

HOW TO DISTRIBUTE LOCAL FOOD BUSINESS-TO-BUSINESS

A SHORT GUIDE FOR START-UPS
AND NETWORKS



EUROPEAN
REGIONAL
DEVELOPMENT
FUND

Baltic Sea Food

Preface



Photo: TMV/Oliver Pahlke

Local food producers and farmers in the rural areas of the Baltic Sea Region (BSR) are mainly small family businesses, who prefer to organize their sales through face-to-face contact and by phone. The market area of local food producers is usually their own home region. In many regions **local food networks** are established to cooperate for marketing and information exchanges, while some of them are looking for development opportunities.

The current situation in BSR countries shows that while ex-

isting local food distribution models are mainly focused on Business to Consumers (B2C) relations, there is lack of economically competitive Business to Business (B2B) models. In 2017 the project “**B2B distribution model supporting local food sector** in Baltic Sea region rural areas” called Baltic Sea Food was launched.

This handbook is designed to present a B2B distribution model. It is to inspire you to build a local-food distribution network or business, also distributing the produce and idea for a start –

up. The best experiences of the ten project participant countries namely Lithuania, Latvia, Estonia, Finland, Sweden, Denmark, Norway, Germany, Russia and Poland – are included to show various solutions for the implementation and development of the B2B model in your area.

The target group of this handbook are local-food producers and suppliers organized in the form of food networks. The goal is to **create new sales channels** for business-to-business (B2B) through small-scale local-food



networks, by cooperation and increasing the value of their products in a shorter supply chain. It is also to **inspire established local-food producers and distributors** already selling their products business-to-consumer (B2C).

The objective of the cross-border cooperation project „Baltic Sea Food“ is to design a sustainable and transferable business model for B2B distribution applicable for local food networks established by local food producers and providers in rural areas of the BSR. In cooperation with 14 project partners from 10 countries a business model document “**Local food business-to-business distribution model**” (BMD) was developed which was essentially based on both the best practices available in the BSR area and results of surveys conducted among local food networks and distributors. The project “Baltic Sea Food” is part-financed by the Interreg Baltic Sea Region Programme 2014–2020.

***Partners of Baltic Sea
Food***



Content

Sustainable Local-Food	
Distribution Network And Business Models (chapter 1)	4
Plan A Start-Up For A Local Food Network – Step By Step	6
Importance Of Customers	10
Customer segments and target groups (chapter 2)	10
Customer value propositions (chapter 3)	16
Channels to reach the customers (chapter 4)	19
Customers relationships (chapter 5)	22
Revenue Streams (chapter 6)	28
Key Resources (chapter 7)	30
Key Activities (chapter 8)	32
Value chain	32
Logistics	33
Distribution	35
Digitalization	37
Key Partnerships (chapter 9)	42
Cost Structure (chapter 10)	46
Organization And Strategy (chapter 11)	48
Summary	54

Sustainable local-food distribution network and business models

The Baltic Sea region (BSR) has increasing **local food production** due to an increasing interest from customers for these products. Local food businesses offering small scale, both traditional and innovative use of healthy, premium quality and often handcrafted local food products, can develop attractiveness for their own region and business through different customer groups, including locals and visitors.

Local **food producers** and **farmers** are mainly small family businesses, who prefer to organize their sales through face-to-face contact and by phone. They are often not able to sell their products to large wholesale companies or supermarket chains because of limited production volumes and higher prices compared to large producers. Therefore, their access to catering, food processing and the retail sector is somewhat complicated.

Local food networks are established in many regions to cooperate for the purpose of marketing

and information exchange. A local food network involves relationships among food producers, distributors, potential retailers and customers in a place where they work together to increase the availability of local food and increase the value for the producer as well as ensuring sustainability. Most of the local food networks and distributors sell their products business-to-consumer (B2C).

A sustainable network is a business or organization that actively manages logistics, distribution and marketing of source-identified food products. Primarily local and regional producers collaborate in such a network to strengthen their business through an ability to satisfy customer needs and demands, i.e. on a business-to-business (B2B) level. The main target group for the B2B is HoReCa (hotel/restaurant/café) - hotel and catering industry.

The **business model** for B2B distribution developed by the BSF project is applicable for local food networks established by local food producers

and providers in BSR rural areas. It enables them to establish smooth, short supply chains at local and regional levels thus offering opportunities for growth and improved business performance for SMEs in the local food sector in rural areas.

Full text of the Local food business-to-business distribution model composed by Baltic Sea Food project is now available www.balticseaculinary.com/baltic-sea-food-business-model.

Best practise case



Development of sustainable B2B model

“Bondens Skafferi” (*Farmer’s Pantry*) in **Sweden** started up on a very small scale in 2008 by former restaurant chefs who wanted to make it easier for restaurants to find locally produced food. The company has now grown to be a specialized local food distribution company with EUR 7 million in annual turnover. *Bondens Skafferi* collects products from 150 farmers & producers and delivers to 200 restaurants in the region of Skåne in Sweden.

The company has been growing large in numbers, but they maintain the initial idea to bring the



best local products to the restaurants with ease under the slogan – **“Think global, eat local!”** 2019 *Bondens Skafferi* received the prestigious award *Nordic Food Entrepreneur* at the Embla Food Awards.

www.bondensskafferi.se

Plan a start-up for a local food network – step by step



There is a lot to consider going from selling products directly to customers in a market or shops (B2C) to selling them as a structured Business-to-Business (B2B). There are many opportunities and risks to consider and decisions to make while building a network.

Collaboration might solve a lot of the challenges. If you, as a producer, work on your own, about one third of your time will be spent on marketing and distribution. Cooperation also can reduce different risks. The level of knowledge and experience can also increase with the increase in number of partners. It takes time to reach new markets, provide necessary information, organize agreements and make decisions. Collaboration with other producers and searching for wider and

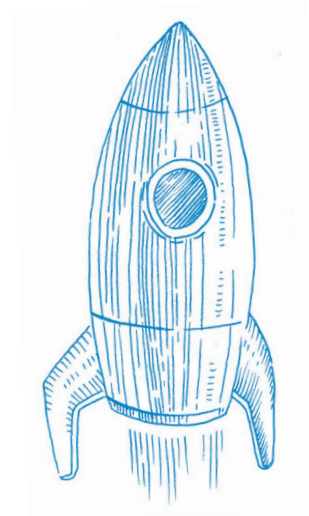
new markets requires new planning, processes and new steps.

Every network and **business is different** and has different needs, market segments, and the customer needs are variable. Being close to a city or in a rural area poses different challenges; economy and digital competence will also vary. Sometimes different marketing, digitalization, building a new brand and labeling is necessary.

You can use the **business model CANVAS**¹ as a tool for planning your own B2B model. The different building blocks can be used as a framework for the new local-food distribution network: for a business plan, strategy, organization and for maturing one's own thoughts in a process. Start with **customer segment**, **customer value propositions**, **channels to reach the customers** and **customer relationship**. Then your chosen customer needs will be in focus. The basis of financing the business is knowledge of how to earn money through **revenue streams**. A well considered **cost structure** will strength-

Fig 1: CANVAS model:
Overview of chosen
building blocks

en the economy and liquidity in a business. You have to know **key resources** and plan the **key activities** of your business. **Key partnerships** are important to obtain useful knowledge or for outsourcing some parts of a business and to be sustainable.



Key Partnerships	Key Activities	Value Propositions	Customer Relationships	Customer Segments
a. Official b. Private	a. Logistics b. Distribution c. Digitali- zation	a. Increase product value for customers b. Increase service value for customers	a. Link between target and network b. Service process	a. HoReCa market b. Events and culinary tourism c. Special shops, Retail chains d. Public catering
	Key Resources		Channels	
	a. Required for assets b. Management c. Risk		Marketing - Traditional - Digital	
Cost Structure	a. Expensive key activities b. Controlling economy		Revenue Streams	a. Willingness to pay b. Securing revenue streams c. Other income possibilities

¹https://en.wikipedia.org/wiki/Business_Model_Canvas



Best practise case

Heila – steps from farmers market to B2B

Heila in **Finland** started its operations 11 years ago with the local farmers' market. The idea was to build a local food concept in Heinola, which had never been seen in Finland before. Today more than 250 small-scale producers are represented at *Heila*'s local farmers' market. Most of the producers are from within 100 km of the place. Today, products and handicrafts are available from the shop, the café, the restaurant, the meat market and the microbrewery and small winery.

Initially, the restaurant, the meat and fish shops and the winery were run by tenants. In 2015 *Heila* bought the restaurant business, in 2016 a bakery was built to replace the fish shop, and in 2017 the meat shop was bought. The winery expanded to the microbrewery shop in 2017. Today *Heila*'s turnover reached EUR 3 million, and external professionals were appointed into the board of directors.

For the future *Heila* is planning to increase current business and expand to the B2B sector. *Heila* is looking into opportunities to offer their selection of local delicacies and ingredients to other restaurants, cafes and public-sector food services within the region.

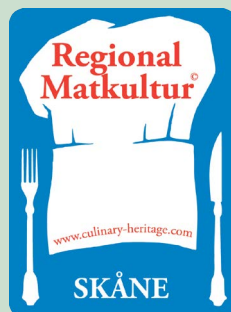


<https://heilan.fi/>



Growing net- work- from local to international

Regional Matkultur Skåne (Culinary Heritage Skåne) in **Sweden** started up in 1995 as a **regional network** for bringing local food producers and restaurants together into one network. The strong cooperation between these dynamic groups of entrepreneurs has been going on since then. In this way the exchange of knowledge and awareness of each other have increased. It brings the local food products to



the restaurants. Several hundred companies have been involved in the process throughout the years. *Regional Matkultur Skåne* promotes the local food and culinary traditions in the **international network** Culinary Heritage Europe that also started up in Skåne.

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Importance of customers

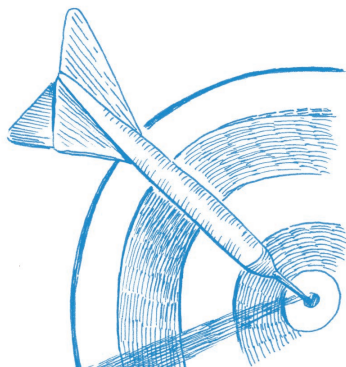
CUSTOMER SEGMENTS AND TARGET GROUPS (CHAPTER 2)

It is important to know **needs** and **demands** of customers to stay in business and develop the B2B model. You have to identify your most important customers with the best income revenue possibilities! Market and customer needs are changing and developing all the time, so a local-food distribution network needs to respond to market opportunities continuously to stay relevant.

The business can gain efficiency in marketing by dividing customers into smaller groups with more homogeneous needs. It will be easier to identify customer **target groups**, their needs and network opportunities by grouping customers into segments and choosing a main customer segment as a focus. Limit the amount of main target groups for efficient and relevant marketing, sales communication and distribution! Adapt your

business strategy and key activities according to your customer target group(s). The network may have to create and present different products and services to each of the customer target groups to keep them interested and loyal over time.

Segmentation of customer groups is based on customers' physical and social characteristics including their buying behavior. It will help you to identify **customer values**. This will enable you to match the business ability to deliver to customer expectations, and create efficient marketing strategies, communication channels and distribution systems that are adapted to the needs of customers.





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Target group – top restaurants

Varde Ådal Lam in **Denmark** is an example of a small-scale collaboration. The family-owned farm has its own slaughterhouse, farm shop and refrigerated vehicle. The farm cooperates with other local manufacturers who have the same high standards of quality as themselves, all products are organic.

They are conscious of maintaining a **high price** and are therefore targeting products and services to **top restaurants**. These customers require high quality and delivery security, good storytelling and on-



Photo: Søren Villadsen, Gastronom.dk

going offers of new specialty products, but they will also pay extra for the products.

Local top restaurants, such as *Michelin Restaurant Henne Kirkeby Kro*, began using the products early on and a local chef with good connections to other high-level restaurants in the rest of Denmark set up a sales tour, where he invited the farmer to jointly present the products. After that the sales started to grow. *Varde Ådal Lam* has strengthened collaboration with the chefs by creating dining events where the **chefs participate**. The good references to high-end restaurants mean that many B2B and B2C are automatically positive about the products and they seek the farmers out themselves.

<http://vardeaadallam.dk/>



Photo: Søren Villadsen, Gastronom.dk



Target group – hotels and tourists

Gudbrandsdalsmat SA in Norway is a cooperative with 29 members. The members are producers of local food products in Gudbrandsdalen and Lillehammer. The task for **Gudbrandsdalsmat SA** is to sell and distribute the products from the members to shops, hotels and restaurants all over Norway. The products are from four dairies, three breweries and one bakery. There are many meat producers, several vegetable producers and many other products. **Gudbrandsdalsmat SA** is involved in a project

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Photo: Kristoffer Mæle Thuestad

with the local organizations for the hotels to make a **route for the tourists** so they can visit the best places to buy local food and the best restaurants serving local food.



<https://www.gudbrandsdalsmat.no/>



Target group for cooperative – urban people

The agricultural cooperative **Lietuviško ūkio kokybė** (*Quality of the Lithuanian Farm*) unites more than 400 farmers. Their mission is to reconnect consumers with Lithuanian heritage based on *natural* agriculture and processing, and to offer urban people products that are grown in Lithuania. They organize mobile markets, located near major supermarkets and shopping centers and also supply products to the largest retail chain in Lithuania *Maxima*. *Maxima* supermarkets have special line *Greetings from country* – shelves with the farmers' produce. Only farmers who grow or process their products and those who hold certificates of national heritage, with exceptional quality



<http://beta.mobilusturgelis.lt/>

Best practise case



or organic products are allowed to sell in their network.

It is very convenient for the farmers to bring their products to the supermarkets, while at the same morning they make use of mobile markets and sell the rest of their products there. Before a farmer signs an agreement on trading at a mobile market, other members of the cooperative visit the farm and check the possibilities of joining the network. The main role of the cooperative is to arrange the invoices and payments with the *Maxima* supermarkets (farmers issue invoices to the cooperative, and similarly the cooperative on behalf of all farmers to the supermarket). Today they coordinate 41 mobile markets all over the country and have started to open farmers' shops in different cities and to offer to the consumers more best quality local products.



Product finds target group

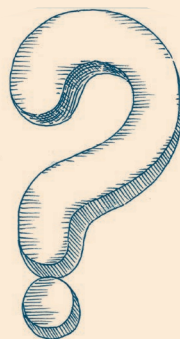
The *Capri traditional cheese factory* and **shop** in **Poland** began its work in 2014. After several years of work, it turned out that the best customers are restaurants, because they order a fixed amount of goods and, once agreed, conditions are then binding for them. Individual customers are reluctant to pay higher prices for better cheeses. The shop is still growing, and the current annual turnover is around Euros 20,000. Good restaurants are very happy to buy cheese, business grows especially through marketing at parties where chefs can try cheeses and then order them.



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TOP 5 questions to answer:



- 1** In which area are your customers located (define regions or operational radius from the hub)?
- 2** Which target groups are you going to focus on (preliminary list of potential clients in your area by importance)?
- 3** How many potential clients do you have in each target group (HoReCa, events/ culinary tourism, municipal clients, special shops, retail etc)?
- 4** How big are the potential client companies (categorize by size such as small/ medium/big)?
- 5** What are the special needs of each target group (purchasing/use/ relationships/ organizational characteristics)?

CUSTOMER VALUE PROPOSITIONS (CHAPTER 3)

For a local-food distribution business to be viable, it is necessary to gain and keep customers by providing a product or service that adds and exceeds an expected value for them. Identifying **what gives a customer value** means identifying their challenges and needs and offering a product and/or service that provides effective solutions to these issues.



Value does not always mean direct added monetary value. It might not be created through product improvement, but as improvements in areas like product access and quality, product handling and logistics, effective communication, customer service and relations, producer collaborations or business management and strategies. When the **customers experience value**, it usually increases value for the producer and owners, and strengthens the long-term relations.

Both **products** and **services** are important to customers, and it is essential to ensure value is added throughout the whole value chain (Fig 2; page X), including logistics, distribution, labeling, packing and storytelling, by correctly covering or exceeding a need or expectation. This requires an analysis of needs

and challenges at different levels of the business, such as customers and market, service and production, management and employees, and economy and financing. It will help to ensure solutions and value propositions are found for all parts of the business value chain.

You have to clarify what gives value for each customer or customer group by identifying customer challenges and needs. If you find solutions to customer challenges it creates added value

for them and at the same time for the owners of the network and the producers. The solution to the customer challenges, the value propositions, are the products and services offered by the network and these need to be adapted to each customer group according to their specific challenges to effectively meet their needs and expectations.

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Showcase as added value

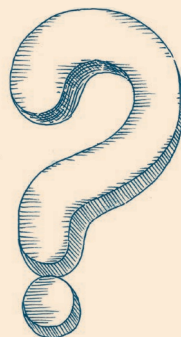
Restaurant Hyčka in Poznań in **Poland** has clearly defined its menu. They based it on local products characteristic for the region and create still new dishes based on traditional dishes of the Wielkopolska region. The owner of the restaurant adheres to the philosophy that he must know his kitchen from the inside out, so he can cook any dish from the menu,



even though he is not a cook by profession. The restaurant has become a showcase of regional cuisine, based especially on elderberry, its fruits and flowers.

<https://www.hycka.pl/restauracja/>

TOP 5 questions to answer:

**1**

What products are available in your operational area (categorization of farmers/producers per size and product groups such as vegetables, meat, milk, fish, cereals, fruits, berries, soft drinks, alcohol, seasonings/spices etc)?

2

What product groups do you need to have in your portfolio to offer value to your clients?

3

What kind of value do you need to offer to each of your target group in your operational area?

4

What kind of value do you need to offer to farmers and producers in your operational area (try to identify each size category or product category)?

5

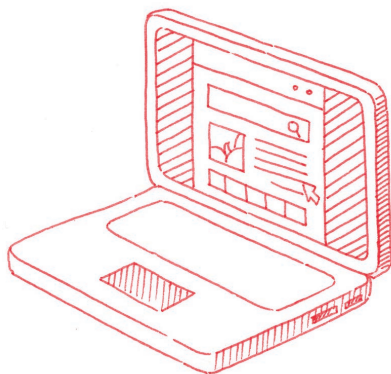
Do you have a preliminary list of farmers and producers you can cooperate with?

CHANNELS TO REACH THE CUSTOMERS (CHAPTER 4)

It is important to identify proper **communication and marketing channels** for achieving sales, and to choose the correct ones according to your customer segments to ensure you reach your target customers efficiently. It is also important to identify the channel strengths and weaknesses and to adopt the most efficient ones for your purposes or situation. The channels may also include systems for traceability and order handling, increasing overall logistics in terms of efficiency and reliability, adding yet further value to the customer.

Channels for communication and marketing can be divided into traditional and digital channels. Use and preference of them may differ among customer segments, different cultures, age groups, areas, level of employment and education. **Traditional channels** are suggested to change more towards digital solutions for traceability, communication and shorter supply lines for handling everything from order to invoice.

The importance of **digital marketing channels** is increasing. These channels are highly accessible worldwide and open up to larger markets. They are often more adaptable and cost effective, and usually interactive with mutual opportunities to exchange information among customers, producers and business. Digital marketing channels enable a larger variation of instant communication techniques, including videos and photos. Digitalization can make the business more efficient when promoting a brand, business and product range. In rural areas digitalization can make the world and market come closer and more available for both suppliers and customers. **It is important to find the right channels to reach the target group and meet its needs!**





HoReCa platform for contacts

The B2B HoReCa platform **Wirt sucht Bauer** (Caterer wants a farmer) links the HoReCa sector with farmers and food producers in **Germany**. Customers and producers can find each other on the portal, inform about their offers and needs and initiate deals. Thus, the platform is not an online shop but rather a contact pool, offering extensive search and presentation options for ingredients of the regional cuisine. The platform was initiated by the Bavarian Ministry for Food and Agriculture and it is accompanied by a B2B *GastroRe-*

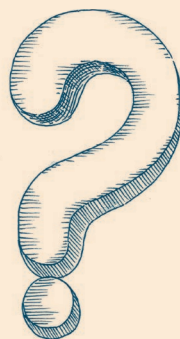


gioDay where farmers, producers and HoReCa customers get together, listen to presentations and get to know each other at Speed Meetings. The Speed Meetings bring together an equal number of producers and HoReCa customers to one table, give them a few minutes to chat, then HoReCa customers move on to the next table and to new producers.

Photo: KEm/Wirt-sucht-Bauer.de



TOP 5 questions to answer:



1

What kind of traditional channels can you use in communication with each target group?

2

What kind of digital channels can you use in communication with each target group?

3

What are pros and cons of each channel for each target group?

4

Did you identify all channels relevant for each of your target groups (clients)?

5

Did you identify all channels relevant for farmers and producers from your operational area?



CUSTOMERS RELATIONSHIPS (CHAPTER 5)



It takes time and money to get new customers by communicating your brand for the first time. The key to keeping loyal customers is to build long-term relationships based on trust and confidence and it is also crucial for a business' sustainability and success. **Customer service** is the process that makes a customer satisfied with all aspects around the product and services linked to the product, before, during and after the buying process.

If you provide great customer service you can generate more

income and revenue, because it gives a value to the customers and **creates loyalty**. Loyal customers usually buy products repeatedly and there is no need to put additional effort or time into the selling process. The key to sustainability and success for a B2B business is strong customer relationships based on trust and loyalty.

Storytelling is the most important link to the market and customers. Consistent storytelling in all channels from all

members and for all products in the one network enables efficient and effective relationship building. It is possible to strengthen both the brand and the link to the market if the communication is done by using the same professional branding, colors, clothes and photos.

It is important to communicate the producer's, supplier's or farmer's **unique story** by using personal touches, such as a photo of farmer or a description of a production method, in information sheets, websites, menus or brochures. It lets your customers and the end consumers know how close the producers are to them



and what makes their products or deliveries special. It makes your products and business unique and interesting and thus increases the sales opportunities. At the same time a story helps to build a long-term relationship because it feels personal when the consumers know the stories.

A **positive identity** is communicated through a consistent story (*storytelling*) across all branding and communication, using personal touches connecting the producers and product identities with the customers and end consumers. It also creates links to the market and strengthens customer loyalty and relationships. This can be done by using the special story as a central and important part of the **marketing**, as the essence of the brand and communication strategy.

Communication by brand and storytelling is a key to reaching out to various target groups and end customers. It strengthens the ability to meet the interest and to build a relationship with new customers. It is important to know customer opinions to strengthen the relationships and customer service at all levels throughout the value chain.



Importance of Trademark in marketing

Saaremaa is **Estonia's** largest island and has its own culinary traditions and culture. Food and non-food producers, caterers and craftsmen from Saaremaa and Muhumaa have used a special **trademark Saaremaa ehtne toode** since 2012. It is a regional mark and will help you to easily find and recognize genuine products made in Saaremaa. Products with this mark can be found in shops all

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over the country and can be specifically recognized as Saaremaa local products.



www.ehtne.ee

Photo: Florian Bolk



Branding – tool for surviving and profit for small business

Modern, industrial fishing of her-
ring threatened the existence of
local fishermen on the island of
Hiddensee in **Germany**. Because
of dumping prices they established
their own association **Hiddenseer
Kutterfisch** and started to mar-
ket their fish themselves, at bet-
ter prices, fostering a regional and
sustainable economic cycle. Thus,
they want to keep their environ-
mentally friendly gillnet fishery

alive. *Hiddenseer Kutterfisch* has be-
come a successful brand, recogniz-
able by the pictures of fishermen
on the minimalistic packaging and
listed even in national gourmet
shopping catalogues. A young lo-
cal restaurateur and farmer who
initiated the society *Hiddenseer
Kutterfisch* came up with innova-
tive marketing ideas far from the
mass market. He buys the catch
from the fishermen, processes it
and sells the fresh and tinned fish
at his restaurants, in his regional
shops and on a national level. The
fishermen receive more money for
their hard work and part of the
profit goes into the work of their
association.

www.hiddenseer-kutterfisch.de

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<https://rorosmat.no/om-oss/profilmateriale/>



Trademark for culinary region

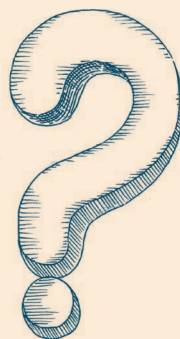
Rørosmat SA is a cooperative with many active food producers as unit holders in **Norway** and owns the trademark *RØROS food from the Røros area*. They are Norway's clearest brand in local food, and contribute to value creation for their members. With one contact point, one order and one delivery, they serve the Norwegian grocery and housekeeping market with the variety of goods that their mem-

bers produce. The turnover was about EURO 4 million in 2018.

The cooperative creates a **modern food adventure** and offers good food with the taste of mountains, expanse, forest and sea. People who work at Rørosmat SA are the manufacturers' extended arm, and are proud and happy to be able to work with as many skilled manufacturers who are passionate about what they do. The cooperative works on behalf of the manufacturers, carrying out marketing, sales and distribution of their goods. With this contribution the producers are able to succeed, so that the Røros regions are emerging as a culinary region where one is proud that unique raw materials are produced, processed, traded and enjoyed.



TOP 5 questions to answer:



1

Do you have your story based on the values you offer to your clients, farmers, producers and local community?

2

What are the best ways for communicating your story to clients, farmers, producers, local community etc.?

3

Do you have your own logo, brand or trademark and how do you communicate your brand together with farmers and producer brands?

4

How do you take care of your clients and farmers and producers in addition to daily routines and what kind of activities do you implement (events etc.)?

5

How do you measure and evaluate the satisfaction of clients and farmers and producers and how do you use the feedback?

REVENUE STREAMS (CHAPTER 6)

Revenue streams are a result of value propositions that are successfully offered to customers. Customer willingness to pay and other types of revenue streams are described and suggestions are presented in the BMD and show the importance of getting the **right price** and creating a revenue stream.

Good **pricing models** including a sales budget are important and will help to control the financial situation and handle sale and pricing better. A start-up business may need to test several income possibilities over time before setting a long-term strategy and building a sustainable business plan. **Income** and **revenue** have to be linked to costs to ensure a sustainable business. Several types of income possibilities for



Photo: TMV/Thomas Ulrich

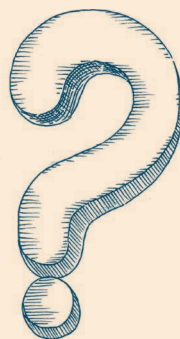
B2B are presented in the BMD – regarding customers from HoReCa, events and culinary tourism, special shops and places, retail chains and supermarkets as well as public catering.

Financial risk needs to be considered while looking into new markets and partners. This might be challenging especially for B2C networks entering the B2B market, because there are different rules and timing in both revenue streams and payment time.

Agreements or **contracts** help control the **risks** to secure the revenue streams. The higher a risk, the more important signed agreements are. They are useful if disagreements occur. Examples of risk reducing agreements are available in the BMD.



TOP 5 questions to answer:



1

What kind of pricing model do you use for each target group and what will the clients pay for (for products, for distribution service etc.)?

2

Who is the owner of the products in all parts of the supply chain?

3

Which kind of contracts do you use for each target group and producers/ farmers (oral, written, each year or long-term etc.)?

4

What are the main aspects which need to be agreed in contracts?

5

What kind of additional income options can be used for each target group (campaigns, presentations, discounts etc.)?

KEY RESOURCES (CHAPTER 7)

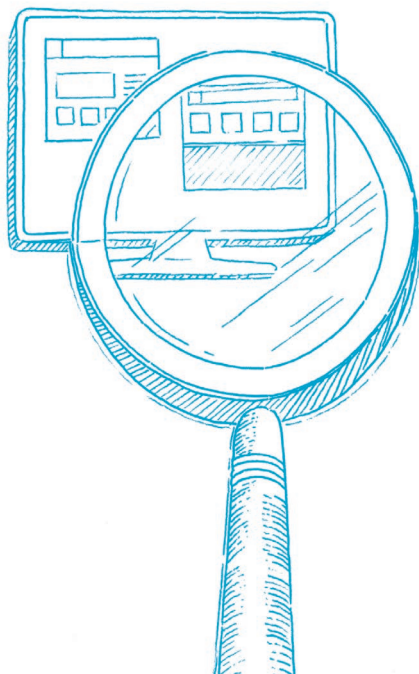
The key resources are the **main inputs** that you use to create your value proposition, to service your customer segment and to deliver the product to the customer. The most important resources will vary from network to network depending on form, level and complexity of the business. The most important suppliers and partners will vary, so building a wide network is important.

Small businesses are not able to have all competence in-house and need to cover needs from specialists or other **external resources**. It is easier to plan management activities if you know content and available assets of organizations, networks and human resources. It is usually crucial to choose the right management and staff, because this is the glue between target customer, owners, producers, partners and staff and is allowed to make decisions on an owner's behalf.

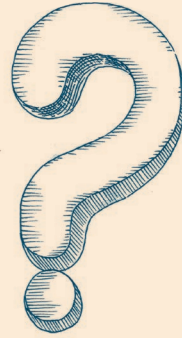
A Business management platform is a software tool that unifies all elements of business planning in one system. There are dozens of management platforms for differ-

ent software available on the web. It is necessary to have it to unify all partners and employees to behave and handle matters the same way and thus with the same values.

If management and staff follow the business management platform as a framework and rules for the business, they all know how **to prevent risks** by agreements, how to satisfy customer needs and how to secure sustainable operations. An example of a management platform for decision-making in B2B sales and risk management is given in the BMD.



TOP 5 questions to answer:



1

Which kind of resources are needed for offering value to your clients (marketing, communication, customer relationships, ordering and distribution of products)?

2

Which kind of resources are needed for offering value to farmers and producers (marketing, communication, customer relationships, ordering and distribution of products)?

3

Which activities do you implement by yourself and which activities do you outsource?

4

How much human resource do you need (staff members, including management team) and what are the main tasks of each staff member?

5

Did you evaluate risks and work out plans for risk reduction?

KEY ACTIVITIES (CHAPTER 8)

VALUE CHAIN

The most important key activities are market offers, customer relationships and distribution channels because they all enhance the value propositions for the customers. One of the biggest worries for both producers and local-food network is the cost of **distribution**. To become a successful local-food distribution network, handling of goods needs short supply lines of delivery to be efficient. There are different ways of handling distribution depending on area or covered region. If the network and producers are close to the market, one solution might fit better than a solution for distribution in more rural areas. Each network has to select and test which method will fit its own strategy, market and target groups. Being aware of the most important activities covering the needs for the target customer group, helps the business to stay interesting for the future as well.

A value chain (Fig 2) is a model for getting an overview and describing the full range of activities including design, production, marketing and distribution. It can give a better understanding of key capabilities

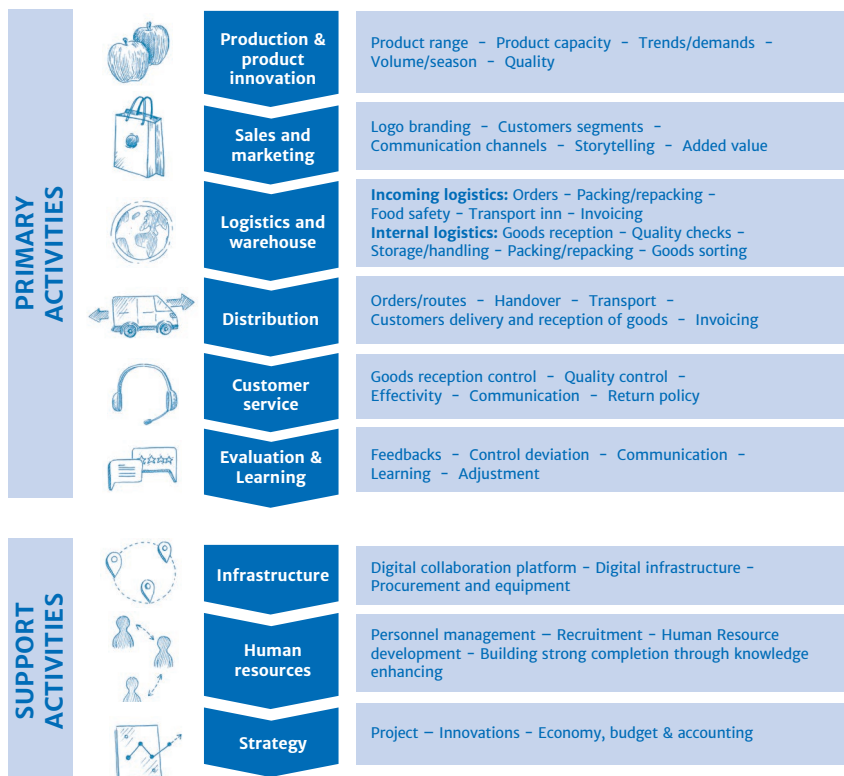
and identifies areas for improvement in flow and helps organizations to decide whether to extend or outsource some activities.

The value chain consists of two types of activities. **Primary activities** cover six main parts: production, sales and marketing, logistics, distribution, customer service and learning. **Support activities** include human resource management, maintenance of the organization's infrastructure, procurement and management activities such as strategic planning, accounting, finance and quality-control mechanisms. Parts or all of these activities are often outsourced.



Local Food Business Value Chain

Fig 2: CANVAS model: a value chain.



LOGISTICS

Both, the physical displacement and all the processes involved around the product as well as the information around the product, is included when thinking about logistics and **supply chain** management. Effective logistics management requires sufficient infrastructure to support sustainable deliveries of the right prod-

uct in the right quantity in the right condition to the right place at the right time and at the right cost. The logistics infrastructures of food supply chains tend to be fragmented and less efficient in rural areas than the centralized distribution networks of conventional food systems, and are not often very developed towards automatic or electronic solutions.



E-lorries – new logistic concept

The regional marketing initiative **MECK-SCHWEIZER** in **Germany** developed a sustainable logistics concept for drop shipping in line operation, thus **avoiding stock management**. Solar powered re-frigerated e-lorries cover the region in four loops, routes that intersect at one point in the middle where products can be exchanged and e-lorries recharged. The power for the e-lorries is produced by a photovoltaic system installed on the office roof. The power is

Best
practise
case



stored intermediately in buffer storage and is available for the lorries from a fast-charging station.



www.meck-schweizer.org/projekte/vertrieb-und-logistik

DISTRIBUTION

The aim of distribution is to reduce costs by **shorter supply lines** and to get payment for marketing and distribution. The pricing of distribution seems to be the biggest worry for all the businesses and producers. The main task and solution for distribution is to find efficient route optimization by using different types of distribution channels or vehicles for different kinds of deliveries. Use of Google Maps or equivalent tools and regional knowledge are helpful. You have to ensure that customers re-

ceive the freshest food on time to meet buyers' needs.

To enhance the value for the customer and to be sustainable as a business, a network has to choose suitable **distribution channels** depending on the assortment of products, volume and distance to the market. Using appropriate distribution channels adjusted to own business levels helps to optimize a supply chain transportation network by reducing costs, improving service levels, and improving supply and delivery reliability.

Best practise case



Meeting points – part of distribution services

Lõuna-Eesti Toiduvõrgustik or South **Estonian** Food Network brings together local food producers and farmers and transports their goods to local restaurants and shops and offers them sales and **logistics services**. They have set meeting points, where farmers bring their



products and the distributor picks them up and takes the products to the buyers. They deliver products regularly 2–3 times a week, based on a set schedule.

<http://let.veebipood.ee>



Vending machines - 24/7 shopping opportunity

REGIOMAT® in **Germany** is a vending machine especially designed for selling a broad variety of local produce, showing the products and selling them in a clear and simple way: regional products around the clock – fresh from the producer, 24/7. Technical features are flexible, an integrated cooling system is available as well as different payment options. Such vending machines are becoming increasingly popular in Germany, mostly with farmers, owners of shops and cafés who want to sell directly or extend their service into night times or weekends. **REGIOMAT®** users in Mecklenburg-Vorpommern say that their customers love the 24/7 shopping opportunity and

Best
practise
case



Photo: Milchhof Warlin



Photo: Milchhof Warlin

appreciate the simple access to regional products.

www.regiomat.de

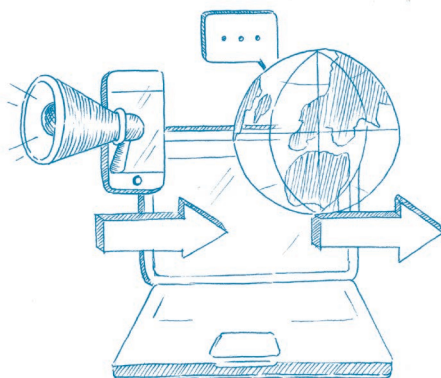
DIGITALIZATION

Most future local-food distribution businesses will have many or a few **digital elements** in their key activities: marketing, information and sale, supplying, logistics, storage, distribution, collaboration and maintaining customer relationships and administrative flow. The Education of partners, producers, staff and customers is necessary and useful to be ready for the fast developing digital era. Digitalization will save the business a lot of time and give control of orders, deliveries and payments.

It is advisable to use well developed and general **software solutions** which will be updated long-term to save costs and time. A lot of networks still accept orders via phone, which is challenging for traceability and an overview of orders, including lack of history by customer. Even though it is convenient at the time for both parts, it does not give any development for the business towards professionalism. Digitalization of an assortment of products and volume (season), communication, sale, payment, economy and budgets can save a lot of staff hours and administration time. Orders, invoices and payments will be traceable and easy to find.



Digitalization in business needs to be in the long-time strategy, however, building a flow and system can be done step-by-step. Some examples of digitalization across different key activities are presented in the BDM.



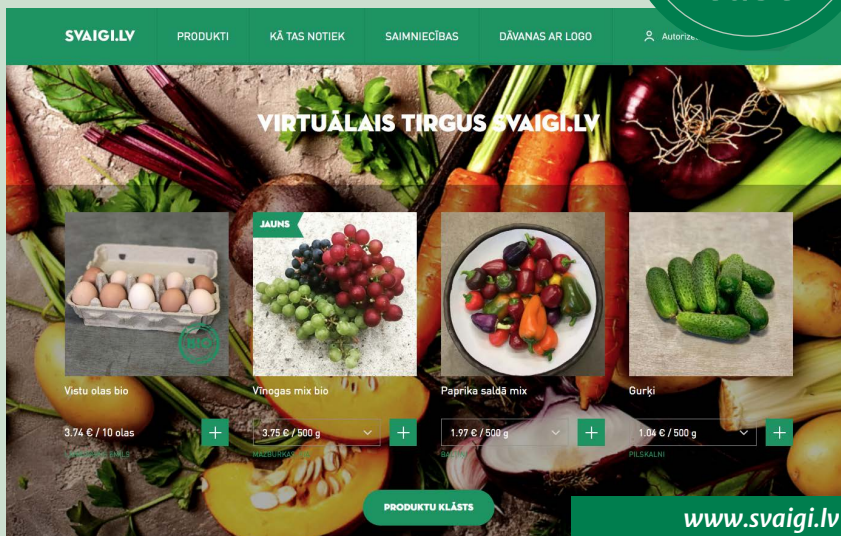


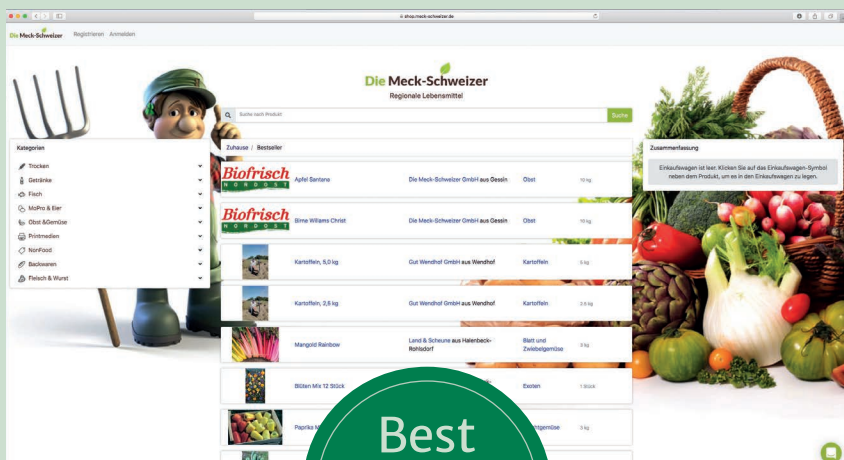
Virtual market

Virtual market **Svaigi.lv** (Fresh) is an online shopping platform that has operated since 2015 in **Latvia**, where you can buy products from local producers. The platform provides information on producers, shows how and where products are grown and managed and tells the story behind each farm or farmer. It is a place where farmers or producers can meet a customer and customers can choose the product or farmer based on his/her needs and values.

When the customer chooses products in the virtual market and places an order, it is sent to the producer. Products are delivered to a collection point on market days and customers can pick them up there or ask for delivery. The platform also provides other values to visitors such as a blog, recipes and relevant information.

Best
practise
case





Best
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case



Online platform for B2B

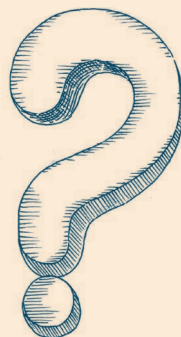
MECK-SCHWEIZER in Germany developed a B2B online platform that facilitates the ordering of regional products and the transactions required. It is simple and easy to use. There is an automated payment system, stock management and route planning. The regional marketing initiative *Die Meck-Schweizer* is the owner of platform but not of the products. Via the platform the farmers and producers sell directly to their business customers. They also specify the prices and features of their offered products. The platform can be adopted to any

other region and it can be adjusted to the needs of a distributor. The platform is intended to develop into a large product database, interconnecting the databases of neighboring regional marketing initiatives. In addition to the software *MECK-SCHWEIZER* also offers own logistic services to their platform users.



Photo: Norbert Fellechner

TOP 10 questions to answer:

**1**

What are the primary activities needed for offering a B2B local food distribution service (ordering products, getting products, sales and marketing, storage, packaging, handling orders, delivery of products etc.)?

2

What is the most cost efficient solution to getting started?

3

Is it possible to share transportation, storage or other costs with clients and farmers/producers?

4

Did you do an analysis of alternative solutions relevant for all parts of the value chain in your area (rural, urban, location of clients and farmers/producers etc)? What are the pros and cons of each solution from costs and customer service point of view?

5

Did you identify and describe in detail how the daily processes of local food distribution can be organized in the whole value chain (from the field to the plate)?

6

What kind of supporting activities need to be implemented – IT, human resources, strategic planning etc.)?

7

How will the supporting activities be organized?

8

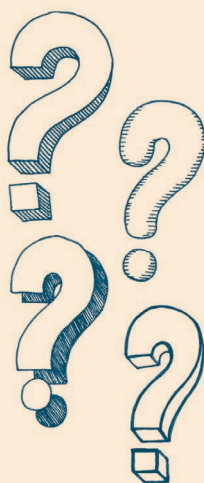
What kind of digital tools/e-platforms can be used for optimization of daily communication (ordering form producers/farmers, taking orders from clients etc)?

9

What are pros and cons of the digital tools for clients/distributor/ producers point of view (time-saving, costs etc)?

10

What digital tools do you plan to use when starting? What are the future options?



KEY PARTNERSHIPS (CHAPTER 9)

The company's suppliers and partners are one of the success criteria for a start-up business. Collaboration by trusted partners is useful for all businesses, but for start-ups and developing businesses it is crucial. Possible partners include

governmental and non-governmental organizations, local communities on various levels, business development organizations, other food networks, financing institutions, interest organizations etc.

Continuous relationship building and networking is important to keep partners close! Types of partnership and its description, as well as pros and cons and suggestions can be found in the BMD.



Potential in Cluster

Östgötamat is a cluster of producers, restaurants and retailers in the region of Östergötland, **Sweden**. This cluster focuses on putting the regional food from Östergötland everywhere within their region. They work actively, business to business, business to consumers and business to public sector. Different approaches are used for this depending on the selling area. Examples are farmers' markets, joint branding in shops and joint initiatives for approaching the public sector. They



have had a very clear strategy from the beginning – to place the regional production everywhere possible within the region!

www.ostgotamat.se



Community of Craftsmen

Community of Izborsk Craftsmen in **Russia** is the local community from a small rural area. Their mission is to promote country natural and organic food as part of a healthy lifestyle and wellbeing. They are a community of families producing organic cheese, oils, bread, gingerbread, wine, beer, cider, kwass, dried tomatoes, vegetables, herbs, herbal tea, oilseed meal and black salt. In addition, the community further promotes and complements these food items with specialty handcraft items such as wooden and ceramic crockery and utensils for the kitchen as well as fabrics and wooden packaging that are also made by the members and part of the marketing offer and the storytelling. The community also presents itself as a gastro tourism destination, performs culinary and traditional gastro tourism activities and master-classes.

To promote their common brand, regional and local authorities are involved as ambassadors of the products and goods. The Governor of the region, chefs of the best



local restaurants and gastro activists use the products of the Community of Izborsk craftsmen and help to promote them through social media. With the support of the state SME support institutions the Community of Izborsk craftsmen is presented at gastro events in the region and participates in trade business missions abroad.

<https://www.instagram.com/izborskiemastera/>



Nationwide distribution for small producers

AB Catering is an example of an established catering company in **Denmark** which focuses on getting local producers into their assortment. They can handle seasonal produce in smaller batches and selling the products under the manufacturer's own brand, but also offering sales under a more generic label. In this way, smaller producers can participate in a common nationwide distribution



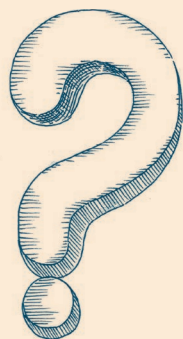
Best practise case



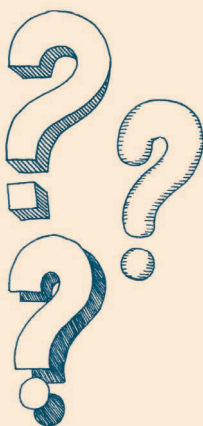
solution. AB Catering also offers a pick-up option at a location specified by the farmers and/or producers. There is a clear focus on sustainability, with more and more items being organic, carefully selected, and often branded as local. AB Catering have published a new magazine "BLUS – The Raw Materials and Traditions of Denmark" focusing on storytelling and professional pride.

<https://abcatering.dk/blus/>

TOP 5 questions to answer:



- 1** For what kind of activities do you need partners to cooperate with?
- 2** What kind of organizations do you need to cooperate with for offering value to your clients and farmers/suppliers?
- 3** How can these organizations be useful to you?
- 4** How can you be useful for them?
- 5** Which activities are necessary for successful cooperation and under what circumstances (regular, one-off etc.)?



COST STRUCTURE (CHAPTER 10)

A sustainable business model needs to be financed on its own.

All costs need to be categorized to know where the highest expenses occur, which are fixed and which are variable costs. A start-up business might want or need to get resources outside the network and might want to outsource some of the activities to trusted key partnerships. Cost structure reflecting activities and revenue streams are necessary to control business.

The BMD includes examples of budgets and an overview of costs in the cost structure, a description of the most important operational costs and suggestions on how to control and reduce them. You can find some examples of useful financial models for understanding the cost structure and controlling



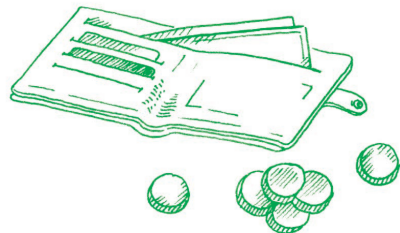
Photo: TMV/pocha.de

the costs as well as a description of different budget types for controlling the flow of value streams.

An **income statement** is one of the three most important financial statements used for reporting a company's financial performance over a specific accounting period. The other two key statements are the balance sheet and the statement of cash flow. **Excel models** are also available as examples for developing your own system for calculations. Link to the tool.



Photo: TMV/Thomas Ulrich



TOP 5 questions to answer:



- 1** Do you have a list of fixed costs to be included in the financial calculation tool?
- 2** Do you have a list of variable costs to be included in the financial calculation tool?
- 3** Do you know the price of each product and service?
- 4** Do you calculate your profit for different time periods?
- 5** Do you have an investment plan?



ORGANIZATION AND STRATEGY (CHAPTER 11)

There are various **organization models** that can fit a small-scale local-food distribution network. Choosing the right organization model depends on commitment, level of risk taking for owners, finances, locality, culture, market/customer and strategic plans. A development from B2C to B2B is also a natural way of development for some owners.

A local-food distribution network model can have many forms, and by going through a **SWOT analysis**² the best solution for each owner can become clear. Fig 3 shows a SWOT analysis for a local food distributor network, but examples of a SWOT for an NGO, cooperatives and independent business organizations are also available in the BMD.

Strategy is an overall plan and sets the goals usually for the next three years. Development of a strategy is a useful process to understand one's own market in-depth, planning a way of solving target group needs and develop own business opportunities and still controlling the financials. A strategy is usually

prepared through a SWOT analysis. The BDM gives you examples, how to make more detailed analyses, for example, of the market's competitive situation. Other examples for strategic planning are included too.

A **marketing strategy** is part of the overall strategy. By having a market strategy, you align your marketing activities towards visibility and relationship building with a budget which makes it an important control instrument.

In addition, **short term plans** based on the strategy should be developed approximately once a year. Short term plans are usually activity-based plans for logistics, distribution or marketing all linked to the finances where predicting financial spending and income.



²https://en.wikipedia.org/wiki/SWOT_analysis

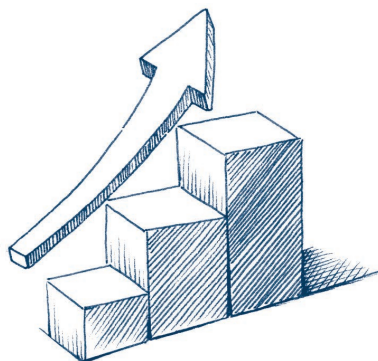


Fig 3: SWOT of a local food organization.

	STRENGTHS	WEAKNESSES
INTERNAL	<ul style="list-style-type: none"> • All in one place – location • Innovative and new products • Time saving • Highly professional help • Specialized marketing expertise 	<ul style="list-style-type: none"> • Producers all offers the same product in the same season • Lack of products in volume • Lack of quality on the products • Higher price for local produced food • Expensive personnel costs • Lack of enough product information • The presence of the producer is part of the storytelling
EXTERNAL	<ul style="list-style-type: none"> • Merges, join venture, strategic analysis • Expertise on the fields like marketing • Moving into new marked segments which can generate profit • Exchange information and learning from other producers • Creating a strong representative brand 	<ul style="list-style-type: none"> • Price war between the producers • Bigger well established distribution companies • Competitors develop a better and more innovative service • Competitors have superior access to channels of distribution • Laws and regulation difficult to accomplish
	OPPORTUNITIES	THREATS

SWOT
Local food
network



Best practise case



Consumer cooperation with old roots

Pskov regional consumer co-operation society (Russia) was established in the Pskov region in 1866. Since then it is still the biggest network of consumers within the region with the same strategic focus – to provide goods to all inhabitants, e.g. in remote settlements and territories, using regular grocery and **auto-shops**. Today it unites more than 850 small enterprises in the region and it is the main competitor for retail business.

To withstand the retail market's pressure the Society developed

a **marketing strategy** and constantly improves it. New products, new brands, new concepts for the countryside groceries are constantly improved to make local products and society shops more attractive not only in price, but also by promoting local producers, local ingredients and providing support for new jobs within the region.

Another strategic focus is the **capacity building** and **education** of specialists for internal use and for other regional needs. Establishing and maintaining relationship with each customer segment in the long run creates trust and effective collaboration.

<http://pskovcoop.ru/>



Regional shelf as marketing strategy

A what is known as a **Regional-Regal** (regional shelf) is a very popular tool that works well among regional marketing initiatives in **Germany**. Each initiative builds its own regional shelf, branded according to the initiative's logo design, sometimes even celebrated as a DIY event in the regional community. The shelves are then put up at locations highly frequented by tourists and/or locals and stocked with regional products. Integrated flyer displays can be used i.e. for storytelling, product information or event tips.

In the Biosphere Reserve River Elbe Mecklenburg-Vorpommern only recently 12 biosphere shelves, EU funded by a **LEADER project**, were put up at farm shops, tourist information offices and cafés. Producers organize the restocking as they sell their products on a commission basis directly to the shelf 'hosts'. The local marketing initiative simply acts as the owner of the wooden shelves and enables the introduction of new locations for regional shelves.

Best practise case



Photo: Förderverein Biosphäre Elbe MV e.V.

www.elbetal-mv.de/regionalentwicklung.html



Cooperative with development strategy

Kuldīgas labumi (Goodies from Kuldīga) is a cooperative with 29 members – producers and manufacturers – in **Latvia**. In 2014 they opened a shop in Kuldīga city where they sell farmer produce. As a cooperative they support local producers by selling their products in the shop, making trading spaces in local trade markets available at low prices, participating in different local and international exhibitions to promote products.



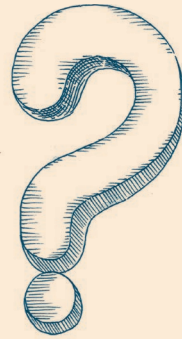
Best practise case



Kuldīgas labumi holds meetings and exchanges experiences with other cooperatives and has a development strategy to expand and offer products also in Riga and Kurzeme (west Latvia). Future plans required new knowledge and new cooperation partners and digital solutions for promotion are being considered.

www.kuldigaslabumi.lv

TOP 5 questions to answer:



1

What organization model is most relevant for the implementation of your business model?

2

Who are your main competitors?

3

Do you have a SWOT analysis of your organization based on your business model?

4

Did you identify your long term strategic goals based on your business model and SWOT?

5

Did you prepare the marketing strategy for short (1 year) and long term (3 years) periods – how many clients are in each client group, how big are sales, what are the detailed activities for achieving these goals?

Summary



Photo: TMW/Daniel Schmidthaler

This handbook is intended as a tool to work alongside and in support of the progression of distribution business models and to develop a B2B model. In so doing we have attempted to demonstrate this through employing the Business Canvas Model which is a recognized strategic management and lean startup template for developing new or documenting existing **business models**. In this way the BCM helps users to think through the key elements for describing a firm's or product's value proposition, infrastructure, customers and finances.

There is a lot to take into consideration in building a successful local-food distribution network: choosing the **target group** and investigating the needs of the chosen group which in turn **creates value** for them. To reach the target group you need to focus on the right channel in marketing. Choosing the right distribution channels then creates value for the customers and the owners as well as for the producers in both the short and long terms. Small scale local-food distribution networks are better prepared for the future by improving as well as through

drawing interest from new customers. It is important to retain loyal customers through stimulating stories which not only capture their interest but also helps them to identify with the business itself.

Long term relationships and loyal customers need to be gradually built over time and this is further strengthened where communication and building trust by sustainable deliveries form the basis for this. By knowing where the value and income are in the activities, development towards better flow and better value for all parts can

be in focus. To be more **viable and sustainable** the logistics, handling of goods through the whole value chain including time and price of distribution in rural areas, should be streamlined as well as possible.

Every business will fit into the local culture, but changes usually need to develop towards the future markets and their necessary demands. The pride associated with quality and premium products needs to be reflected by the price (including distribution) and not compared so much towards the food industry. Communica-



tion through storytelling is also very important in order to **differ from the wider industry**. For the B2B market, long term cooperation with the producers is usually imperative. Then it is possible to affect and communicate what is sought after in the market and the unique products that pay the producer the higher prices.

By garnering help from the **partners** and key resources, a new or small-scale business doesn't need to directly take on all activities and knowledge, which is challenging if there are no or very few staff members. Partners are usually a great resource base for development and collaboration. By building a strategy for prioritizing development, the framework for all the necessary activities connected with the business that are needed in the next period become clear. Such a strategy assists the monitoring of key areas such as staff hours, related budgets and liquidity and thus provides a control tool which in itself will help the local food network to identify how it will be able to survive. By becoming more sustainable and robust as a business, it likewise helps increase the value for the producers and suppliers of local food and keeps the target customers and owners content and satisfied.

Undoubtably, the most important route to success is through **collaboration**. If some or many of the activities are jointly undertaken, the impact on the market is higher and own costs are lower and they usually achieve a better result. Collaboration is usually challenging but this is normal and it can be helped by working jointly and on a step-by-step basis with producers, customers and other local food providers.

Goodwill, contractual agreements and strategy lead to success. The food industry is a hotly contested market. In order to achieve sustainable success on a regional level, the following three factors must be taken into account: that the management/owner strives for continuous further development, careful planning in which instruments such as online platforms are used to streamline logistics/distribution, and cooperation wherever and whenever possible.

Link to the BDM

***Hardanger Business
Garden, Norway***



Project partners



Ministry of Rural Affairs of the Republic of Estonia

www.agri.ee



Latvian country tourism association (LCTA)

www.countryholidays.lv



Mecklenburg-Vorpommern Tourist Board

www.auf-nach-mv.de

www.tmv.de



Ystad Municipality

www.culinary-heritage.com



Latvian Agricultural Organization Cooperation Council

www.losp.lv



Business Region Esbjerg

www.businessregionesbjerg.dk



HANEN-Norwegian Rural Tourism and Local Food association

www.hanen.no



NGO Estonian Rural Tourism

www.maaturism.ee



The Estonian Chamber of Agriculture and Commerce

www.epkk.ee



State budgetary vocational educational institution of the Pskov region "Pskov Agrotechnical College"

www.psksh.ru



Committee for economic development and investment policy of Pskov region

<http://economics.pskov.ru/>



Lahti University of Applied Sciences ltd.

www.lamk.fi



Lithuanian countryside tourism association

www.atostogoskaime.lt



"Polish Nature" Foundation

www.naturapolska.com

www.balticseaculinary.com/baltic-sea-food-project



Interreg

Baltic Sea Region



EUROPEAN UNION

EUROPEAN
REGIONAL
DEVELOPMENT
FUND

Baltic Sea Food