

**PUTTING LOCAL FOOD ON THE TABLE:
ENHANCING COMPETITIVENESS OF PRODUCERS OF LOCAL AND REGIONAL FOOD
IN THE SOUTH BALTIC REGION**

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ABSTRACT

Processes of globalisation have long been spurring the diffusion of bulk production in the food sector in industrialized countries. However, since recently they have been countered by a growing demand for local and regional food, which presents an opportunity for regional development in the South Baltic region. This report, developed within the framework of the Regfood project, inquires into external challenges and opportunities as well as internal organizational strengths and weaknesses of local food producers, and suggests strategies that could facilitate competitiveness of producers of local and regional food in the South Baltic region. Drawing on recent research and empirical data from cases of Denmark, Germany, Lithuania, and Sweden, it defines a concept of local and regional food, identifies structural constraints and organizational capacity-related weaknesses of producers, and advocates for two strategies, i.e., partnership building and strategic management. It concludes by presenting an intervention model that point to education of students in local and regional food and the promotion of partnership among food producers, customers, and authorities.

CHAPTER 1. INTRODUCTION

1.1 Practical problem

Since the 1950s, processes of globalisation around the world have spurred the diffusion of industrial food production in the food sector at the expense of local and regional food production. Yet, there has recently arisen a renewed interest among customers, producers, and authorities in production of local and regional food that combines distinct local identity, quality, and environmental sustainability. This development presents an opportunity for the South Baltic region to promote local and regional food production and, thereby, to contribute to its economic and social development. However, in spite of these opportunities, sources of competitiveness of producers of local and regional food producers in the South Baltic region are poorly understood and their potential for regional development is yet to be fully explored and tapped into.

1.2 Research problem

Despite growing importance of local and regional food production for regional development, there is, presently, a worrisome condition of ignorance among food researchers about conditions and strategies that could inhibit and/or facilitate production and consumption of local and regional food. Researchers need to articulate more clearly core features of “competitiveness of local and regional food production”, to understand better economic, political, and social conditions and processes that influence competitiveness of producers of local and regional food, and to isolate among them those enabling factors that could be promoted through targeted project interventions.

1.3 Research questions

This report addresses a set of substantive and empirical research questions: *What specific factors (e.g., environmental conditions and organizational capabilities) influence competitiveness of producers of local and regional food in the food sector in the South Baltic region? What interventions may enhance competitiveness of producers of local and regional food?*

1.4 Report's objective

The objective of this report is three-fold: First, it will develop a theory-based conceptual framework of competitiveness of producers of local and regional food. Secondly, it will apply the framework to the empirical analysis of environmental conditions and internal organizational capabilities of producers of local and regional food in four South Baltic adjacent regions in Denmark, Germany, Lithuania, and Sweden to identify constraints and opportunities for their competitiveness. Thirdly, it will search for areas of intervention that could enhance competitiveness of producers of local and regional food in the South Baltic region.

1.5 Data

Empirically, this report draws on primary and secondary, qualitative and quantitative, data from interviews of producers of local and regional food, public surveys of customers, and official statistics about outputs of national food systems, compiled in four national reports from Denmark, Germany, Lithuania, and Sweden. In spite of efforts to structure the process of data collection around theoretically relevant questions, national reports provided inconsistent datasets and precluded straightforward application of standard small-N and large-N methods such as Millian “method of agreement”, “method of difference” or “method of concomitant variation” (Lijphart 1971, 1975; Przeworski and Teune 1970; Skocpol and Sommers 1980) or Qualitative Comparative Analysis (Ragin 1987; 2000, 2008). Nevertheless, available data provides sufficient basis for the application of the conceptual framework and the development of the intervention model. The empirical validation of the framework and the model requires, however, additional and more systematic data collection and analysis.

1.6 Structure of the report

The report consists of four chapters. In the first chapter, the practical and research problems are formulated and research questions, design, and data limitations are discussed. The second chapter offers definitions of core concepts and elaborates the conceptual framework. The third chapter applies (indirectly) the conceptual framework of the competitiveness to the content analysis of the available data from national reports. The fourth chapter draws together narrative evidence

underlying conceptual framework and formulates a generic business strategy for producers of local and regional food in the South Baltic region. The final, the fifth, chapter discusses the findings, presents the overall intervention model, and puts forward recommendations.

1.7 Regfood project

This report is written within the framework of the Regfood project, entitled “Increasing Competitiveness of South Baltic Regional Food”, and funded by the EC’s South Baltic Program. The Regfood project seeks to promote the economic competitiveness of South Baltic regional food locally, regionally, and in Europe. Regfood project’s specific objectives comprise (1) improved understanding of existing challenges, opportunities, strengths and weaknesses of producers of local and regional food; (2) increased job competences of students in higher educational institutions in local and regional food; and (3) increased capacity of practitioners in the food market to brand and market SB regional food products. Regfood project partners include University College Zealand (UCSJ), Denmark; Kristianstad University, Department of Gastronomy (KU), Sweden; Kristianstad University, Department of Gastronomy (KU), Lithuania; Rostock University (RU), Germany; and University of Applied Sciences Münster, Germany.

1.8. Report’s target groups

Target groups of this report fall into two main categories, as follows:

- Group 1: Students, researchers and education instructors in higher education institutions involved in training of specialists in agribusiness, food-processing, cooking, catering and restaurant businesses in Denmark, Germany, Lithuania, Poland and Sweden.
- Group 2: Entrepreneurs and employees in food and tourism sectors in Denmark, Sweden, Lithuania, Poland and Germany.

CHAPTER 2. CONCEPTUAL FRAMEWORK OF COMPETITIVENESS OF PRODUCERS OF LOCAL AND REGIONAL FOOD

This chapter develops a conceptual framework of conditions that influence the outcome of interest, i.e., competitive performance of producers of local and regional food. It proceeds in three steps: First, it offers definition of the core empirical concept of “local and regional food” and “competitive performance of producers of local and regional food”; Second, it reviews theoretical perspectives on sources of firm-level competitiveness that are currently prevalent in economics and management studies; Third, it applies “assets-processes-performance” model of competitiveness as an analytic tool for specifying clusters of facilitating and inhibiting conditions of competitiveness of producers of local and regional food in the South Baltic region. The resulting conceptual framework is developed both inductively and deductively. Theoretically, it borrows from analyses of competitiveness in economic and management literature and, empirically, it draws on qualitative and quantitative data from four national reports from Denmark, Germany, Lithuania, and Sweden (see Annex A).

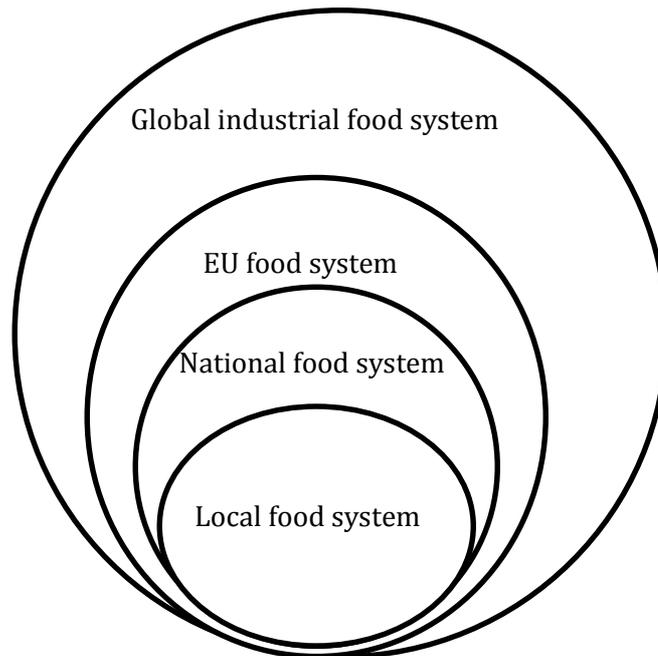
2.1 Definitions of key concepts

The outcome of interest in this report refers to “competitive performance of producers of local and regional food”, which is a composite concept. To understand meaning of this concept and to clearly identify its empirical referents, it is required to devise separate definitions for its constitutive terms, i.e., “local and regional food”, “producers”, and “competitive performance”.

There is no legal or universally accepted definition of “local and regional food”. This term is derivative from the concept of “food system”. Food systems comprise all aspects of food production: the way the food is grown or raised; the way the food is harvested or slaughtered; and the way the food is processed, packaged, or otherwise prepared for consumer purchase and food distribution, i.e., where and how the food is sold to consumers and how the food is transported (Tansey and Worsley 1995; Wilk 2006; Martinez et al. 2010). Food systems can be divided into several major types: the global industrial food system, cross-national food system, tied by common system of regulations (e.g., the EU), national, and local food systems, of which there are many. The main difference among these food systems concerns both the scope of their geographic reach and the method of food production, processing, and distribution. Figure 1 below presents a simplified

typology of food systems emphasizing the scope of their geographic reach and embeddedness of local food system in larger food systems Regional food systems could comprise several local food systems and run across national borders.

Figure 1. Types of food systems



In addition to the geographic aspect, the term “local food system” describes a method of food production and distribution: Food is grown (or raised) and harvested close to consumers' homes, then distributed over much shorter distances than is common in the conventional global industrial food system. In general, “local food system” is associated with sustainable agriculture, while the global industrial food system is reliant upon industrial agriculture. Based on this discussion of food systems, it is possible to identify the following definitions of the concept of “local food” and “regional food”: “Local food” refers to food raw materials, food ingredients and/or meals that have been produced (e.g., grown or raised), processed (e.g., packaged or cooked), and consumed within a local area (100 - 200 km), have a short supply chain (with few intermediaries), and have been produced in an environmentally sustainable and socially responsible manner. By contrast, “regional food” refers to food products that have a distinct regional identity (e.g., label) and could be consumed locally, nationally, and internationally.

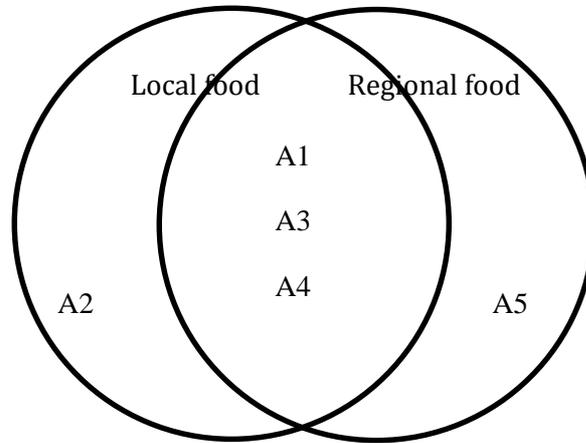
Given a complex structure (i.e., a partial overlap) of conceptual attributes of “local food” and “regional food”, the meaning of the composite concept of “local and regional food” is open to different interpretations. Table 1 specifies separate attributes of these two concepts and presents different logical possibilities for constructing the composite concept.

Table 1. Definitional attributes of “local food” and “regional food”

Attributes	“Local food”	“Regional food	“Local AND regional food”	“Local OR logical food”
A1: Geography: Produced (e.g., grown or raised) and processed (e.g., packaged or cooked) within a local area (100 - 200 km)	Yes	Yes	Yes	Yes
A2: Geography: Consumed within a local area (100 - 200 km)	Yes	No	No	Yes
A3: Method of distribution: Has a short supply chain (i.e., with few intermediaries)	“Yes	Yes	Yes	Yes
A4: Method of production: Produced in an environmentally sustainable and socially responsible manner	Yes	Yes	Yes	Yes
A5: Identity: Has a distinct regional identity (e.g., label)	No	Yes	No	Yes

Columns 3 and 4 in Table 1 show two opposing logical interpretations of the concept “local and regional food”. The first interpretation links the two constituent concepts through logical AND while the second one does it with assistance of logical OR (Cohen and Nagel 1934; Nagel, Suppes, and Tarski 1963; Ragin 1987). To illustrate graphically the partial overlap of the two concepts as well as alternative interpretations of the composite concept, one can use Venn diagram, as shown in Figure 2.

Figure 2. Venn diagram of concepts of “local food” and “regional food”



It becomes clear now that the logical structure of the concept of “local food” comprises the conjunction of four attributes, i.e., $A1 * A2 * A3 * A4$. By contrast, the logical structure of the concept “regional food” consists of the conjunction of four different attributes, i.e., $A1 * A3 * A4 * A5$. In turn, the logical statement “local AND regional food” implies one set of common attributes, i.e., $A1 * A3 * A4$, while the second logical statement “local OR regional food” stands for a different set of attributes, i.e., $A1 * A2 * A3 * A4 * A5$. In this report, we are using the concept of “local and regional food” in the sense of the second logical statement, i.e., “local OR regional food” that comprises all five attributes, i.e., A1, A2, A3, A4, and A5.

In addition to the already defined term of “local and regional food”, the concept of “competitive performance of producers of local and regional food” includes notions of “producers” and “competitive performance”. The term “producer” appears not to be problematic and is used in this report in its standard dictionary definition. According to Oxford English Dictionary, the term “producer” designates “a person, company, or country that makes, grows, or supplies goods or commodities for sale”. Based on this definition, the term “producer” in this report refers to a legal economic agency (e.g., person or company) in the food market that grows or raises, processes, packages or cooks food products or meals for sale. By contrast, the concept “competitiveness” and “competitive performance” are multi-dimensional and multi-level concepts that have been variously defined in literature on competitiveness in economic and management research (Chaudhuri and Ray 1997; Collignon 2012; Coy 2006; Durand and Giorno 1990; Riley 2012).

2.2 Conceptual framework of competitiveness

Over the past three decades, research into features, measures, and sources of competitive performance at firm, industry, region, and country levels has become a growth industry in the fields of business management and international economics (Krugman 1994, 1996; Krugman and Obstfeld 2003; McGahan 1999; Porter 1980, 1990, 1998, 2000, 2003). This section briefly reviews literature of sources of competitive performance at a firm and industry level.

Traditional and new trade economic theorists have essentially relied on standard economic theory of comparative advantage to explain variation in competitive performance of firms, industries, and countries. They emphasized the role of opportunity costs of production, i.e., Ricardo's labor theory of value and opportunity costs theory (Salvatore 2002); factor endowments, i.e., the Heckscher-Ohlin theory (Salvatore 2002), and the internal and external scale of production (Krugman 1990; Krugman and Obstfeld 2003) as key competitive assets in both free, monopolistic, and oligopolistic trade markets. Figure 3 illustrates the model of competitiveness that underlies that approach.

Figure 3. Standard economist model of competitiveness

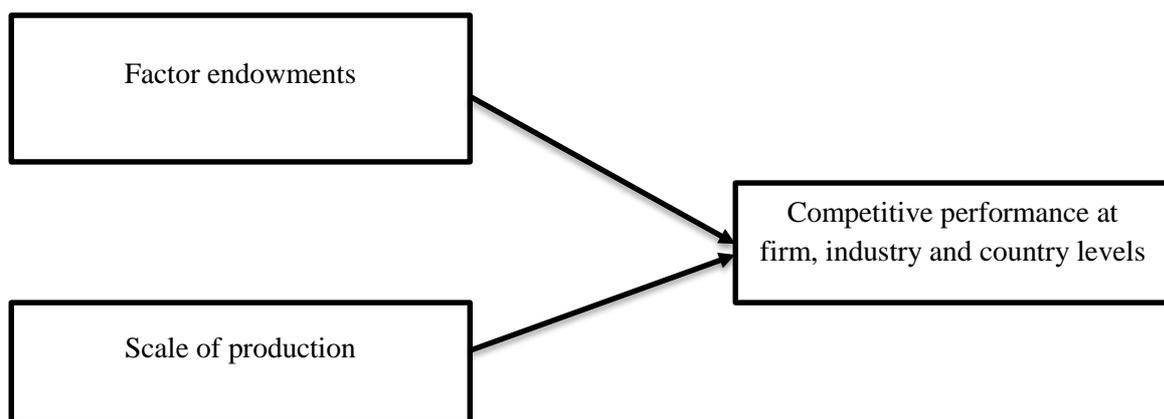
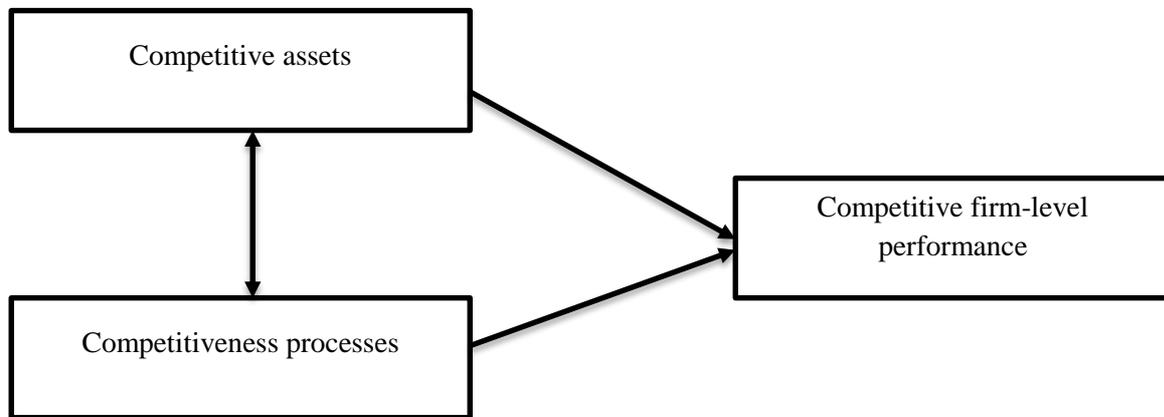


Figure 3 lays open two basic determinants of competitive performance of the firm, industry, and nation: factor endowments and scale of production. Factor endowments commonly refer to natural

raw materials, labor, capital, human capital, and technology (Guber, Metha, and Vernon 1967; Keesing 1966; Salvatore 2002). The scale of production aka economies of scale or increasing returns has two aspects, i.e., external and internal. External economies of scale occur when production efficiency, i.e., the cost per unit depends on the size of the industry while internal economies of scale occur when the cost per unit depends on the size of the individual firm (Krugman and Obstfeld 2003). Thus, each of these major determinants influences the level of competitive performance and differences in either of these factors explain variation in competitiveness among firms, industries and nations.

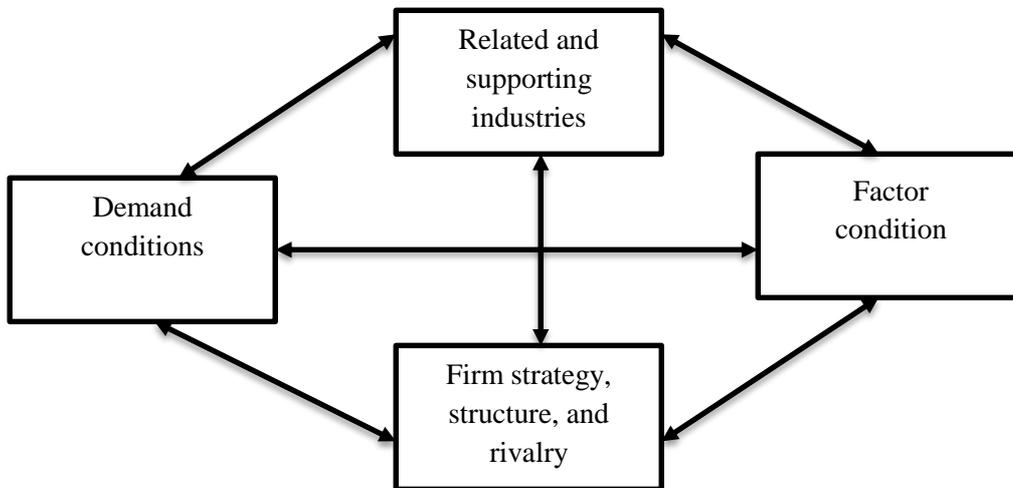
Students of competitiveness in business management area have approached the issue of firms' competitive performance on domestic and international markets from three broad perspectives: "resource-based", "process-centered", and "assets-processes-performance". The resource-based perspective emphasizes the role of tangible and intangible assets (e.g., human resources, technology, and organizational culture) that the firm can draw on in order to acquire and sustain competitive advantage over its main competitors (Barney 1991; Barney, Wright, and Ketchen 2001; Kogut and Zander 1992; Teece 1991). By contrast, process-centered perspective points to the ability of the firm to deploy and develop available resources more effectively than its competitors (e.g., flexibility, adaptability, focus on product quality and customers, strategy, and innovativeness) as an important source of superior performance of the firm (Eisenhardt and Martin 2000; Grant 1996; Teece, Pisano and Shuen 1997). Finally, the assets-processes-performance perspective seeks to integrate both resource- and processes-centered approaches into a tri-partite model where sources of competitive performance of the firm are thought to spring from an interaction of firm's tangible and intangible assets and firm's dynamic capabilities to use them effectively (Ambastha and Momaya 2004; Buckley 1998; Martin 2003). Figure 4 presents the integrative "assets-processes-performance" model of firm-level competitiveness. The model stresses the interaction between firms' assets and management processes and suggests that both sets of factors are critical for competitive performance of the firm on home and foreign markets.

Figure 4. “Assets-processes-performance” model of competitiveness



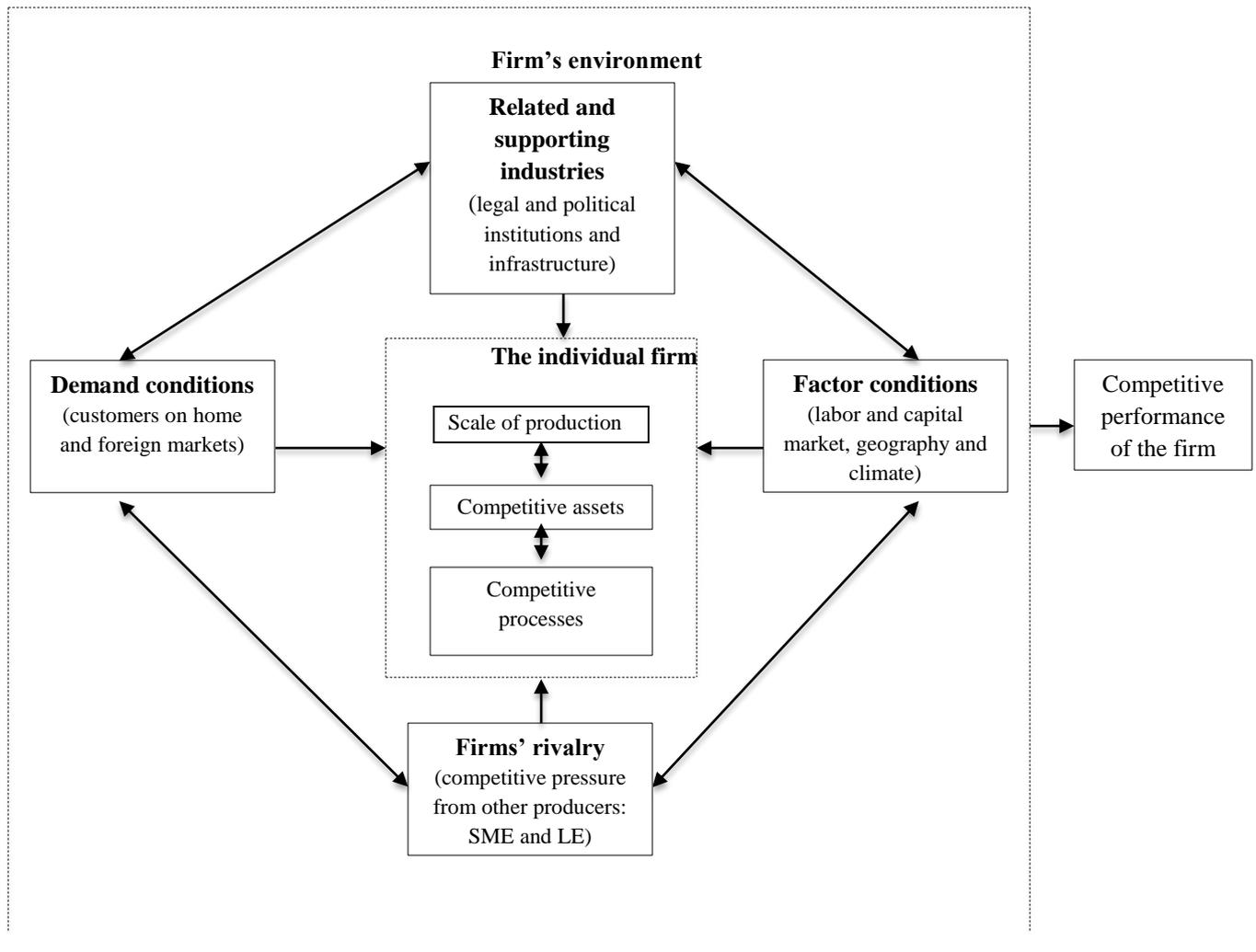
In addition, management theorists, dissatisfied with standard economic model of competitiveness (as shown in Figure 3), have offered more complex frameworks of competitiveness at national level. These frameworks underscored the significance of not only factor endowments or competitive assets internal to the firm but also stressed the role of environment in which the firm is embedded (Porter 1989, 1990, 1998, 2000, 2003; Siggel 2006). One of the most popular approaches in the management literature to explaining competitive performance of the firm, region, and nation is Porter’s diamond framework (Porter 1990, 1998). Porter’s “diamond” framework specifies a cluster of four interrelated conditions that determine competitive performance of the firm and, by extension, industry and country. Factor conditions comprise human resources, physical resources, knowledge resources, financial capital and infrastructure that the firm can get hold of. Demand conditions refer to both the size of the home demand and the nature of the demand, i.e., the extent of the sophistication of home customers with regard to product and/or service quality to which the firm seeks to respond. Related and supporting industries aka “external economy” or “localized clusters” involve the network of specialized suppliers and local institutions that influence the firm and produce spill-over effects in terms of learning, innovation, and productivity. Finally, firm strategy, structure, and rivalry include national competitors within a given business sector that affect firms structure and strategy and force the firm to be cost-efficient, innovative, and quality oriented. All four conditions interact and jointly affect the level of competitive performance of the industry, region, and nation (Porter 1990, 1998). Figure 5 presents that model.

Figure 5. “Diamond” model of competitiveness



The “assets-processes-performance” model and Porter’s “diamond” framework could be integrated into a single, integrative, framework by distinguishing between the individual firm and its environment. The integrated framework of competitiveness of the firm makes it clear that the individual firms are embedded within their respective industries, home economic markets, political and social institutions, and local culture, which all influence the individual firm performance. At the same time, the firm has a specific mix up of competitive resources and management capacities that also determine its competitive performance. Therefore, the firm’s success depends on a complex interplay of both internal capacities and external (i.e., environmental) conditions. Figure 6 lays out that integrated framework.

Figure 6. Integrative conceptual framework of firm-level competitiveness



This broad framework can be applied to the analysis of competitiveness of producers of local and regional food on home markets in the South Baltic region at individual firm, industry's sector, the entire industry, country and cross-country regional levels. In either case, it would require collecting data at different levels of aggregation on seven interrelated independent variables (i.e., all solid boxes on the left hand side) and one dependent macro-variable (i.e., the solid box on the right hand side). The central box which currently refers to the individual firm can be also occupied by another functional unit (e.g., the industry's sector or the entire industry) or geographical unit (i.e., region or country or macro-region). This report is concerned with the analysis of sources of competitiveness and competitive performance of producers of local and regional food on home markets in food industry in four regions adjacent to the South Baltic Sea in four different countries, i.e., Denmark,

Germany, Lithuania, and Sweden. Therefore, the relevant unit of analysis is a sub-sector of local and regional food within in a food sector on home market of the relevant region within each of the four countries. For each of these four units, the analyst would need to compile comparably measured data about four major environmental conditions (i.e., factor conditions, demand conditions, related and supporting industries, and firms' rivalry), three internal conditions (i.e., size of an average enterprise producing local and regional food, its competitive assets, and its competitive processes), and competitive performance at a sub-sector level (i.e., economic efficiency of an average producer of local and regional food and customers' evaluation of the value of their products and services).

CHAPTER 3. CONTENT ANALYSIS OF NATIONAL PAPERS

This section gives an overview of how and in which context partnership building and networking was emphasized in the national papers.

3.1 The importance of network building in strengthening the competitiveness of small and micro sized companies in the regional food business

Based on the findings of the appendix, this chapter attempts to analyze the potential of networking as an entrepreneurial strategy for regional food producers. The chapter starts with a definition of networking, as well as the differentiation between cooperation and partnership. In the further course, this section intends to discuss, in the light of the previous findings, that networking is a promising theme of the regfood project. In that the presentation of networks a key instruments help small and micro enterprises to extend their business activities and serve the culinary heritage of the regfood area.

Networks are profitable sources of synergies effects, due to the providence of better accessing of potential business partners, enabling knowledge exchange, allowing risk and cost sharing. The low cost for partners - in comparison to the potential benefits - is one of the key advantages of networks. Several interviewed entrepreneurs in the regfood area have recognized these advantages over the course of their own business activities. The interviewees stated that they would like to witness both an increase and strengthening their network activities. Furthermore, there are several regional networks and cooperation's which already exist in the south Baltic region (see appendix).

A *partnership* can be defined "as a business organization that is formed when two or more persons or entities come together to operate a business for profit" (Spadaccini 2006, p.5). Logically these partnerships could be implemented in various ways. This may be the reason for the nonhomogeneous definitions regarding partnership and cooperation.

There is no comprehensive understanding of these words which necessitates a definition for terms like partnership or networking for eveach analysis (Wurche 1994). Furthermore, arrangements such as cooperation's and partnerships are described in varying terms and are often used as synonyms. Ranging from strategic partnership, joint ventures, coalition, value adding partnership, business

alliance and cooperative ventures (Müller 2003). In general an inter-company cooperation can be described as an optional collaboration between independent enterprises, stipulated by contract use (Der Brockhaus Wirtschaft 2004).

Networking refers to the “process of identifying and acting on complementary interests with or without formal means of cooperation” (Gellynck and Kühne 2010, p.123). The standardization of the types of conceptual definitions for networking are unlimited, indicating no consistent theory regarding networking (Sydow 1999). Analyses are conducted with various scientific perspectives such as policy-science, organizational studies or business science (Helmke 2008).

Networking can be categorized into two specific forms: Vertical networks and horizontal networks

A Vertical network includes all the organizations e.g. suppliers, focal companies, customers, and third parties (stakeholder from politics, civil society or administration), which are involved, through upstream and downstream linkages, in the diverse processes and activities of value enhancement (Christopher 1992). Hence one should pay particular attention to the value adding chain, which describes the full range of actions required to bring a product or service from conception and through the different phases of production and transformation to the end-consumer. As a product moves throughout the chain, an ever increasing value is added to the products. For a food product, this “chain comprises the processes and actors that take a food from its production on the farm—including the inputs into that production—to the consumer and to its disposal as waste. “ (Hawkes and Ruel 2007, p. 3). The value added chain in the food and agricultural sector can be constituted in a functional or institutional manner:

1. Functional value added chain: “a sequence of related business activities (functions) from the provision of specific inputs for a particular product to primary production, transformation, marketing, and up to the final sale of the particular product to consumers (the functional view on a value chain).” (GTZ n.d., p.2)
2. Institutional value added chain: “the set of enterprises (operators) performing these functions i.e. producers, processors, traders and distributors of a particular product. Enterprises are linked by a series of business transactions in which the product is passed on from primary producers to end consumers. According to the sequence of functions and operators, value chains consist of a series of chain links (or stages).” (GTZ n.d., p.2)

Horizontal networks relate to collaborations between companies, which are mostly competitors within the same sector. According to the European Commission (2011) there is a “horizontal nature if an agreement or concerted practice is entered into between actual or potential competitors [...]for example between two company’s active in the same product markets but in different geographical markets without being potential competitors.” There is evidence that collaborations even between rivals can accomplish cooperative goals and create a win-win situation (Luo, Rindfleisch and Tse 2007). Horizontal networking and cooperation can lead to economic benefits through risk sharing, exchange of know-how, improvement of product quality and variety, or more advanced innovation processes (European Commission, 2011). On the other hand horizontal networking creates risks that managers need to consider. They must be balanced carefully with the positive aspects (Luo, Rindfleisch and Tse 2007).

Based on the definition of Gulati, Nohria and Zaheer (2000, p. 203) and in due consideration of the regfood project topic ”networks encompass a firm`s set of relationships, both horizontal and vertical, with other organizations – be they suppliers, customers, competitors, or other entities –“ within the regional context.

Regional network context of the regfood-project

Traditionally the agricultural sector of the EU is dominated by numerous market regulations. Nonetheless, in consequence of different agricultural reforms, the direct governmental influence has decreased ever more over the past years. As a result, companies are confronted with challenges of a globalized market, implicating changes such as increased price fluctuations or an opening up of new markets. The world-wide reduction of trade barriers and the development of multi-national economic zones provide plenty of opportunities for huge enterprises out of the agricultural and food sector (Enkelmann 2006). Deregulation exposes small and micro sized companies to increased competition. However while the rest of the agricultural sector is transitioning towards adapting to the challenges of the globalization, small scale enterprises in the food sector are mostly unequipped for the challenges of the globalized and superregional markets. The structures of small scale business undergo hardly any modifications (Europäischer Sozialfonds, 2007).

The European Commission (2003) states that a small firm “employs fewer than 50 persons and has an annual turnover that does not exceed EUR 10 million”. A micro-sized enterprise has less than 10

individuals and a turnover less than EUR 2 million. In consideration of this definition, the majority of enterprises in the EU are small scale firms, as 78% of the food companies in the EU-27-countries employ less than 10 employees (Leis, Gijbers and van der Zee 2011). These small scale food producers (farmers, small scale food manufactures, caterer or craft producers as bakers, butchers or confectioners) are important for the regional economy, but are confronted with specific problems relating to their size.

Barriers to market entry:

Market access is essential for the growth and development of every company. Regional small and micro sized companies in the food sector need to be successful in gaining an entrance to supply chains such as multiple independent retailers, wholesalers, catering, distributor, direct sales or exports (Henchion and McIntyre 2005).

Most countries in the EU have experienced a powerful concentration process in food retailing with an ongoing increase of market share of the big retail store chain and (European Economic and Social Committee 2005; Stiegert and Kim 2009; Schlippenbach and Pavel 2011). This trend cannot be applied to “must have brands” like Coca Cola (these types of brands are essential in every retailer). That process implicates an increasing bargaining power of retailers over the supplier (Schlippenbach and Pavel 2011). Special goods such as niche products, innovations or regional foodstuffs offer a good opportunity for small manufacturers to counter-balance the power of the retailer (Pepe, Musso, and Risso 2010). However, many of the small scale companies are unable to cope with the demands of the retailers regarding reliable supply, bulk, hygiene and quality requirement (Henchion and McIntyre 2005). A network of partners can help to overcome these challenges and provide a new market access for regional food producers.

The national analyses of the regfood project contains several statements from interviewees which point out that a strong network is a potential key in gaining better market access (see appendix). Regional food producers from Lithuania mentioned that “within the market place there is mostly production originating from small family farms. It is impossible to supply their production to supermarkets because farms are unable to ensure a steady and adequate supply Furthermore “the

production is produced in small amounts, thus producers are unable to sell it on the market hence how small producers face many barriers in expanding their business” (see appendix). The Lithuanian report arrived at the conclusion that the food industry and retail chains were highly concentrated. Hence consumers and small producers have less power to push forward their particular interests. One food producer both in Sweden and Denmark stated that it was difficult to negotiate with big retail-companies. One interviewee from Germany noted that it would be difficult to create a new business market.

However, the main strength of the regional food producer is the authenticity of their products. Almost all interviewees mentioned the special quality of their food (see appendix). Especially if the entire supply chain is traceable the trust of the consumer in the products is increased. Compared to anonymous industrial food products, regional food production literally receives a face (product of farmer xy). In the face of recent food scandals, this advantage is of particular importance and enables regional producers to sell their foods as a premium product. The biggest trust will be achieved if the whole value adding chain is located within a particular region. With this connection a regional network along the value added chain is indispensable.

Fewer innovations

Small scale firms face specific challenges regarding innovation development. The main problems include limited organizational capabilities, ranging from a lack of strategic development, management deficiency and absence of visions to the lack of structured communication and motivation (Scozzi, Garavelli and Crowston 2005). This arises from the fact that the success or failure of small and micro sized companies often relies on personal skills and experiences of the entrepreneurs themselves (Avermaete et al. 2003).

The food sector is considered as a mature and a comparatively low technologically innovative branch. Innovations such as the introduction of a new product, organizational changes or innovative technological issues are rare in the food sector (Avermaete et al. 2003). Disregarding the fact that the food sector has in general a relative low rate of innovations, it can be assumed that smaller companies have the poorest innovation capacity (Leis, Gijssbers, van der Zee, 2011). Cooperation

and networks are associated with more innovation based activity (Pittaway et al. 2004; Gellynck and Kühne 2010). Networks can increase the innovation capability of regional food producers and enable knowledge exchange in terms of a self-help approach. In all countries the interviewees stated that product development and a lack of innovations were problems for regional food producers (see appendix).

Marketing

Most small size enterprises indicate problems regarding their marketing activities (Gellynck et al. 2012). Marketing of small scale companies is not purely a downsized version of the marketing actions of larger enterprises. The differences result from limited resources such as finances, time, marketing knowledge, lack of experts (owner-managers have a tendency to be more generalists rather than specialists) and limited effect in the market (Gilmore, Carson and Grant 2001). Strong networks of small and micro sized enterprises provide both the chance to overcome these weaknesses and the opportunity for risk and resources sharing (e.g. joint marketing, collective press relations, shared exhibition on fair and events). The national regfood reports show that marketing is one of the most desired capabilities mentioned by the interviewees (see appendix):

Germany:

One caterer said “that they need more knowledge in marketing as well as advertisement to promote their local food business.”

Four out of six food producers “want to obtain marketing expertise.” Foremost it was stated that they would need some help marketing their products. For example receiving advice concerning product design and advertisement processes. Marketing may help the food processing firms to adopt new logistical approaches. One interviewed person even mentioned the wish to receive some marketing expertise for exporting its products in the northern Baltic region.

Denmark:

“The conference hotel said that marketing can always be developed.”

“The staff restaurant says that marketing could be approved. We could mention that we are able to make arrangements for the local authority and organizations. Making appointments with the private market is not possible because it would be a distortion of competition.”

“Marketing, hygiene and legislation are mentioned by two producers.”

Sweden:

“Marketing: to reach more parts of Sweden” (see appendix)

Less chance for economies of scale effect

As mentioned before, the food companies in the southern Baltic region are for the most part micro and small enterprises. These companies have fewer chances for optimization regarding to economics of scale. However Hingley, Boone and Haley (2010) claim that “SMEs should not view economies of scale as a disadvantage but instead as a chance to create a profitable differential.” It can be assumed, that regionalism in the food sector could be one of these special features. Flanked by a strong network of regional partners, this could be a suitable strategy to compensate the economies of scale to a certain extent. In the context of the four national reports (see appendix) some examples of synergies are mentioned below, which can be structured through networks:

Knowledge exchange (in all countries innovations are problems for regional food producers)

Sharing of resource or capital-intensive goods (in Sweden: A better part of caterer`s canteen kitchen is not used)

Sharing costs e.g. for consultants (in Denmark: a caterer would like to focus more on sustainability but an expert is too expensive)

Better access to potential business partners.

Low capital adequacy

Low capital adequacy seemed to be a problem for almost all regional food producers. Interviewees from all countries mentioned some form of financial shortages. In Mecklenburg-Vorpommern/Germany 5 out of 6 interview food producers as well as 2 of 3 caterers wished for some financial support. Similar responses were given in Sweden. 3 of 5 interviewees answered that they would need financial support as assistance for further develop of their local food business. 1 of

3 caterers mentioned the same problem. In Denmark the food producers “have a challenge of getting financial support” and in Lithuania “the financial resources of the farms for modernization or processing of agricultural production is insufficient” (see appendix).

Public cooperative initiatives from network partners have a larger potential for financial support than a single company. The application procedure for funding is often time-consuming for micro and small enterprises. Furthermore, many of the regional development programs are unknown or private companies are not eligible to support.

Conclusion

Using previous examples, it is evident that networking is a valuable strategy for small and micro-sized companies, specifically in the food sector of the southern Baltic region. Rural societies benefit more if wealth is retained in the regional economy, through products that are manufactured, processed, and consumed in the region. Martinez et al. (2010) presented evidence which indicates that an expanding local food system can go along with an increase in employment rate and income in the specific community. The Lithuanian analysis mentions that “with increasing incomes and changing consumer priorities in the field of nutrition, Lithuania has a preference for organic, high-quality and exceptional products - it is likely that consumption of these products will increase.” In Denmark two interviewees said that the main threat for their business would be an increasing impoverishment. In Germany the interviewees stated that due to the high unemployment rate it would be hard to sell –especially products at a higher price to locals. Interviewees in Sweden expressed similar opinions.

Large food companies typically focus on national or international markets and orientate their products on mass appeal, while small scale companies produce more than often regional specialties (Avermaete 2003). Hence, small and micro sized companies have the ability to preserve traditional craft based food productions and save the culinary heritage of the region. Nonetheless, networking is one of the key instruments in helping small and micro enterprises to expand their business activities.

3.2 The role of marketing

This section gives an overview of how and in which context marketing was emphasized in the national papers.

The role of food retailers in the marketing of local and regional food

As seen in Lithuania and Denmark, there are today a variety of market channels for local and regional food (LRF), such as the produce being directly marketed from farm shops, farmers' markets or through the Internet, using developing supply schemes. Although a large share of the local and regional produce is marketed in this way; ordinary supermarkets also constitute a major distribution channel for LRF. The supermarket thus represents an important marketing arena for LRF. In Lithuania for example, three main supermarket chains (Maxima, Iki, Rimi) exhibit separate sections, dedicated to organic or local food products, supplied by farmers and family farms. None the less, many witness the fact that it, at least in Sweden, has been difficult for small scale farm produce to be included in the catalogue listings and shelves of large food retail chains (Hallberg et al., 2008).

Forsberg (2009) found that supermarkets sell local foods in order to supply a wide range of products and to mediate social responsibility to create customer loyalty. Concerning how the supermarkets try to market LRF the study of Forsberg (2009) does not give a clear-cut view but indicates that a supermarket that actively works to influence customers to buy local food market this type of food. The opposite applies for a supermarket that has less interest in promoting LRF, in which no active marketing strategies occur (Forsberg, 2009). A more targeted initiative for marketing locally produced food in the REG-food region is the retail concept "Smaka på skåne - Närproducerat och noga utvalt" – that can be translated into "Taste Skåne - produced nearby and chosen with care" that was launched in Skåne a couple of years ago. The aim of this concept is to facilitate for both consumers and producers of LRF to find the produce in food stores and supermarkets in Skåne and it can thus be seen as a marketing initiative. The criteria for labeling the products include regulations on geographic origin of production and processing and documentation of this (Skåne Food Innovation Network, 2012). Unprocessed products shall be cultivated/caught/raised in Skåne. For processed products, the dominant or characteristic ingredient should be produced in Skåne. Further, the processing/production shall be carried out in Skåne and carried out in a artisanal manner. The concept is primarily used for products that originate from small and middle scale food companies according to the EU definition of SME:s.

One specific Danish example from the REG-food study, gives an indication of the power in displaying the local and regional produce in an integrated and convenient way. One primary producer mentions a wish to create a supermarket at the farm with meat from their own slaughter, own milk products and cheese, vegetables, meal from the own mill and marmalade from the own factory. Further, plans of producing honey and to build a process kitchen, shows the power in marketing the produce in an efficient way.

Local food service establishments

One representative of a local food service establishment in Denmark indicates that *“marketing can always be developed”* and this can to some extent summarise a common view on marketing among the investigated local food service establishments in the REG-food region. Marketing can always be improved and should naturally be tailored to target groups.

One of the caterers of local food in Sweden has somewhat unconventional view on marketing of catered food by seeing the supermarket as a display window for marketing of local food, creating a higher interest and understanding of what is served on the menu among consumers. *“Better visibility of local products at retail which will reflect on higher interest for restaurant consumers as a result of better product knowledge”*.

In Germany one local food service establishment/caterer called for better knowledge in marketing as well as advertisement to promote their local food business. Articles and programs to promote LRF gastronomy should for example be broadcasted through radio or published in newspapers especially assigned to tourists. One way to create a new business and market could be to cooperate with hotels or youth hostels, but according to the German respondent this was not so easily done. By developing the agro-tourism, besides getting something to drink and eat, the customers get an insight into the food processing business as well, creating new experiences.

Another suggestion for marketing LRF menus and to serve more local/regional products from in Mecklenburg-Vorpommern, was the development of a data file (product data base). In this file, potential consumers, producers and restaurant businesses are to be linked. The producers can state what and when their products are offered and the consumers as well as the restaurant businesses can find out which products can be purchased when and where. One of the German food service establishments stated that *“Trying to have the fingers on the pulse of time -*

creating new offers and thus to obtain a better positioning on the market” may be a weakness of the local food business.

In Lithuania in 2012, a network of Lithuanian Responsible Restaurants and Suppliers (LRRS) was created. LRRS members assume voluntary commitments related to sustainable use of raw materials in the restaurant, quality and environmental policy, communication and cooperation with the public. In the network-owned restaurants visitors can get all the information about the products used by the restaurant or café, their ingredients, allergens, GMO use, origin, method of preparation etc. Also they can find information on all environmental policies and actions taken concerning this issue.

Local food producers

The local food producer is probably the person that knows the product best and the direct contact between producers and consumers has many dimensions, from social to pedagogical (Maxey, 2006, Redman, 2010). In Lithuania it is described how farmers are proud of, and with a philosophical interest look at the eco-friendly products and are often themselves involved in the processing and marketing of their grown organic produce. This usually means that the farmers can directly tell the customers about the products they buy, as well as familiarize consumers about how the food they buy was produced and the benefits of sustainable food production. This increases the awareness among consumers and helps to make informed choices in which food and drink to consume.

One less direct way of marketing is branding and as reported from Denmark a trend is seen regarding local branding within different product groups, seen among other within rape seed oil production. In Lithuania the main type of labelling of local food is writing on the label that the product is produced locally, indicating the area where the food was produced and the name of the owner (sometimes with contact details). Mostly there is also a logo “has been produced (made) in Lithuania”, sometimes with the exact geographical indication on the packaging of product. Interestingly, in Lithuania there are also trademarks with tradition and historical links which can be found in large markets and on local producer’s production labels as well.

However, marketing of LRF does not seem to be the major issue for the interviewed local food producers in Denmark, as only one respondent expressed an interest in developing marketing competence. One of the Swedish food producers expressed a need for better marketing

skills in order to reach more parts of Sweden. Another producer notes that a representation of different generations in the company broadens the network and marketing possibilities. Small scale Swedish producers highlight the strength of having several business branches, as for example combining food production with cultural experiences and tourism. This is, in a way, represents a means to market the produce. In Germany, Mecklenburg-Vorpommern, marketing expertise was sought after by the interviewed food producers. Foremost it was said that they would need some help with marketing their products, as for example consultation concerning product design and advertisement. Marketing may help the food processing firms to find new sale channels and adapt to new logistical approaches. One producer even mentioned the wish to get some marketing expertise for exporting the products in the north Baltic region. One producer indicated that “*No experience in marketing and advertisement*” was a weakness for the local food business in question. Another interesting angle was put forward in interviewing German food producers: by using the term “regional”, a new marketing concept can be developed which is not only of interest for tourists but also for local consumers.

Consumers’ views on marketing of local and regional food

How can LRF be efficiently marketed to consumers? According to the Swedish government there is a large potential for small scale food producers to increase their profit as a result of the demand of processed products, representing an added value in the form of the history behind the making of the product and a clear origin, often with a local and/or regional connection to where it is sold (Elmsäter-Svärd et al., 2005).

Lithuanian consumers are very positive towards special labels facilitating the identification of local food, 87% of the consumers in a national survey responded that they want that type of information on the packages of food. A majority of Danish consumers states that the labelling of locally produced food is sufficient. The trust in food that claims to be local vary, in Germany there is a lack of trust in these type of claims while there is an intermediate trust in Sweden and a relatively high trust in Denmark and Lithuania. The attitudes towards labelling are interesting as labels are an important way of marketing and promoting various types of food. Better understanding the consumer attitudes towards local and regional labelling of food may be one of the keys to efficient marketing of this type of food.

CHAPTER 4: DEVELOPING A GENERIC BUSINESS STRATEGY FOR LOCAL AND REGIONAL FOOD PRODUCERS IN THE SOUTH BALTIC REGION

This section seeks to formulate a generic business strategy that is relevant for a producer of local and regional food in the South Baltic region. Conceptually, it employs popular business strategy making tools, and, empirically, it draws on material from four national reports that describe the current situation of local and regional food production in South Baltic-adjacent regions of four EU countries (i.e., Zealand in Denmark, Skåne, Blekinge and Gotland in Sweden, Mecklenburg and Vorpomerania in Germany, and Lithuania).

The concept of business strategy has been variously defined in the business literature. At a most general level it refers to a means for achieving organizational goals (Ansoff 1965; Andrews 1971; Wilson and Gilligan 2005). A more elaborate definition of a successful business strategy involves four key elements or steps, i.e., (1) formulation of a long-term goal, (2) understanding of external environment; (3) knowledge of organizational internal capabilities; and (4) making a plan for attaining long-term goal by harnessing its core capabilities and environmental opportunities (Mintzberg and Quinn 1996; West et al. 2010). In the following, the extended definition of the business strategy will be applied for the development of the generic business strategy for producers of local and regional food in the South Baltic region.

4.1 Business strategy development

Step 1. Setting a long-term goal

As far as the first element of the generic business strategy is concerned, it is assumed that the long-term goal of a producer of local and regional food in the South Baltic region is to achieve a sustainable competitive advantage over bulk food producers. This assumption is based both on the logic of market competition (Schumpeter 1934; Porter 1980, 1985) and is confirmed by producers of local and regional food who were interviewed in the four countries. The producers of local and regional food in the South Baltic region are understood here as micro- and small-size agri-food enterprises (MSE) that compete on home food markets with bulk food producers.

Step 2. Conducting external environmental analysis

The second element of a generic business strategy deals with an analytical tasks of developing an accurate understanding of opportunities and threats that are present in the external environment of an agri-food firm that specializes in the production of local and regional food products and services on home food market. Business strategists employ different frameworks and tools to identify and analyze relevant factors in the external environment of the firm that may bear on its competitive performance, i.e., PESTLE (political, economic, socio-cultural, technological, legal, and environmental conditions) analysis (West et al. 2010), 5 Forces Model (Porter 1979, 1985, 2008), External Factors Evaluation Matrix (David 2009); Environmental Impact Matrix (Cravens 2009), and Strategic Group Analysis (Cravens 1994).

Figure 7 The external environment of a firm

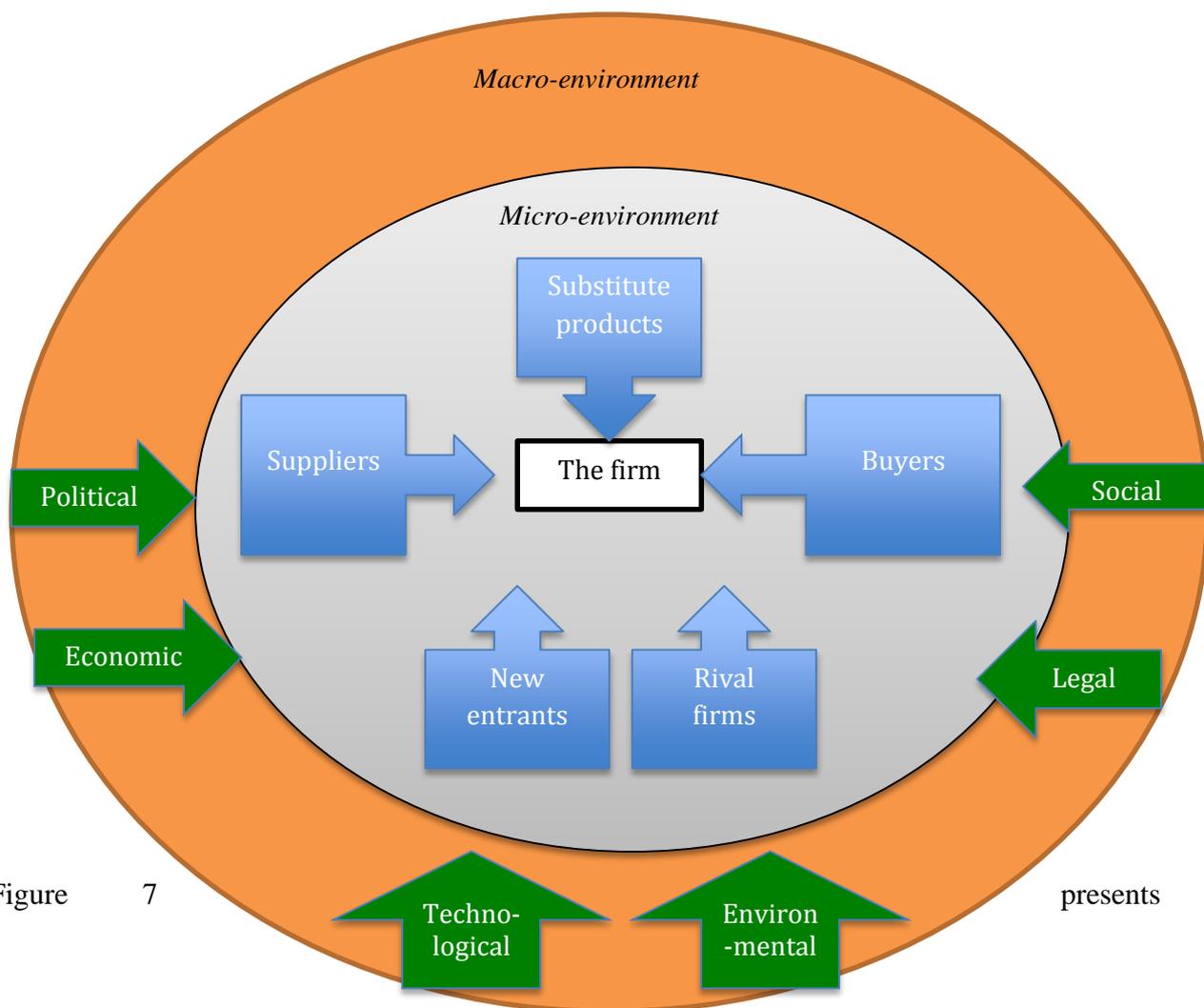


Figure 7

presents a

comprehensive framework that integrates the two most popular approaches to conducting environmental analysis, i.e., PESTLE and the 5 Forces Model. The framework distinguishes between macro- and micro-environment of the firm. The macro-environment of an average agri-food company in the South Baltic region may be construed as comprising a set of general environmental conditions, which affect all agri-food companies in the food industry and are outside of control of company' management. It includes general economic conditions of slow economic growth in late 2013 in the EU region, strict EU and national regulations regarding food safety, post-materialist social values that emphasize the quality of life and social responsibility of business, and recent technological developments that facilitate mass marketing via social media and on-line direct sales.

In turn, the micro-environment of an average agri-food company specializing in local and regional food production in the South Baltic region could be understood on the basis of the Porter's 5 Forces Model (1979, 2008) that specifies five key forces that shape the competitive environment in which a company find itself in its industry or the segment of the industry. To be precise, the Porter's 5 Forces Model provides for (1) the power of suppliers, (2) the power of the buyers, (3) the threat of new entrants, (4) the threat of the substitute products, and (5) the state of rivalry among competing firms in the industry or its segment. It is presumed that the stronger the joint impact of the forces, the smaller are chances for an average company to achieve a sustainable competitive advantage in the industry.

Table 2 displays the Environmental Impact Matrix (EIM) that summarizes relevant external factors both in macro- and micro-environment that presumably affect a micro- and small-size agri-food business in the South Baltic region. The EIM categorizes factors into opportunities or threats and assigns weights to each factor on a scale from -5 to +5. It may be gleaned from the EIM that political, economic, legal, and environmental conditions present currently a rather mild threat to a producer of local and regional food in the South Baltic region while societal values and lifestyles offer a significant opportunity for the growth in products and services of local and regional food producers. At the same time, suppliers and new entrants pose a moderate threat to agri-food businesses specializing in local and regional food production whereas stable demand from loyal customers, the low rate of competition in the relevant segment of the food industry (i.e., local and regional food products and services on home markets), and the low risk of developing

substitute products by the main competitors (i.e., bulk food producers) constitute significant opportunities.

Table 2 EIM for an average producer of local and regional food in the South Baltic region

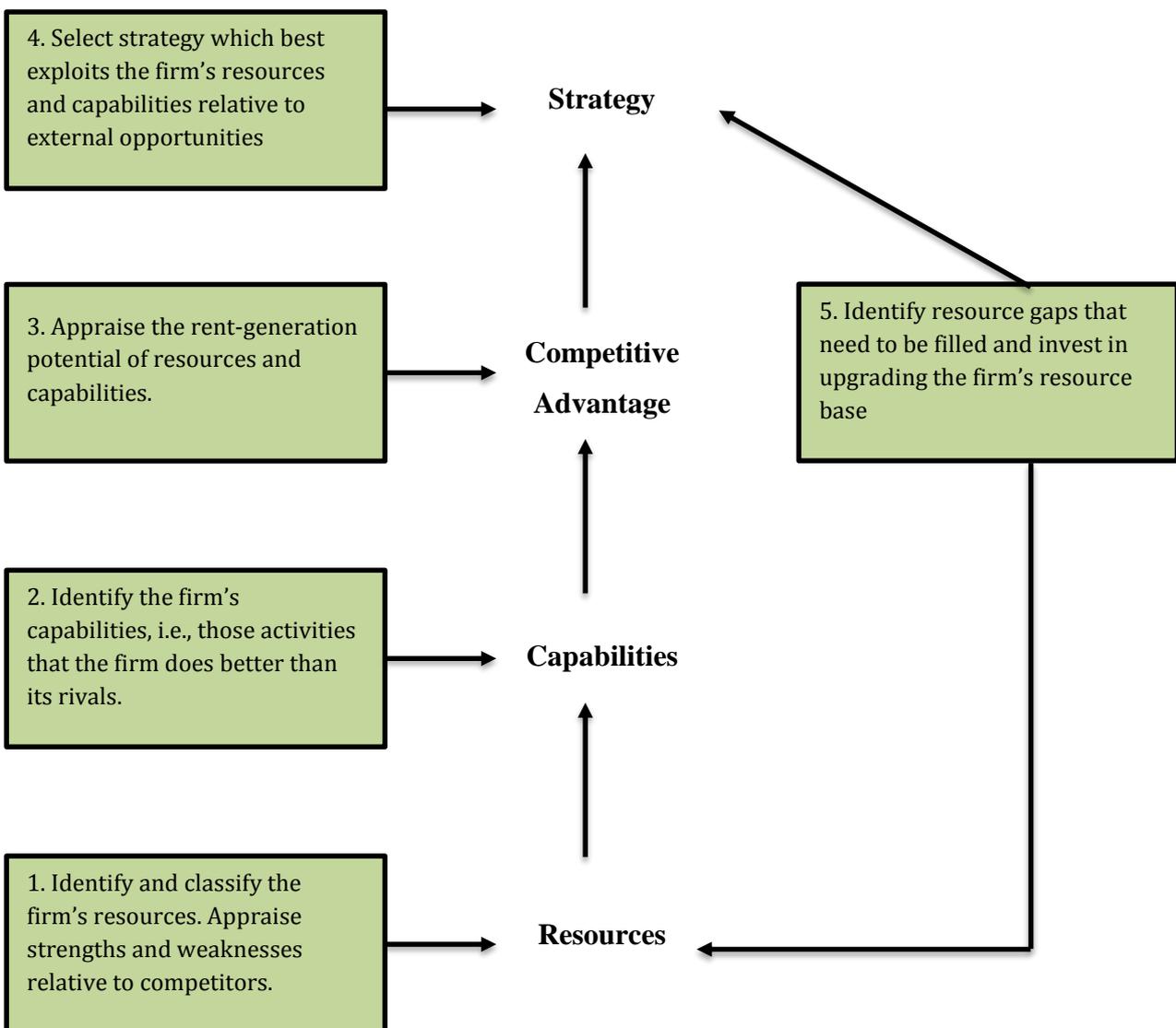
Factor	Impact of factor	Potential opportunity or threat
The macro-environment		
Political/legal	Increased EU and national legislation on food safety and product liability	Mild threat (-1)
Economic	General recession in home food markets is slowly recovering	Mild threat (-1)
Social	Increased public awareness about food safety, the value of environmentally sustainable agriculture, and support for domestic producers	Significant opportunity (+5)
Technological	Rapid technological innovation in transportation and communication disproportionately empowers bulk food producers. On the other hand, it enables SME to employ innovative marketing via social media and on-line direct sales	Neutral impact (0)
Environmental	General environmental degradation and climate change present a long-term threat but are not significant in a short-term.	Mild threat (-1)
The micro-environment		
The power of suppliers	Few suppliers dominate agri-business industry	Threat (-3)
The power of buyers	Small but loyal customers group exists and slow growth in the demand for local and regional food on home markets	Significant opportunity (+5)
Threat of new entrants	Barriers to entry in local and regional food segment of food industry are low	Threat (-3)
Threat of substitute products	Low risk of substitute product	Significant opportunity (+5)
Competitions	No competition with bulk food producers in the segment of local and regional food while rivalry among SME is moderate	Opportunity (+3)

Sources: IFZ 2010; Nilsson 2005; EU 2012.

Step 3. Performing internal organizational analysis

In addition to the external environmental analysis, a strategy making exercise requires an internal audit of resources and capabilities of an agri-food firm specializing in selling local and regional food products and services on a home food market. Business analysts commonly rely on two general methodological approaches to conducting internal organizational analysis, i.e., resource-based approach (Grant 1991; Barney and Clark 2009) and value chain approach (Porter 1985). The resource-based approach can be illustrated by a well-established practical framework that is displayed in figure 8 below.

Figure 8 Practical framework for internal analysis of resources and capabilities of a firm

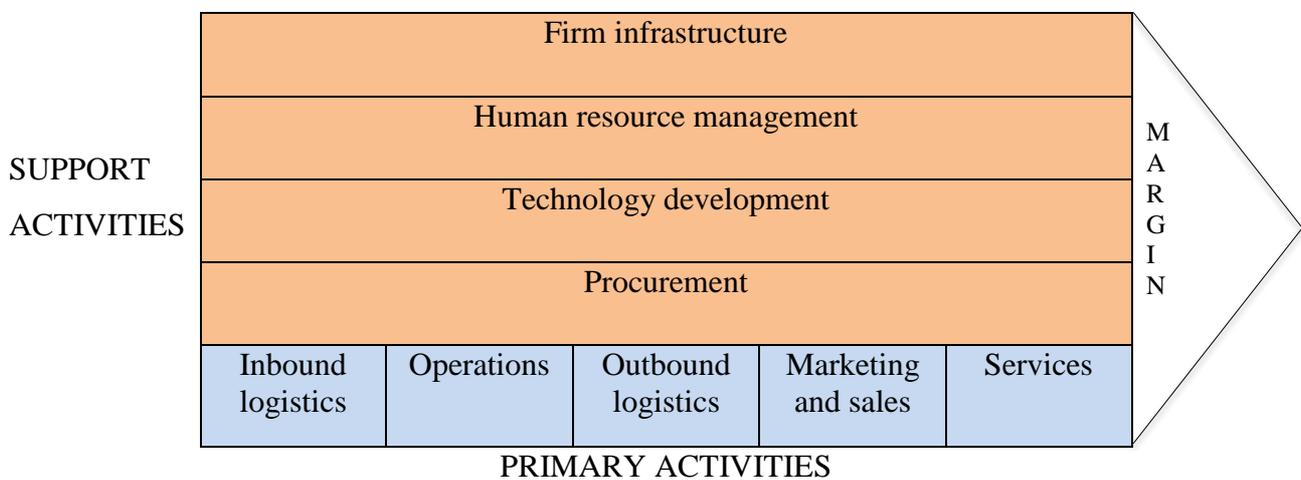


Source: Grant (1991, 115)

The resource-based framework guides the process of business strategy development by stipulating five steps. First, managers of the firm need to appraise the firm’s physical and human resources in terms of their strengths and weaknesses; Second, they have to examine functional processes, activities, and core competencies that form the firm’s capabilities; Third, managers are required to diagnose which key resources and capabilities constitute the firm’s competitive advantage; Fourth, they need to select a business strategy that links unique resources and capabilities with external opportunities; Fifth, managers are expected to identify resource gaps that are important to fill in by augmenting existing resources and capabilities.

A supplementary approach to performing an internal organizational audit was proposed by Michael Porter (1985) under the name of the value chain model. The Porter’s value chain approach views a firm as a collection of primary and secondary activities that are performed to design, produces, deliver and promote firm’s product and services on the market. Figure 9 shows the value chain concept.

Figure 9 Porter’s value chain model

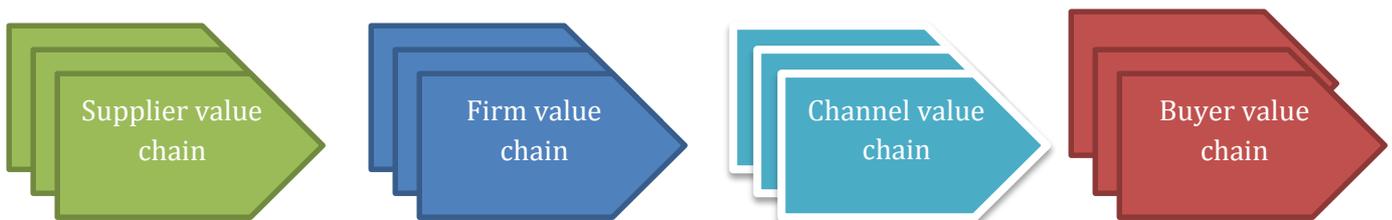


Source: Porter (1985, 37)

According to Porter, primary activities of the firm comprise those related to inbound logistics, production processes, outbound logistics, marketing and sales and after sale services for its main product. In addition, support activities of the firm refer to functional activities concerned with procurement, human resource management, and research and development. This model may be useful for systematically examining internal activities of the firm as well as the extent of synergies

among them. The model could be further extended to describe different product lines and/or business units of the same firm and of the entire industry, as shown in figure 10.

Figure 10 Value system in an industry



Source: Porter (1985, 35)

The application of the value chain concept at a sub-firm (i.e., specifying value chains for different product lines) and an industry (i.e., describing value chains for different firms in the same industry or its segment) levels offer a critical insight for practitioners: (1) it enables a better understanding of core activities of the firm; (2) it allows differentiation and comparison of the firm's own value chain/s with that of its main competitors; (3) it permits identification of potentials for increasing synergy among various internal activities of the firm and among activities of different firms (i.e., horizontal and vertical integration strategies).

Both the resource-based approach and the value chain approach can be jointly applied to the assessment of internal organizational resources and capabilities of an agri-food MSE in a local and regional food segment of the food industry in the South Baltic region. The strategic capability profile (SCP) offers a comprehensive framework that integrates these two diagnostic approaches. Table 3 shows SCP for an average producer of local and regional food.

Table 3 SCP for a producer of local and regional food in the South Baltic region

Internal area	Resource/competence	Strengths or weaknesses (weight)
Resource audit		
Physical resources	Standard facilities and equipment is employed by an average agri-food SME	Neutral (0)
Human resources	Shortage of highly trained technical staff in marketing, accounting, food safety, legal and administrative regulations	Mild weakness (-2)
Financial resources	Limited access to financial capital	Weakness (-3)
Value chain activities		
Support activities	Small size of an average local food producing firm (e.g., family owned) limits the extent of specialization in functional activities	Mild weakness (-2)
Inbound logistics	Reliance on a limited number of suppliers	Weakness (-3)
Operations	Integrated cycle of production, diversified product lines allow for production of diversified high quality unique products	Strength (+4)
Outbound logistics	Logistical challenges in delivering local food products grown and raised in the countryside to customers that reside in big cities	Weakness (-3)
Product design, marketing and sales	Local and regional food products have inherent unique identity that resonates with a small loyal customer group.	Strength (+2)

Sources: IFZ 2010; Nilsson 2005; EU 2012.

A generic resource audit reveals that a producer of local and regional food in the South Baltic region has a moderate weakness in human and financial resources whereas physical resources do not pose a serious challenge. Moreover, an examination of value chain activities identifies weaknesses in support activities, logistics and transportation. By contrast, the organization of production, marketing and sales of local and regional food products by an agri-food MSE in the region possess relative strengths. In general, the internal analysis clearly establishes micro- and small-size as a major structural constraint of a standard local and regional food producer.

Step 4. Making strategic choice

Having conducted one by one the external environmental analysis and the internal organizational analysis of a local and regional food producer in the region, it is necessary now to integrate these two aspects of the analysis, generate strategic options, and select that business strategy that offers the most favorable competitive positioning for an agri-food MSE on home food market. To this objective, business strategists employ diverse business tools, i.e., SWOT/TOWS analysis (Wehrich 1982), directional grand strategies (Wheelen and Hunger 2004), Porter's generic strategies (Porter 1985), and Ansoff's product/market matrix (Ansoff 1957). In the following, I will briefly review each of these business tools, apply them to the material from the four national reports, and draw some conclusions about the way forward.

4.2 SWOT/TOWS analyses

SWOT matrix (i.e., Strengths (S), Weaknesses (W), Opportunities (O) and Threats (T) is a popular business tool that is routinely applied by managers for the purpose of situational analysis and strategy planning (David 2009; Thompson, Strickland, and Gamble 2010; Wehrich 1982). SWOT enables analyzing and developing business strategies for a firm in an industry or a segment of industry, based on the analysis of company's external environmental conditions and its internal characteristics. To ensure that SWOT analysis does not merely result in a "balance sheet" of virtues and drawbacks of a typical local and regional food SME in the South Baltic region, TOWS analysis of available strategic alternatives is also recommended (Wehrich 1982).

Figure 11 displays a SWOT/TOWS matrix that pulls both SWOT and TOWS analyses together. While the SWOT matrix allows generating separate lists of strengths, weaknesses, opportunities and threats, the TOWS matrix makes clear four basic strategies available to strategists (i.e., SO, WO, ST, and WT).

Figure 11 SWOT/TOWS matrix

<p style="text-align: center;">Internal factors</p> <p>External factors</p>	<p style="text-align: center;">Internal strengths (S)</p>	<p style="text-align: center;">Internal weaknesses (W)</p>
<p style="text-align: center;">External opportunities (O)</p>	<p style="text-align: center;">SO: Maxi-Maxi Strategy</p> <p>The SO strategy seeks to maximize both internal strengths and external opportunities</p>	<p style="text-align: center;">WO: Mini-Maxi Strategy</p> <p>The WO strategy attempts to minimize internal weaknesses and maximize external opportunities</p>
<p style="text-align: center;">External threats (T)</p>	<p style="text-align: center;">ST: Maxi-Mini Strategy</p> <p>The ST strategy is based on the strengths of the organization that can deal with threats in the environment.</p>	<p style="text-align: center;">WT: Mini-Mini Strategy</p> <p>The WT strategy aims at minimizing both weaknesses and threats</p>

Source: Weihrich (1982, 61)

A direct application of SWOT/TOWS matrix to the task of the identification and analysis of strategic options relevant for a typical producer of local and regional food in the South Baltic region may be too cumbersome. Therefore, I present SWOT and TOWS analyses separately in table 4 and Table 5, respectively. Table 4 draws on information that was already discussed in the preceding sections covering the external and internal analyses. In addition, it incorporates findings from the four national reports that were assembled and discussed by Regfood project's partners.

Table 4 SWOT analysis of a producer of local and regional food in the South Baltic region

The Internal Analysis	
<p style="text-align: center;">Internal strengths (S)</p> <ol style="list-style-type: none"> 1. High quality of local and regional food products 2. Uniqueness of local and regional food products 3. Distinct identity and traceability of local and regional food products 4. Good reputation with customers 5. Ethical values (e.g., sustainability) 	<p style="text-align: center;">Internal weaknesses (W)</p> <ol style="list-style-type: none"> 1. High costs of the unit of production 2. Diseconomy of scale 3. Logistics 4. Marketing 5. Human resources 6. Product development 7. Technology 8. Management
The External Analysis	
<p style="text-align: center;">External opportunities (O)</p> <ol style="list-style-type: none"> 1. Niche market for local and regional food products 2. Growing customers' demand for local and regional food 3. Technological innovation for direct on-line sales and use of social media for mass marketing 	<p style="text-align: center;">External threats (T)</p> <ol style="list-style-type: none"> 1. Limited access to financial capital 2. Seasonality of business 3. Complex regulations at national and EU levels 4. Low attractiveness of the industry for young, talented, and skilled labor force 5. Environmental degradation and climate change

Table 4 summarizes generic strengths and weaknesses of an agri-food MSE specializing in local and regional food as well as broad threats and opportunities that may affect the entire population of small-scale producers of local and regional food in the South Baltic region. To make sense of these extensive lists, reduce the complexity of the data, and generate a limited number of strategic options, I present the data in the TOWS matrix.

Table 5 TOWS analysis of a producer of local and regional food in the South Baltic region

		External environmental conditions	
		Opportunities (O)	Threats (T)
Internal organizational and/or industry conditions	Strengths (S)	SO strategies Market penetration Market development Product development	ST strategies Horizontal integration
	Weaknesses (W)	WO strategies Vertical integration	WT strategies Retrenchment

The TOWS analysis of the data from national reports suggests a range of strategic options that are derived by making different linkages among environmental opportunities and threats and internal organizational strengths and weaknesses. These strategic options should be understood against the backdrop of grand directional strategies (Wheelen and Hunger 2004) and Ansoff’s product/market matrix (Ansoff 1957).

4.3 Grand directional strategies

There are three grand directional strategies that managers of the firm may consider when conducting strategic analysis. These strategies comprise (1) growth strategies that involve different forms of expansion of the firm’s activities; (2) stability strategies that entail no change in the current activities; and (3) retrenchment strategies that call for the reduction in the level of the firm’s current activities. In turn, the growth strategies could be sub-divided in two major categories: concentration on one product line or one segment of industry and diversification into new products and/or markets. Table 6 presents a simple classification of grand directional strategies.

Table 6 Three grand directional strategies

Growth strategies	Stability strategies	Retrenchment strategies
<p style="text-align: center;">Concentration</p> <p>Vertical forward integration</p> <p>Vertical backward integration</p> <p>Horizontal integration</p> <p>Market penetration</p> <p style="text-align: center;">Diversification</p> <p>Market development</p> <p>Product development</p>	<p>No change</p>	<p>Sell out/Divestment</p> <p>Bankruptcy/liquidation</p>

Source: Based on Wheelen and Hunger (2004)

The two types of the growth strategies could be further elaborated with the help of Ansoff's product/market matrix that delineates different approaches regarding the types of products and markets that managers of the firm may decide to target.

4.3 Ansoff's product/market matrix

Igor Ansoff (1957) has suggested the framework that is useful in sorting out different types of growth strategies involving the product and market distinctions. Table 7 displays the Ansoff's product/market matrix and delineates the four types of growth strategies, i.e., market penetration, product development, market development, and diversification.

Table 7 Ansoff's product/market matrix

	Present product	New product
Present market	<p>MARKET PENETRATION STRATEGY</p> <ul style="list-style-type: none"> • Increase share of customer spending • Increase market share 	<p>PRODUCT DEVELOPMENT STRATEGY</p> <ul style="list-style-type: none"> • Product modification via new features • Different quality levels • New product(s)
New market	<p>MARKET DEVELOPMENT STRATEGY</p> <ul style="list-style-type: none"> • New markets • New distribution channels • New geographic areas 	<p>DIVERSICATION STRATEGY</p> <ul style="list-style-type: none"> • Joint ventures • Mergers • Acquisitions/takeovers

Source: Ansoff (1957, 114)

Having clarified the major types of strategies, I return to table 5 that displays strategic options available to producers of local and regional food in the South Baltic region. The SO strategies comprise the host of growth marketing strategies that could be currently pursued by managers of agri-food SMEs: market penetration, market development, and product development.

The SO strategies consist of a host of growth-oriented and marketing-driven strategies, i.e., market penetration, market development, and product development. Market penetration strategy falls under the concentration type of the growth's family of strategies and seeks to increase a market share for present local and regional food products and services in present food markets through greater marketing efforts on home food market. Market development belongs to a diversification category of the growth strategy and focuses on introducing present local and regional food products into new geographic areas through greater marketing efforts on foreign food markets, e.g., EU and globally. Product development fits also the diversification sub-type of the growth

strategy and seeks to increase sales by improving present local and regional products and services or developing new ones through investments into research & development.

The WO strategies also comprise two types of strategies that could be classified as a growth-oriented concentration strategy, i.e., vertical integration. In theory, there are two types of vertical integration, i.e. vertical forward and vertical backward integration strategies. The vertical forward integration strategy aims at increasing control over distributors and retailers through strategic partnerships. In turn, the vertical backward integration strategy seeks an increased control over a firm's suppliers through strategic partnerships. However, the majority of producers of local and regional food feature a fully integrated production cycle where the room for further integration is limited along the supply chain. Thus, the WO strategy does not offer a viable option for an average agri-food SME in the South Baltic region.

The ST strategy directs attention to another type of growth strategy, i.e., horizontal integration. In principle, the horizontal integration seeks to increase control over a firm's competitors in its major industry or its segment through synergy and strategic partnerships. In addition, the horizontal integration strategy involves increasing levels of communication with regulators and improved access to financial capital through synergy and strategic partnerships.

Finally, the WT strategy falls most naturally into a category of retrenchment strategies. It aims at regrouping through assets and cost reduction of local and regional food to reverse declining profits.

4.4 Porter's generic competitive strategies

Another popular approach to devising a business strategy in the business literature is to employ Porter's typology of generic strategies. Michael Porter has offered three generic strategies based on the type of strategic advantage of the firm and the scope of its strategic target. Table 8 illustrates the original formulation of the three generic competitive strategies, which were subsequently elaborated by Porter himself, and his followers.

Table 8 Porter's three generic strategies

		STRATEGIC ADVANTAGE	
		Uniqueness Perceived by the Customer	Low Cost Position
STRATEGIC TARGET	Industry wide	DIFFERENTIATION STRATEGY	OVERALL COST LEADERSHIP STRATEGY
	Particular Segment Only	FOCUS STRATEGY	

Source: Porter (1980, 39)

Porter's competitive strategies are constructed along two dimensions of the concept of competitiveness, i.e., basis of competitive advantage and strategic target. The first dimension, the basis of competitive advantage, is sub-divided into two qualitative categories: uniqueness of product perceived by the customer and the low cost position. The second dimension, the strategic target or competitive scope, is conceptualized as dichotomous variable with two values, i.e., an industry-wide scope and an industry's segment scope. The cross-tabulation of these two dimensions creates a qualitative typology of competitiveness or competitive strategies consisting of three types: differentiation strategy, overall cost leadership strategy and focus strategy.

Differentiation is a generic strategy that involves the creation of distinctly differentiated products and/or services on the market for which the firm may charge a premium. The differentiation may be achieved due to unique design, technological features, or particular focus on customer service. Cost leadership is acquired as a result of efficient production and supply of low-cost products and/or services to the customer. Focus strategy carries out low cost or differentiation approaches to narrower buyer group or geographic market and attempts to serve only that niche.

Porter’s rudimentary typology could be further developed by considering all feasible combinations on three distinct dimensions of the concept of competitiveness. Table 9 presents such an elaborated typology consisting of eight types that are subsequently reduced to six meaningful categories.

Table 9 Elaborated typology of generic business strategies

		Product cost position			
		<i>Low</i>		<i>High</i>	
		Unique product quality		Unique product quality	
		<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
Scope of the target market	<i>High</i>	(1) Low-cost broad strategy	(2) Best-cost broad differentiation strategy	(3) N/A	(4) High-cost broad differentiation strategy
	<i>Low</i>	(5) Low-cost focused strategy	(6) Best-cost focused differentiation strategy	(7) N/A	(8) High-cost focused differentiation strategy

Source: This is an author-developed typology based on discussion of generic strategy classification by Porter (1980, 35-40; 1990, 39) and of a five-generic strategy by Thompson, Strickland, and Gamble (2010, 140).

The updated typology features low-cost broad strategy, best-cost broad differentiation strategy, high-cost broad differentiation strategy, low-cost-focused strategy, best-cost focused differentiation strategy, and high-cost focused differentiation strategy. The distinctions among the six types of strategies are meaningful and provide managers of the firm with a more nuanced understanding of different competitive approaches.

If applied to the task of elucidating potential strategic options available to producers of local and regional food on home food markets, it may be asserted that the low-cost broad strategy is a preferred choice of bulk food producers. A standard producer of local and regional food utilizes

currently the high-cost focused differentiation strategy that focuses on a specific group of customers on home food market. There are, however, other four potential strategic options that are worth considering if producers of local and regional food would choose to pursue growth-oriented grand strategy.

Within the four strategic options available the two offer the most promise for producers of local and regional food: the best-cost focused differentiation strategy and the high-cost broad differentiation strategy. The former requires reducing costs of production while maintaining the quality standard of food products and services. It could achieve lowering in costs via mass marketing (i.e., reducing costs of product design and mass marketing by utilizing advanced technologies of on-line sales and social media) and strategic partnership (e.g., horizontal integration of producers of local and regional food and effective cost-sharing on related tasks). Realization of this strategy is premised on the capacity to attract skilled labor and pro-active initiative of managers to build strategic partnerships.

The second-best strategic option is to pursue the high-cost broad differentiation strategy. It involves market development for local and regional food both within and outside of home food markets. The implementation of this strategy would rely on aggressive marketing at home and abroad. The remaining two strategies, best-cost broad differentiation strategy and low-cost focused strategy, are more difficult to attain but are, in principle, viable options. Their realization requires, however, significant efforts at both introducing more cost-efficient processes and penetrating markets. These strategies may be regarded as more appropriate for the main competitors, i.e., bulk food producers, who may decide to move into the segment of local and regional food.

CHAPTER 5. CONCLUSION

5.1 Discussion of the findings and their implications for the implementation of the Regfood project

This report inquired into specific conditions that matter for the competitiveness of producers of local and regional food in the food sector in the South Baltic region. It sought also to formulate appropriate interventions that could enhance competitiveness of producers of local and regional food.

To gain insight into the research question and to advance towards its objectives, the report employed both deductive and inductive modes of inquiry. It began with a deductive development of a conceptual framework of competitiveness of producers of local and regional food, drawing on literature in economic and business management. Due to the fact that data collection for national papers commenced prior to the final development of the analytical model, this framework was not directly employed in the empirical analysis of environmental conditions and internal capabilities of local food producers in the South Baltic region. Nevertheless, it theoretically bounded the empirical analysis that proceeded in two steps: First, four national reports were compiled by Regfood project partners, based on a structural questionnaire; Second, national reports were content analyzed with reference to the conceptual framework. Such theory-driven and evidence-based analysis led to the identification of two principal problems for the competitiveness of local food producers in the South Baltic region, i.e., a small size related, structural constraint and weak management capacity-related, organizational constraint.

As possible solutions to these problems, the report proposed developing management capacity and networking competencies of producers and students. In conclusion, it proposed an intervention model that links two intervention strategies, education of students in relevant business management techniques and the promotion of partnership building among producers of local and regional food in the south Baltic region. In the following, there offered specific recommendations in relation to networking, marketing, and business strategy development.

5.1.1 Networking (Philipp Brinkman)

Usually large food enterprises orientate their products on mass appeal and of the international markets. In contrast to this, small-scale food firm often produce regional specialties (Avermaete 2003) and in the majority of cases they distribute their foodstuffs in a distinctive area close to production facilities. They utterly don't have a long-range distribution network. Against this background and in the face of the globalized food market with a vast transnational commodity flow, it can be assumed that micro and small-scale food producer meet the criteria of an "idealized regional food producer". Therefore, **the regfood-project should focus on small and micro sized companies**. These companies have the biggest potential to preserve traditional craft based food productions and the regional culinary heritage. Small and micro sized companies have – compared to bigger companies – a lot of sized related disadvantages, as it becomes clear in chapter 4. About 80% of the food companies in the EU-27-are still micro sized companies (Leis, Gijssbers and van der Zee 2011) but the national analyses emphasize that this amount is already declining. Networking is one of the key instruments to help these small and micro enterprises to extend their business activities (e.g. synergies like a better access to potential business partners, knowledge exchange, and cost sharing, joint marketing), as emphasized in chapter 4. Therefore **learning modules regarding networking should be developed** in the context of the regfood project. These learning modules should represent the competences of the different institutes of the regfood project, which it is shown in the figures below. The aim should be the development of modular composed learning-items. The potential target audience for these items could be practitioner from the food sectors as well as students from higher educational institutions.

In order to establish a basis for a successful acting in the context of networking, a distinctive competence is needed. "We define networking competence as the resources and activities of a focal company to generate, develop, and manage networks in order to take advantage of single relationships and the network as a whole" (Gemünden and Ritter 1997: 297). So if networking will be a landmark theme for the Regfood project networking competence should be taken in account as well.

5.1.2 Marketing (Viktoria Olsson)

The narrative analysis of the national papers suggests that marketing is an issue put forward by all stakeholders in the food system. The study indicates that food retailers and food service establishments may be more important as arenas for exposing the local produce than what has perhaps previously been recognised. Advising food producers in how to use these marketing channels more efficiently may be one future focus area for the Regfood project. Another important issue that was highlighted through the analysis is that the need for better understanding of the underlying factors coupled to consumer attitudes towards labelling of local and regional food. It is very interesting that the trust in local food as such and in the credibility of different labelling schemes vary in between the partner countries. A further investigation in this area may well be of interest for the educational purposes of the Regfood project.

5.1.3 Business management capacities (Anton Petrenko)

Chapter 4 in this report has sought to address the question of what business strategies could be best utilized by producers of local and regional food in the South Baltic region to enhance their competitiveness and attain sustainable competitive advantage over their main competitors on home food markets, i.e., bulk food producers. To this objective, the chapter reviewed standard strategic management tools and applied them to the material from the four national reports that described the current situation and emergent trends in production of local and regional food in the South Baltic region. The chapter concluded with identifying the two best strategies available to managers of agri-food MSEs specializing in local and regional food production. The first strategy is the “best-cost focused differentiation” strategy. It calls attention to the need to decrease costs of production by relying on horizontal integration and innovations in on-line technology-enhanced mass marketing. The second strategy is the “high-cost broad differentiation” strategy. This approach requires more aggressive marketing initiatives that could enlarge the competitive scope in the size of the customers group or geographic market both at home and abroad. Managers of agri-food businesses are advised to carefully consider these two options and assess their viability in short- and long-term.

At the same time, chapter 4 in this report identified a significant resource gap related to the shortage of educated high-skilled labor that could be recruited by managers of agri-food companies active in the segment of local and regional food industry. The shortage of the supply of

qualified force with competencies in marketing, administration, and supply-chain management could be addressed by specialized educational institutions in the South Baltic region. The development of relevant educational programs and training of a score of specialists in local and regional food production could alleviate the current problem with insufficient supply of qualified human resources. The managers of educational institutions, e.g., those involved in Regfood project, should evaluate how their institutions can best address this resource gap and assist in building capacity of the labor force in this strategically important segment of the food industry.

5.2. Intervention model

The preceding analysis has shown that increasing competitiveness of producers of local and regional food in the South Baltic region implies two business strategies: The first strategy would focus on countering structural constraint related to micro- and small scale of production (i.e., increasing economic productivity) through increased networking and partnership; The second strategy would seek to increase levels of competence and skills of students and managers of local food enterprises in business management through development of focused educational programs. Figure 12 illustrates the logic underlying the intervention model.

Figure 12 Intervention model

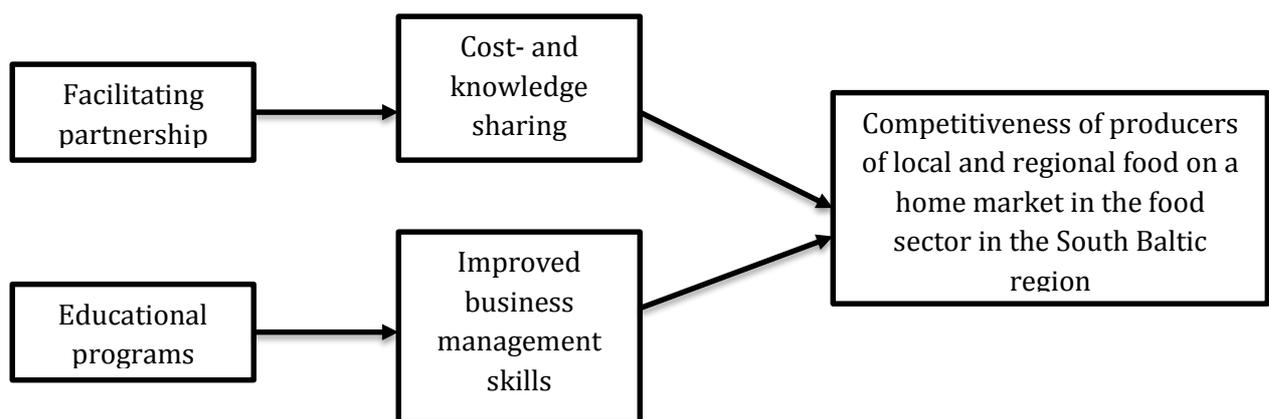


Figure 12 suggests that competitiveness of local and regional food producers may be strongly enhanced because the broad partnership among producers, customers, and authorities in the food

sector could facilitate cost- and knowledge sharing and hence alleviate the structural constraint, related to micro- and small-size of the local food enterprises. In addition, the food sector in the South Baltic region needs highly educated and skilled workforce that is trained in modern business management. Development of educational programs in areas of marketing, supply-chain management, and business strategy, therefore, is a precondition for the improvement in the levels of competencies of managers and staff of local food enterprises and their subsequent competitiveness levels on food market at home and abroad. Overall, the investment in education in these areas has a strong potential for rendering regional education more attractive, increasing job competences, and further developing new job and business opportunities, thereby, promoting regional economies within and beyond the food sector in the South Baltic sector.

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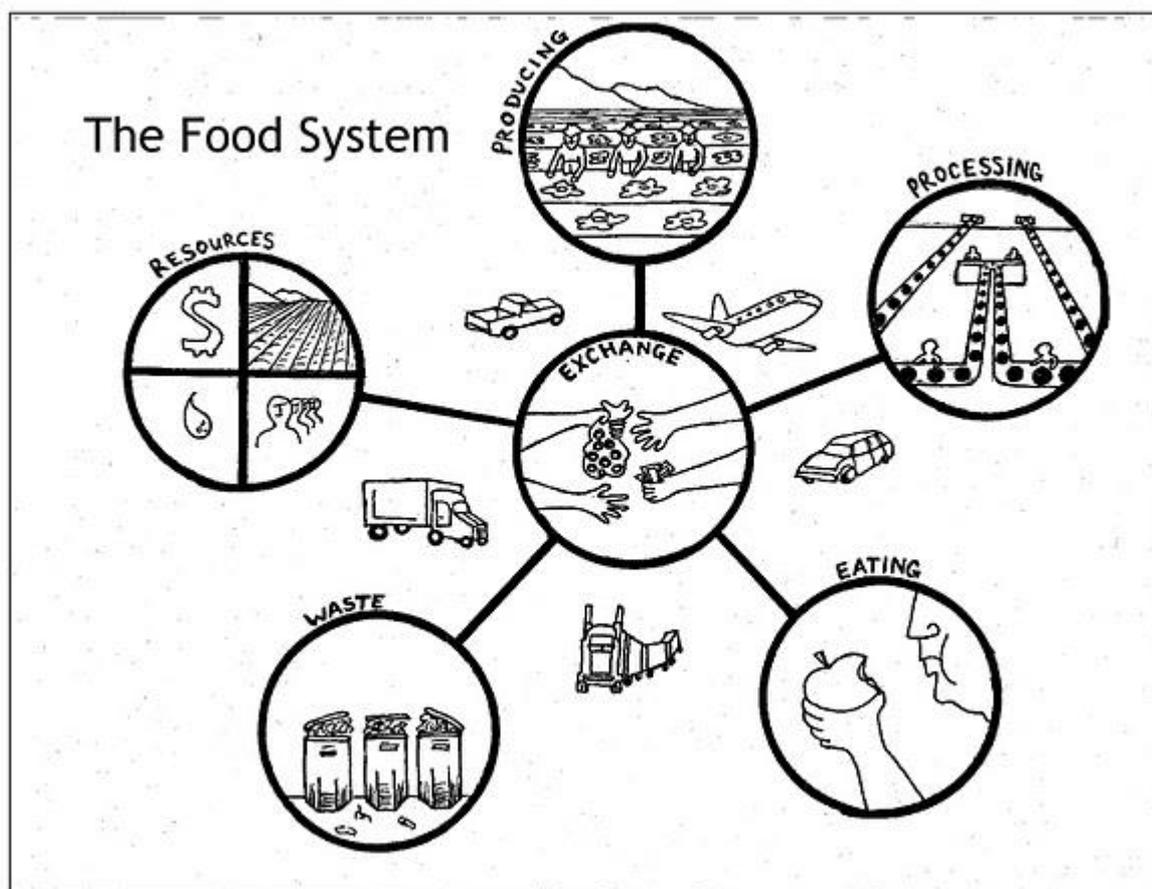
APPENDIX A. QUESTIONNAIRE FOR DATA COLLECTION

The questionnaire seeks to collect information from primary (i.e., interviews) and secondary (i.e., national statistics) about:

- a. Local food systems in partners' regions in Germany, Denmark, Lithuania and Sweden.
- b. Local food service in partners' regions in Germany, Denmark, Lithuania and Sweden. Regional analysis will also look in commonalities and differences across South Baltic countries.
- c. Local food producers' perceptions of threats and opportunities to local food production
- d. Local consumers' perceptions of benefits of local food.

To facilitate the systematic and structured collection of data and material on the afore-mentioned points, the common list of questions is provided below. Each country will provide an input (10 pages in English) addressing each of the questions in turn.

Description of local food system



1. What is the average size (in hectares and animal heads) of the producer of primary local/regional food (LRF) in your country?
2. What kinds of LRF are produced in your country/region (2011)?

3. How much LRF was produced (tons) in your country/region (2011)?
4. How many (%) food processing companies of small-size, mid-size and large-size are in your country/region (2011)?
5. What are the main distribution channels?
6. What types of common labels and/or marketing systems (indicating that the food is locally produced) do you have in your country/region?
7. What are trends (in last 5 years) in LRF production?

Local Food Service

1. How many (the number and %) restaurants serving LRF are in your country/region (2011)?
2. What are the benefits of serving of LRF for restaurants in your country/region?
3. What kind of meals made of LRF do you serve?
4. What are opportunities and challenges for serving LRF at your restaurant?

Local food producers' perception of opportunities and barriers to local food production

To collect information about perceptions' of local food producers in a systematic way a questionnaire could be administered to 5-7 local food producers at personal meeting or by phone. Due to methodological limitations (e.g., no representative sampling, no large number of respondents, no statistical analysis of data), it is not possible to draw inferences or generalize from these data. However, this questionnaire could be used as a qualitative tool to inform the design of the training course on local and regional food and ensure that it is relevant to local food producers as well. The structure of the questionnaire is as follows:

1. Name
2. Gender
3. Age
4. What type of local food do you produce?
5. What "local food" mean to you? How would you define it?
6. What is your definition of "regional food"?
7. How do your customers understand "local food"?
8. How did you decide to start a business on local food?
9. What kind of help did you get in developing your local food business?
10. What is a desired profile of an employee for your local food business?
11. Do you need assistance from a consultant to further develop your local food business?
12. What are the strengths of your local food business? Why?
13. What are the weaknesses of your local food business? Why?
14. What competencies/capacities would you want to develop yourself and for your company?
15. What are the opportunities for your local food business? Why?
16. What are the risk/threats for your local food business? Why?
17. How can a project like "Regfood" help you in your local food business?

Local food consumers' perceptions

To get insight into the consumers' perception about local food, the following research questions shall be studied. Information for these questions could be obtained from published national surveys of public opinion.

1. Are you familiar with the concept of local food?
If yes: Where do you buy it (e.g., farmer's shop, street market restaurant, grocery store, supermarket, etc.)?
2. What do you associate with local food? (e.g., radius of 50 km, short distance, etc.)
3. What are the characteristics of local food?
4. What do you think of the quality of local food? (e.g., freshness, tastiness, traditional production, etc.)
5. How important is it to you to buy local food?
6. Has your attitude to local food changed over the last 5 years?
7. Are you willing to pay more for a local food product as compared with conventional food?
8. How much of your total budget goes to buying local food?
9. How much of your food budget goes to buying local food?
10. How much trust do you have in food which claims to be local?
11. Should there be special "labels" facilitating the identification of local food?

ANNEX B Reduced data table

	Denmark (National level)	Sweden (Skåne, Blekinge, Gotland and Småland)	Germany (Mecklenburg – Vorpomerania)	Lithuania (National level)
Competitiveness of local food production				
What is a share of local and regional food products on home market in the food sector?	Oatmeal 41% milk 29% egg 23% oil 22% wheat flower 20%	?	?	Milk (24%), livestock (20%), grain (20%), industrial crops (10%)
What is a share of producers of local and regional food in the food sector?	About 400 farm shops employing 0-49 persons ?	About 3.000 companies (0-20 employees) in Sweden. In Skåne, there are 400 companies in food sector.	165 food companies: 81 (20-49), 75 (50-249), and 14 (more than 250). 367 craft-based food businesses. 2,730 catering companies.	844 food and beverage manufacturing companies
What is a share of restaurants serving local and regional food in food service sector?	Total 1131 restaurants. No data about the number of those that serve local food.		6.500 enterprises in hotel and restaurant industry. 1.400 are members of association (DEHOGA-MV). Out of this number, 938 enterprises serve LFP.	18 members in national network of restaurants(?)
What is a comparative advantage of your local and regional food business?	Quality, uniqueness, ecological products, traceability, identity of products, qualified staff, full cycle of food production, healthy, sustainably produced, local identity, support for national economy	Authentic unique local products, experience gastronomy, history of product, flexibility, quality, the whole process, good reputation, sustainable, social values, direct customers' contacts.	Direct connection between cultivation and consumption, unique products, healthy food, high quality and variety of products, experience gastronomy, networking, direct marketing.	Fresh food, exquisite cuisine, customers' appreciation.
What are disadvantages of local and regional food production?	High cost of products, difficulty of communicating quality to customers, logistical challenges to serve small number of customers, seasonal character of business (short vacation period, tourists),	Capital availability, low negotiation leverage with big companies, local knowledge in the family, overworking, seasonality, underused capacity.	Diseconomy of scale (high costs for development of new products, purchasing new technologies), recruitment of skilled workers, uncooperative administration, no experience in marketing, odor	

	capital availability, shortage of qualified staff		nuisance, seasonality.	
What customers associate with local food?	Quality 70%, taste 57%, knowledge of producer 33%, proximity to home 31%, environmentally sustainable, healthy, supporting local economy.	Based on consumers' values and beliefs, shorter transport, environmental sustainability, impact on local economy, ethic animal husbandry and high product quality, high price, and good taste.	Local origin, short transport distance, pollution control.	Local origin and local raw products, safe, healthy, fresh, traditional, ecological, tasty.
What do you think of the quality of local food?	Freshness (76%), taste (64%), sustainability (20%), and knowledge of producer (22%).		Traditional food, short transport distance, freshness. Sustainability, health, safety.	Fresh, tasty, healthier.
Why is it important to you to buy local food?	Fresh food, environmental sustainability, economic impact, social contact with producers, health	To promote shorter transport, the environment, small scale food production and a vital countryside, food security, food safety, ethical animal husbandry.	Highly important for 30% and important for 27%.	94% important and very important.
Partnership and networking				
What factors promote local and regional food production?	Networking, education, marketing	Financial support, marketing, networking, education, process/product development, logistic and transport solutions,	Financial support, knowledge in marketing and hygiene, focus on customers, service quality, product database development, management, networking.	
Marketing				
Is marketing of local and regional food by means of labeling is currently used?	EU Geographical indications DOP (BOB in Danish) labels, Culinary heritage.	Culinary heritage.	Bio-Siegel, Biosphärenreservat, EU Geographical indications (DOP).	"Euro-leaf", written statement about local or national origin, ecological label, about 50 labels for traditional food.
What marketing initiatives facilitate LFP in your region/country?	State - Ministry of Food, Agriculture and Fisheries (Madkulturen). Private – Smagen af Danmark, Slow food,	"Taste Skåne", "Sweden as the new culinary nation"	Rugen Produkt, Unser Norden, Unser Heimat & Gut.	

	spis lokalt, smag på landskabet, farmers market.			
Should there be special "labels" facilitating the identification of local food?	Labels communicating locality (origin) have competitive advantage.		76% are not aware of regional labeling and believe that it would increase their trust.	87% believe that labeling would increase their trust.
What are the opportunities for your local and regional food production?	Extending services (e.g. catering) and product development, to minimize waste, increase sustainability (energy, waste management), developing products that large producers cannot produce.	Multi-functionality, possibility to expand products,	Growing market for organic and regional food, increasing efficiency of summer season, increasing awareness of customers about regional identity of food and sustainably produced food, networking and cooperation with other businesses.	Growing market for locally grown, organic, and healthy food, need for increasing cooperation and networking, development of direct sales, technological innovation facilitates direct sales.
How much customers are currently aware of local and regional food?	N=50, non-representative sample at family café 76% buy local food 2-8 times a month.	No systematic research, in general interest is high for a large group.	Based on nation-wide survey: 87% consider regional food topical and 89% consider organic food topical	Based on web-based survey of 103 respondents: 46% are familiar.
Are you willing to pay more for a local food product as compared with conventional food?	Willing to pay extra 25%.		About 50% are willing to pay 3-10% more for regional food. However, the majority is not prepared to pay much more than that.	
How much trust do you have in food, which claims to be local?	70% consumers trust local food and in labels	Most trust labeling (70%)	Only 50% have trust in geographical labeling.	60% trust.
Micro- and small-size of the agri-food enterprises				
What are disadvantages of local and regional food production?	High cost of products, difficulty of communicating quality to customers, logistical challenges to serve small number of customers, seasonal character of business (short vacation period, tourists), capital availability,	Capital availability, low negotiation leverage with big companies, local knowledge in the family, overworking, seasonality, underused capacity.	Diseconomy of scale (high costs for development of new products, purchasing new technologies), recruitment of skilled workers, uncooperative administration, no experience in marketing, odor nuisance, seasonality.	

	shortage of qualified staff			
What are the risk/threats for your local food business? Why?	High costs of production, low appreciation of value of quality by customers, poor knowledge of legislation, small size is vulnerable, need for evidence of health effect of ecological food, shortage of competent staff, economic downturns that affect demand for services, environmental degradation and climate change (raising seas levels)	Economic downturns, cash flows, increasing competition, bureaucracy, food safety, stress, staff turn out, high costs of products, customers that appreciate value of local food, low margin of profit, excessive regulations.	Seasonality of tourism (closing down in winter), management of succession of business, food scandals, decrease in tourism, increase in transport costs, climate change.	High taxes, cash registers, small producers, capital accessibility, environmental regulations, low competitiveness of small farms with large farms. (diseconomy of scale), emigration of young people creates low supply and rising costs of labor.
Human resources				
What is a desired profile of an employee for your local food business?	Qualified and motivated staff, innovative potential, management experience and technical expertise, understanding of production flow.	Skilled, technical and management experience, independent, proactive, willingness and ability to learn, hard working	Skilled employee, extra training, proactive, hospitable, live the spirit of “organic farming/lifestyle”, flexibility and willingness to work on public holidays, technical skills.	?
What competencies/ capacities would you want to develop yourself and for your company?	Competence development of employees (e.g., marketing, accounting, hygiene, knowledge of regulations, planning of production, administrative capacities), sustainable food making process	Lean production, food safety, process management, product development, education of staff, logistic and transport solutions, better cooperation with authorities, communication.	Knowledge in negotiation, mediation and personnel management, customer focus, info on support programs and subsidies	?

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