additionally, including region and income into the data. 50% of the respondents from Tbilisi, 59% from Kutaisi, 92% from Batumi and 45% from Rustavi said that they “I would occasionally buy imported and locally produced cheese.” 55% of respondents from Rustavi, 42% from Tbilisi, 31% from Kutaisi and 5% from Batumi were in favour of complete replacement. Only 7% on average are against the replacement in general.

Figure 65: Readiness for buying locally produced European cheese and replasing of Georgian cheese by Region



Consumers who said they would completely replace European cheese by locally produced based on their income are distributed as follows: 50% monthly household income makes up for GEL 2500 and more]44,4% GEL 1201-1500, and 5,6% GEL 1200 or less. Detailed data is presented in the chart below.

Figure 7: Readiness of buying locally produced European cheese and substitution of Georgian cheese by Household income



As can be seen, consumers whose monthly income varies between GEL 1201-2500 and GEL 2500 + show more readiness to completely or partially replace imported cheese with its analogue produced in Georgia. We have to take into consideration that income division is based on only those 251 respondents who named exact range of their salary, thus proportions might not coincide with numbers calculated in total segment.

76% of respondents whose monthly income is less than GEL 1200 are willing to replace imported cheese if it costs less, 60,3% of consumers in the income category between GEL 1201-2500 are also more likely to replace imported cheese with its analogue cheese produced in Georgia. 58,5% of respondents in the category of income GEL 2501 + have a similar attitude toward the issue.

The representative from all listed income categories refused to pay more the cheese price is more expensive. 33,3% of GEL 1200 and less, 51% whose monthly household income is between GEL 1201-2500, and 49,4% of consumers whose monthly household income is GEL 2501.

Table 10: distribution by revenue

		GEL <1200	GEL 1201-2500	GEL 2501 +
Cheaper	Definitely YES	75,9%	60,3%	58,5%
	Probably YES	22,4%	35,3%	30,5%
	Probably NO	1,7%	1,7%	3,7%
	Definitely NO	0,0%	2,6%	7,3%
Same Price	Definitely YES	42,6%	27,3%	31,2%
	Probably YES	46,3%	58,2%	40,3%
	Probably NO	7,4%	10,0%	18,2%
	Definitely NO	3,7%	4,5%	10,4%
More Expensive	Definitely YES	6,7%	,9%	7,2%
	Probably YES	26,7%	16,5%	12,0%
	Probably NO	33,3%	31,2%	31,3%
	Definitely NO	33,3%	51,4%	49,4%

As shown in the data, consumers are more likely (Definitely Yes and Probably Yes) to replace imported cheese with its analogue produced in Georgia if the product costs less or is same price, and conversely they are less likely to make such a change when the price is higher.

Data showing the readiness to buy imported cheese analogue produced in Georgia by regions is as follows: 69% of consumers from Tbilisi and 76.2% from Rustavi will definitely replace if it costs less and 51.3% from Kutaisi and 68.6% from Batumi will probably replace it if costs the same. 45.5% of respondents from Tbilisi, 52.7% from Kutaisi, 51.7% from Batumi and 61% from Rustavi will probably replace it. Probably not going to replace analogue cheese made in Georgia and definitely refusing to replace was named by 55.2% of consumers from Batumi, 51.5% from Rustavi, 66.2% from Kutaisi, and 46.5% from Tbilisi.

Table 11: Distribution by locations (cities)

		Tbilisi	Kutaisi	Batumi	Rustavi
Cheaper	Definitely YES	69%	38.8%	20%	76.2%
	Probably YES	25.6%	51.3%	68.6%	23.8%
	Probably NO	2%	5%	5.7%	0%
	Definitely NO	3.4%	5%	5.7%	0%
Same Price	Definitely YES	39.8%	13.5%	13.8%	26.8%
	Probably YES	45.5%	52.7%	51.7%	61%
	Probably NO	8.4%	16.2%	34.5%	12.2%
	Definitely NO	6.3%	17.6%	0.0%	0%
More expensive	Definitely YES	5.5%	0%	0.0%	3%
	Probably YES	20%	1.5%	17.2%	18.2%
	Probably NO	28%	32.4%	55.2%	51.5%
	Definitely NO	46.5%	66.2%	27.6%	27.3%

As can be observed, consumers from geographic areas are more in favour of cheap analogue option of cheese produced in Georgia.

Georgian Cheese Consumers

A second segment studied in the quantitative research, is Georgian processed cheese consumers who do not consume European cheese or consume it more rarely than once a month. For this study group, a central research question is whether a consumer would add locally produced European cheese to their cheese consumption menu by fully or partially substituting Georgian cheese. In addition, it is important to understand the reasons for not consuming European cheese as to whether it is because of its price, culinary preferences or other reasons. It has to be underlined that, by Georgian cheese, we mean packaged cheese produced by dairy factories with standardized production process and enriched with flavors using modern technology. Artisan products of boutique type small cheese makers, which are presented in rural areas are not considered here.

Demography and Study limitations

Apart from general limitations discussed in the first part of the document, Georgian cheese users represented smaller part of total quantitative sample, 168 respondents. This has to be taken into consideration, when looking at different subsegments of this sample, because the number is too small for further divisions, thus most data is provided for the entire 168 respondents sample only.

Demographic Data:

Figure 17: Age distribution

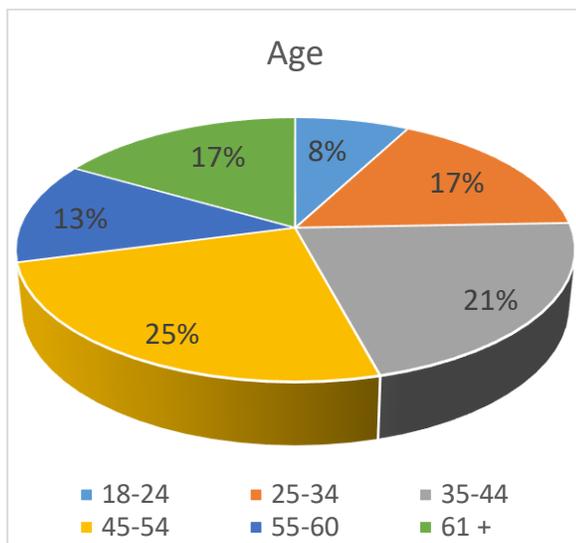
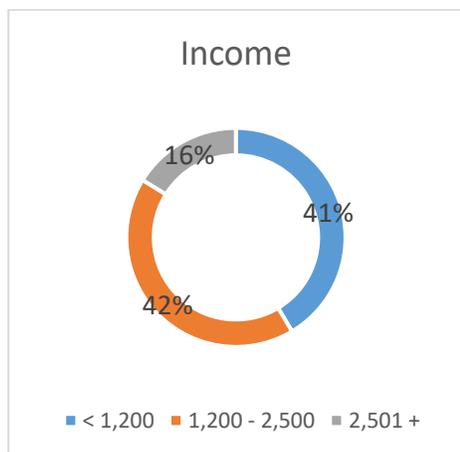


Figure 18: Income distribution (Gel)



Georgian cheese consumers generally have less purchase power and are older than European cheese consumers. Men represent 35% of this group, more than a group of European cheese consumers, women represent 65% of the respondents.

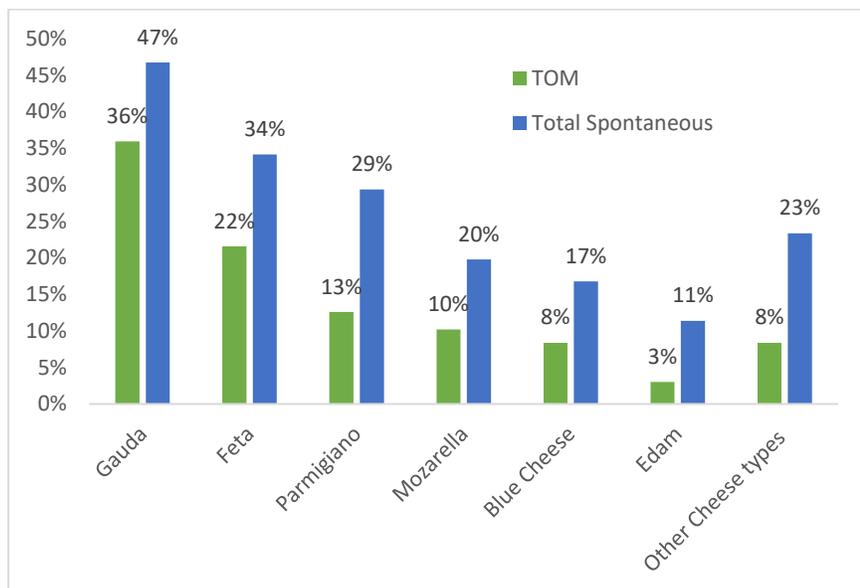
The geographical distribution is the following:

Table 12: Geographical distribution

Tbilisi	49%
Kutaisi	9%
Batumi	15%
Rustavi	28%

Awareness around European cheese types.

Figure 19: European cheese types



Unlike in the case of European cheese consumers, among Georgian cheese consumers, the question was not about consumption but about which European cheese types were consumers able to recall. “Other” represents more than 10 different types of cheese, which received very small percentage individually and therefore were combined. The General picture is similar to that of the case of European cheese consumers, Gauda is leading but has a bit lower rating while Feta appears to be more popular in this segment.

Reasons for Refraining to Buy European Cheese

It is important to see why this particular segment prefers Georgian over European cheese:

Table 13: The reasons to prefer Georgian over European cheese

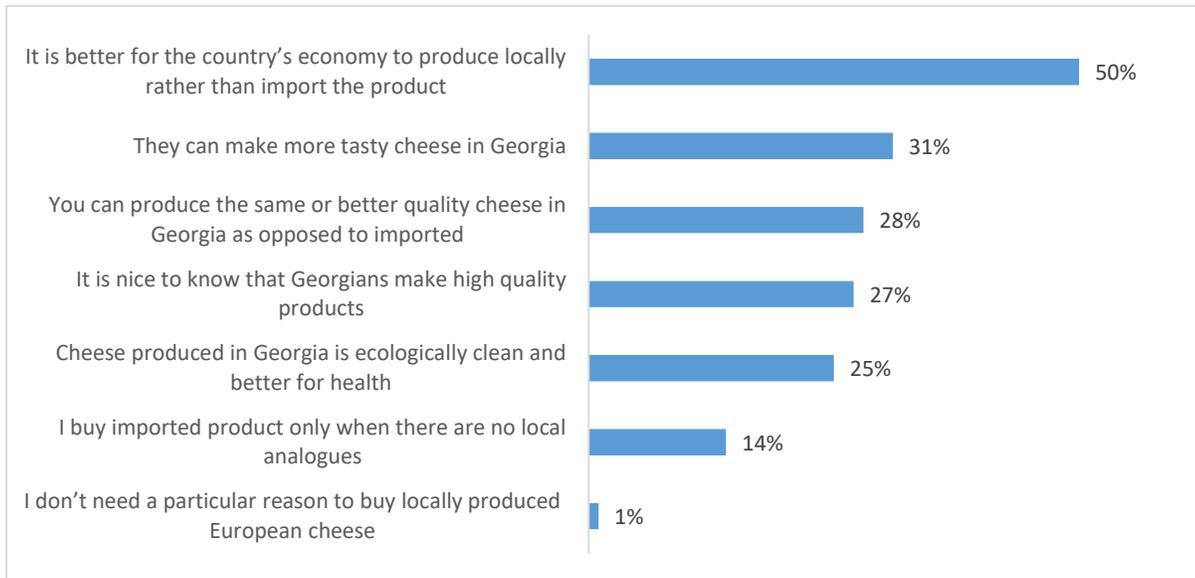
The reasons to prefer Georgian over European cheese	
Georgian cheese is more delicious and better quality	43%
Georgian cheese is more acceptable	20%
In stores where I buy cheese, Georgian cheese selection is wider	12%
Georgian cheese has more convenient packaging and size	11%
In general, I trust locally produced food more than imported one	41%
I am used to Georgian cheese	2%
I support local production	2%
Other	5%

Here respondents could name all statements that they agreed with. As can be inferred, two statements stand out: trust of local food production and perception of better taste and quality. Thus, we can assume that Georgian cheese buyers strongly prefer locally made products. In general, it is a known fact that a certain segment of Georgian population, prefers food made locally because they perceive Georgia as ecologically cleaner than foreign countries and they tend to mistrust imported products because, in their perception they are regarded as overly processed with chemicals and modern food production technology, that is not so widespread in Georgia. Price is an issue for every fifth person and comfortable packaging and assortment are minor reasons.

Incentives for buying European cheese

It is important to know, how this segment can be penetrated and why, if at all, they will be interested in consuming locally produced European cheese. How does the idea of European cheese produced in Georgia, change the attitudes positively or negatively. Respondents were asked to name up to two main reasons, that would incentiveize them to consume European cheese produced locally:

Figure 8: Reasons for buying locally produced European cheese

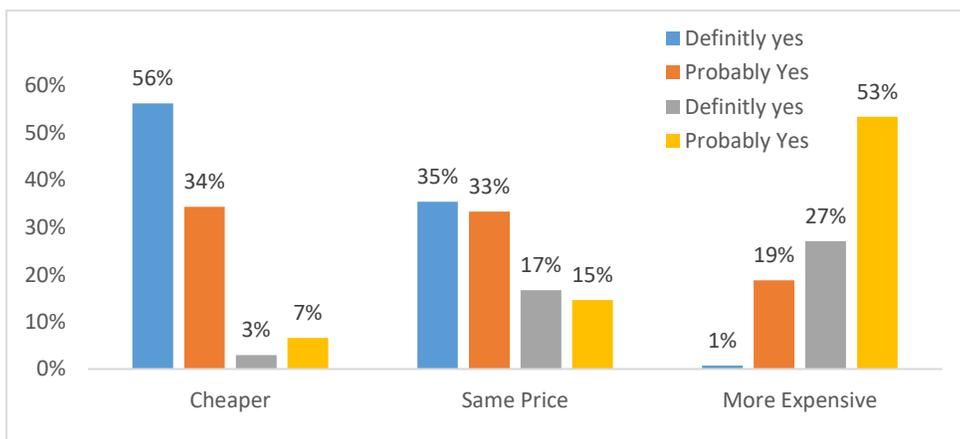


As we can see among European cheese consumers, Georgian cheese consumers too have a strong feeling that locally produced cheese is good for the economy and instead of importing European cheese its production in Georgia would support the country's economy and this would be the biggest incentive for them. Only 1% believe that there is no reason that to motivate them to buy locally produced European cheese and replace traditional Georgian cheese with it. Among the attitudes towards Georgian cheese production, the most common is the feeling that Georgians make delicious cheese.

If we look at general readiness for purchasing locally produced European cheese and substitution of Georgian cheese with it, 48% of respondents stressed that they would substitute it entirely and 37% said that they would, continuing to buy Georgian as well as start to consume European Cheese. 15% stated that they would entirely stick to Georgian cheese, even if there are motivations to switch as we have seen in the above graph. When price is added to the equation, as in the case of European cheese consumers, Georgian cheese consumers are very reluctant to overpay and are ready to switch in case of matching prices.

Would you substitute Georgian Cheese you buy now, with European cheese produced in Georgia, if the price of European cheese is:

Figure 21: Price Sensitivity



When we compare data by geographic area we observed, similar tendency where the majority of consumers from all surveyed cities answered that they would definitely replace or would probably replace the product, if the price is cheaper. Accordingly as price goes up, the consumers' willingness to replace it lessens, "I probably would not replace or, I really would not replace it" are most likely answers. More detailed distribution of statistical information is given in the figure below.

Table 14: Distribution by geographic area

		Tbilisi	Kutaisi	Batumi	Rustavi
Cheaper	I would definitely replace it	47.1%	53.8%	7.7%	84.8%
	I would probably replace it	41.2%	30.8%	69.2%	15.2%
	I probably would not replace it	1.5%	7.7%	15.4%	0%
	I really would not replace it	10.3%	7.7%	7.7%	0%
Same Price	I would definitely replace it	31.6%	30.8%	0%	52.3%
	I would probably replace it	26.6%	46.2%	36.4%	40.9%
	I probably would not replace it	16.5%	15.4%	54.5%	6.8%
	I really would not replace it	25.3%	7.7%	9.1%	0%
More expensive	I would definitely replace it	2.5%	0%	0%	0%
	I would probably replace it	15.2%	33.3%	0%	28.1%
	I probably would not replace it	22.8%	16.7%	38.5%	37.5%
	I really would not replace it	59.5%	50%	61.5%	34.4%

Household income is also connected to the willingness to replace currently consumed European cheese with locally produced cheese. If Georgian produced cheese will cost less 66% of respondents with monthly income GEL 1200 or less are willing to replace it, 54% of consumers with monthly household income in the range of GEL 1201-2500, and 42,9% of respondents whose income is GEL 2501 are willing to replace it if locally produced cheese costs cheaper. Consumers are less likely to replace it if the price will be the same in almost all categories, but they probably and most definitely would not replace the product if it is more expensive.

Table 15: Distribution by income

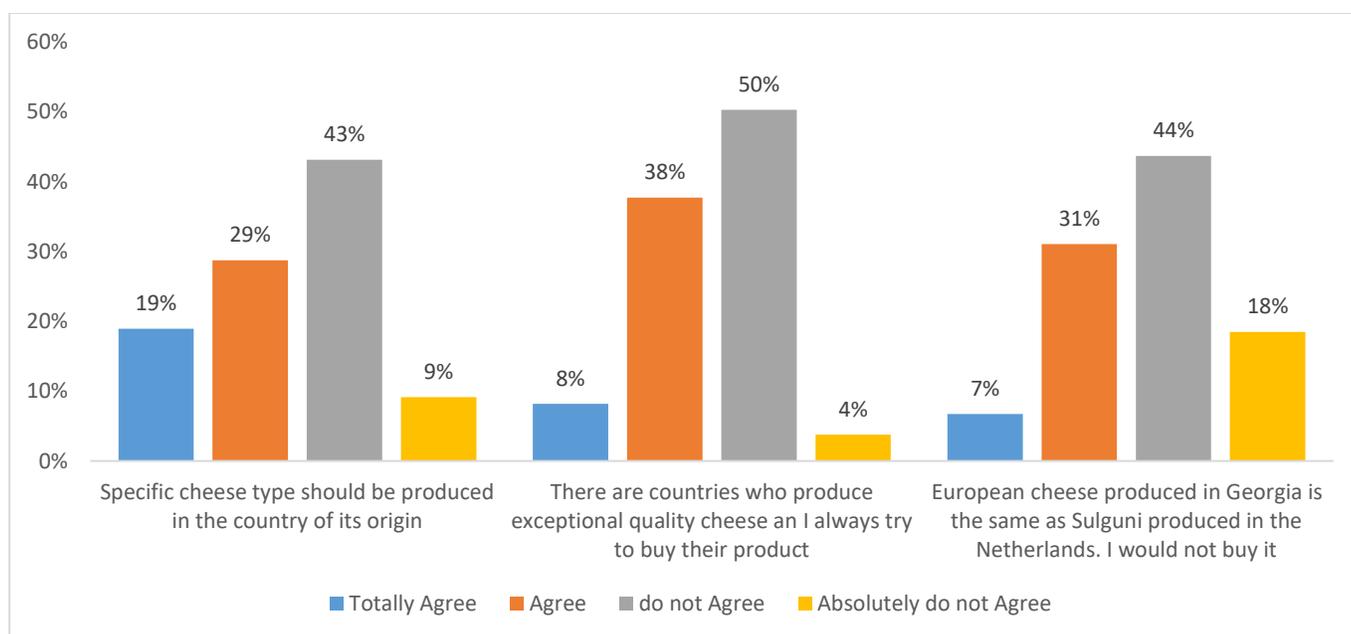
		<1200 GEL	1201-2500 GEL	2501 + GEL
Cheaper	I would definitely replace it	66.7%	54.1%	42.9%
	I would probably replace it	23.8%	37.8%	42.9%
	I probably would not replace it	2.4%	2.7%	0.0%
	I really would not replace it	7.1%	5.4%	14.3%
Same Price	I would definitely replace it	31.1%	27.3%	28.6%
	I would probably replace it	33.3%	27.3%	35.7%

	I probably would not replace it	17.8%	27.3%	7.1%
	I really would not replace it	17.8%	18.2%	28.6%
More expensive	I would definitely replace it	2.5%	2.4%	0.0%
	I would probably replace it	15.0%	11.9%	7.7%
	I probably would not replace it	25.0%	23.8%	23.1%
	I really would not replace it	57.5%	61.9%	69.2%

Additional factors affecting the acceptance of European cheese:

Respondents were asked about importance of cheese origin, their perception of Georgia as a cheese producer and its comparison to other cheese producing countries. Several Statements have been assessed by respondents and they have been asked how much they agreed with each of the statement:

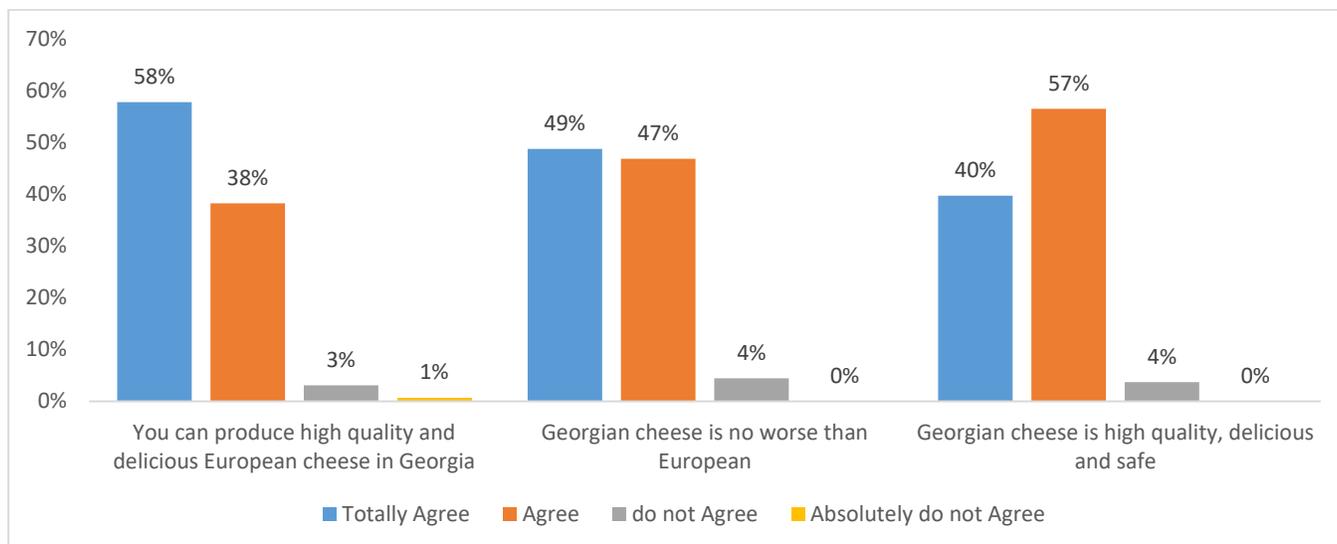
Figure 22: Respondents' attitudes



In the above chart, there are statements with unfavorable connotation towards producing European cheese in Georgia, have very small support among the respondents. The majority disagree that countries should stick to their traditional cheese types. Rather, the respondents are rather flexible towards the idea of countries producing non-traditional cheese types.

As can be seen from the below chart, the segment of respondents in question, is of very high opinion towards Georgian cheese as well as very supportive towards the idea of producing high quality European cheese in Georgia:

Figure 9



Later, respondents were asked two questions, in order to gauge perception regarding safety and utilization of local raw milk in cheese production in Georgia. The respondents were provided with two statements for each topic and asked to choose which sentence they agreed with more:

Table 16: Whether Georgian cheese is ecologically clean or not

	Definitely First	More First	More Second	Definitely Second
1. Cheese produced in Georgia is mostly made with local raw milk				
2. Cheese produced in Georgia is mostly made with milk powder	19%	44%	33%	4%

Table 17: Whether Georgian cheese is safe or not

	Definitely First	More First	More Second	Definitely Second
1. Cheese produced in Georgia is ecologically clean and beneficial for health				
2. Cheese produced in Georgia does not comply with safety standards and can harm your health	27%	65%	8%	0%

As we can see, safety of cheese produced in Georgia is not an issue for this segment. It is not surprising, since they are quite supportive and of high opinion regarding local production. About a third of the respondents believes that milk powder is used in cheese preparation in Georgia. As is the case with the consumers of European cheese, this perception is strong here, and might be one of the impediments in terms of European cheese production in Georgia.

Survey of HoReCa representatives

The qualitative survey among HoReCa representatives in East and West Georgia, regarding cheese consumption and attitudes.

Goals and Scope of the research:

The qualitative survey has been conducted among hotel, cafe and restaurant managers, chefs and owners, in order to assess their motivation to acquire European Cheese manufactured in Georgia as part of the product served to their clients as far as their menu and selection of cheese is concerned.

In order to answer the given research question and explore it in depth, certain aspects were explained to the focus group members:

- Which types of cheese is served to the customers and in what way
- What is the importance of European cheese and Georgian cheese in the menu; what are the specific cheese types preferred in certain dishes or occasions.
- Attitudes towards Georgian cheese production industry. The personal perceptions of focus group members' attitude as well as their customers. Comparison of Georgia as a cheese producer to European cheese producing countries.
- Behaviour of HoReCa customers: Do they inquire about the cheese origin when ordering certain kind of cheese or not? What would their reaction, if they were offered European cheese produced in Georgia?
- Which specific problems can hinder the production of high quality European cheese in Georgia? What advantages can Georgian producers have in comparison with their European counterparts?
- Reasons for buying or refusing to buy European cheese produced in Georgia among HoReCa representatives. What might motivate or discourage them.
- What should be the optimal pricing strategy, for locally produced European cheese, in comparison to its equivalent produced in Europe.

Technical Details of Research:

Six focus groups were conducted, with the respondents from Tbilisi, Gori, Rustavi, Gudauri, Batumi and Kutaisi. Each group included six to eight participants. The focus groups were diverse. Both large market oriented and more exclusive hotels, cafes and restaurants were represented. The professions were also diverse ranging from owners and managers to chefs, therefore, the focus groups included the entire chain providing service to customers as well as running his/her own business.

This report describes feedbacks from each focus group session and the summary is provided at the end.

Group 1: Kutaisi and Batumi – Cafes/Restaurants

Both Georgian and European cheese varieties are widely consumed by group participants, for the purposes of serving them to their customers. Cheese assortment was diverse: Edamer, Grana Padana, Sulguni, Imeretian, Mozzarella, Parmigiana, Gauda, Mascarpone, Blue Cheese.

Georgian consumers rarely inquire about the origin of European cheese. They prefer certain cheese types based on a meal, however they lack substantial knowledge of cheese as such and have not formed preferences as to where a particular kind of cheese should be produced. In general, knowledge around cheese is very limited, in the sense that Georgian public lacks awareness around specific cheese types, manufacturing details and knows about cheese only based on the level of its gastronomical value with a specific meal or by itself:

"I have never had an occasion when people asked where a particular European cheese came from" Manager of Café, Batumi.

"The entire world switched to genetically modified cheese and people do not understand it. Neither European Parmigiana, nor cheese produced in Georgia, are completely natural. But people have no idea about such things." Restaurant Chef, Kutaisi

"Usually, people do not inquire about the origin, unless they feel that it tastes bad. Foreigners sometimes ask about the origin, but the Georgians practically never do this. People lack deeper knowledge about European cheese types, I think" Manager of Café, Batumi.

There are more frequent cases when consumers try more to combine a particular type of cheese with a certain dish; At such times, they will check which cheese is used with the dish, as they sometimes have negative experiences, for example, when a restaurant offers them an inappropriate type of cheese for a particular dish:

"Usually, I choose which cheese to use in what meal and consumers trust us. We never received complaints about a cheese type used. However, for example, in a Caesar Salad, customers prefer Parmigiana and the customers make sure that we do not use Sulguni as it is often done by other cafes" Manager of Café, Batumi.

"I only use Georgian cheese in Khachapuri and while serving Georgian cheese plate" Owner of a Restaurant, Kutaisi.

"In a four cheese pizza, people wish to have blue cheese" Manager, Café, Batumi.

Those customers who have more extensive exposure to international cuisine and are relatively well off financially, are typically more attentive toward ingredients and might ask more questions about a specific dish, however, these questions for the most part pertain to the types of cheese and other ingredients of the dish, rather than the origin of cheese:

"Our customers are paying premium. They earn above average and they show some interest towards ingredients of the dish they are consuming." Owner of a Restaurant, Kutaisi.

"people are rarely interested where the cheese has been produced. Sometimes they ask whether it is plant based or not. Only seldom, foreigners may inquire about particular ingredients of a dish and their origin" Manager of a Café, Kutaisi.

Customers tend to inquire about the origin of cheese, when they notice that cheese differs in quality based on the producing country. But this is not the usual case.

"Feta differs in quality whether it is Georgian or Turkish and customers ask about its origin" Café Manager, Batumi.

As for the safety and quality of Georgian cheese and Georgian cheese producers, focus group participants believe that in order to buy delicious cheese that can be served to clients, you have to rely on small producers and stay

awa from buying from large chain markets such as Carrefour, Agrohubs, etc since their cheese does not taste good. Safety is a concern when one buys from a small producer, but typically HoReCa representatives visit producers, test their facilities, practices, as well as get to know them personally and choose several trusted vendors who supply them with various kinds of Georgian cheese.

“We have a person who supplies us with his/her family made cheese and we are sure that it is natural and good quality. I bought cheese several times in Carrefour and Agrohubs and was disappointed.” Café Manager, Batumi.

“There is no alternative to small family-based vendors in Georgia. You cannot serve Georgian cheese from Carrefour to customers. We have several vendors that we are well aware of their product, thus we buy from them. I check hygiene norms and it is satisfying. Sometimes local small producers practice bad hygiene and I make sure to check the product.” Restaurant Owner, Kutaisi.

European cheese produced in Georgia, is an interesting concept for the focus group participants. One of the main concern relates to its technology, whether local producers will be able to learn to make European cheese and diligently follow required procedures. According to one of the focus groups, European cheese sold in Georgia is not manufactured in the country of its origin anyway. It is mostly produced in Turkey or Ukraine and people still buy it. There is no reason why the customers would refuse to accept Georgian production.

Respondents are willing and motivated to promote local production, buy cheese from Georgian businesses, although they say they are not ready to pay a higher price. According to them, since it will be a novelty for Georgia, European cheese production will likely be more expensive than importing. However, in general, market is open for the opportunity of testing out European cheese produced in Georgia and they are willing to compare it to the product imported by their European counterparts in terms of price and quality. They will definitely give it a chance consider its in their services:

“It depends on a restaurant’s prestige and its price range. I own a small café and if it is expensive, I might not buy it, because I care about the costs, I expect it to be more expensive.” Café Manager, Batumi.

“I am willing to try it check the price and see” Café Manager, Batumi.

“We tried Georgian-made mozzarella, but it did not taste good. It does not matter where it is produced, quality is the most important factor” Café Manager, Kutaisi.

“Everything comes from Turkey, Ukraine or other countries anyway and rarely from the original country of a particular cheese. So, it does not really matter. The important things is quality, reasonable price and its compatibility with a dish” Restaurant Owner, Kutaisi.

“If the quality is the same and price is similar, I will choose Georgian, because I support local production. Tourists are also more interested in local production.” Restaurant Owner, Kutaisi.

“I support Georgian production, but I have reservations about our ability to make Italian cheese, we have to learn the technology well and teach people. It is not impossible, but it is challenging.” Café Manager, Batumi.

“We will not be able to produce European cheese using the exact same technology. For example, Parmigiana preparation takes about 36 months utilizing special technology. I would applaud Georgian manufacturers, If they succeed in making it however I am not sure of it.” Restaurant Chef, Kutaisi.

Group 2: Batumi/Kutaisi - Restaurants

This group fully consisted of restaurant representatives. Here, supply chain problem was highlighted, and participants stated that they are ready to pay premium price to the vendors who can ensure stable supply.

"You can't get real Feta from Greece, there is a Turkish one, however there is a problem with stable supply"
Restaurant, Batumi, Director.

"Khachapuri is our visit card and of course we use Georgian cheese in it. Otherwise, we consume plenty of European cheese, nevertheless we have serious problems with stable supply. As a result I had to switch to Europroduct supermarket which is more expensive but provides stable supply" Restaurateur and Manager, Batumi.

This group also showed sensitivity to price. Despite the fact that the production of European cheese by Georgians is somewhat proud, the participants are not ready to pay extra just because of patriotic sentiments:

"I would say with pride that this cheese is produced in Georgia!" Bar-Restaurant, Owner, Kutaisi

"If you tell me European is cheaper, I will choose it over locally produced, even if it is a small difference, because we deal with heavy competition and we cannot afford to overpay." Bar-Restaurant, Owner, Kutaisi

Cheese variety consumed by restaurants is wide, both for Georgian and European cheese types: Gauda, mozzarella, parmigiana, mascarpone, Cheddar, Feta, (Georgian cheese) Sulguni, Smoked cheese. Cheese consumption is closely connected with particular dishes and occasions for consumption of a particular dish:

"Europroduct imported cheese is good for pizza and salads." Bar-Restaurant, Owner, Kutaisi

"With wine guests prefer European cheese. We use European cheese in Salads, Pizzas and Pastas, while Georgian cheese mainly in Cheese plates" Bar-Restaurant, Owner, Kutaisi

The participants positively assessed the possibility of producing European cheese in Georgia, because since they had the opportunity to taste the product and value it greatly:

"I tasted European cheese produced in Akhaltsikhe and it was amazing. I would like to see this cheese sold in Kutaisi. For me taste and quality is what matters, not the country of origin. I can say that European mozzarella made with Georgian milk was great for pizza". Bar-Restaurant, Owner, Kutaisi

"I tasted cheese produced in Marneuli, looked like Edamer, it was very good, I can not find this producer since then" Restaurant, Batumi, Director

Group participants discussed the importance of producing particular cheese variety applying the exact technology, so that it maintains all the necessary qualities, because every cheese type has its special purpose in a dish served, thus altering its qualities would make it difficult to maintain consistent quality of food served to the customers. Additionally, it was mentioned that when producing European cheese in Georgia, apart from taste, color etc., one has to take into account consistency of ingredients, since many people have certain allergies and health issues, and they have to be aware of what they are consuming:

"People who are allergic check the ingredients because of this. But they never check the origins of cheese. They know much more for example about Wine than cheese" Bar-Restaurant, Owner, Kutaisi

“Details are important, that is ingredients. Because people have allergies and other health problems, they need to know what they are consuming.” Restaurant, Kutaisi, Manager

“Technology is important to maintain the same color, fat level etc. Mozzarella, Gauda and other imported cheeses have very peculiar taste and effect on the pallet, and this has to be maintained.” Bar-Restaurant, Owner, Kutaisi

“Mozzarella is good for pizza because it has to be high in fat and has to be stretchy, so sulguni is not suitable for pizza, so the properties of the cheese, the taste, etc. It's always important,” - Bar-Restaurant, Owner, Kutaisi.

Despite the fact that the group participants understand that the product provided by a small, family owned producers is not entirely safe, they still prefer to spend time and energy and check the product themselves, identify trusted sources and obtain cheese from these vendors rather than acquire it from the factories who have cleaner, certified but not so delicious product, that is prepared with milk powder and additives and therefore is unfit in terms of preparing delicious meals. They compromise on risk by searching for reliable small producers or trusting middlemen to connect them with reliable small producers:

“We buy family made cheese because large-scale productions use milk powder. Sometimes we are forced to buy from factories because these family owned businesses lack the necessary documents. We have trusted vendors from whom we buy family made cheese.” Restaurant Director, Batumi.

“So many additives are used in the factory that cheese made there does not make dishes delicious. Family-owned vendors provide good quality cheese that can be used in Khachapuri. I buy such cheese from a vendor on the market.” Bar-Restaurant, Owner, Kutaisi.

“We try to buy from small holding farms, and we are in constant search.” Restaurant Manager, Kutaisi.

The survey participants believe that, European cheese can be better produced in large factories, since the small-scale farmers are good at producing Georgian cheese, as they have known the technology for generations, while making of European cheese will be a novelty for them. The participants believe that the type of new cheese and new technology can be better learned by larger dairy factories rather than small family-owned productions.

Group 3: Batumi/Kutaisi - Hotels

The hotel industry consumes a wide variety of cheese and separates specific cheese type according to dishes and occasions. The latter often uses Parmigiano, Mozzarella, Gauda, Edam, Feta, Cheddar, blue cheese, Edamer in entrees and sandwiches. French cheese, and other European cheeses and Georgian Cheese are used in a cheese plate à la carte. Georgian cheese is also used in Roulettes, Khachapuri, cheese selection with wine are offered including both, imported and Georgian cheese.

Stable cheese supply is a problem for hotel industry like for other industries (HoReCa). Large-scale dairy factories have quality problems while small producers can not ensure stable production and the necessary safety measures as well as accompanying documentation. Therefore, hotel owners and employees try to compromise and work with medium size stores, trustworthy small-scale vendors or a relatively good quality large producers, for example Agrohubs, which provides stable supply and quality and somehow ensures stable supply. Big five star hotels as well as small ones, run into this problem as well:

"I always have problem with buying good quality cheese in Achara and constantly search for better quality product. Good quality natural cheese in Batumi is very difficult to get. I buy from Megrelian families who run a shop here." Chef Batumi, Hotel

"Cheese produced by large factories is disgusting, I will say this straight out." Kitchen Manager, Kobuleti, Hotel.

"In a five-star hotel, when you serve cheese, you need documentation. If you buy from a small farm you would not be able to obtain these documents and may be fined as a result. I do not understand why larger companies cannot produce high quality Imeretian cheese, they would certainly have a steady demand from hotels." Kitchen Manager, Kobuleti, Hotel

"Factory cheese is more reliable of course. There is a problem with cheese obtained unofficially, because it is not safe. So, I go to Agrohub or shop on Griboedovi street, but they cannot guarantee stable supply." Hotel Owner, Batumi

Supply problem is mainly associated with milk deficit. When asked about possible production of European cheese in Georgia, respondents stated they would give it a try but expressed doubt that the lack of reliable supplies might drive locally produced cheese costs higher than imported ones, in which case businesses will not buy it. However, if its price is competitive, many hotel representatives will gladly try it and proudly offer it to their guests. In order to be competitive, a locally produced European cheese should have to maintain taste as well as the looks and texture of the appropriate including the appropriate packaging with all the necessary information on it.

As for the importance of country of origin, the participants state that there is little interest regarding the manufacturing country of a specific cheese. Besides, Italian, Dutch and other traditional cheeses are manufactured in Eastern European countries and nobody objects this:

"Nobody asks give me a Gauda from this or that country. My friends have a refrigerator, and they import from Poland and Ukraine without any problem." Hotel Restaurant manager Kutaisi.

Group 4: East Georgia. Hotels

The group representatives come from a wide range of hotels: family-owned small hotels, medium sized and large resorts. However, they all share common problems associated with stable supply and quality of Georgian Cheese. The assortment of European and Georgian cheese is rich and a specific cheese type consumption is strongly connected with a particular dish, (as it came up during other focus group discussions) Cheddar for burgers, Parmigiana for Caesar Salad, Feta for Greek Salad, European Cheese plate, more often European but sometimes Georgian cheese with wine. Khachapuri with Georgian cheese, and so on. Nevertheless, there is a significant difference in terms of supply between when it comes to European and Georgian cheese. While European cheese is quite easy to get, guaranteed good quality Georgian cheese supply is a continuous problem and many hotels spend significant amount of energy, constantly adjusting and trying to manage this problem practically on a daily basis. They are required to have several suppliers at once and conduct controls and check the quality and quantity of supply permanently, switching from one supplier to another, and thus trying to somehow maintain necessary supply of Georgian cheese. Larger hotels feel this problem even more, because apart from required quality, their demand is higher and they cannot afford shortages. Additionally, many hotel representatives have to reach out

to suppliers from Tbilisi, because in smaller Georgian cities, there are no stable suppliers and sometimes even European cheese is not available on a short notice.

“I have one supplier in Tbilisi which has maintained consistent supply quality. So now I do not have a challenge, but in the past, I had many problems here in Gori, in terms of finding reliable supplier, so I switched to Tbilisi.” Hotel Chef Gori,

“in Telavi, we have Kurdgelauri, a good cheese factory producing specialty cheese, Parmigiana and Mozzarella types, that pair well with wine. However, securing traditional Georgian cheese is a big problem.” Family Hotel Owner, Telavi

“We are required to diversify Georgian cheese suppliers in order to achieve stable supply and it is very difficult, while European cheese supply is much more stable and there are less problems associated with it.” Hotel Chef, Tbilisi- Kojori,

One of the main reasons named, associated with problems related to Georgian cheese supply, are scarcity of quality milk and utilization of milk powder in the production, which gives the cheese such a taste that prevents the preservation of its taste properties for a long time. Additionally, the focus group members stated that controls in Georgian cheese production and responsibility of producers are weak and thus stable and sufficient supply of cheese is difficult to maintain. The overall feeling is that there is scarcity of every necessary resource in the country and producers cannot keep up with the growing demand:

„We have good supply chain maintained by our staff for European Cheese. Georgian cheese is a bigger problem in terms of quality and stability of supply. When you require large amount of the product, quality maintenance is a problem for producers. Seems like there is a lack of resource to provide enough supply of good cheese in the country. This can possibly be caused by a rapidly increasing demand on the market.” Hotel Head of Operations Borjomi, Tskaltubo.

If a stable and good quality is guaranteed, locally produced European cheese will be very desirable, however focus group participants believe that there will be problems associated with quality milk, even in remote areas of the country, locally produced milk is not from natural milk. Furthermore, the technology and maintenance of production requirements can be a problem in respondents' opinion:

“To produce Parmigiana for example, you need to wait two years. I am not sure people can wait here for so long” Hotel Chef, Gori.

The focus group participants would welcome locally produced European cheese, because they buy substantial quantities of imported cheese and there is a market for it. But they express concern about potential price of local production, because according to their experience, frequently, locally produced products are more expensive compared to imported and that is a problem. What they need is good quality local production, but with competitive price:

“Georgia has a potential to put together the right team of people, resources and technology in order to produce good quality European cheese and we would be very interested. But there is an issue with price because often locally produced is more expensive than imported and that is a problem.” Family Hotel Owner, Telavi.

“Only this year we bought 1,200 kilos of imported Mozzarella, there is a market for it and we would welcome Georgian production.” Hotels Operations Head, Borjomi, Tskaltubo.

The respondents stated that they are ready to pay for stable quality supply since it is such a big problem and if somebody can solve it, they are ready to pay more. As mentioned, earlier in the document, stability of supplies is mainly problematic for Georgian cheese v. Imported cheese supply chain is much more stable, but sometimes, especially outside Tbilisi, there are shortages:

*“I will say this straight out, I am tormented by instability, and I am ready to pay for stable supply of quality product.”*Hotel Chef, Bakuriani.

Another concern is regarding safety, because according to participants, cheese produced in Georgia may contain health risks, contain certain bacteria causing various diseases. Therefore, It is important to be sure that the quality of production and its safety standards are in place:

*“If you have witnessed the how the cheese is made in home conditions, it is impossible to trust such vendors. I only buy from sources I know personally. I never buy on the market because I do not trust the product there. As for cheese produced in factories, I know it is made with milk powder and I dislike it.”*Hotel Chef, Tbilisi- Kojori.

It is worth mentioning that concerns about safety are bigger among the group who represent more high-end HoReCa spots. This problem goes back to a choice between safemilk powder based less delicious cheese vs. more delicious cheese made at home, but lacking safety. This problem is typically addressed by exploring and securing trustworthy vendors who are able to provide delicious and at the same time safe Georgian cheese. However, such vendors cannot always ensure stable supply, especially when the demand is high.

As for the importance of the origin of European cheese, the focus group participants stressed that most customers do not inquire about cheese producing country. The customers who are interested in the origin of cheese are typically foreigners, but that is mainly because they want to try something local and request local cheese types:

*“Foreigners ask about the origin of cheese, because they are mostly interested in trying local cheese. I also work in Telavi tourist center, and many tourists look for cheese sampling, and I know a couple of places that I trust and can recommend them to the guests.”*Family Hotel Owner, Telavi.

Group 5: East Georgia, Restaurants

In this group, more specifics were provided given as to the problems of supply for imported cheese types. According to participants, stable supply problems are connected with importing companies' lack of stability. Sometimes you get different quality from the same supplier, sometimes it may be a problem related to the transportation or storage. So, everyone tries to secure several different suppliers. Usually, people do not notice such changes in quality. But people who frequent more high-end establishments tend to notice more. It also depends on a particular type of meal, for example, it is more noticeable in desserts. :

“In a dessert, people can taste when cheese is not so good.” Restaurant Chef, Tbilisi,

“When cheese falls apart into pieces, it means it has been frozen during storage.” Restaurant Chef, Tbilisi.

The group participants stated that when they experienced a shortage, it is difficult to substitute European cheese with Georgian cheese in certain meals, since it tastes differently and most customers can notice the difference, which they do not appreciate. This confirms the feedback received in other focus groups that, certain cheeses are used for certain dishes and substituting them is not advisable.

Cheese origin is almost never investigated by customers according to the focus group participants. Customers care about adequacy of the cheese with a meal and occasion as well as the quality and taste of the product. Difference between Georgian cheese and European cheese is mainly in terms of its utilization in a cuisine. Otherwise, Georgian cheese is highly valued, along with certain Georgian manufacturers who can make European cheeses very well:

"I buy cheese at Agrohub, and they offer European cheese with honey and cinnamon and it is a great product. You cannot distinguish it from an imported cheese. It is evident that the product is made with natural milk."
Restaurant Chef, Gori,

Regardless of, different opinions that are generally more prevalent in the focus group sessions, some of the participants have also stated, that Georgian dairy companies produce cheese made of milk powder and it is too processed and poor quality. In general, we can assume that, chains such as Agrohub and Europroduct are valued relatively high compared other big supermarket chains.

According to the participants, there are smaller-size producers who offer an exquisite Georgian cheese based on traditions known in specific regions of the country, for example highlands of Georgia. However, the majority of producers have problems related to cheese storage temperature, packaging and process of production that result in unreliability of the product:

"You might control storage in your restaurant but producers themselves have problems with hygiene and rules of storage in their production facilities. We have the knowledge of cheese making, but we need more control."
Restaurant Chef, Tbilisi.

"Our approach is to go and inquire about small-scale producers and choose one who make their cheese from natural ingredients and maintain good quality of production and safety rules. We like to support small companies." Restaurant Director, Gori.

The restaurants that require storage because they buy larger quantities of cheese, face bigger problems with quality, as the cheese made with artificial ingredients loses taste and texture in the process of storage. There is little knowledge about the ingredients of imported cheese, and it is difficult to evaluate its quality in advance. In general, there is little information about how the imported cheese has been produced, stored etc. So, there is less possibility for control on import than on locally produced product, which can actually be examined. This is an opportunity for local production because they can provide more transparency.

The participants have experience with locally produced European cheese and they state that it is very important quality match its quality with the European product.

"I support Georgian business but if it negatively affects meals made in my establishment, I will not be able to use it. I tried locally produced Mozzarella and it was low quality." Restaurant Manager, Telavi.

"I use Buffalo Mozzarella from Nikora, and it is very good". Restaurant, Chef, Gori.

The main impediment for producing good quality European cheese locally, according to the participants is the lack of production knowledge of certain types of cheese. However, if the quality is good, European cheese produced in Georgia, the group participants expressed readiness to buy it. They stated that, if latter is the case, customers will not only restrain from local production but will be even more motivated to try it. One significant advantage for local production is that it eliminates transportation problems related to importing cheese from

overseas. There is a substantial market within restaurants and good quality European cheese produced in Georgia, will definitely attract customers. Typically, customers do not enquire about the origins of cheese. This only happens when they are positively or negatively surprised and start to investigate the product have been served.

Group 6: Eastern Georgia, Cafes

In this section, additional information that is missing in the first five group insights is given. Any unaddressed aspect means that there was nothing new or different discussed in that regard. The group discussed cafes' preferences of specific cheese and its quality in depth. The participants stressed that often they have to compromise on cheese quality they use and go for a cheaper option, because their customers are price oriented and they have to think of ways to offer affordable menu options.

"Buffalo Mozzarella was so expensive that we had to switch to alternative" HoReCa company, Restaurateur, Teacher and Director.

This concerns both imported and G cheese. There are much more interesting cheese varieties than Sulguni for example, but they are expensive, that is why Sulguni is so widespread according to the group participants.

Another reason for choosing relatively cheap alternatives, is the fact that interesting and nonstandard cheeses, for example some new, European style Georgian cheeses, made in Saperavi or with otherwise enriched flavor, are not in stable supply. Thus, it is very difficult to plan and manage café menu when relying on steady supply of such cheese and owners and managers prefer to use standard cheese like Sulguni, which is in relatively stable supply.

"New kind of Georgian cheeses are very interesting but lack supply consistency. You put together a menu and later there is no product.", Restaurateur, Teacher and Director HoReCa company, Tbilisi.

Cafes who serve higher income customers, are more careful with the quality and often pay more for a high quality product. Apart from price, maintaining high quality product is difficult because very few importers or local producers can actually ensure solid supply of good quality products and those who hold a bargaining chip:

"I have 70 types of French dessert created by me. Mine are s higher income customers and I have good knowledge of cheese I use in my meal preparation. For example, cheap Parmigiano is very bad. There is a big difference between good and bad imported product. Very few can provide good quality product and sometimes I have to work with a company that it is not a reliable business partner to work with." French Café, Owner and Chef, Tbilisi.

"I bought Parmigiana for 40 Gel, later I discovered Parmigiana for 120 Gel and that one had totally different quality." Take away café, Owner, Tbilisi.

As for the country of origin, according to the focus group participants, customers can feel the difference in the product and meal quality, but they are not interested in the place of origin of th cheese.

Qualitative Research Summary:

Perceived incentives and barriers concerning locally produced European cheese and its acceptance by the market. Under the market here we mean HoReCa industry and their customers.

Perceived Incentives:

Desire to support Georgian production

HoReCa representatives understand the importance of development of Georgian business, as they are themselves involved in business. They express readiness to support local production and substitute imported cheese with the locally manufactured equivalent. The participants stated that they would proudly offer locally produced European cheese to their customers.

Desire for Securing Stable Supplier

Stable suppliers who can ensure uninterrupted supply of good quality cheese is a big challenge for HoReCa sector, both in terms of Georgian and European Cheese. In the case of Georgian cheese, there is a dilemma of finding optimal middle solution between technologically modern factories that produce safe cheese with all required controls and documentation in place, but use powder milk and additives and subsequently offer cheese that does not taste as good vs. small family-owned productions, whose cheese on the other hand is very delicious but contains significant health risks as its production lacks controls, it is not carried out according to modern safety standards. So, when it comes to securing supply for Georgian cheese, HoReCa representatives do explore opportunities, looking for the so called middlemen or producers, who can ensure good quality and safety of cheese. They are who carefully evaluated, and included to the list of trusted suppliers. Such suppliers are very few and they often lack production consistency, therefore HoReCa representatives have to identify new suppliers constantly. As for the imported cheese, importing companies also have problems with ensuring constant, stable flow of the product since they face shortcomings in maintaining high standards in the process of transportation and storage. Additionally, sometimes, due to logistical mismanagement, they cannot ensure on time delivery, especially to geographic areas outside of Tbilisi. Thus, HoReCa industry members have no choice but to secure different suppliers and change their list constantly, in order to avoid sudden shortage of cheese products. Considering the latter, a Georgian companies could potentially offer stable quality of European cheese can that would be produced locally and be distributed with less risk in terms of transportation and storage has a pretty good chance of securing the market.

Wide Utilization of European Cheese in Various Dishes

Usage of specific type of cheese is very closely connected to a matching dish and imported cheese is very difficult to substitute with Georgian cheese in meals, because they have very different tastes and qualities. Thus, in most cases, even if Georgian cheese is widely used and popular, imported cheese is required for offering customers such popular dishes as pizza, salads, sandwiches, desserts, and cheese plates with wine. You cannot substitute Mozzarella with Sulguni in a pizza, since most customers would notice it, and even if they love Sulguni, they want their pizza to contain Mozzarella. Therefore, you have to use imported cheese, regardless of your patriotic sentiment and taste preference. This creates stable market for European cheese, which at the moment is predominantly being imported.

Perceived Impediments:

High price of local products

According to HoReCa representatives, there is a high chance that European cheese produced locally will cost more than its imported counterpart and this will hinder its competitiveness on the market. This is due to the fact that the end consumer is price oriented, competition is big and in HoReCa sector, you have to meet the demands of the market in order to stay in business. Price pressure often pushes HoReCa sector representatives towards cheaper supplier even if the latter may not provide the best product. However, it has also been mentioned that if stability of supplies is guaranteed, HoReCa sector representatives are ready to pay extra, as long as the supply stability is secured.

Inability to create good quality European cheese locally due to the lack of knowledge, technology, and resources.

It was stated by the focus group participants that there are cheese makers making good quality Georgian cheese with innovative recipes and flavors, but they have serious problems with raw milk supply which is scarce and often results in quality cheese shortages. Conversely, the same problem may hinder good quality European cheese production in required quantities, as the European cheese requires quality raw milk, and our current milk supply cannot keep up with the demand. As long as most big cheese producers are using milk powder to make cheese, the perception is that it will be a huge problem to find raw milk in necessary quantities in order to produce enough European Cheese locally that can partially substitute imported cheese.

Another important perceived impediment is the lack of knowledge and technology, necessary for quality European cheese production. Various European cheeses require particular production process, timing and other nuances which are not well – known for Georgian cheese makers. Georgian cheese is regarded as very delicious and Georgian cheese making traditions are highly valued, but backwardness in terms of learning the modern standards and technology of cheese preparation, is viewed as an impediment in the eyes of HoReCa sector representatives.

Lastly, it is important to stress that the country of origin of cheese is not an important issue. HoReCa sector representatives stated that most imported West European cheese is manufactured in eastern Europe, and nobody has an issue with that. Nor do the customers ask about the origin of cheese that they are served. Therefore, producing European cheese in Georgia and not importing it directly from Italy or the Netherlands will not create any perceptual problems, if the product will be of adequate quality.

Conclusions and Recommendations

Georgian cheese market has been studied in two segments: Retail Market representatives who shop at malls and supermarkets and Hotels, Restaurants and Café owners, managers, and chefs. The goal was to assess market readiness to consume European cheese produced in Georgia. With the study limitations in mind, it can be assumed that the market expressed strong readiness for this novelty. Research was limited in terms of analysing general perceptions and attitudes and did not include specific products or prototypes, therefore, instead it paints general picture regarding market attitudes and does not go into detailed analysis of particular cheese manufacturing companies,, pricing, promotion of specific cheese types, etc.

As for the pricing, general attitude of the market is that price adequacy with imported products will incentivize the majority (roughly 80%) to buy local product, while more exclusive and expensive price of European cheese produced in Georgia, would make it a niche product for the market. interestingly roughly less than 20% believes this. Several conclusions and recommendations are provided below:

The majority (69%) of respondents stated that the country of origin of cheese is important for them, and Georgia is regarded as a good source of cheese, but it has specific perception problems. Lack of good quality milk, lack of technological knowledge and concerns related to cheese safety. Among these, most significant problems is the widespread perception that Georgia does not produce good quality milk enough for making quality cheese in sufficient quantities and that producers who will decide to produce European cheese in Georgia, will encounter milk shortage problems. 55% of the current buyers of imported cheese believe that currently the majority of Georgian cheese production is utilizing powder milk instead of raw milk. In the opinion of HoReCa sector representatives, if Georgian cheese makers will start to make European cheese, they will have to acquire technology and have enough patience and business planning, to let the cheese sit for required amount of time before it can be consumed. They are sceptical that Georgian producers will live up to this demands. Cheese safety is problematic but with less than other issues, 21% of imported cheese consumers believe that Georgian cheese is not safe for health, due to lack of control and not following safety standards. There are several aspects to consider here. Firstly scepticism around Georgian cheese, both in terms of its natural ingredients, safety and production, is higher among the respondents with higher income, who also, happen to buy more imported cheese. Both of this issues have to be taken into consideration seriously while planning to attract high-end customers. Secondly, powder milk utilization in cheese production is mainly associated with large-scale factories who do not produce delicious cheese that can be used in quality meals served to the customers,, while safety is mainly an issue of small family-owned producers who make delicious cheese but with higher risks and poor standards. Thus, it is vital to integrate technological excellence, milk supplier management and safety management, to appear technologically modern to Georgian public. It is important to overcome the perception that even though,, Georgian cheese is praised highly, the industry that produces it is not not as is often blamed of lacking quality controls and quality milk suppliers.

People are very keen to supporting local economy and have a sense of pride when a good product and successful business story is created in Georgia. These are the main reasons for supporting local production of European cheese. 56% of respondents who buy imported cheese stated that they will buy locally produced European cheese to support the economy and 49 of the respondents said that it is nice to hear when Georgians make quality product. However, despite acknowledging that supporting local production is good for the country's economy, neither individual customers nor HoReCa sector representatives are eager to overpay and expect local production

to match the price of imported product. Market expressed skepticism with regard to the fact that Georgian producers will be able to achieve operational excellency to match import prices, but this is what they need to do.

Among cheese buyers who visit shopping malls and supermarkets, there are around 30% who buy only Georgian packaged cheese and not the imported kind. Price is one of the reasons, named by 20% of these buyers, but taste and perceived quality of Georgian cheese is the main reason, named by 43% and 41% of this segment. Thus, there is a substantial segment of potential customers who buy only local production. They are less well off and older than imported cheese buyers. It is noteworthy to stress that this segment expresses readiness to try locally produced European cheese, because it trusts Georgia as a cheese producer. But the primary reason here is the same as in the case of imported cheese consumers, that it will help the economy, so this message has to be reinvigorated in communication.

Even if the respondents believe that origin of cheese is important, in practice, people rarely ask about it at supermarkets, malls or HoReCa places. they look for freshness, packaging, and price. Brand such as President is popular and has its customer base because is a well-known brand and assures its customers of good quality. However, the majority are still primarily oriented toward the cheese type. Georgian and imported cheese differ in taste and application, occasions can be rarely interchanged in dishes, so they are more complementary than interchangeable. Most popular imported cheese types are Gauda, Feta, Parmigiana, Blue Cheese, Edam, Mozzarella. The main incentive for buying specific type of imported cheese is its taste. Some types like Parmigiana and Feta are mainly procured for using them in cooking.

Furthermore, the majority of both HoReCa sector representatives who buy cheese for business and customers who buy cheese for personal consumption, stated that they are not ready to overpay for locally produced European cheese, in case of HoReCa sector representatives, there is one motivator that might incentivize them to pay premium price and that is the stability of quality cheese supply. Both with local producers and importers, HoReCa sector representatives encounter a problem with stable supply. Within the local market, cheese makers lack raw milk and good manufacturing practices, which results in inability to provide quality cheese on a regular basis. As for European cheese importers, they often run into problems with delivery deadlines as well as quality of product that gets damaged during the process of transportation and storage. Thus, these shortcomings could be seen as an opportunity for new local producers of European cheese.