EVALUATION REPORT OF BUSINESS MODEL PILOTING

Project "Baltic Sea Food"

Interreg
Baltic Sea Region
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Baltic Sea Food

Table of Contents

1 INTRODUCTION

Local food producers and farmers in the rural areas for the Baltic Sea Region are mainly small family businesses, who prefer to organize their sales through face-to-face contact and by phone. They're often not able to sell their products to big wholesale companies or supermarket chains because of limited production volumes and higher price in comparison with large producers. Therefore, their access to the catering, food processing and retail sector is complicated. The market area of local food producers is usually their own home region. In many areas they have established local food networks to cooperate for the purposes of joint marketing and information exchange. The initial analysis of the current situation in the Baltic Sea Region countries shows that the existing local food distribution models are mainly focused on Business to Consumers (B2C) relations and economically competitive Business to Business (B2B) model is lacking. Local food networks have highlighted the need for cost-efficient distribution solutions for delivering food products from farms to local restaurants/tourism farms/shops/industries.

The objective of the project was to design a sustainable and transferable business model for B2B distribution applicable for local food networks established by local food producers and providers mainly in rural areas. The model enables to establish smooth short supply chains on local and regional level, offering opportunities for growth and improved business performance to SMEs acting in the local food sector in rural areas. The business model was designed, using the best available competences and current experiences of local food networks in the implementation of B2C and B2B solutions. It was planned already from the beginning that the B2B distribution model will be tested in 12 pilot regions in cooperation with the local food networks and organizations (SMEs/ cooperatives/ NGOs/ farmers unions etc.) responsible for organizing delivery and logistics of local food. The main expected result of the project was the improved capacity of national and regional organizations from 10 countries to support the local food networks interested in launching B2B distribution of local food products in the business model and process innovation.

2 Summary of the project "Baltic Sea Food"

International cooperation project "Baltic Sea Food" was implemented in close cooperation with 10 countries from the Baltic Sea Region from October 2017 to March 2021. The project "Baltic Sea Food" is co-financed by INTERREG Baltic Sea Region Programme 2014-2020. The project partnership included 14 organizations from 10 countries.

List of project partners:

- **The Ministry of Rural Affairs of the Republic of Estonia (Lead partner), *www.agri.ee***
- **Estonian Chamber of Agriculture and Commerce, *www.epkk.ee***
- **Estonian Rural Tourism NGO, *www.maaturism.ee***
- **Latvian Country Tourism Association "Lauku Celotajs", *www.celotajs.lv***
- **Latvian Agricultural Organisation Cooperation Council, *www.losp.lv***
- **Lithuanian Countryside Tourism Association, *www.atostogoskaime.lt***
- **Committee for Economic Development and Investment Policy of Pskov oblast, *economics.pskov.ru***
- **Pskov Agrotechnical College, *www.psksht.ru***
- **Foundation "Polish Nature", *www.naturapolska.eu***
- **Mecklenburg-Vorpommern Tourist Board, *www.auf-nach-mv.de, www.tv.de***
- **Business Region Esbjerg, *www.businessregionesbjerg.dk***
- **Norwegian Rural Tourism and Local Food Association HANEN, *www.hanen.no***
- **Ystad Municipality, Culinary Heritage Europe Network, *www.culinary-heritage.com***
- **LAB University of Applied Sciences, *www.lab.fi***

The project was financed by INTERREG Baltic Sea Region Programme 2014-2020 and by project partners.

The project concept included the following phases:

- Mapping and analysing the experiences and main challenges of local food networks and distributors
- Development of a business model
- Adapting the business model for the pilot regions in the format of operational plans
- Piloting the business model in pilot regions
- Evaluation and analysis of the piloting results
- Updating the business model using the experience received from piloting.

During the mapping, 109 local food distributors and 80 food networks from 10 countries shared their experiences and future plans in the field of local food distribution.

In parallel, different capacity building events were organized for food networks, distributors, food producers, rural tourism organizations, chefs etc. In total around 50 workshops, practical seminars and contact events took place. Circa 770 SMEs from 10 countries participated in these events and received new knowledge and skills for example in food labelling, storytelling, marketing, social media, food regulations and other topics. Contact events brought together local food producers and potential clients from many regions, which resulted in new business contacts and further cooperation.

As the level of technological innovation in the local food sector was to be improved, the local food networks and distributors were encouraged to take advantage of the existing e-platforms and to establish new digital tools for facilitating B2B distribution in the local food sector. In 2018 the partners gathered information and analysed 57 different websites and e-platforms, which are used in the local food sector for communication, information exchange, ordering etc. In cooperation of the project partners and pilot organizations, the following e-platforms were created/updated for facilitating the information exchange and cooperation between food producers, distributors and clients:

- ***kohaliktoit.maaturism.ee (Estonia)***
- ***atostogos.pictureideas.lt/kaimo-gerybes/ (Lithuania)***
- ***www.celotajs.lv/lv/producer/list (Latvia)***
- ***ferma.edavholoda.ru/farmers (Pskov oblast, Russia)***
- ***www.hanen.no/tema/prosjekter-og-priser/kjop-lokalmat-pa-nett (Norway)***
- ***smagsydvest.dk (Denmark)***
- ***shop.meck-schweizer.de (Mecklenburg-Vorpommern region, Germany)***
- ***www.dev.avent.no/hasmak/***

A practical handbook was designed to present a B2B distribution model for target groups. It aims to provide inspiration to build a local food distribution network or business, also distributing the produce and an idea for a start. In the handbook the best experiences of 10 countries are included to show various solutions for the implementation and development of the B2B model. The target group of the handbook are local-food producers and suppliers organized in the form of food networks. The handbook inspires also the local food producers and distributors already selling their products business-to-consumer (B2C) to expand their activities to the B2B market.

All project outputs are available on the website *http://www.balticseaculinary.com/baltic-sea-food-project*, namely:

- Business model document (in English, Estonian, Russian and Polish)
- Practical handbook (in 10 languages plus in English)
- Analysis of e-platforms and digital solutions used in the local food sector; practical recommendations (in English)
- Operational plans for pilot organizations (in local languages)

3 Overview of piloting

The original idea of the piloting was to test a new business model for B2B local food distribution in the pilot regions (1-2 food networks in each country), taking account of local characteristics and conditions. Piloting was to be organized based on operational plans composed for each pilot region, based on a joint business model and local conditions. Local food networks were responsible for the implementation of operational plans, involving (or establishing) a special organization as a sales intermediary or using some other more appropriate organizational solution, proposed in the business model. The local food networks involved in piloting were to establish business contacts with farmers in their area, make agreements based on the financial plan and budget with suppliers and clients, organize the stock planning and handling of orders, organize the distribution and logistics of goods, collect constant feedback from suppliers and clients etc. Real experience received from the piloting period allows to make relevant updates and improvements to the business model, ensuring that the final version of the model is comprehensive and suitable for real-life implementation by local food networks in the project area.

As the piloting phase of the project coincided with the outbreak of Covid-19, there were severe implications in most of the piloting organisations as to what could be done, in comparison with what had been initially planned, due to the virus and its impact. In total 13 organisations from 10 countries were selected for the piloting. The piloting of the B2B model succeeded at large scale in 3 pilot organisations, in smaller scale in 8 pilot organisations and in 2 pilot organisations it was not possible to pilot the B2B model in 2020 and it has been postponed. In the latter case, the end customers were in focus, and elements of the model were tested on B2C. However, as the focus of the project was B2B, Chapter 4 on quantitative data does not include data for these two pilot organisations – Taluturg in Estonia and Heila in Finland. Also issues like lack of funding, need for additional investment and need for additional staff hindered full implementation of the elaborated operational plans.

The following chapters provide a more detailed overview of the piloting. Chapter 3 provides an overview of the piloting. Section 3.1 gives summarized information about the selected piloting organisations. Sections 3.2.1-3.2.9 cover the elements of the business model CANVAS (see chapter 3.2 for an explanation of the model), and section 3.2.10 summarizes those. An overall conclusion of the business model is provided in section 3.2.11. As Covid-19 has hindered the piloting considerably, section 3.3 is dedicated to this issue. Chapter 4 provides the quantitative results and Chapter 5 the qualitative results of the pilot, the latter including new skills and partners obtained, success stories and challenges, improvements for future initiatives and main benefits from participation. Chapter 6 concludes the evaluation in general, giving insight into the feedback provided by participants to the pilot as well as by project partners. Chapter 7 provides information about other B2B sales solutions that piloting organisations have identified in their region or country. Executive summary is presented in Chapter 8.

3.1 Organizations involved in piloting

Information about the organisations that were involved in the piloting process is summarized in the table below:

TABLE 1

Organisations involved in piloting

COUNTRY	Name of the piloting organisation	Type of organization	Type of members	Age of the organization	Membership. who and how many?	Previous experience in b2b sales
DENMARK	Sydvestjyske Smagsoplevelser	Informal network/ interest group	Restaurants, food producers, event organisers and speciality shops.	10 years (continuation after 2021 is uncertain)	Around 140 members: about 50 restaurants, 55 food producers and 35 others.	NO
ESTONIA	“Taluturg”	Cooperative	Local food producers	11 years	Founders: 6 mainly small local food producers; products of 350 producers are represented	NO
ESTONIA	“Ehtne Saaremaa”	Cooperative	Local producers	2 years	Founders: 12 local producers; 130 local food/handicraft producers and food providers in the network, who are using the “EHTNE Saaremaa” label	NO
FINLAND	Heila Ltd	Private company	N/A 3 owners, 75% shares belong to the same family-business	13 years	More than 250 small-scale local producers are part of their portfolio	NO
GERMANY	Local food network MECK-SCH-WEIZER, The B2B e-platform is run by a cooperative, the ELG Mecklenburgische Schweiz eG;	Cooperative	Producers and buyers	3 years	27 companies are members of the co-operative, around 100 partners are active as participants on the trading platform	YES

TABLE 1 *Organisations involved in piloting*

COUNTRY	Name of the piloting organisation	Type of organization	Type of members	Age of the organiza-tion	Membership. who and how many?	Previous experience in b2b sales
LATVIA	Cooperative Society of Agricultural Services "Kuldīgas labumi"	Cooperative	Local producers	7 years	36 members in the cooperative; total number of suppliers exceeds 50	SOME
LITHUANIA	Merkio produktai	Private company	N/A Owner(s)	8 years	30 suppliers from different regions in Lithuania	SOME
NORWAY	Hardangersmak SA	Cooperative	Local food producers	4 years	12 SMEs during pilot period, now increasing with members of bigger scales	YES
POLAND	Bartecki	Private company	N/A Owner(s)	4 years	Started off as a family-run delicacies business	SOME
RUSSIA	AKKOR - Association of Farmers and Agricultural Cooperatives of the Pskov Region "Pskov Farmer"	NGO	Owners are local food (fruit and vegetable) producers	11 years	Association of 15-20 organisations, 3 of them participated in piloting (2 family farms and one Ltd)	YES
RUSSIA	The Community of Izborsk Masters	Informal network	Local natural food producers and artisans.	3 years	3 local farms	SOME
RUSSIA	Centre for Effective Agriculture and Horticulture (CEAH) in Pskov region	NGO	Small local food producers	8 years	farm "EcoDerzai" and agricultural consumer co-operative "KIPREI"	YES
SWEDEN	BONDENS SKAFFERI	Private company	N/A Owner (1)	13 years	Suppliers' network consists of 120 local food producers	YES

From the 13 organisations that were selected for piloting, 5 were cooperatives of mainly small local food producers (40 %), 2 informal networks (15%), 2 NGOs (15 %) and 4 were private companies (30 %).

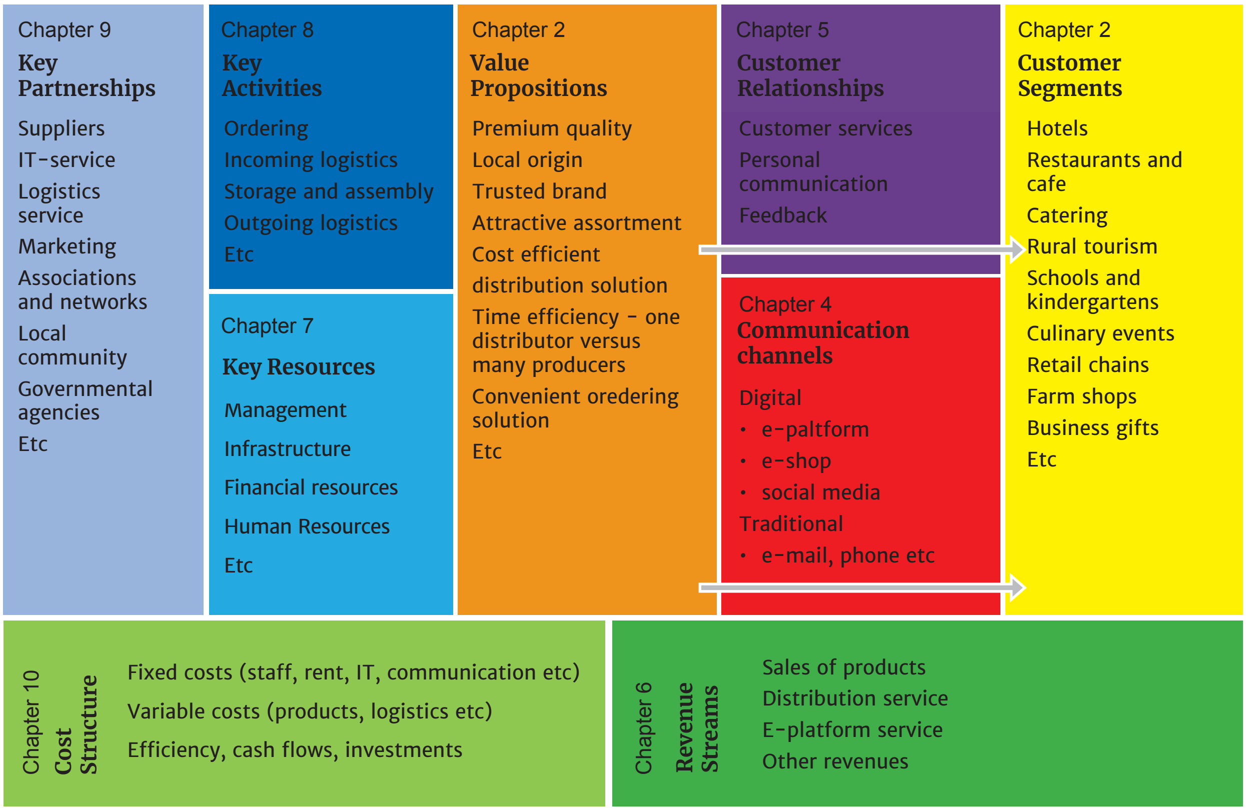
5 of the organisations are 10 or more years old, 5 are less than 5 years old and 3 have operated between 5-10 years.

4 of the organisations did not have any experience with B2B sales before the project, 4 had some experience and 5 had considerable previous experience.

3.2 Business models in the pilot regions

In cooperation with 14 project partners from 10 countries, a business model document "Local food business-to-business distribution model" (see the website http://www.balticseaculinary.com/business-models) was developed, which was essentially based on both the best practices available in the BSR area as well as the results of the surveys conducted among local food networks and distributors. It was recommended to use the business model CANVAS[1] as a tool for planning the B2B model for each piloting organisation.

FIGURE 1 *Business Model Canvas – local food Business to Business (B2B) distribution model*



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

The current section of the present report covers the different parts of the Canvas as a structure, bringing out the similarities and differences in the piloting organisations and highlighting the most interesting examples by providing statements from different organisations.

Before going to the different parts of the structure in detail, the main B2B related goals are summarized. In general we can say that the pilots with no previous B2B experience wanted to enter the B2B market. Focusing on the HoReCa sector was considered important. The ones who already were working with the B2B market wanted either to modify their existing model, to introduce some new elements to it, to expand outside the existing geographical region, to include new customer segments or simply to significantly increase their B2B sales. However, it was not possible to fulfil all the goals that were hoped for. The reasons for this are explained in the different sections of the report below.

Sections 3.2.1 to 3.2.10 of the report shall cover the different elements of the business model and shall give an insight into the feedback provided by the different pilot organisations. Section 3.2.11 summarises the information provided in those sections.

3.2.1 Customer segments

It is easier to identify customer target groups, their needs and network opportunities by grouping customers into segments and focusing on the main customer segments. In our survey we have identified the following 4 main segments: HoReCa, events, public sector and shops. Two tables are presented below, the first one summarizing the customer segments which the piloting organisations intended to targeted according to their initial plans, and the second one indicating those, where piloting was actually succeeded. The biggest discrepancy between the plans and reality was brought about by the outbreak of Covid-19 and its impact on the segments of HoReCa and events, which will be covered in detail in section 3.3 of the report.

The table below shows, which ones were the main B2B target groups. Marked as green are the ones that were targeted in reality, and marked in orange are the ones that were be targeted according to initial plans, but in reality this was not succeeded. The last column lists other B2B initiatives, which were introduced during the course of the pilot. All piloting organisations had wanted to focus on the HoReCA segment, but as the sector was severely hit by Covid-19, a lot of the plans regarding this sector were not realised in full or had to be cancelled altogether, and have, to a large extent, been postponed. More information on the influence of Covid-19 can be found in section 3.3. Majority of the organisations also saw shops as an important segment, followed by the segment of the public sector.

TABLE 2 ***The main targeted B2B customer segments***

PILOTING COUNTRY (organisation)	HORECA, TOURISM	EVENTS	SHOPS/ RETAIL /WHOLE-SALERS/FOOD/ PROCESSING	PUBLIC SECTOR	OTHER B2B INITIATIVES
DENMARK					
ESTONIA (TALUTURG)					
ESTONIA (SAAREMAA)					Sales of business gifts to business clients mainly in Saaremaa
FINLAND					
GERMANY					Pre-packed food hampers with fresh products Shelves stocked with local products Ready-packed souvenir parcels
LATVIA					“Gift room” of products and goods before Christmastime
LITHUANIA					“Shopping cart” offer
NORWAY					Sales of Christmas gifts for businesses
POLAND					Sales to private companies
RUSSIA (AKKOR)					
RUSSIA (IZBORSK)					Gift baskets for the holidays
RUSSIA (CEAH)					
SWEDEN					Gift packs to companies

Many pilot organisations had their own farm shops, which were operating already before the project, and some of them have cafes and other facilities at the shops. As the timing of launching the B2B sales was difficult, the organisations had to rely more heavily on the B2C segment to survive, because the HoReCa sector was down. The Swedish organisation, for example, introduced its own B2C shops as a new initiative. The B2C sector thus became more important due to the virus, and there was growth especially in online sales, which resulted in the development of e-platforms or other similar solutions in many of the piloting regions sooner than would have been done otherwise.

3.2.2 Value proposition

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. In the following we provide an oversight of how the pilot organisations increase product value and service value to their clients.

The main value for the customer has obviously been in the product itself. The **customers** in all the participating countries **value the high quality of the product** (local, fresh, exclusive, tasty) **and appreciate the wide assortment and large variety of products offered.**

The value of the product is further strengthened by a **brand or a label, which gives additional trust and guarantees customers, that what they have bought is indeed local, and its producer is known.** It is important for the restaurants and end customers that they know the precise origin of the product – in every delivery it is known who the producers behind the products are. The products are not anonymous like in the case of buying most supermarket products. Most of the participating pilot organisations already had their own brand/label and the ones who did not, are planning to develop it. This subject is covered further in section 3.2.4.

The piloting organisations are of an understanding, that it is essential to ensure value is added throughout the entire value chain. The other two most common value proposition elements mentioned by the piloting organisations are in the areas of product access and logistics/ distribution.

In the current project the main solution for enhancing product access was **one e-shop / platform/ online** ordering for convenient and quick ordering, which already existed or was elaborated during the project for Latvia, Lithuania, Germany, Poland and Saaremaa (Estonia). Information about the offer in Pskov region, Russia is available on an online platform owned by a third party. In case of Denmark, the piloting organisation introduced an overview of local producers and products on the **webpage,** adding information on how to contact the producer, and the producers themselves handled the sales. In Norway the digital portal will be available in 2021.

The main value provided in the field of **logistics and distribution** was **one provider/distributor/contact-point** replacing many small producers as distributors, which was mentioned by all of the piloting organisations. For customers the delivery of orders using the services **of one entity as a distributor** (which, depending on the piloting organisation, can be in the form of a cooperative, a network or a company) is a very convenient and time-saving process. They do not have to communicate and make orders to each producer individually. This is comfortable also for the producers/farmers when they bring their products to one place (no need to take them out to customers themselves) or when these are collected from the producers/farmers. When orders go through the distributor, the producers do not need to collect customer orders separately, which frees the time they can contribute to their main business activity, i.e. production and product development.

Storytelling was also a popular value proposition. Some products are able to convey their story through their packaging, some engaged storytellers at the point of sale (i.e. waiters or shop employees).

CONCLUSIONS:

Based on the evaluation we can see that 8 pilot organisations offer support to the clients with finding the products available, most of them using an online ordering system. This is the core value that is expected from any distributor operating in the local food chain. 9 pilot organisations have offered help to the clients with the delivery of the products, taking these to a specific collection point or directly to the location of the customer. Customers value the wide range of products on offer as well as their high quality. It is important for the restaurants and end customers that they know the origin of the product – in every delivery they know, who the producers behind the product are. Having one contact point in the form of a distributor saves time and adds to the convenience of the offer. The provision of e-platforms for product picking and ordering has become more extensive. This was among other things also caused by the influences brought about by Covid-19, which often limited or even restricted the physical sales in shops and markets. The piloting organisations intend to continue to use the e-solutions and some plan to develop them further.

3.2.3 Channels

This section of the report takes a look at the traditional and digital communication and marketing channels the piloting organisations used in communication with the client groups and with the farmers/producers.

The importance of digital marketing channels was highlighted by many pilots. A very important channel for reaching the clients for most of the piloting organisations was their **online-platform / e-store / website.**

In cases of some piloting organisations, use of the online system was combined with the use of phone or e-mail. For example, in the case of Saaremaa in Estonia, after getting acquainted with the product offer in the e-shop, business customers can contact the cooperative by phone or e-mail to specify order details, to negotiate the price (in case of a bigger order) and agree on the delivery solution. In Norway the initial contact is conducted via e-mail and phone and the piloting organisation has concluded that for the business model to be viable, a digital solution is necessary and should be prioritized.

Use of social media was also highlighted by the majority of the piloting organisations. The Polish organisation, for example, strongly intensified and professionalized its social media activity during the piloting. Use of **Facebook** was mentioned by many countries. For example in Latvia it was considered as one of their success stories. **Instagram** worked well for business clients in Norway. The social network used in Russia is vkontakte.com.

The importance of traditional channels, though, is still there, and personal contacts and phone-calls were used by all piloting organisations. Other channels that were used:

- **The majority of the piloting organisations stressed the importance of personal contacts and meetings.** Again, the purposes of this somewhat differed from organisation to organisation, ranging from personal contacts with new clients to regular personal contact. E.g. "Producers and restaurants want to have direct personal contact, not to cooperate through an intermediary";
- **Phone was mentioned by all piloting organisations,** however the purposes of the phone contact varied between partners. Some specific uses mentioned, in addition to regular communicating with clients, were making phone calls for creating the first contact and for special offers, for after-sales support, for daily communication with members/producers. Some organisations mentioned also the use of SMSs, WhatsApp, Viber.
- **Use of E-mails was also very common,** and some of the mentioned purposes included: delivering bigger amount of information, using it before making the first visit or phone-call, daily communication with members/producers/clients.
- In addition to Facebook advertising, different organisations used also other more **traditional means of advertisement,** which included local newspapers, posters, leaflets, flyers, business cards, videos and other visuals, providing product samples for promoting the organisation, the brand and the products.

- Also **organisation of own events or participation at events organised by others, such as fairs and exhibitions,** has been mentioned by a number of partners. Whilst appreciated by many, one pilot organisation however decided not to participate in those any more, as it does not bring additional revenue to the piloting organisation.

CONCLUSIONS:

Digitalisation of communication channels is a key activity in the future, which was highlighted in most pilots, being the main communication and marketing channel already now. However, the traditional ways of communication by phone, e-mail and personal meetings are still very much in use and will remain to be so. A lot of advertisement is done online, e.g. using Facebook, but at the same time several traditional advertisement channels are still in use. Also participation at events, such as fairs and exhibitions is common, and many piloting organisations are organising such events themselves. The importance of digital channels is expected to grow even more so in the course of time and the organisations that did not have a digital platform yet are planning to develop this solution in the future.

3.2.4 Customer relations

This section of the report takes a look at the traditional and digital communication and marketing channels the piloting organisations used in communication with the client groups and with the farmers/producers.

The key to keeping loyal customers is to build long-term relationships based on trust and confidence. As mentioned in section 3.2.2 **trademarks, brands and labels** provide additional trust to customers. It is important for the restaurants and end customers that they know the precise origin of the product – in every delivery it is known who the producers behind the products are. The products are not anonymous like in the case of buying most supermarket products. Most of the participating pilot organisations already had their own brand/label and the ones who did not, are planning to develop it. In the current section we take a look at this aspect in the pilot organisations, as well their storytelling and other ways of taking care of the clients in addition to daily routines (e.g. in the form of special activities, events etc.)

Use of brands and labels as such is considered important in almost all of the piloting organisations, however specific aspects of use differ from organisation to organisation. Examples of brands that are already existing or are intended to be elaborated, are provided below:

- **SAAREMAA, ESTONIA:** The core element of communication is the "Saaremaa EHTNE toode" **brand** ("Genuine Saaremaa Product"). It is not a brand of the pilot organisation itself, but the one for the entire Saaremaa region, used by more than 100 companies. Customers can be sure, that products with this label can be trusted and they are made in Saaremaa from local ingredients using local traditions. This label guarantees product quality and origin. For promoting the brand, the cooperative is organizing and participating in various marketing events. For example, every year in September in the framework of Saaremaa Food Festival, a farm market day is organized.

- **LATVIA:** "Kuldīgas labumi" has their own logo and it is used on products as a recognition mark. Time ago it was a solution to use it on all products, but due to practical reasons this practice was cancelled. Considerable work has now been invested in the design and content of the labels of members' products and/or package.
- **LITHUANIA:** "Merkio produktai" is the brand, the communication of which is always in the first place. Farmers' brands are secondary to that, and not so much communicated.
- **SWEDEN:** the name Bondens Skafferi is used as the brand. They also promote the brands of the individual companies.
- **POLAND:** The pilot had its brand and logo „Bartecki – From The Oak Smokehouse", which was then advised by the BSF project expert to be rebranded to an umbrella brand of „Bartecki", usually communicated to B2B clients as „Bartecki – Regional Products" to reflect the new distribution character of the activity. The pilot also developed a new brand "Tastes of Heritage", which includes product packages of different brands available in the piloted distribution solution.
- **RUSSIA:** Two members of AKKOR have a joint name for their association - "Dubrovo", with the slogan "Vegetables for You". Teas of SPSK "KIPREY" are produced under the name "Pskov Tea". The „Community of Izborsk Masters" uses its name as a brand.
- **GERMANY:** Establishing an own brand scheme is planned for the mid-near future.
- **NORWAY:** Hardangersmak aims to build a strong brand representing genuine local food products from the Hardanger region, by becoming a sort of quality stamp and way of recognizing a high-quality genuine product within strict regional criteria. At the same time, it does not want to overshadow the individual producers' brands. The intention is that the producers should use the Hardangersmak brand and logo on their packaging and labels, and in their marketing, although any formal requirements were not in place during the pilot project.
- **DENMARK:** the pilot did not intend to create a new separate brand for products. The producers maintained their own branding and their own marketing.

Storytelling is an important link to the market and customers. It is important that the **piloting**

organisations do not just tell their own story, but more importantly – that of the producers. The producer's, the supplier's or the farmer's unique **story is shared, using a variety of activities** in the different piloting organisations:

- **Organisation of own events,** e.g. degustation of new products, organisation of regular mini-fairs, events to showcase local produce and the dishes local chefs can create from these products , study visits to farms in summer (e.g. for chefs), theme weeks, regular contact events for chefs and producers, including practical workshops demonstrating the ideas for using local ingredients in cooking and for highlighting the producers in menus;
- **Participation at events organised by others,** like exhibitions and fairs;
- **Personal meetings with B2B clients,** with other new clients (personal approach is considered by many the best option at the beginning of cooperation with new clients).

If you provide great customer service you can generate more income and revenue, because **it gives a value to the customers and creates loyalty.** This can be done in different forms, e.g. using nice gestures like sending customers congratulations on holidays, as is the example from Russia. In Lithuania the pilot organization constantly takes care of customers and suppliers. They call customers to ask if everything is satisfying in the products, what observations they have etc. There is constant communication with farmers about assortment, packaging, quality improvement or troubleshooting. They currently do not have a system for measuring and evaluating customer satisfaction with services, but plan to create a questionnaire that would be regularly provided to customers online or by phone. The responses received would be used for further development and improvement of services. The Swedish organisation states that "Distribution process in itself is essential for the success story of this company and its business model. There is long term confidence built up between the distributor and its clients."

Loyal customers usually buy products repeatedly and there is no need to put additional effort or time into the selling process. The piloting organisations have not mentioned existing customer loyalty programmes, but several ones of them **intend to elaborate an initiative to promote loyalty, e.g. a special discount or other programme.** In Lithuania it is planned to create separate pricing for customers who order in large amounts, thus encouraging the growth of the basket of ordered goods. In Germany it is planned to introduce a discount system to encourage larger and repeated purchases and membership in the cooperative. In Pskov region in Russia there are plans to form a customer loyalty program, creating a system of bonuses and promotions for B2B clients. There will be discounts and promotions for retail stores networks depending on the volume of sales.

CONCLUSIONS:
Using trademarks, brands and labels among the piloting organisations is common, as these provide additional trust to customers. In addition to promoting their own brand, most pilot organisation are active also in promoting the brands and labels of individual companies. Piloting organisations do not just tell their own story, but even more importantly – that of the producers. A variety of activities is used for storytelling, including organisation of own events, participation at events organised by others, personal meetings with B2B clients. Clients very much appreciate that special events are organised for them. Loyalty programmes are something that should be given more consideration in the future. Organisations are encouraged to look into elaboration of such initiatives that are both efficient to them as well as considered useful by the clients.

3.2.5 Revenue stream

Revenue streams are a result of value propositions that are successfully offered to customers. This section provides an overview, what kind of pricing models the pilot organisations use or intend to use, how the ownership of products is handled in the supply chain, and presents examples of some other sources of income in addition to regular sales of the products to clients.

For all the piloting organisations that did succeed to pilot in the B2B sector, the revenue streams come from serving the **business clients, the majority of whom placed their orders through the online sales channels.**

The most common solution during the pilot was, that the online sales channel owner bought the products from the producers, thus becoming the owner of the products, and after adding a mark-up, invoiced the clients for the products ordered. The details of the solutions are specific to each piloting organisation and some examples highlighting different aspects are provided below.

The used **mark-up was in the range of 20 to 50%,** depending on the content of the distribution service provided, e.g. is there an e-platform, do they gather the products from the producers, do they have a warehouse, how they deliver etc. **The mark-up can differ** also based on the fact, if a producer is a member of the cooperative or not. There was also an example, where the cooperative was the owner of members' products only, but products of non-members were taken just for per commission sale. The margin included in the cost of the product can also differ depending on the customer and types of products.

The Norwegian piloting organisation highlights, that the products should be priced the same, whether buying from the organization or directly from the producer, to facilitate the sales through the organization, with a percentage of the sales going to the organization instead of the producer to cover the costs of marketing, distribution and administration.

In the case of Saaremaa, Estonia, the cooperative takes **prepayment from customers** and only then orders the products from the producers. This solution is applicable for handling small volumes only, like in the case of this pilot, which worked just with the sales of gifts packages.

It is quite common that **price is dependent upon quantity – in case of bigger orders discounts are offered.** The bigger the order, the better the price comparing to the regular price available on the online-platform for end customers. There can also be a system that considers the **frequency of purchases** when calculating the discount rate.

The Russian pilot region in Pskov emphasises the use of only **written types of contracts/** cooperation agreements when working with their clients. An advantage they can offer is the possibility for settlement with or without VAT, depending on the preferences of the customer.

Also **logistics solutions** differ. In some cases the clients have to pick up the products themselves from the shop or another collection point, but many offer delivery to clients. How **transportation cost** is managed, depends also from organisation to organisation, being influenced by the location being urban or rural, as well as other factors. In town environment it is easy to add the transportation cost to clients, based on real costs, as there is a variety of dedicated delivery companies on the market that can be used for providing this service.

One example is getting free delivery when the order exceeds a certain amount of money. E.g. in the case of Lithuania, **delivery services must be paid for only in case when** the amount of the ordered product basket does not exceed EUR 85 without VAT. Other examples of pricing delivery are **a percentage fee based on the value of the goods,** which for example is used in Denmark, when the delivery is made by wholesale companies. The fee covers handling of many administrative tasks related to the distribution, pick-up, delivery, an online sales platform, and more – basically covering the whole journey through the supply chain from the producer to the customer. **Pay-per-package solution** was elaborated in Denmark for the mobile hub solution to allow better flexibility. In this solution, the producers still had to handle the packaging, selling, invoicing, and other things which otherwise the wholesale company would handle.

Examples of additional revenues, mentioned by the piloting organisations, are:

- **Organisation of and/or participation at events.** Different partners were already engaged or planned to be engaged in this. For example in Norway smaller lines of income have been generated through occasional special event sales, fairs, and Christmas packages for businesses. On the other hand, the experience of the Latvian piloting organisation is different. Until 2018, "Kuldīgas labumi" actively participated in jointly organized off-site trade at various fairs, international and Latvian food exhibitions and participated in all Kuldiga festivals. But it was not possible to obtain additional profit that could be invested in the development of cooperative from this activity – as only costs were covered – and this practice was therefore cancelled (members do it themselves if they want to).

- The Polish piloting organisation plans future modifications in the business model to include also **culinary trainings** in order to develop closer network ties with restaurant owners, in order to promote regional products to them. They also plan **commissioned realization of culinary films** at the order of clients, based on the experiences of culinary promotion gained within the piloting.
- In Germany there is a plan to set up its own brand scheme with product labels `Meck-Schweizer Quality´ and network label ` Meck-Schweizer partner´ and to gain income from **label application charges.** An additional innovative idea to create revenue is **selling e-platform software to other local food networks** and to gain income from sales and/or from a commission fee for turnover via those platforms. The online platform tool has been rolled out to two neighbouring local food networks in Mecklenburg-Vorpommern so far. Their sales does not earn the Meck-Schweizer a commission yet, as the food networks still struggle with the workload of the pandemic and could not activate their platform version yet. In Mecklenburg-Vorpommern the software itself is for free, thanks to public funding for the roll-out. The Meck-Schweizer so far sold the software once, in another Federal German State. Expectations regarding the turnover commissions were higher, but the pandemic slowed down this business segment, too.

CONCLUSIONS:

The main revenue streams of the pilot came from serving the business clients, the majority of whom placed their orders through the online sales channels. The most common solution during the pilot was, that the online sales channel owner bought the products from the producers, thus becoming the owner of the products, and after adding a mark-up, invoiced the clients for the products ordered. The mark-up was in the range of 20-50% and it depended on what kind of service was offered to the clients, e.g. is there an e-platform, do they gather the products from the producers, do they have a warehouse, how they deliver etc. Different systems were used for charging for delivery, e.g. percentage fee based on the value of the goods, pay-per-package solution, real cost and also free delivery. Additional revenue was created by organisation of special events, for example. There are plans to expand the ways how possible additional revenue can be created.

3.2.6 Key resources

The key resources are the **main inputs** that are used to create the value proposition, to service the customer segments and to deliver the product to them. An overview of the key resources used by the piloting organisations is presented below. These varied between different piloting organisations, depending on their form, nature and complexity of business and activities. **Most common key resources mentioned by the piloting organisations are covered below.**

Human resources was a resource that had most coverage in the individual piloting reports. The importance of committed staff members is highlighted. Many partners are facing different issues as regards to staffing. While there are organisations that have different staff members working for them, there are also cases of very limited staff resources, especially at management level, which can present major obstacles in the further development of the activities of the piloting organisations. Where the pilot organisations run their own shops and serve B2C customers, it can be difficult for these staff members to find the needed time to work with the B2B customers in a dedicated manner. Money received from public funding or project grants has helped to deal with the staff issue, but this is a short-term solution. For piloting organisations that had previous experience with B2B, the importance of human resources is especially highlighted. E.g. the Swedish pilot organisation states: "Human resources is the most valuable asset in the system as the business experience in the company is very high." The Norwegian organisation says: "At start-up a project-manager was responsible to form the business, setting goals and gathering producers to work together. In 2018 a daily manager was hired full time, in charge of all daily activities in the organization, consisting of marketing and selling products, organizing distribution, budgeting and accounting."

Other key resources are the online platforms/e-solutions of the piloting organisations as well as their existing infrastructure, such as premises (e.g. own shops, own cafes), storage facilities, equipment. Saaremaa, Estonia has a shop in a shopping centre and the premises of the shop are also used for the storage, where assembly of the orders from business clients takes place. To accommodate growth, new investments are needed. The Polish pilot organisation states: "The vast majority of the required effort was carried out with own resources, such as investment in additional logistic infrastructure (new vehicle, new cold storage, additional warehouse space, etc.)." Not all organisations had their own infrastructure, though, e.g. in Denmark the members of SVSO do not own anything in common – there are no physical facilities nor other shared investments.

Different solutions exist for **transport for delivery.** For organisations with an extensive B2B business, like in the case of Sweden and Germany, **their own car park of distribution vehicles** that are totally adapted for food delivery is an important resource. Other organisations have used the **vehicles of members** to organise deliveries.

The network of producers is a valuable resource, providing reliable partners and known products. This is illustrated by statements from Latvia **"Knowledge and practice of members** is a very important tool for daily work and development" and from Norway: "A strong network where producers can build on each other's strengths and experiences." Also a **network of customers** (e.g. chefs and catering businesses) is an important resource.

Obviously, not all competence was available in the organisations themselves and there was need to involve specialists or other external resources. **Used external expertise and knowledge included outsourcing services** from providers of communication, logistics, IT (e.g. e-platform development), accounting, marketing (e.g. photography, film-making, design, virtual tour realization). **BSF project experts and business consultants played a crucial role in supporting the pilots with professional business approaches and tools,** providing knowledge on sales planning, for example, which enabled to inform producers about planned sales volumes in advance. Also the role of local support organisations was important. Examples of this include Saaremaa in Estonia, where a specialist from Saarte Cooperation Council, which is also the owner of "Saaremaa EHTNE toode" brand, supports the cooperative in communication with business clients, specifying and negotiating the price, payment terms, delivery etc. In Denmark, business region Esbjerg was a key resource that had the knowledge, manpower and time to develop and establish and coordinate all steps in the distribution solution for the network.

Other, less mentioned key resources included:

- **Location** (e.g. situated close to a big town).
- **Intellectual resources.** E.g. the Swedish organisation said: "The concept and the business name have been spread to other parts of Sweden, as in time the company name and its services have become kind of a standard within the business segment."
- **Quality certificates and complying with standards.** In Russia for certain products presence of certificates is a prerequisite, both for working with retail and chain stores, and a delivery condition for municipal enterprises and HoReCa. In Denmark, to qualify for distribution through a wholesale company, a producer must meet certain standards and requirements. These are not just legal standards for food safety, ingredient list and barcodes, but also parameters for quantities, scheduling, availability, exclusivity, and more.

- **Pop-up shops,** for example during bigger events.
- **Capitalizing on the resources of members, organising special marketing events.** This is illustrated by an example from Norway: "Producers have contributed with their time and skills, preparing and serving food, e.g. organising a tour for potential customers from farm to farm, where the producers introduced themselves and their products. This is time consuming and potentially a disorganized way of running a business, and one of the weak points of the organization model so far."

CONCLUSIONS:

The most important key resources were human resources, followed by the online platforms/e-solutions of the piloting organisations as well as their existing infrastructure, such as premises (e.g. their own shops and cafes), storage facilities, equipment. For organisations that offered delivery, a vehicle park of their own or vehicles rented from members were an important resource. Having a network of producers and being able to capitalize on their knowledge as well as assets was seen as an important resource. Likewise was the existence of a network of customers, such as chefs for example. Since it is not possible to have all the resources internally within an organisation, the used external expertise and knowledge was an appreciated resource. This included outsourcing different services as well having the BSF project experts and business consultants play a crucial role in supporting the pilots with professional business approaches and tools.

3.2.7 Key activities

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 the producers and the local food network is the cost of distribution. In the following we sum up on how the distribution of products was organized (ordering, incoming logistics, storage, packaging, delivery of products to clients, invoicing etc.). This section also covers, if and how the pilot organisation used some digital or other innovative tools in their daily working process.

The **most common activity solution** during the pilot was, that the distributor bought the products from the producers, thus becoming the owner of the products, and after adding a mark-up, invoiced the clients for the products ordered. Ordering from an online-platform was in several cases combined with personal communication. On one hand this enabled to make the process more flexible for business clients. E.g. in case of Saaremaa in Estonia, after the business client had placed the order in the online-platform, the specific conditions like prices, payment and terms of delivery were agreed via phone or e-mail. On the other hand when sales volumes grow, however, it will not be possible to handle so much personal communication. This stresses the importance of a **functioning IT system that facilitates and speeds up all work.** A convenient system, where customers can choose the products, place, time and method of delivery, is therefore important. **Many piloting organisations elaborated an online sales system during the project, if they did not have it before, and some improved their already existing system or are planning to enhance it in the future.**

The solutions for **transporting the products from the producers to the distributor** vary from organisation to organisation. One used solution is for producers take the products to the distributor's facility (e.g. shop, storage facility, warehouse) when they receive a specific order. As the business grows, and sales are more stable, it would be important to have a supply in storage to limit the need for and cost of transporting smaller amounts of goods. Also in this case, it can be the producer who is responsible for the transportation to the warehouse, or this can be organized by the distributor who would be collecting the products from the producer itself, or having a third party to do it for the distributor. Also the **solutions for delivery of the products to customers vary.** They might pick the products up from a shop or another collection point, or there may be delivery organized to the location of the customer, either by the piloting organisation's own vehicles or using a dedicated delivery company. When working with remote and rural areas, it is challenging to find an affordable distributor able to deliver all types of products to all different customer locations. A **sustainable solution for transport** is to plan the delivery routes in such a way that the company can pick up products during the same trip when it makes deliveries to customers. This works well in Sweden, where the delivery and pickup routes intersect with each other, so the vehicles are filled up most of the time and then reloaded at the warehouse.

How much service - as regards to distribution and delivery - can be provided, depends on the used mark-up, which differs from organisation to organisation, as we saw in section 3.2.5. In Germany, the first step of piloting was to introduce a new pricing model for the e-platform. Service charges for marketing and maintenance were split between sellers and buyers in order to attract more customers. So far, buyers had to pay the biggest part of those charges, plus the logistics costs. In Denmark delivery was offered for free during the pilot, but this meant that most key activities were done by the producers themselves - they handled the ordering, invoicing, packaging, and ensuring pick-up and delivery. In Poland, the pilot organisation re-negotiated pricing with all the producers with a view to covering the additional delivery charges and intensified marketing activities.

CONCLUSIONS:
As business volumes grow, a functioning IT system is needed, which facilitates and speeds up all work. It would be complicated to rely on e-mail and telephone communication only, since it is very time consuming. Therefore e-platforms and e-shops have been either developed, or existing solutions further modified, to cater better for the needs of also B2B customers. The organisations who do not have a dedicated e-platform yet, intend to develop it in the future. The availability of comfortable transport and delivery solutions exists for organisations who have longer experience in B2B sales, the newcomers to this are still struggling with finding the best solutions for this, which is challenging especially in remote rural areas, as costs are high.

3.2.8 Key partnerships

Partners are one of the success criteria for any organisation. In the following we sum up, who were the main partners whom the piloting organisations used in cooperation. **Important partners** were:

- **Governmental organizations, state institutions,** e.g. Food and Veterinary Services that ensure that the product supplied complies with all the requirements.
- **Local municipalities, local communities.** E.g. in Latvia Kuldiga City Council has been a key partner since the establishment of the cooperative, from initiator of the cooperation idea to the financial supporter in the beginning, and the current advisor and partner in promoting tourism and rural development of Kuldiga municipality, covering the salary of the manager during start-up and providing premises for the shop.
- **Local sector-representing associations, Local Action Groups of LEADER programme.** E.g. the main cooperation partner for the cooperative in Saaremaa, Estonia is the brand owner Saarte Cooperation Council, which is a LAG of the LEADER programme.
- **Business consultants and business development organisations.** E.g. in Denmark Business Region Esbjerg in the city of Esbjerg has been functioning as the secretariat for the local food network; in Norway the local business development organisation Næringshagen i Hardangerhas played an important role.
- **Organizations providing sources for funding,** like credit or guarantees; also **support from EU projects.**

- **Local food producers,** both owners/members of the pilot organisation as well as producers outside the pilot organisation, to secure full range of daily products in the shops and on the online platforms.
- **Other local food networks** either in the region or beyond.
- **Logistics providers,** being **either third party companies** taking care of some or all logistics, or **own logistics solutions.**

CONCLUSIONS:

There has been a variety of key partners mentioned, including state institutions, local municipalities, local sector-representing organisations, dedicated business development organisations and business consultants, financers, other local food producers and networks, as well as logistics providers. The importance of each key partner depends on the needs and activities of a specific organisation, as these vary, and among other things are dependent on the development phase of the organisation and its previous experience with B2B sales.

3.2.9 Cost structure

A sustainable business model needs to be financed on its own. All costs need to be categorized to know where the highest expenses occur. In the following we look at what were the main types of fixed costs and variable costs, paying special attention on the cost of the distribution service.

The participating organisations have seen **budgeting and monitoring their costs** as an important activity. For example the Lithuanian organisation states: "Much attention was paid to time planning and budgeting. The budget was drawn up and now it is much easier to monitor, manage and analyse it. The pilot organization didn't do this before and now they understand that these processes are required to work successfully. Not many changes in pricing are foreseen, just monitoring individual indicators." The Swedish organisation says: "For getting breakeven of the fixed costs, a specific amount of variable costs are needed, but at a certain variable costs level the fixed costs will increase pretty much, since there is a need for a bigger vehicle park and more staff. It is therefore necessary to always find the right "amount of sales", so turnover isn't the only factor."

The costs depend on the nature and scope of activities of each piloting organisation. **The most common category of fixed costs was labour costs** (e.g. shop managers, shop assistants, cooperative manager, stationary sales personnel). As human resources was a critical topic under resources, this is relevant also in the cost category. Concerns are expressed regarding these costs in different countries, e.g.: "Cost for one fulltime employee is the highest cost category, and the organization has been highly dependent on external funds so far. It would not have been possible to cover it without external state funding from "Innovation Norway". This source of funding is not accessible to the organization from 2021, and the alternative sources of funding are to be found unless sales volume is increased radically." **Another important fixed cost was the cost of the premises** – e.g. rental, insurance and other maintenance fees of premises, costs of warehouses.

For partners with their own logistics solution, the costs for the vehicle park are significant. For organisations who outsource distribution, this is a considerable variable cost. **Logistics/ transportation costs were one of the most significant variable costs** by piloting organisations, depending on the volume and location of customers. The topic of distribution is covered in more detail at the end of this section.

For organisations that became the owner of products, a big operational cost was the **purchase cost of products from the producers.** When piloting was done by the producers, like the case of Russia, the costs included purchasing seeds, plant protection products, fertilizers, fuels and lubricants, electricity, materials and staff costs. **Less mentioned cost categories** were marketing costs, IT costs, taxes and other expenses.

As for distribution, different organisations use different solutions. Some examples are provided below.

Well working solutions exist in Sweden and Germany, who have been on the market with the B2B solution for a longer time period. E.g. the MECK-SCHWEIZER has developed a sustainable logistics concept for drop shipping in line operation, thus avoiding stock management. Solar powered refrigerated e-lorries cover the region in four loops; routes 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. Their own logistics company is also responsible for the B2C business and as such is one of the bigger clients for the B2B platform. In Sweden the delivery and pickup routes intersect with each other, so the vehicles are filled up most of the time and then are reloaded at their warehouse.

For countries that are entering the B2B market, finding economical transport solutions still presents a challenge. This is illustrated by the following examples:

- DENMARK: We discussed different cost models, including monthly subscriptions of EUR 70 + EUR 10 per package, to take part in the mobile hub solution. For the test period, however, we decided to offer it all free, to try and get data for future calculations. The cost for using a wholesale company is at minimum 20% of a product's price, and often more. For this amount they handle pick-up of goods at the producers, ordering, delivering, accounting etc.

- **NORWAY:** There are limited options for affordable transport of smaller orders. A solution to this will be more and larger orders to spread the cost over more orders, as it is cheaper per order when filling a car. Alternative solutions for distribution are being investigated for 2021.

It is always important to **take a look ahead and plan the future, to be aware of the costs that need to be covered.** The Latvian organisation states: "There is a great need to buy transport units and to organise storage to expand activities and be more effective. Funding is also necessary to attract human resources to help with marketing and project writing." The organisation from Poland says: "During the planned expansion of the business model, further employees will be necessary."

CONCLUSIONS:
The organisations appreciated the fact that within the project they had to dedicate special efforts on evaluating their different costs. This provided a valuable input for business planning. The main fixed costs were those related to labour, followed by costs related with premises – be it shops, warehouses etc. When organisations had their own logistics solution, also the vehicle park was an important fixed cost. For the ones who used outsourcing for transport and delivery, this was one of the main variable costs together with the costs of purchasing items for sale.

3.2.10 Summary of the feedback on the business model

In the following we sum up the previous sections 3.2.1-3.2.9 and provide overall feedback on the different parts of the business model canvas that were used.

The organisations appreciated the fact that within the project they had to dedicate special efforts on studying different elements of their business model. This provides a valuable input for business planning and helps them to develop the organisations.

As for customer segments, all piloting organisations had focused on the HoReCA segment, but as this sector was severely hit by Covid-19, most of the plans regarding this sector were not realised in full or had to be postponed. The organisations thus had to rely more heavily on serving the B2C segment to survive. There was growth especially in online sales, which resulted in the development of e-platforms in many of the piloting regions sooner than they would have done it otherwise. Having one contact point in the form of a distributor saves time and adds to the convenience of the offer. Customers value the wide range of products on offer, as well as their high quality, and the fact that the origin of each product can be traced. The piloting organisations intend to continue to use the e-solutions and some plan to develop them further. As business volumes grow, a functioning IT system is needed to facilitate and speed up all the work. The organisations that do not have a digital platform yet are planning to develop this solution in the future.

Digitalisation of communication channels is a key activity in the future, which is highlighted in most pilots, being the main communication and marketing channel already now. However, the traditional ways of communication by phone, e-mail and personal meetings are still very much in use. A lot of advertisement is done online, e.g. using Facebook, but at the same time several traditional advertisement channels are still in use. Also participation at events, such as fairs and exhibitions is common, and many piloting organisations are organising such events themselves.

Using trademarks, brands and labels among the piloting organisations is common, as these provide additional trust to customers. In addition to promoting their own brand, most pilot organisations are active also in promoting the brands and labels of individual companies. Storytelling is recognized as an important element for this.

The main revenue streams of the pilots came from serving the business clients, the majority of whom placed their orders through the online sales channels. The most common solution during the pilot was, that the online sales channel owner bought the products from the producers, thus becoming the owner of the products, and after adding a mark-up, invoiced the clients for the products ordered. The mark-up was in the range of 20-50% and it depended on what kind of service was offered to the clients. Additional revenue was created by organisation of special events, for example. There are plans to expand the ways how possible additional revenue can be created.

The main fixed costs were those related to labour, followed by the cost related with premises – be it shops, warehouses etc. When organisations had their own logistics solution, also the vehicle park was an important fixed cost. For the ones who used outsourcing for transport and delivery, this was one of the main variable costs, together with the costs of purchasing items for sale.

The most important key resources were human resources, followed by the online platforms/e-solutions of the piloting organisations as well as their existing infrastructure, such as premises, storage facilities, equipment. For organisations that offered delivery, a vehicle park of their own or vehicles rented from members were an important resource. The availability of comfortable transport and delivery solutions exists for organisations who have longer experience in B2B sales, the newcomers to this are still struggling with finding the best solutions for this, which is challenging especially in remote rural areas, as costs are high.

Since it is not possible to have all the resources internally within an organisation, then external expertise and knowledge was an appreciated resource. There has been a variety of key partners mentioned, including state institutions, local municipalities, local sector-representing organisations, dedicated business development organisations and business consultants, financers, other local food producers and networks, as well as logistics providers.

Piloting organisations in general appreciate the use of the CANVAS tool as it was easy-to-use and understandable and helps the small local food businesses and distributors to work in a structured way with developing their business further.

3.2.11 Overall conclusion on the business models

The operational plans that were worked out within the framework of the BSF Project are considered as long term strategy by the piloting organisations. First steps in implementation of the strategy have been taken, but most organisations still need to **enlarge and enhance activities** to achieve what has been planned. Also there is **need for constant updating of the strategic plans** in the future. Depending on organisation, operational plans are complemented by **shorter term activity plans** as well as **investment plans, financial plans, marketing strategies.** The **importance of purposefully dealing with different aspects of business planning** (e.g. time planning, financial planning) has been stressed by many and it is appreciated that this was **assisted by experts.**

The majority of the piloting organisation shall **continue in the same organisational format.** However, there are **organisational changes** foreseen in two of the organisations. In case of the piloting organisation from Saaremaa, Estonia, it has been decided that during the first half of the year 2021 the cooperative "EHTNE Saaremaa" will be restructured as a foundation. The reason of this restructuring is that the cooperative members are small producers, who don't have sufficient time and financial resources to contribute to further development of the cooperative. But for future growth it's needed to invest in human labour, infrastructure etc. In the case of Denmark, the network is hopeful that the facilitated mobile hub, which was tested within the project, could be implemented by private companies – possibly in conjunction with the food network or a similar organization.

The piloting organisations realize, that to develop the B2B-concept further, **additional investments** are needed. The nature of the investment depends on the organisation. Common needs are investing into storage, logistics and additional staff.

The common factor for all piloting organisations, which hindered the implementation of the operational plans, was the **outbreak of Covid-19,** which made realisation of the B2B goals related to the HoReCa sector impossible. There were piloting organisations, who **postponed the implementation of the operational plan and launching the B2B model** and other organisations who **implemented only a part of the operational plan.** Also **timeline of the piloting was changed** in some cases. On the other hand the pandemic made the piloting organisations to speed up their work on the development of **online platforms** for sales. This brought about an **increase in B2C sales.** The next section (Section 3.3) provides a table indicating how COVID-19 affected the piloting of each piloting organisation.

Piloting organisations in general appreciate the use of the CANVAS tool as it was easy-to-use and understandable and helps the small local food businesses and distributors to work in a structured way with developing their business further. Therefore we can recommend the use of this CANVAS tool for others as well.

3.3. *The influence of Covid-19 pandemic on piloting*

There was hardly any aspect of life that was not affected by the Covid-19 pandemic. As indicated above, the piloting of the BSF project was also affected. A table summarizing the impact of Covid-19 has been presented below.

TABLE 3

Summary of the influence of Covid-19 on piloting

Piloting country (organi-sation)	Impact of Covid-19 pandemic	Other relevant information regarding the impact of Covid-19, e.g. new solutions developed during the pandemic.
DENMARK	Time of piloting was postponed from spring/ summer to the last months of fall and into winter. This lead to a smaller variety of products available for sale. It was hard to convince restaurants and chefs to point their local suppliers towards the program, because they were focused entirely on survival and figuring out new ways of maintaining their businesses.	Decrease in demand lead to fewer deliveries needed, producers wanted to maintain personal contact to customers and were reluctant to use an intermediary for distribution. It was decided to offer a logistical solution free of charge to the producers during the piloting to motivate them, but only a few people took advantage of it. Website – the list of producers was added.
ESTONIA (Taluturg)	The organisation was not able to pilot the B2B model. It postponed the implementation of the operational plan to the future when market demand is sufficient for launching the B2B business model to HoReCa sector.	The e-shop, which was launched as a reaction to the pandemic, is now a very important sales channel.
ESTONIA (Saaremaa)	Because of the Covid-19 pandemic it was not possible to launch the B2B sales for HoReCa sector nor the local retail chain.	B2B sales of local food products as business gifts to the companies and organizations both in Saaremaa and to customers in mainland of Estonia was piloted. Because of the Covid-19 virus, online-platform was launched in a much shorter timeframe than was initially planned, as the demand for online-shopping and home-delivery service increased significantly among local people.
FINLAND	Heila Ltd. was not able to pilot the B2B-model and it is postponed.	Before COVID-19 Heila had big plans for transformation of premises and interior in the restaurant / café area, but all those were stopped. Heila Ltd. was closed for the majority of spring. The majority of owners (75%) from Pihamaa's family tested a B2C-model with digital tools on small scale during 2 months in their summer cottage village. The B2C-model had all the elements, which were planned for their B2B-model.
GERMANY	Covid-19 lockdown created a very competitive situation for online platforms dealing with local products. They had to do the piloting without the help of external experts, as due to the pandemic, the consultants were so busy they could not fully commit.	Not all marketing suggestions from the operational plan were carried out. A lot of effort was put into B2C activities and as soon as the lockdown was over, platform trade was back to what it was before and even a bit more.

TABLE 3 Summary of the influence of Covid-19 on piloting

Piloting country (organi-sation)	Impact of Covid-19 pandemic	Other relevant information regarding the impact of Covid-19, e.g. new solutions developed during the pandemic.
LATVIA	It was not possible to start the planned piloting activities in time. Activities for HoReCa sector were limited. Round-table discussions in 5 different restaurants were planned for autumn 2020, but were cancelled due to Covid-19.	E-shop was the first success story. Covid-19 made the cooperative stronger, as producers sold through the cooperative when due to restrictions they were not able to do individual sales any more.
LITHUANIA	The piloting plan with HoReCa couldn't be realized. B2B turnover fell 50 percent compared to 2019. At the same time the B2C turnover increased 2 times compared to 2019.	Additional costs incurred due to increased B2C sales during the pandemic: Another car was bought for delivering the ordered goods in time. The rented warehouses were changed 2 times to larger ones, refrigerators and other inventory necessary for storage were bought. The website of the pilot organization was updated in May and they witnessed its success, getting 90 percent of all orders from there. However, the customers of the B2B sector are ordering only by phone or e-mail, which they find more convenient.
NORWAY	Most of the pilot's customers (mainly the HORECA market) were affected.	They introduced and implemented a project on marketing Christmas gifts for small and medium companies in 2020. A new project was initiated focusing on e-commerce, the new digital portal is to be launched in 2021.
POLAND	The HoReCa segment slowed down, therefore B2C distribution remained as predominant activity. Producers and participating distribution hubs focused on consumer sales. HoReCa companies themselves have undergone a shift towards own production and consumer sales, relying on in-house ingredients or mass market products to be more independent and to reduce costs.	The pandemic changed the focus on direct deliveries to B2C and B2B clients, a system which will be further developed. Due to increasing orders, storage in the distribution hub had to be extended to accommodate further demand. Also the online ordering tool was optimised. On 8.10.2020 a workshop for HoReCa partners using the delivery channel was organised, and led to intensification of cooperation with B2B clients, which was reflected also in the performance numbers. The piloting organization launched a sub-brand „Tastes of Heritage" to tighten cooperation with HoReCa partners and also to increase their visibility, since their performance is crucial for generating orders from clients' side.
RUSSIA (AKKOR)	Many clients in the HoReCa segment have not started their cooperation with the members of the Association, as the Covid-19 pandemic prevented it.	Selling to end customers was introduced (e.g. apples at a fairly high price, incl. 100 people who visited the farm to buy products). It was possible to organize the supply of potatoes and vegetables to local small "convenience stores" (about 10)

TABLE 3 *Summary of the influence of Covid-19 on piloting*

Piloting country (organi-sation)	Impact of Covid-19 pandemic	Other relevant information regarding the impact of Covid-19, e.g. new solutions developed during the pandemic.
RUSSIA (Izborsk)	There were no fairs in 2020. Due to the pandemic there were small visitor groups, only individual tourists / mini-groups of tourists. As a result, overall sales decreased across all distribution channels.	A positive aspect was registration on the state's official electronic tendering platform, thanks to which sales to the public authority – Pskov region administration – has grown more than 50%.
RUSSIA (CEAH)	Not mentioned	Introduction of sales of dried vegetables to different customer groups.
SWEDEN	The HoReCa sector was hardly hit by Covid-19 pandemic. Luckily for the company they have customers in the municipality and retail sectors, which were not that much affected by the regulations.	Had to readapt its business model to some extent and introduced a new initiative of selling and distributing gift packages to companies that can order the local food goodie bags to their customers/employees. This new concept helped to keep the turnover up during the festive seasons around Christmas and New Year. Bondens Skafferi also put more attention to the B2C during the pandemic, opening a couple of grocery shops with good results. The company already has the facility for storing items and from the warehouse it is then possible to deliver to their own shops during their normal routing to existing B2B customers.

CONCLUSIONS:

As the timing of launching B2B sales was difficult because of the Covid-19 outbreak, the organisations had to rely more heavily on the B2C segment in order to survive, as tourism and the HoReCa sector were down. Many pilot organisations had their own farm shops, which were operating already earlier and some of them have cafes and other facilities at the shops, so this helped the organisations to survive and the B2C sales efforts increased. The Swedish organisation introduced its own B2C shops as a new initiative. The B2C sector, which was not the focus of the pilot, thus became more important, and there was growth especially in online sales, which resulted in the development of e-platforms etc. in many of the piloting regions sooner than they would have done otherwise. Many pilots offered gift packages to businesses as a new or renewed initiative.

4 Quantitative results

Project partners have made a survey among their producers, clients, and distributors who participated in the piloting. It was not possible to provide all the relevant quantitative data by each organisation (as in some, as mentioned earlier in this report, the piloting was limited, postponed etc.), thus the following sections provide quantitative data only for the organisations that were able to pilot the respective aspect. After provision of quantitative data on the product offer and performed transactions, also an overview of satisfaction with the distribution solutions has been provided.

4.1. General quantitative data

There were 13 organisations selected for piloting, and as can be seen from the tables below, 11 of them were able to carry out piloting. Since some organisations had previous experience with B2B sales and functioned in a bigger scale using a previous client base, these are presented in Table 4. Table 5 covers the organisations who are new in B2B market and just launched this activity. Both tables give an overview of the circumstances of the various piloting activities including their duration, number of participants, transactions, and turnover. For the newcomers - as HoReCa was planned as an important customer segment - the demand was very low or non-existent from this sector. This has resulted in a small number of transactions and turnover. We expect the turnover to grow as they continue to work with the model and reach the client groups that they have planned in their operational plans. The number of months used for piloting was different in regions, as some pilots started later and some finished earlier. It should be taken into account when analysing the results.

TABLE 4 *General quantitative data for pilot organisations that are experienced in B2B sales and who were able to pilot in large scale*

Piloting country (org-n)	Number of months tested in 2020	Number of B2B clients	Number of producers	Number of transactions	B2B turnover (for piloting months), EUR
GERMANY	8	35	64	480	63 517
NORWAY	12	62	16	388	151 993
SWEDEN	12	195	120	17 500	5,6 million

TABLE 5 *General quantitative data for pilot organisations that had less or no previous experience in B2B sales and who were able to pilot in smaller scale*

Piloting country (org-n)	Number of months tested in 2020	Number of B2B clients	Number of producers	Number of B2 transactions	B2B turnover (for piloting months), EUR, rounded to 1000 EUR)
DENMARK	3	2	3	5	< 1000
ESTONIA (SAAREMAA)	12	35	15	55	11 000
LATVIA	7	10	50	70	3000
LITHUANIA	12	30	35	216	26 000
POLAND	10	13	12	87	9000
RUSSIA (AKKOR)	12	10	3	No information	10 000
RUSSIA (IZBORSK)	12	6	3	No information	8000
RUSSIA (CEAH)	12	16	2	112	8000

As can be seen from the tables above, there is a big difference in how many producers and customers participated in the individual countries' tests as well as in the numbers of transactions and turnover. Turnover depends on what kind of solution was piloted in a particular region, as well as the experiences and age of organisations. For piloting organisations experienced in B2B sales (Table 4), the number of business clients ranged from 35 to 195, the average being 97. For this category, the number of involved producers ranged from 16 to 120, the average being 67. The number of transactions for the same category ranged from 388 to 17500, the average being 6123. When we look at the pilot organisations presented in Table 5, we can see that the number of business clients ranged from 2 to 35, the average being 15. The number of involved producers ranged from 2 to 50, the average being 15. The number of transactions for the same category ranged from 5 to 216, the average being 91. When we leave out Lithuania, who had already 4 years of experience in B2B sales, then for the remaining less-experienced piloting organisations the monthly B2B turnover ranged from 300 to 900 EUR.

4.2. *Variety of assortment:*

Table 6 below shows how many products were offered to clients in each of the piloting organisations. When we leave out Germany, which stands out with an extremely large number of products offered, and the Russian organisations with small numbers, then on an average the pilot organisations offered circa 240 products to the clients.

TABLE 6 *Number of products offered*

Piloting country (org-n)	Geographical scope of piloting	Targeted geographical area	Number of products offered to clients
DENMARK	Regional	Southwestern Jutland	200
ESTONIA (SAAREMAA)	Local	The island of Saaremaa + mainland	250
GERMANY	Regional	Southern Mecklenburg-Vorpommern	1500
LATVIA	Local	Kuldiga, nearest big cities Liepāja Ventspils, Riga	400
LITHUANIA	National	Vilnius, Kaunas and Klaipėda	250
NORWAY	Regional	Hardanger region in western Norway, Bergen area	200
POLAND	Regional	Wielkopolska region, extended to include also the regional capital in Poznań	110
RUSSIA (AKKOR)	Regional	Pskov, Pskov region	3
RUSSIA (IZBORSK)	Local	Izborsk, also Pskov region	5
RUSSIA (CEAH)	Regional	Pskov city and region	8
SWEDEN	Regional	Skåne region	250
TOTAL			**3176 products**

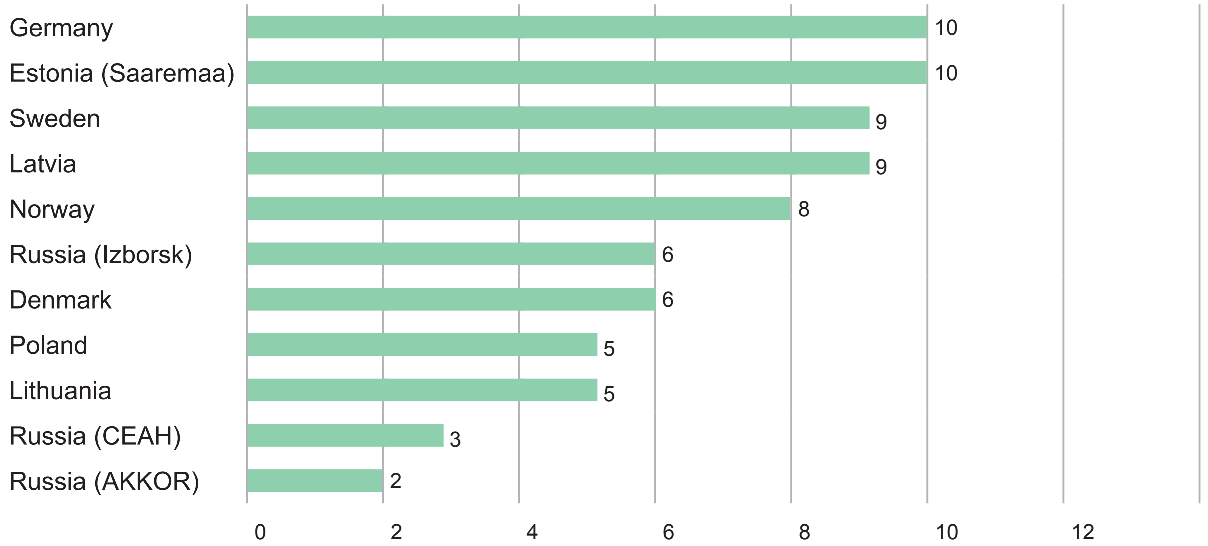
The total number of products provided by piloting organisations was **3176**. There is a wide gap between the largest number offered (1500 in Germany) and the lowest (3 in Pskov, Russia), making the average number of products per piloting organisation 289.

To get an overview of the products offered to the clients, we divided them into ten different categories: meat, fish & shellfish, fruit, vegetables, flour & baking, dairy & eggs, beverages, sweets, delicacies, and other products. A table summarizing whether a specific product category was included in the offer or not, is presented below.

TABLE 6 ***Variety of products***

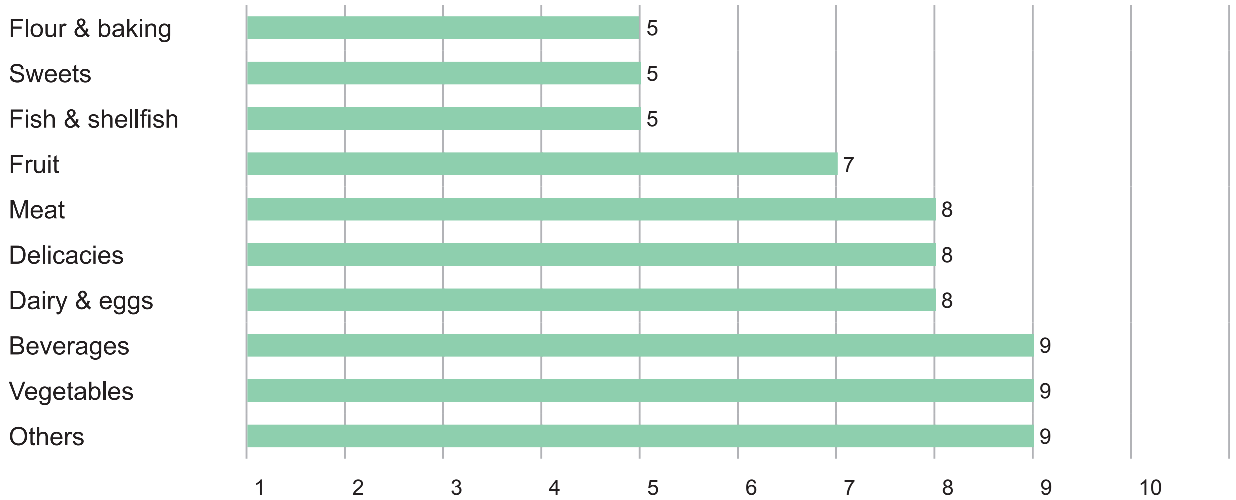
Piloting country (org-n)	Meat	Fish & shellfish	Fruit	Vegetables	Flour & baking	Dairy & eggs	Beverages	Sweets	Delicacies	Others	TOTAL
DENMARK	X	X				X	X	X	X		**6**
ESTONIA (SAAREMAA)	X	X	X	X	X	X	X	X	X	X	**10**
GERMANY	X	X	X	X	X	X	X	X	X	X	**10**
LATVIA	X		X	X	X	X	X	X	X	X	**9**
LITHUANIA	X	X		X		X				X	**5**
NORWAY	X	X	X	X	X		X		X	X	**8**
POLAND	X					X	X		X	X	**5**
RUSSIA (AKKOR)			X	X							**2**
RUSSIA (IZBORSK)			X	X		X	X		X	X	**6**
RUSSIA (CEAH)				X			X			X	**3**
SWEDEN	X		X	X	X	X	X	X	X	X	**9**
TOTAL	**8**	**5**	**7**	**9**	**5**	**8**	**9**	**5**	**8**	**9**	

FIGURE 2 *Number of product groups sold*



As we can see in the figure, there are two organisations who offered all the 10 product groups and two organisations who offered 9 product groups. On an average, 7 product groups were sold.

FIGURE 3 *Number of piloting organisations selling a product group*



Most common product groups that the majority of the piloting organisations sold were beverages, vegetables, meat, dairy and eggs, delicacies and other products. Less common product groups were sweets, flour & baking and fish & shellfish. In total, all product groups were covered in the piloting. For some organisations, season had an impact on the number of product groups that could be offered. Further data and analysis would be needed to make more conclusions about correlations in how many and / or which product groups have been offered and the number of transactions and sales results. This could be subject for future research on the matter.

4.3. Satisfaction of producers, clients and distributors

The project partners asked the producers, clients and distributors about their satisfaction with different parts of the business model. This was asked to be evaluated on a scale from 1 to 6, 1 representing very low satisfaction and 6 very high satisfaction.

4.3.1 Satisfaction of producers

Project partners[2] asked the producers about the satisfaction on different parts of the business model, using a scale from 1 to 6.[3]

TABLE 8 *Satisfaction of producers*

	Communi-cation	Ordering	Logistics	Sales results	Price level	General satisfac-tion
Estonia (Saaremaa)	5,5	4,9	5	4,6	4,5	5,4
Germany	5,2	4,6	5,2	3,7	4,4	4,8
Latvia	4,8	4,6	4,6	4	4,2	4,6
Lithuania	5,4	5,4	5,2	4,5	4,7	5,0
Norway	5	3,7	3,7	4,0	4	5,3
Poland	5,3	4,7	4,4	4,3	4,2	4,8
Sweden[4]	4,06	3,59	3,71	3,35	3,53	3,76
Countries' average	5,04	4,5	4,54	4,06	4,22	4,81
Respondents' average	4,86	4,38	4,43	3,90	4,11	4,66

2. National reports for each piloting organisation are available on the project website.

3. Because of Covid-19, and the resulting small participation in piloting both by producers and clients in DK, there is simply not enough data from which to answer the quantitative questions for DK. For RUS organisations the questions are not applicable, as there are no distributors between the piloting enterprises and the clients - there are direct sales only. It has been noted that clients and producers/sellers are highly satisfied with each other. The same note applies for the satisfaction of clients and distributors.

4. Despite the relatively low scores, all the 17 SWE producers told they will continue to use the distributor and they all would recommend other producers to work with the distributor. After talks with the respondents we can understand and elaborate the numbers more properly: 1-2 = Where improvements can be done. 3-4 = All is working good and as expected. 5-6 = Very good and more than expected

The number of respondents among producers was different in countries, ranging from 5 in Latvia to 17 in Sweden. The total number of producers that responded was 74. The line "respondents' average" reflects the average figures calculated based on the replies of each single respondent. The line "countries' average" reflects the average of the figures presented in Table 8, which are the averages for each country, calculated based on the responses from that specific country. On the graphs below, both countries' average and respondents' average is presented for each of the evaluated categories of satisfaction: communication, ordering, logistics, sales results, price level, general satisfaction.

FIGURE 4 *Producers' satisfaction with communication*

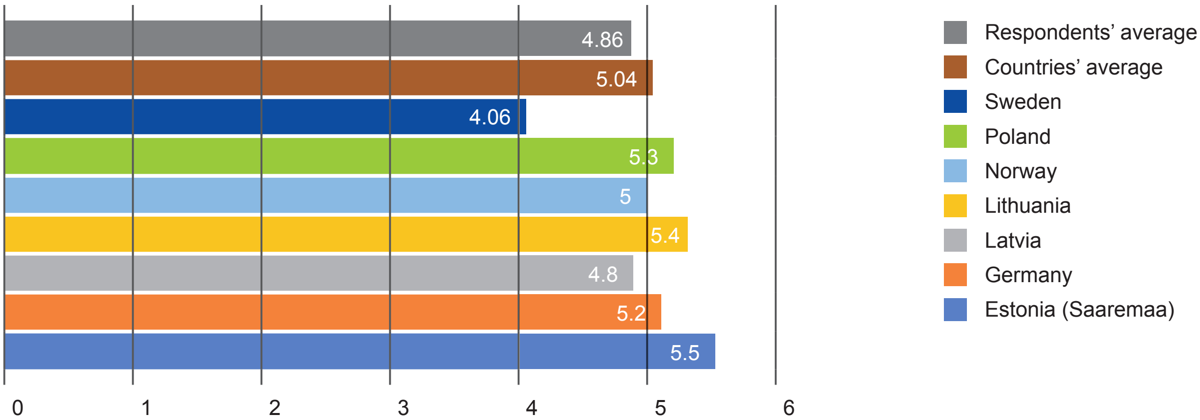


FIGURE 5 *Producers' satisfaction with ordering*

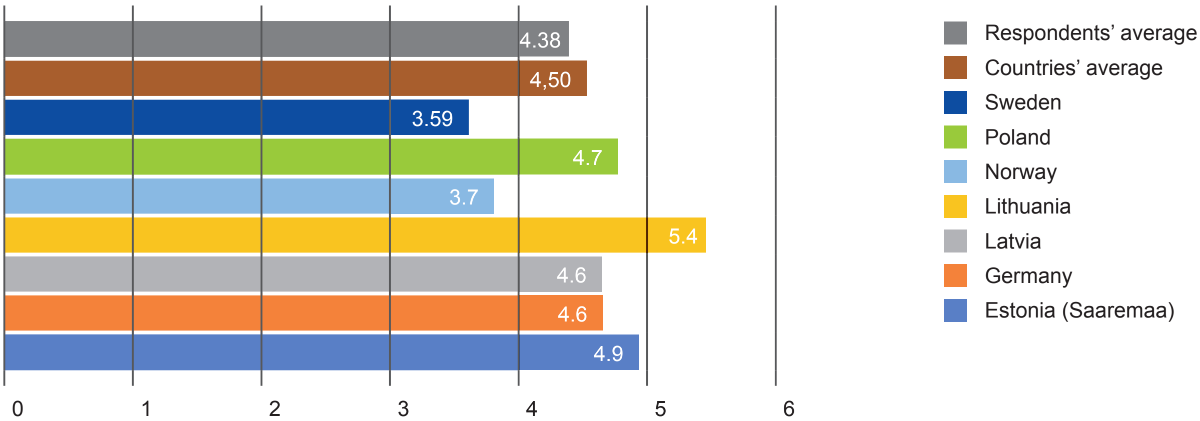


FIGURE 6 Producers' satisfaction with logistics

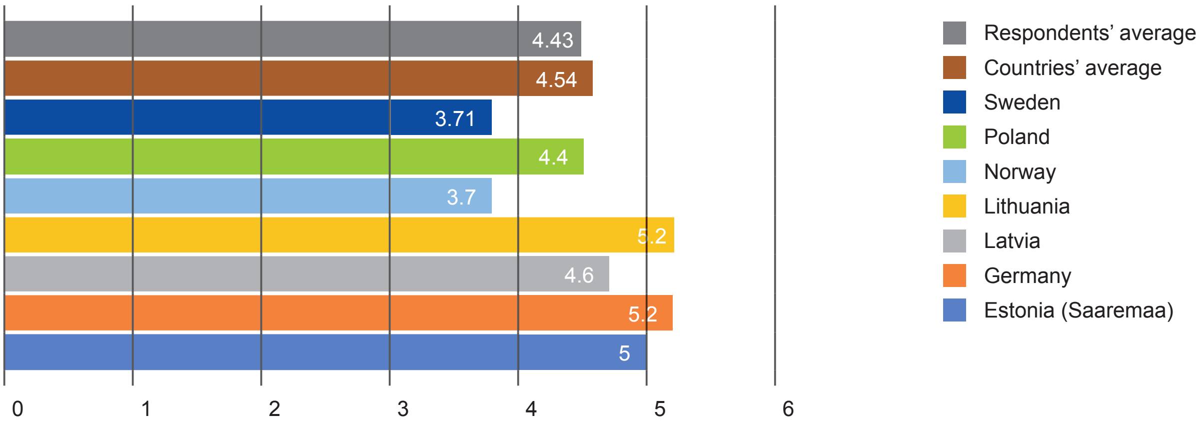


FIGURE 7 Producers' satisfaction with sales results

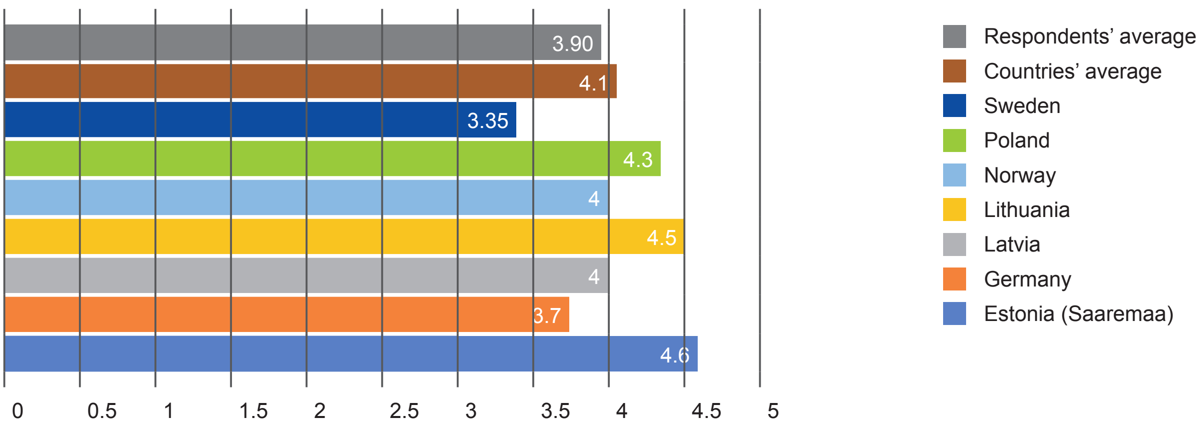


FIGURE 8 Producers' satisfaction with price level

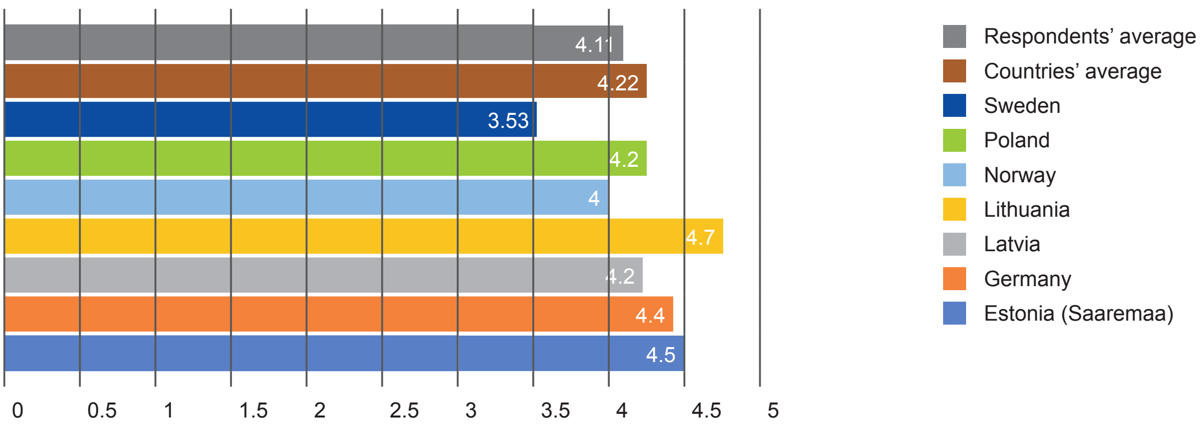
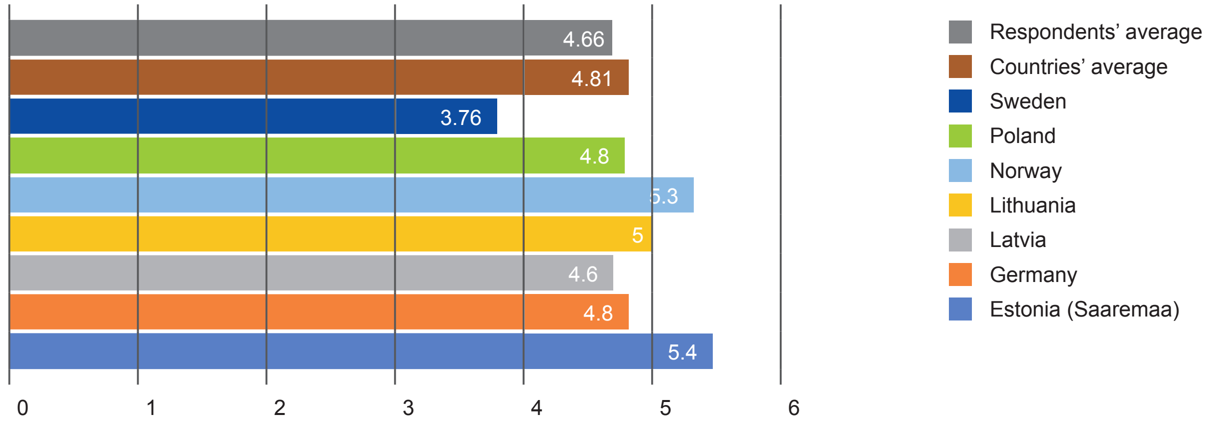


FIGURE 9 ***Producers' general satisfaction***



In general, based on countries' averages the producers were most satisfied with communication (average score 5,04), followed by general satisfaction (average score 4,81). Satisfaction was the smallest with sales results (average score 4,06).

When we look at respondents' average the sequence is the same, the producers being most satisfied with communication (4,86), followed by general satisfaction (4,66); and sales results (3,9) being the lowest scoring category.

4.3.2 Satisfaction of clients

Piloting organisations asked the clients about the satisfaction on different parts of the business model, using a scale from 1 to 6.

TABLE 9 *Satisfaction of clients*

	Communication	Ordering	Delivery	Variety	Quality	Price level	General Satisfaction
Estonia (Saaremaa)	6	5,75		5,5	6	5,25	6
Germany	5,3	4,9	6	4,6	5,0	4,7	4,8
Latvia	5,5	4,5	5,0	4,5	5	5,5	5
Lithuania	6,0	6,0	4,5	4,8	6,0	5,8	6,0
Norway	4,6	4,1	5,6	4,3	5,3	4	4,8
Poland	5,4	4,8	4,7	4,4	5,9	4,3	4,9
Sweden[5]	3,41	3,14	5,1	3,41	3,59	3,46	3,43
Countries' average	5,17	4,74	3,51	4,5	5,26	4,72	5,0
Respondents' average	4,33	3,95	4,92	4,07	4,55	4,09	4,24

The number of respondents among clients was very different in countries, ranging from 2 in Latvia to 37 in Sweden. The total number of clients who responded was 86. The line "respondents' average" reflects the average figures calculated based on the replies of each single respondent. The line "countries' average" reflects the average of the figures presented in Table 9, which are the averages for each country, calculated based on the responses from that specific country. On the graphs below, both countries' average and respondents' average is presented for each of the evaluated categories of satisfaction: communication, ordering, delivery, variety, quality, price level, general satisfaction.

5. Despite the relatively low scores, all the 37 SWE producers told they will continue to use the distributor and they all would recommend other producers to work with the distributor. After talks with the respondents we can understand and elaborate the numbers more properly: 1-2 = Where improvements can be done. 3-4 = All is working good and as expected. 5-6 = Very good and more than expected.

FIGURE 10 *Clients' satisfaction with communication*

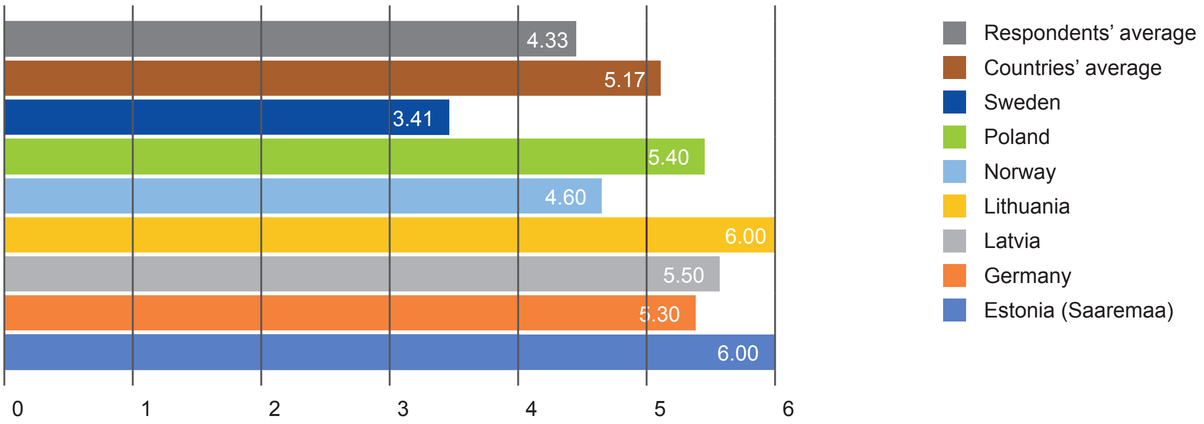


FIGURE 11 *Clients' satisfaction with ordering*

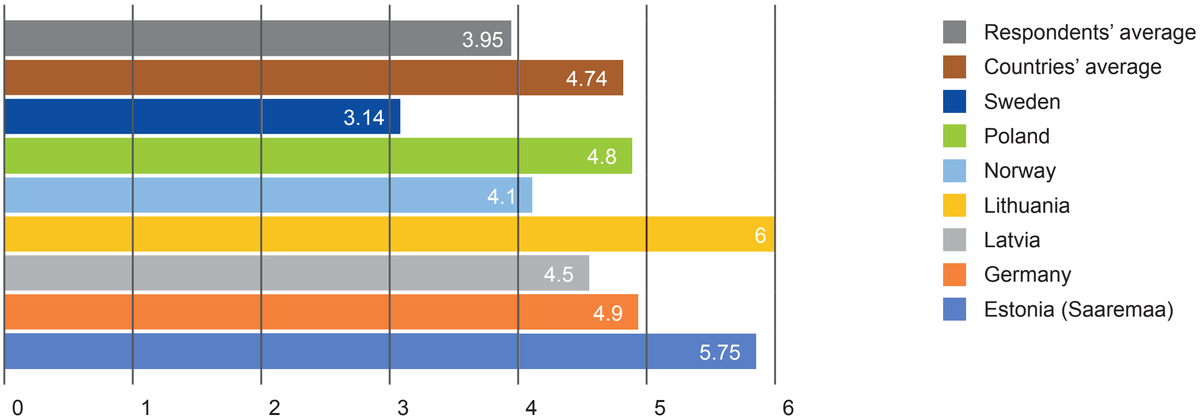


FIGURE 12 *Clients' satisfaction with delivery*

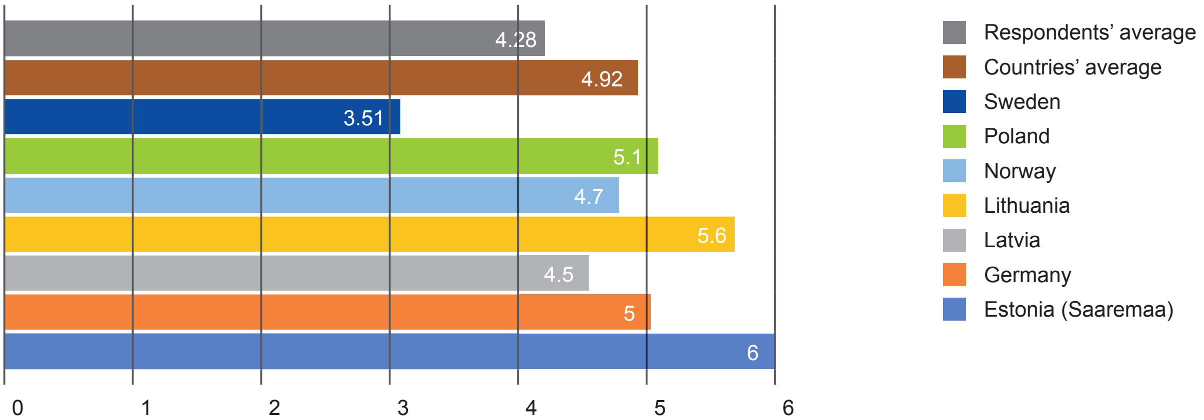


FIGURE 13 *Clients' satisfaction with variety*

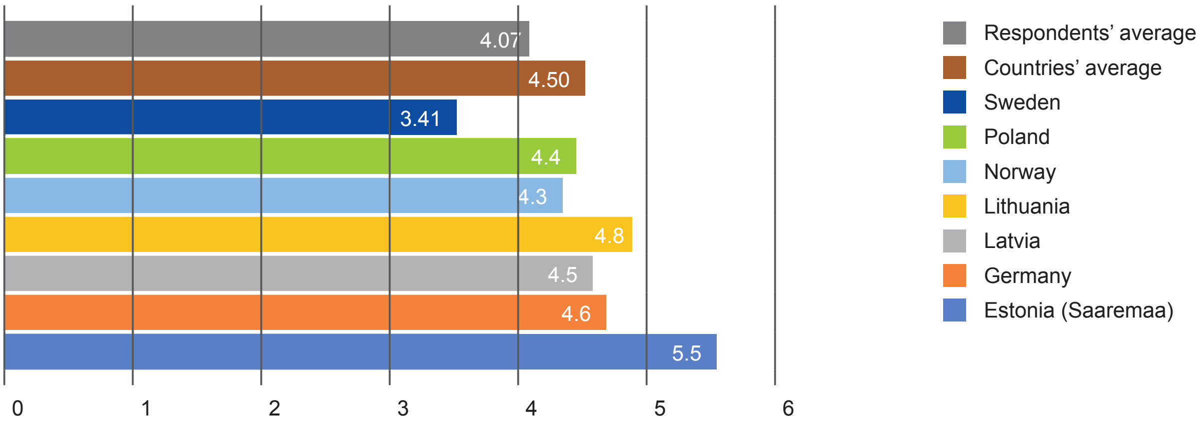


FIGURE 14 *Clients' satisfaction with quality*

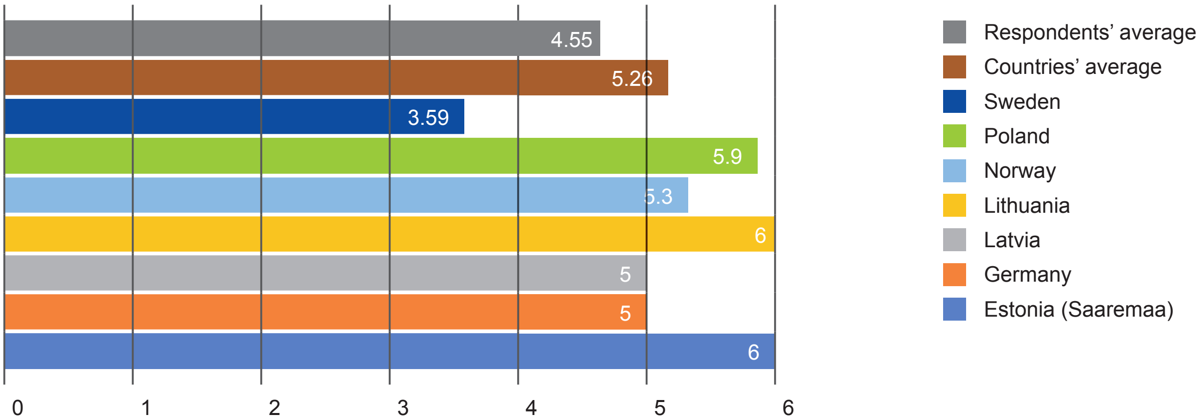


FIGURE 15 *Clients' satisfaction with price level*

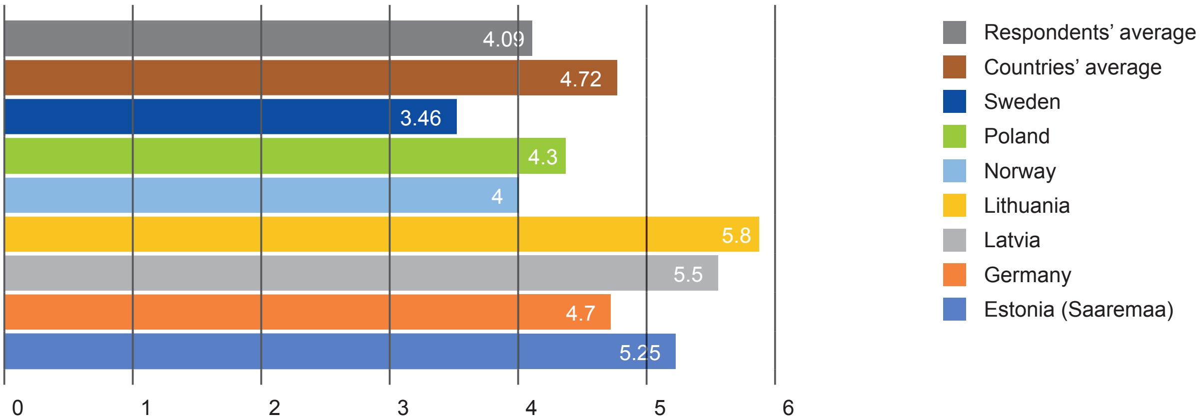
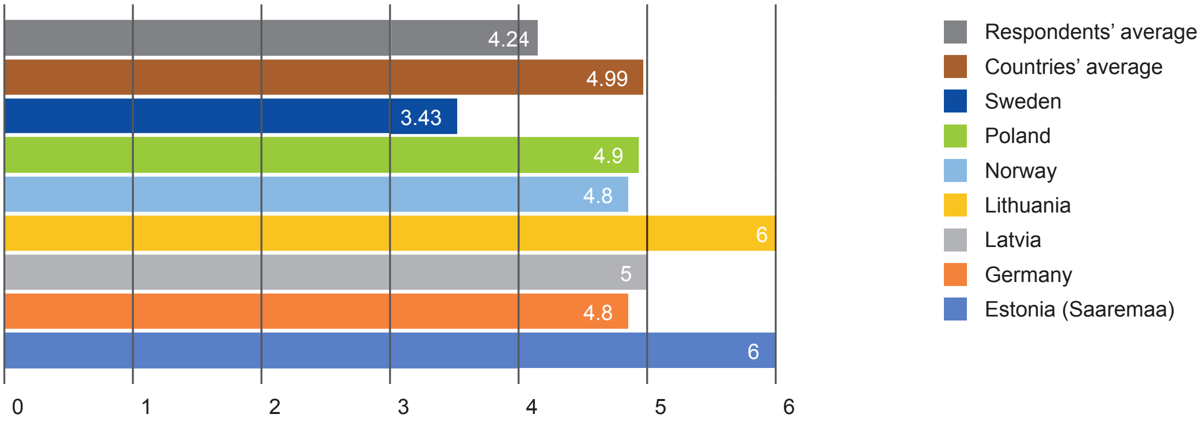


FIGURE 16 *Clients' general satisfaction*



According to countries' average the clients were most satisfied with product quality (average score 5,26) followed shortly by communication (average score 5,17) and general satisfaction (average score 5,0). Satisfaction was the smallest with the variety of products (4,5) and price level (4,72).

When we look at respondents' average we can see that the scores are considerably lower than for countries' average. This is caused by the circumstance that Sweden accounted for almost half of the respondents (43%) and the scores provided by their respondents were considerably lower (all on an average below 4) than in the case of other countries. According to respondents' average the clients were most satisfied with product quality (average score 4,55), followed shortly by communication (4,33), delivery (4,28) and general satisfaction (4,24). Satisfaction was the smallest with ordering (3,95), variety of products (4,07) and price level (4,09). When reading this analysis, there are a few aspects that need to be kept in mind. It has been interesting to observe that a factor, which influences the satisfaction of customers, is the aspect of how used the customers are to such a solution being provided to them. We can see that when the business is more mature and people are used to the fact that a system is already working, they give lower scores. At the same time, when a new solution comes to the market, the clients value this a lot, and thus give higher scores on an average. It is also important to note that the customers for the piloting organisations were very different, so results are not always comparable (e.g. chefs can be much more demanding than regular businesses buying business gifts). Also the solutions which were evaluated were very different from each other.

All-in-all, the clients were satisfied because they have an opportunity to buy local products in one place and they don't have to deal with the producers/farmers themselves, which makes it more comfortable for the clients.

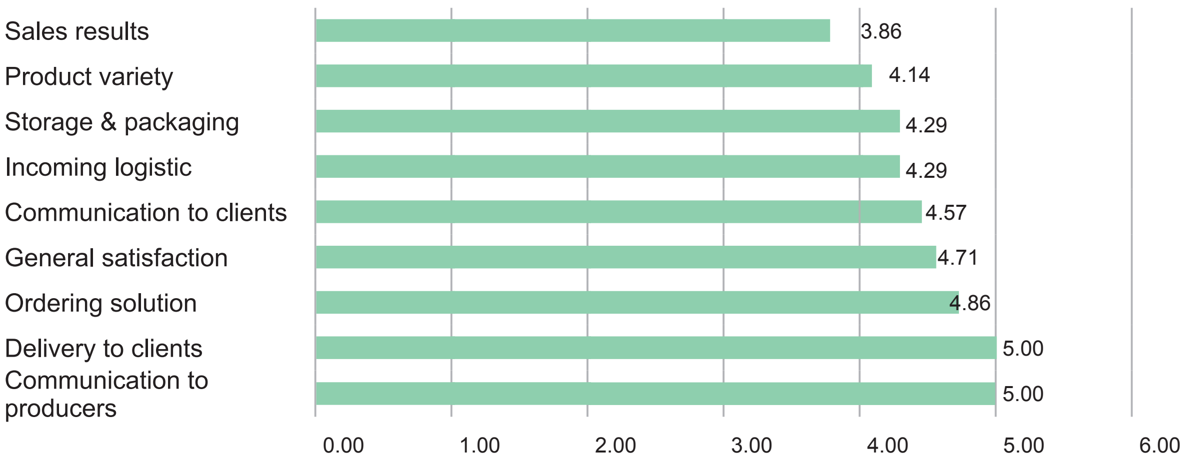
4.3.3 Satisfaction of distributors

We have also asked the distributors, who piloted the model, about their satisfaction with a number of tasks. The results are presented below.

TABLE 10 *Satisfaction of distributors*

	Communication to clients	Communication to producers	Ordering solution	Incoming logistic	Storage & packaging	Delivery to clients	Product variety	Sales results	General Satisfaction
Estonia (Saaremaa)	5	5	4	2	2	4	5	4	4
Germany	5	5	5	5	5	5		3	5
Latvia	5	5	5	5	5	5	5	5	5
Lithuania	5	6	6	6	5	6	4	3	6
Norway	3	2	3	2	3	4	5	3	3
Poland	4	6	5	4	5	5	5	5	5
Sweden	5	6	6	6	5	6	5	4	5
Average	4,57	5,00	4,86	4,29	4,29	5,00	4,14	3,86	4,71

FIGURE 17 *Average satisfaction of distributors*



As we can see, on an average distributors were most satisfied with communication to producers (average score 5,00) and delivery to clients (5,00). They were least satisfied with sales results (3,86) and product variety (4,14).

4.3.4 Overall conclusions regarding satisfaction

As we can see from the results of the quantitative analysis, communication was a very high scoring category for all – producers, clients and the distributor. Also general satisfaction among all the respondent types was high. Sales results was the lowest scoring category both for producers as well as the distributors. Low satisfaction with sales can to a great extent be connected to the impact of Covid-19, due to which sales from e.g. HoReCa sector were very small.

The following chapter will provide an insight into qualitative analysis.

5 Qualitative results

Quantitative data is great for gaining insights into specific issues and is especially useful for comparisons when that data is standardized. What it lacks, though, is flexibility. It is hard to discover new things with quantitative data. Qualitative data, however, is well suited to gaining insights from smaller data sets as well as finding new – perhaps previously unknown – insights and lessons.

As part of the national report, each country performed a qualitative analysis with the organisations involved in the piloting.

The questions presented were:

1. *Did you receive any new skills/knowledge?*
2. *Did you find any new cooperation partners?*
3. *If possible, please describe a good experience/success story, which made you happy?*
4. *Did you experience any challenges/problems during the pilot period?*
5. *Would you improve or change something in your business model?*
6. *General feedback*

We have examined the data from various countries, and the general findings can be found below.

5.1 New skills and partners

A potential side benefit to the efforts made in the partner countries is the food networks and/or their members acquiring new skills and finding new partners, which – regardless of the results of the piloting – is beneficial to them.

Below is a table, presenting the most common new skills mentioned by the piloting organisations, the number of countries where this skill was mentioned as well as some example quotes from the respondents:

TABLE 11 New skill categories

NEW SKILL CATEGORY	EXAMPLES:
Business management / business planning	LITHUANIA: realized the importance of business planning FINLAND: Creating new additional business concepts for customers (wine tastings, food tastings) GERMANY: Defining business segments, addressing customers according to business segment, controlling POLAND: being flexible with adjusting the business model, which is a crucial skill. DENMARK: cost calculations and business understanding.
Knowledge on operational plan elaboration	LATVIA: The management team of the cooperative got good theoretical knowledge during the period when operational plan for the pilot organisation "Kuldīgas labumi" was developed. TALUTURG, ESTONIA: It was the first experience for the cooperative in planning new operations in such detail level, incl. financial planning. FINLAND: Theoretical part of operational plan (B2B + processes)
Product design and labelling	LATVIA: The cooperative continued the design of the etiquette of products to become more attractive and understandable for clients. LITHUANIA: Learning from the experience of another company, what types of labels are good to use on products.
Marketing skills, incl. storytelling, communication, social media and other skills, web-site presence	LATVIA: The study trip gave an idea how important is storytelling. GERMANY: Marketing (incl. storytelling). POLAND: Marketing and communication skills were developed thanks to the cooperation with the expert and by attending a number of focused workshops. They translated these skills into a stronger social media presence. LITHUANIA: website presence. DENMARK: storytelling, social media use.
Sales and logistics skills	GERMANY: Electronic cashier systems, barcodes, franchise. DENMARK: required skills with regards to delivery by wholesale companies.
Skills related to e-shop, digital tools	LATVIA: New skills were gained with opening the e-shop. FINLAND: Digital tools (online shop, ordering, payment, delivering, advertising)

Specific business operation skills	DENMARK: The seminar and the inspiration tour to Skjern Enge gave us new knowledge we could use in our business. We have in the project got new knowledge about restaurants and their needs and expectations. DENMARK: We participated in some of the seminars and gained new skills in food legislation, packaging etc. FINLAND: Customers will / can buy more, if business-owners help them with planning (suggesting recipes and products). POLAND: improved ability to develop alliances with producers and B2B partners

Most common skills are related to business management and planning (5 countries) and marketing related skills (5 countries). These are followed by specific business operation skills (3 countries).

Besides new skills, the project has resulted in new partners being found. Piloting organisations have gained new knowledge about what is available regarding logistics, potential customers etc. Producers have emphasised finding new clients and clients have brought out the importance of finding new suppliers. New loyal business relationships were formed. More information on gained positive experiences is presented in the following section of the report.

5.2 Good experiences and success stories

Participation in the piloting and in the project in general was overall a good experience for both the producers and the clients. All countries had good experiences and success stories to share. Many countries pointed out the experience of actually getting a potential solution tested as being good, regardless of the perceived economic results of the solution. Below in Table 12 a few commonly mentioned points, as well as the number of countries and quotes from the answers, are presented.

TABLE 12 *Good experiences*

GOOD EXPERIENCES	EXAMPLES:
Found new customers (more customers)	SAAREMAA, ESTONIA: Thanks to the local famous chef, who is the face of Saaremaa's local food, we reached a customer.../.../ Top chefs are ambassadors, who promote Saaremaa and our local producers.
Found new suppliers	LITHUANIA: New suppliers discovered. DENMARK: The new homepage is a good solution where we can get a quick overview of the local producers.

Good communication	SAAREMAA, ESTONIA: The exchange of information is very fast.
New delivery / sales solutions	POLAND: During the pandemic, we managed to develop an own direct delivery solution to serve B2C and B2B clients. The system has become an inherent part of our business model. LATVIA: Success of the shop in Ventspils and the stand in Liepāja market is the evidence of a right management decision - there are regular customers in both places and the product range offered by the cooperative suited the regional clients.
Timely delivery	DENMARK: The few times we used it, it was on time. GERMANY: Delivery was always on time. SWEDEN: Always on time.
Personal approach, individual and flexible customer service	SAAREMAA, ESTONIA: Very pleasant and personal approach. Request to organize separate transport was kindly accepted, products were all nicely packaged, fresh and whole. GERMANY: Friendly and individual customer service. NORWAY: Flexible delivery. Able to organize last minute orders. Good dialog with producers, they are good at adapting products to our needs.
Development of the operational plan on a professional level	TALUTURG, ESTONIA: It was the first experience for the cooperative in planning new operations in such detail, incl. financial planning.
Participation at local events	DENMARK: Participating in the local cooking event was a very good experience – we got an opportunity to meet other producers and talk with the chefs and see how they use our products – we learned a lot. I hope we can do this again. GERMANY: The annual reception in June brought good cooperation and results in workshops. NORWAY: The organized tour for potential customers visiting the producers gained new loyal sale relationships and utilised the resources of a producer-owned organization in an effective and rewarding way. Participated in good events to market the products with other producers.
Learning from the experiences of other countries	TALUTURG, ESTONIA: Learning from the experiences of other countries and food networks in piloting of B2B model, e.g. how they reacted to the Covid-19 pandemics and which innovative solutions were developed. Joint visits to foreign countries to learn from the experience of other food networks. LATVIA: The study trip to Sweden and Denmark gave good and practical examples. History of development of similar organisations abroad demonstrated that every beginning is hard and starts with small and limited resources and activities.
Producers learning from each other	LITHUANIA: A farmer had problems with the packaging and labelling of the products - he did everything himself, wrote the labels by hand, wasted a lot of time on it and thus did not manage to fulfil the orders on time. Solution: purchasing a scales, which - when programmed correctly - prints all the labels. LITHUANIA: A farmer had problems with constantly wearing labels. We shared information received from other farmers about labels that are moisture resistant and use stronger adhesives to stick them. The farmer's activities have become more efficient and the appearance of the product has become more attractive. DENMARK: We deliver to the island Fanø where it is expensive to take the ferry - we have now become aware that we can share the cost if we go with others. DENMARK: We have got a closer contact to other producers and shared information about packaging, food regulations etc. NORWAY: Good to be a part of a community with other producers who are doing similar things, and to be a part of creating something new. POLAND: Obtaining comments from partners about the products, prices, marketing, etc.

Innovation / new solutions	FINLAND: When pandemic forces to be innovative, new solutions are developed. NORWAY: Very exciting and promising with the new digital order system. POLAND: Due to lockdown, we implemented a virtual tour in order to re-create the customer journey and experience of our distribution point and our products. POLAND: Improved the online ordering system (based on an Excel available online, to complete orders), at the end of piloting the launch of a full-size online sales platform (e-shop). Currently both this ordering system and the e-shop are complementing each other depending on the customer journey. LATVIA: An important improvement in the shop was implementation of a storage accounting system. With the help of the new system, it was possible to count how many clients visited the shop and do some planning and evaluation. New scanners and cash registers were implemented to work with bar codes of the products.
Facebook Enlargement of the network	LATVIA: "Happy with how the FB solution turned out." LATVIA: Some producers from other regions (from Ventspils and Liepaja) joined the network. They appreciate the situation that the cooperative is ready to invest and help with their involvement. In neighbouring regions there are no such cooperatives where producers can work together.

It can be concluded that the most common good experiences related to the piloting were finding new customers or more customers, which was mentioned by at least 5 countries. This can be directly associated with targeting the B2B sector, which provided new clients. The customers, on the other hand, were happy about finding new suppliers. Learning from the experience of other producers was a common good experience, as was innovating and finding new solutions. This can be seen as a positive effect of Covid-19 pandemic – the organisations were forced to innovate in order to survive.

5.3 Challenges during piloting and some solutions

The many piloting organisations faced some challenges. The obvious and biggest challenge was and remains to be the outbreak of Covid-19 pandemic. Pilot solutions were rescheduled, changed in scope, changed in duration, and in general the constant changes were adapted to the solutions, in order to meet the restrictions, which were implemented by the governments.

There were other challenges faced, some of which were solved. It is useful to be aware of the challenges when attempting a similar solution. Below are the most common challenges, aside from Covid-19, faced by the pilot organisations. Once again the examples of answers provided, presenting the challenges, are presented below in Table 13.

TABLE 13 Challenges during piloting

CHALLENGES	EXAMPLES:
Staff related issues	SAAREMAA, ESTONIA: It's also challenging to find staff members, who are committed to develop the B2B solution. LATVIA: There is need for additional human resources in management activities and to help with the further development and implementation of the operational plan. E-store is currently closed because there is just one employee and no time to deal with assembly, organisation of delivery etc. FINLAND: Serious illness and following passing away of a key staff member.
Ordering, transport, delivery of products with different expiry date	SAAREMAA, ESTONIA: For delivering fresh products to the mainland, which requires a cool temperature, there are still a lot of challenges, which we need to solve. LATVIA: One of the most important problems of the cooperative is transportation (vehicle). Financial solutions are necessary to improve the delivery system and the cooperative is planning to find financial support from the LEADER programme. DENMARK: Problems with handling dry, cool and frozen products in the same delivery. Vegetables and flour cannot be transported together with meat in the refrigerated truck. NORWAY: Distribution is expensive, especially for small orders and outside the home region. Distribution with existing member transport routes has worked so far, but could have been better if the distributor was a better ambassador for the organization. The organization will look into alternative ways of logistics. LATVIA: Problems with logistics – how to organise regular deliveries to customers (business customers are concentrated in larger cities and towns) in a profitable way.
Storage	LATVIA: The cooperative does not have a storage place right now. To organise cost efficient deliveries and meet the terms of use of the products, an adequate storage is needed.
Packaging issues	DENMARK: Smaller producers had insufficient packaging. NORWAY: Issues with correct, professional and consistent labelling and packaging. LATVIA: Lack of packaging technologies allowing to meet the needs of shops and other business customers.
Software trouble / technical issues	GERMANY: Our software had troubles to align invoices with payments made through our new payment service. The software update eliminated those problems. FINLAND: Syncing payment-system with online-platform.
Pricing issues	GERMANY: There were irritations regarding the new platform fee for buyers. Many of them had not read our announcement, so we had to talk to them personally. Communicating the new pricing system was challenging timewise, because we had to talk personally to many customers. POLAND: The HoReCa sector was more focused on the food cost and therefore less interested in buying local premium products. To address this concern, the piloting organization launched a sub-brand „Tastes of Heritage" to tighten cooperation with HoReCa partners and to increase their visibility, since their performance is crucial for generating orders from their side.
Marketing / reaching customers	GERMANY: We faced several disillusions regarding how to reach potential customers with advertising, our poster campaign did not work out. Due to the overall high workload we prioritized spontaneous advertising opportunities and did not stick to all the marketing activities from our operational plan. This we started to correct in August and we will continue to do so.

Sticking to the known (fear of change)	POLAND: Producers have been strongly focused on the B2C segment and large distribution channels. Therefore, it required a clear communication of advantages of cooperation to make them join the distribution system. POLAND: It was very hard to convince the B2B clients to accept supplies through a distributor. Restaurants have their micro-networks of small local suppliers (regional supplies) on the one hand, and big wholesale food networks (overall low costs). It requires mutual understanding and trust to convince them that the extra margin that they pay for distribution saves their time and effort and allows to purchase a basket of trusted products. DENMARK: Producers already had agreements with clients about delivery or the clients pick up the goods themselves. Some producers already had their distribution solution or own car and did not want to take part in the piloting. DENMARK: We were not sure that the solution would continue after the test period and therefore we did not want to participate.
Time issues	DENMARK: It took too long from when we started the project – until we had a solution to test. We had in the meantime found other solutions we would continue to use. DENMARK: We had too short time to test and the time of the year was not good.
Smaller sales revenue/turnover than was expected	GERMANY: Turnover did not increase as much as we had hoped for. Obviously, our region does not have enough customer potential. We are still searching for solutions, approaching bigger cities.
Adapting to the more demanding B2B sector	NORWAY: Communication with producers has been challenging, getting the orders to storage facility in time - they were not used to dealing with business customers. Not all producers are used to operate professionally, i.e. time limits, communication, labelling, loyalty etc. LATVIA: Cooperatives need to develop more experience and gain knowledge about the needs of restaurants and other caterers. LATVIA: Supermarkets work with distributors instead of dealing with small deliveries. Associations of small producers should learn if and how they can become distributors in order to gain supermarkets as B2B partners.
Lack of finances	SAAREMAA, ESTONIA: Implementation requires more capital and therefore takes time. LATVIA: There is need for additional financial and human resources to develop the B2B sales rapidly.

Dealing with the impacts of Covid-19 runs through most pilots as a clear challenge. As this has been covered in detail in section 3.3, it is not repeated in the table above. Ordering, transport, and delivery of products with different expiry date was a field that presented a challenge to many pilot organisations (specifically mentioned by 4). This is an area, which often needs additional investments and therefore solutions will have to be found in the future. Also packaging issues are a challenge – the distributors were of opinion that the producers were not always consistent and professional enough in this. Educating producers is a solution here and learning from the experience of other solutions was already used by pilots. Also staff related issues, as well as lack of finances is a challenge. As for solutions it thus can be said that some were found immediately, but for bigger challenges most pilots have not implemented a solution, but have identified potential solutions for the future.

5.4 *Improvements for future initiatives*

The many pilot organisations were overall breaking new ground. Various approaches were found and trialled during the pilot period. Time will tell if the pilot organisations are able to manifest into something more permanent or not, but here we will explore some of the suggested improvements for future initiatives – either improvements to any continuing activities or things to remember for future of a similar nature.

An important takeaway is the issue of time. For the piloting we would all have liked a **longer period to try out and adjust.** Some pilots were only able to run for a few months (e.g. 3 in Denmark and 4 in Lithuania for B2B), which is not a long time to get anything up and running.

Other key takeaways were:

- **Participants need assurance that the system/solution it is not temporary, but it will last.**
- **To be viable, the system needs a considerable amount of producers participating in it.**
- **Clients appreciate comfort and expect to pick the products, order and pay all in one place.**
- **Digital solutions are useful. The organisations that did not introduce this during the pilot, intend to do it in the near future.**

There are also plans for developing the existing systems further to provide more value to the customers. Examples of this by countries include the following:

- **NORWAY:** "We want to implement a digital ordering solution specially adapted to a local food cooperative. This is being introduced in 2021."
- **POLAND:** "With the new online platform the orders should be smoother and less involving staff than currently. The accounting system needs to be improved to enable the traceability of single items (e.g. directly delivered vs. picked-up by the client), as the current setup requires to follow single bills."
- **GERMANY:** "We want to include even more service functionalities in the platform software (memory list, favourite products) to make repeated shopping more comfortable for clients."
- **SWEDEN:** "During the pickup of products at the producers' place it would be preferred to have it more integrated in our existing ordering system straight away. The drivers should be able to upload the products in the system when they pick up the items, as it differs quite much how much that gets harvested at one farm for example due to the specific day. This way we would be able to increase the sales to our customers that would see these products "live" already when we have picked them up. It could be done with some smart solution through a handheld device as it actually just should be needed to have some data points like amount, item and production place."

- **FINLAND:** "There is a huge potential to develop the online-shop to work even more through the year, not only on seasonal events. And this was only B2C aspect, when times are better, the HoReCa sector would most probably be interested in testing this too."

The system of delivery and logistics has to be well thought through. The distributor should be professional in what it does. Country examples to illustrate this are:

- **DENMARK:** "It must be a neutral professional distributor that coordinates the solution. If it is a local producer that runs the distribution, we think it is important that they don't sell the same products and that they have a clear, perhaps written agreement."
- **NORWAY:** "Find better logistic systems and/or partners."
- **GERMANY:** "We want to intensify cooperation with our logistics company regarding B2C business ideas."
- **POLAND:** "The scale of on- delivery orders requires optimization of the system and partly relies on an external logistics company specialised in food deliveries and having a route which links the location with the city centre. The coverage will be ideally optimized with the planned second distribution point in a more central location, where a broader offering of regional products will be available. Thus, customers will be able to pick up products more conveniently."

There is a need to find a balance between the e-solutions and personal contact. The Norwegian organisation, for example, stated: "Create ways for the customer and producers to be able to have direct contact with clients for discussing product detail and satisfying the wish for building a close report, while still letting the sale go through the organization. This requires the producer to feel ownership of the organization and be loyal to the concept."

Aligning customer demands with producer´s portfolio is an aspect that needs attention. If the intermediating organisation knows beforehand what the HoReCa sector needs, they can tell their producers what to grow. Thanks to knowledge obtained within the project, it is easier for the intermediating distributors to plan product quantities and they should share this information with the suppliers.

CONCLUSIONS:

It can be concluded that participants to any new solution want assurance that the system/solution is not temporary, but it will last. Otherwise it would not be worth the effort. Digital solutions are useful, as they help to save time and are convenient to use. The organisations that did not introduce this type of a solution during piloting, intend to do it in the near future. There are also plans for developing the existing systems further. To be viable, these types of systems need a considerable amount of producers. The system of delivery and logistics – which is associated with considerable costs – has to be well thought through to be most optimal. The distributor should thus be professional in its operations. Despite the growing importance of digital solutions, there is a need to find a balance between the e-solutions and personal contact, since the latter is very much appreciated by all counterparts.

5.5 Main benefits from participation

There were several benefits for the distributors, producers and clients from participation in the piloting and the project. The benefits have been categorized below.

DISTRIBUTORS

When we take a look at the distributors, then the main benefits were **becoming more professional as a distributor** and realizing the importance of business planning, the importance of communication and how much effort it takes, the importance of having clear agreements/contracts, the importance of frequent controlling and time planning. Also **creating an operational plan for the B2B sector as such** was an important benefit. Valuable experiences were received thanks to **working through the different elements of the business model,** making conscious decisions around goals and strategy on a detailed level regarding customer segments, marketing strategy and digital solutions. The benefits of the **professional support received from experts has been emphasised,** which is illustrated by the following quote: "We professionalized our approach to managing our company with regard to ordering, delivery, communication content and style, branding strategy, business planning, approaching clients, managing assortment, and many other, intangible or soft skills. This happened within the ongoing cooperation with the expert, within the series of workshops, and through learning-by-doing and interacting with partners in the project." The pilot organizations started to better understand the importance of all the processes within the business model and this helped them to become better in their everyday activities.

For the Swedish organisation, the **possibility of showcasing their model** was considered as an important benefit: “One of the main benefits of participating in the BSF project has been that we as a company have been able to showcase our business model for many other stakeholders from other countries. We have felt that our strong concept has given other networks and companies inspiration for development of similar business solutions. At the same time we have benefitted from meeting new people and getting inspiration as well. We have through this been able to understand and see other business cultures for our own improvements and development of our business model!”

Also **getting practical experiences** in different aspects of activity was seen as a benefit by the distributors, e.g. getting new experience in management of orders and in coordination of communication. **Broadening the portfolio of co-operations** on the side of producers and customers was a definite benefit of piloting.

The piloting enabled to test the **economic viability of solutions, which enables to make sound financial decisions in the future.** An example: “We will continue to distribute our own company’s products, but we have realized that it will not be profitable for us to continue to work with local distribution of the products of other local producers.”

The piloting has enabled distributors to **get a better picture of the area and what is being offered**. E.g.: “The Baltic Sea Food project enabled us to get a wider perspective, e.g. during the first survey when travelling through Mecklenburg-Vorpommern and talking to stakeholders”; “We have reviewed the assortment to make choices for gift boxes, which has given knowledge about local Saaremaa products.”

Development of new and innovative solutions was also a benefit. E.g.: “Different shopping carts were prepared for each customer segment with the minimum amount of the order. These are pre-defined packages with the most popular products at a certain price for each customer segment. The aim is to make an offer to the new customer at a price that is acceptable to him and to show what he can get.”

Other benefits mentioned by distributors included:

- Realization of the need as well as willingness to cooperate on a common distribution solution.
- Realizing that building a good business and team culture takes time and effort.
- Realizing that personal meetings and contact between customers and producers creates long lasting loyal sales relationships.
- The BSF project helped us to regularly get into contact with customers, e.g. at events.

PRODUCERES

The project gave producers an impulse to act and develop the company. As a result of the piloting, the **contact, relationship and cooperation between the producers and the piloting organisation has become stronger.** An important benefit is, that **producers also have a better contact to other producers.** E.g. "We have got a closer contact to other producers and shared information about suppliers, packaging, freight rates and prices etc." They value the **change of experiences with other producers** as well as the joint efforts in developing the sector of small scale food production and sales. Knowing the other companies better gives a better motivation for co-operation as well. **Obtaining new knowledge and skills** either by participating at business-related workshops or otherwise, and **getting new business and communication ideas** were also important benefits. Many of the producers appreciate **logistics benefits** - the possibility of being able to bring all their products to one place instead of having to take them out to the customers themselves. For producers who were able to **increase sales volumes** – be it B2B or B2C – this is an important benefit, and factors like visibility enhancement, joint promotion and campaigns, increasing the reach via new sales channels, have contributed to it.

CLIENTS

More information and knowledge about the local producers has been a benefit for the clients. E.g. a German client tells: "We got new information about producers and their products in our area that we could use for our own storytelling to our customers." Having this added information enables supplementing their offer. Awareness of new products, incl. certain niche products, brings along inspiration to diversify the menu, once things are back to normal again, and introduce storytelling about the offer and products used in their preparation. Customers appreciate the large variety of goods as well as the possibility to order the products in the e-shop, which is very convenient for them.

CONCLUSIONS:
The distributors became more professional in their activities and creating an operational plan for the B2B sector as such was an important benefit. Valuable experiences were received thanks to working through the different sides of the business model; the benefits of the professional support received from experts has also been emphasised. Development of new and innovative solutions was a common benefit. The pilot enabled to test the economic viability of solutions, which enables to make sound financial decisions in the future. As a result of the process, the contact, relationship and cooperation between the producers and the piloting organisation has become

stronger. Producers also have a better contact to other producers and have benefited from exchanging experiences with them. Obtaining new knowledge and skills and getting new business and communication ideas was appreciated. Clients have benefitted from obtaining information and knowledge about the local producers, which enables to supplement their offer. Customers appreciate the large variety of goods as well as the possibility to order the products in the e-shop, which is very convenient for them.

5.6 General feedback

The following presents a summary of the qualitative results of the piloting. As a result of the piloting process, all participants acquired new experiences and skills, the latter most often being related to business management and planning, marketing and specific business operation skills. Besides new skills, the project has resulted in new partners being found. Piloting organisations have gained new knowledge about what is available regarding logistics, potential customers etc. Producers have emphasised finding new clients and clients have brought out the importance of finding new suppliers. New loyal sales relationships were formed.

Learning from the experience of other producers was a common good experience for producers, as was innovation and finding new solutions. This can be seen as a positive effect of Covid-19 pandemic – the organisations were forced to innovate in order to survive. Dealing with the impacts of Covid-19 runs through most pilots as a clear challenge. Other common challenges include those related to logistics, packaging, staff and lack of finances. Some challenges can be solved by educating different counterparts, but bigger challenges need time and additional investments, to be solved.

Digital solutions are useful, as they help to save time and are convenient to users. The organisations that did not introduce this type of a solution during the pilot, intend to do it in the near future. There are also plans for developing the existing systems further. Despite the growing importance of digital solutions, there is a need to find a balance between e-solutions and personal contact, since the latter is very much appreciated by all counterparts.

Valuable experiences were received within the project thanks to elaborating operational plans and working through the different sides of the business model. The benefits of professional help received from experts has been emphasised as well. The pilot enabled to test the economic viability of solutions, which will enable the piloting organisations to make sound financial decisions concerning their activities in the future. It can also serve as an example to any other interested parties and stakeholders.

6 Overall conclusion to the evaluation

6.1 *Feedback from project participants*

For small organisations and businesses, who are constantly struggling with their every-day work, it is difficult to find the time and resources needed to develop and implement something new. **The project introduced a variety of development resources** to the partner organisations and piloting organisations, which is highly appreciated. The Finnish organisation, for example, states: "The BSF project shared good knowledge (researches, thesis and articles), business models, best practices, pilot stories and other ways of doing business successfully."

The organisations **appreciate the new information and skills they received during the project, especially those received from other project partners and the experts** involved in the project and in piloting. The handbook designed within the project was a good asset, as the Latvian organisation states: "The **handbook** was a useful tool to start communication about the B2B model inside the cooperative and also with potential business partners in B2C and B2B sectors". Different **workshops** were seen as valuable, which is emphasised by a quote from Poland: "Overall, the participants positively evaluated the project with regard to the series of workshops organized by the project partner in Poland."

The pilot organisations appreciate **gaining a better understanding for strategic business thinking.** The distributors and producers contributing to the joint offer were able to absorb a lot of general business know-how and specific ideas in terms of communication, logistics organization as well as other aspects. One important field is finances, and **important conclusions for the future development were drawn from financial analysis.** Estonian partners state: "The knowledge received from preparation of financial part of the operational plan is that during the first phase of launching the B2B model it is recommended to outsource the storage and transportation service. These elements in the value chain require large-scale investments, which can be difficult to implement in the beginning, when the number of clients and cash flows are smaller."

The project involved pilot organisations with different background – some having great previous experience with B2B sales, some having some experience, and several ones having no experience at all with dedicated B2B sales. For the latter group, the **project gave a great motivation to start**

with the B2B focus. As the pilot organisation from Saaremaa in Estonia states: "For the first time the pilot organization started to seriously think about working with business customers. Creating the operational plan gave a final "boost"." **The circumstances related to COVID-19 pandemic** and restrictions to the movement of people did not favour starting the B2B sales **direction, but the operational plans completed within the project will be the relevant basis for this activity in the future.**

The majority of the piloting organisations will continue to operate the model as they were during the pilot. However, there will be organisational changes undergone by some, as was explained earlier. **In general it can be said that cooperation with B2B model clients is considered very important for the future development of the pilot organisations.**

The situation with Covid-19 pandemic caused a lot of changes, resulting two pilot organisations to postpone the piloting of the B2B business model. Once things are back to normal, focus will be put on the HoReCa sector again by the piloting organisations, who have focused to this customer segment in their operational plans. **As the situation has changed from the time the operational plans were developed, until the moment they can be implemented, the plans must be revised:** "The operational plan should be reviewed and adapted according to the real situation in the HoReCa market and tourism sector after Covid-19 pandemic, as there will be significant changes in business environment, which has huge impact to the demand for local food products."

Also **work with the retail sector is planned to be continued** by those organisations who included this as their target sector to be focused on.

It is understandable, that **learning to do things in a new way takes time and it can also create some reluctance:** "Many small producers who only had been selling directly to end consumers via private channels before, were used to being able to personally tell their story and sell their products based on personal contact, rather than thinking about how reach the consumer with this information when going through another business. Some efforts have been taken to achieve this, but it still remains a challenge for some products and producers at the end of the pilot period and will be something to continue to work with." Thus in the future **it will be necessary to educate the producers, among other things also on the pricing model of the distributor:** "Many of them do not understand the pricing model of the distributor - that it is not possible to sell products to the distributor with same price as to the end customer. They often do not realize, what costs the distributor has to make for marketing, ordering system, e-platform, logistics etc."

The existing, enhanced or elaborated e-platform solutions are appreciated by distributors,

producers as well as clients. Like often with new things, "Everybody understands that the usage of e-platforms will save their time, but they do not realize if it is possible and if it works smoothly. In our country there is still need to meet in person and then work together." **The need for maintaining personal contact was stressed by the majority of pilot organisations.** Thus, **finding balance between the electronic channels and personal communication is very important. Also, maintaining the e-solutions and keeping them updated with timely information is important and might present a challenge. Marketing the solution to raise customer awareness is also crucial.** "Clients and the producer appreciated a common webpage where all local producers are visible. The main challenge is to keep it updated and to market the site." **Adequate resources are needed for both the maintenance as well as for marketing.**

An example of the appreciation of better contacts **between the producers themselves** is that of Poland: "Activities, particularly the piloting period, resulted in an unprecedented dynamization of working contacts between firms from the local ecosystem. Such cooperation should not be taken for granted in the local business culture and specifically in the local food production sector, which is highly competitive."

6.2 *Feedback from project partners*

At the end of the project all project partners evaluated the main benefits received and lessons learnt from the Baltic Sea Food project for project partner organizations and also more broadly for the local food sector from the participating regions.

The project partners consider that the project has clearly contributed to the closer and beneficial cooperation between chefs, food networks, distributors, rural tourism businesses and food producers. The arrangement of workshops and other national/regional level events for all these target groups has facilitated communication within the local food sector. They have received new knowledge and skills in different elements of the business model and are encouraged to look actively for new business partners and to broaden their network. In addition to the business model, new tools like a practical handbook, sample operational plans and communication/ordering platforms are now available for all target groups and inspire them to update or plan the cooperation in B2B sector.

The project partners highlighted the following main benefits for their organizations:

- Sharing the best practices and good experiences of participating countries and regions in local food distribution;

- Learning the real practical challenges of local food producers, new knowledge about the latest developments and future needs in local food supply;
- Organizing inspiring local contact events, practical workshops etc.;
- Strengthening the network of participating organizations;
- New local network created, involving local food networks, producers, chefs etc., which is useful for future initiatives;
- Higher visibility of local food sector in media;
- Bigger attention of the stakeholders (governmental institutions etc.) to the local food sector, which is useful for further development of relevant regional and sector policies;
- New skills and experience received for staff members in the field of international cooperation, project management and financial management.

According to the opinion of the project partners the future initiatives targeted at the local food sector should focus on:

- continuation of capacity building events like trainings, workshops, exchange of experience trips;
- wider digitalization of business processes within the supply chain;
- development of smart and cost-efficient logistics and transportation solutions;
- marketing of local food for different client groups, both business clients and individual consumers;
- recognition of the identity, common values and branding of local food and cuisine on regional and local levels;
- building strong networks of producers and service providers on regional and local levels;
- development of culinary and agro-tourism products;
- any kind of new ideas supporting the recovery of culinary tourism and the HoReCa sector, as these are extremely important client groups for the local food producers;
- further promotion of the culinary identity and offer of the Baltic Sea region, fostering the cooperation between the different regional and sector-based culinary routes, which are existing in the BSR area.

7 Information about other solutions

We gathered information from project partners about other existing solutions either on local, regional or national level, which could be inspirational for others. These are presented below, categorized by countries.

ESTONIA

South-Estonia Food Network ***(https://let.ee/et/)*** - a farmer cooperative, which was established in 2008. The network focused from the very beginning on business clients. The main client groups are retail chains (ca 95% of turnover) and HoReCa sector (ca 5% of turnover). The main sales channel is the e-platform (ca 2/3 from all orders), where the producers publish their available products and prices.

Farm-market "Talust koju" ***(https://www.talustkoju.ee/)*** – an e-platform and logistic solution for delivering high-quality local food products and some pre-prepared meals for the end customers in Tallinn and its surrounding area. The distributor (company "Talust Koju") makes purchases from the farmers, assembles the orders and these are delivered to the clients twice a week (Tuesday and Friday) in cooperation with a logistics partner.

LATVIA

Virtual marketplace Svaigi.lv (Fresh) is an online shopping platform where you can buy products from local producers. 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 home delivery.

Farmers' markets have a good potential for B2B food distribution. Farmers markets operate in regions and in Riga, the capital, mostly on a weekly basis. Some of them are private business initiatives, some are partly supported by local governments interested to facilitate local entrepreneurship. Most popular are the Straupe Farmers market, also regional farmers markets in Dobele, Babīte, Mārupe, Daugavpils and Liepāja.

LITHUANIA

Agricultural cooperative, called "Lietuviško ūkio kokybė" (Quality of the Lithuanian Farm) unites more than 400 farmers. They are coordinating 41 mobile markets all over the country and also supply products to the biggest retail chain „Maxima" in Lithuania, where they have a special line „Greetings from country" – shelves with the farmers' production.

A new food network and store "Rupūs miltai", which is a project of the Agricultural Cooperative Company "BIO LEUA". It transports ecological products to Palanga restaurants, cafes and other consumers. They have also been supplying organic products to some kindergartens in Ukmergė district.

DENMARK

RigtigMad (Real Food) ***www.rigtigmad.dk*** is a B2C distribution and sales platform founded in 2017.

The turnover on the platform has increased during the COVID-19 and a number of producers have managed to maintain their turnover by replacing the lost sales from the HoReCa customers to this B2C platform.

FINLAND

Pihamaa family's pilot in Kalkkinen (B2C-model, summer 2020). Over three decades Pihamaa's family has owned in Asikkala, Kalkkinen village a winery and a local food shop. They added an online-shop on their website for customers, with different options of delivery. In a period of two months of piloting this new service there were fifty online-transactions made with an average of 30 euros per online shopping.

GERMANY

\`Marktschwärmer´** ***(https://marktschwaermer.de/de)*** is the German branch of the French \`La Ruche qui dit Oui´ idea (internationally known as **\`Food Assembly´), a membership-based network of local producers and B2C customers. Product presentation and sales happen entirely online. Currently, there are a more than 50 food assemblies in Germany but none in Mecklenburg-Vorpommern.

Community-supported agriculture (in German: Solidarische Landwirtschaft) ***(www.solidarische-landwirtschaft.org)*** or crop-sharing connects farms or gardening businesses with a group of private households. Producer and consumer share the risks of farming.

The German Regional Movement developed a software app ***(www.regioapp.org)*** that shows the producers and restaurants in a certain region. This **RegioApp** makes it very easy for the B2C and B2B customers in every German region to find nearby local offers.

NORWAY

REKO-RING - the fastest growing service for direct sales to customers (B2C). A private group of producers offer their produce in a Facebook group and customers order products at the joint FB group from each producer and pay each directly. Customers pick up at the given day and time offered. All producers invite to a pick-up spot/parking lot at a given time (They stay for 0,5-1 hour only).

Mainly local food shops, restaurants and gourmet sales (B2C): Because of COVID-19 both shops and restaurants have been closed down for shorter or longer periods: A lot of them are now offering 1-3 "To go Menus" or meal kits mainly containing local food (i.e. a 3 course meal including produce or semi-prepared dishes and recipes the customer can prepare at home by themselves).

POLAND

Zielony Targ (The Green Market) ***https://www.facebook.com/PoznanskiZielonyTargis*** a place where every week B2B and B2C clients can buy natural and healthy food straight from certified organic farms. It is the oldest, largest and best-stocked eco-market in Poznań and its vicinity. Throughout the year, every Saturday morning, farmers and producers of organic vegetables, fruit, dairy products, cold cuts, bread, juices, oils and many other tasty and healthy products come here. It is a place of weekly grocery shopping for a growing group of city residents and chefs of numerous restaurants, distinguished by a prestigious guide.

Zielona Dolina (The Green Valley) ***http://zielonadolina.biz/program-zielona-dolinais*** a broader cooperation programme in the region of Dolny Śląsk (Lower Silesia), managed by a consortium of the regional government and universities, which fosters cooperation between the producers from the Valley and local shops and healthy food, matching entities with each other. Various models and channels of cooperation for different product categories are being tested within that framework. It also entails logistics optimization for HoReCa by combining orders and optimizing routes, using Excel Online as a pilot for collecting orders and calculating the profitability of transport.

Lokalny Rolnik (The Local Farmer) ***https://lokalnyrolnik.pl/*** is a purchasing platform in which buyers in different regions can access a listing of products from local farmers and obtain information how and where they can pick up the products.

ABC na kołach (ABC on the Wheels) ***https://www.abcnakolach.pl/*** is a mobile shop concept which is particularly crucial in underdeveloped rural areas with no local shops. While the offering is not confined to regional products, the very model can be inspiring.

SWEDEN

B2C initiatives like Farmer's Market, Local Food Nodes and sales through concepts like Rekoring (joint SME Facebook driven sales with a common delivery point).

8 Executive summary

This report presents the results of the Interreg Baltic Sea Food (BSF) Project, which worked with sustainable local B2B distribution models for small and medium sized food producers. The goal was to help develop and explore business models and business distribution models by researching and analysing ten target countries surrounding the Baltic Sea region. Based on the surveys from thirteen pilot regions in the 10 countries, a business model was made, with the Business Model Canvas as its foundation. Each country cooperated with a local food network to carry out a piloting based on the project's findings. The piloting periods ranged from 3 to 12 months.

This report details how the various pilots were implemented and how the piloting organisations worked with the model and the 9 elements it contains:

1. Customer Segments

The most common segment involved in piloting was HoReCa, followed by specialty shops/retail sector and the public sector. Due to the COVID-19 pandemic, the B2C segment was also included.

2. Value Proposition

In addition to good quality produce (local, exclusive, fresh) two main value propositions dominated - product access for clients and easy-to-use logistics/distribution solution.

3. Channels

The overall focus was on digital channels. The value propositions often revolve around an online shop and/or digital system to handle orders.

4. Customer Relations

Most pilot regions had a focus on brands and storytelling as central to creating and maintaining good customer relations.

5. Revenue Stream

The main revenue streams of the piloting came from serving the business clients, the majority of whom placed their orders through the online sales channels. The most common solution during the pilot was, that the online sales channel owner bought the products from the producers, thus becoming the owner of the products, and after adding a mark-up invoiced the clients for the products ordered.

6. Key Resources

The most important key resources were human resources, followed by the online platforms/e-solutions of the piloting organizations as well as their existing infrastructure, such as premises (e.g. own shops, own cafes), storage facilities, equipment.

7. Key Activities:

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 networks is the cost of distribution.

8. Key Partnerships:

A variety of key partners have been involved in the piloting, including state institutions, local municipalities, local sector-representing organizations, dedicated business development organizations and business consultants, financers, other local food producers and networks, as well as logistics providers.

9. Cost Structure:

Overall common conclusions were hard to draw, due to the various stages of development which the piloting organisations were in. A distribution system of course needs to be economically sustainable, but what this means for producers and customers differs greatly. Some pilot organisations tested out solutions to find out what the cost structure could be, while the more advanced ones were able to see it how it played out in practice.

There are many facets and details within each element. Piloting organizations in general appreciate the use of the CANVAS tool as it was easy-to-use, understandable, and helps the small local food businesses and distributors to develop their businesses further in a structured way.

The Covid-19 pandemic hit the world right as the piloting was about to begin. This ended up heavily impacting the piloting, as producers and restaurants focused on simply financially surviving. 11 out of 13 organizations were able to carry out piloting; in 2 organisations this was postponed.

Once piloting neared completion, surveys were conducted with the participating producers, distributors and clients. We find overall that the participants have received new skills related to business management and planning, marketing related skills, and specific business operation skills. Besides acquiring new skills, the project has resulted in new partners being found. Piloting organisations have gained new knowledge about what is available regarding logistics, potential customers etc.

The most common good experiences related with the piloting were finding new or more customers – and conversely for customers finding new suppliers. Challenges encountered during piloting included those relating with packaging and handling products with different expiry date. The distributors were of the opinion that the producers were not always consistent and professional enough in this. Staff related issues, as well as lack of finances also presented a challenge.

The primary lessons gained for future initiatives are:

1. Time period - meaning that the solution should have a long-term duration and preferably be permanent. Producers and customers are unlikely to dedicate the required time and effort if they do not believe it will be worth it in the long run.
2. Digital solutions should be used, but care should be taken to ensure that producers would not feel that they will lose the personal connection that they have to their customers. A balance is required here.
3. Ease-of-use – producers often do not want to spend time dealing with a difficult digital system. It is very important that any system is easy to set up and easy to use.
4. Staying on brand – it is important to solidify a good brand for the products. This entails having good storytelling and information about the producers, something customers see as a big plus when using local products.

EVALUATION REPORT OF BUSINESS MODEL PILOTING

Project "Baltic Sea Food"

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Interreg
Baltic Sea Region

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Baltic Sea Food