

Report of the piloting evaluation

GERMANY

1. Background

The pilot organisation MECK-SCHWEIZER (www.meck-schweizer.org) is a local food network in a rural and sparsely populated area in Southern Mecklenburg-Vorpommern, called Mecklenburgische Schweiz, within 50 km distance of three larger towns. Important economic sectors are agriculture, forestry and tourism. The MECK-SCHWEIZER B2B e-platform is being run by a cooperative, the ELG Mecklenburgische Schweiz eG, the delivery of products is mostly carried out by their own logistics company (see Figure 1). The MECK-SCHWEIZER developed a sustainable logistics concept for drop shipping in line operation, thus avoiding stock management. Solar powered refrigerated e-lorries cover the region in four loops, routes that intersect at one point in the middle where products can be exchanged and e-lorries recharged. The power for the e-lorries is produced by a photovoltaic system installed on the office roof. The logistics company is also responsible for the B2C business and as such one of the bigger clients for the B2B platform.

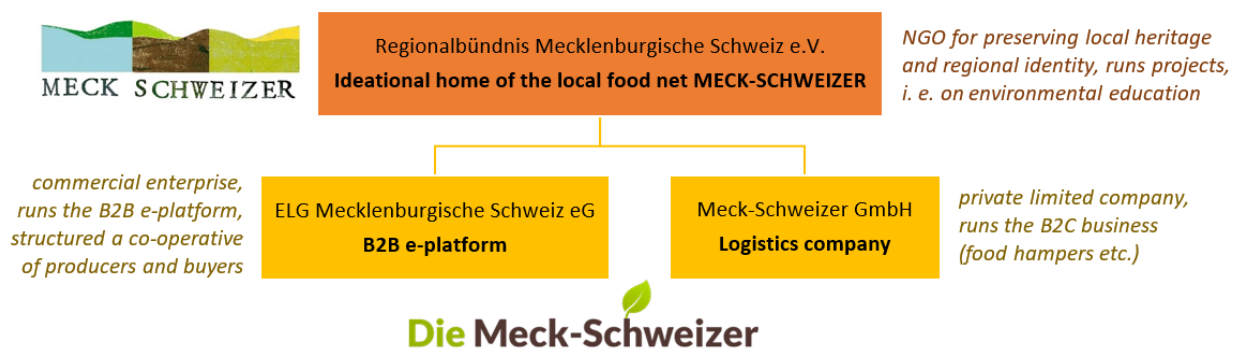


Figure 1: Organisation chart of the German pilot organisation MECK-SCHWEIZER

The market potential around the home village Gessin did not live up to the expectations. Thus, the MECK-SCHWEIZER B2B e-platform had many suppliers and a broad range of products but too few customers. Since the beginning the MECK-SCHWEIZER had to rely heavily on public funding for their staff costs. The pilot organisation was thriving on their commitment to their region, on their creativity, on their progressive IT approach (their e-platform), on the good quality of the traded products and on their good connections to producers and the regional network. However, they lacked business knowledge and a strategic approach towards marketing.

Baltic Sea Food project paid for external experts to look at the existing operational plan of the ELG co-operative and at the financial plan of the logistics company. Reviewing the operational plan according to BSF model helped with prioritizing and finding new business segments and with thorough financial planning for improved controlling. The review also showed very clearly how ambitious it is for a local food network in the given surroundings to develop into a sustainably working business. A disillusioning outcome but still a valuable insight was the consultant's conclusion that a local food network, marketing and delivering local food products from small enterprises in the MECK-SCHWEIZER area, will never

survive financially without public funding. The structural problems that B2B marketing faces in Mecklenburg-Vorpommern cannot be overcome by a single organisation.

The piloting process helped the MECK-SCHWEIZER to apply strategic marketing and basic controlling. Due to the pandemic, the economic situation could not develop according to the goals set in the operational plan: The MECK-SCHWEIZER gained some new customers but turnover increased only by one fifth of the needed amount.

Unfortunately, we had to do the piloting without the help of external experts. The contract with the consultant for the co-operative's operational plan had to be terminated already in November due to performance reasons. We had planned to involve the consultants we hired for the logistics company's financial plan also in the piloting and evaluation. Due to the pandemic, the consultants were so busy with helping their other SME clients to survive and apply for corona help funding that they could not engage in additional work for us. We, on the other hand, did not want to start with a third tender. Plus, the MECK-SCHWEIZER had been very satisfied with the second consultant firm – it would have become hard to convince them to trust a third external expert within a short time.

So, during the piloting our project manager met with the MECK-SCHWEIZER three times (one kick-off meeting and two reviews). At each workshop we looked into all business segments and discussed the latest developments and available options according to the operational plan. Still, the MECK-SCHWEIZER often chose an approach of their own, with a success rate of 50%. Not all marketing suggestions from the operational plan have been carried out yet. Therefore, it remains unclear, whether they would have brought better results. Much of this was also due to the pandemic, of course. For instance, Covid 19 lockdown created a very competitive situation for online platforms dealing with local products.

The high workload of the local food net made it challenging for the BSF project manager to keep up the piloting momentum and to get information from the MECK-SCHWEIZER on the current status of things. The pandemic did not get the MECK-SCHWEIZER out of job, on the contrary: they put much effort into B2C activities and as soon as the lockdown was over, platform trade was back to what it was before and a bit more.

2. Short description of B2B model

With the reviewed operational plan, the pilot organisation broadened and sharpened their business model: They included new customer segments but also refined their services for each segment. Interviews and surveys had given more in-depth knowledge about customers, the SWOT- and competitor analyses per business segment had resulted in strategic approaches. Thus, value propositions were then put up for each existing and future customer segment. The design, delivery and scale of each service differs according to customer segment.

The core services of MECK-SCHWEIZER are:

- easy access to a broad range of fresh and/or innovative local food products at a fair price,
- B2C marketing for those products plus advisory services regarding products,
- assortment options and seasonality.

Business segments	Stream of revenue
Business segment 1 Owner-operated (village) shops Business segment 2 Restaurant and Catering branch	Gain more customers for the platform, encourage up-selling and repeated shopping
Business segment 3 B2C customers	
Business segment 4 Tourism branch, Owners of a company	Selling assortments of products to private customers via the own logistics company, entering a more profitable customer segment than B2B: generating higher and steady turnover for the platform (earning the usual commission) and good profits for the logistics company Selling assortments of products to accommodation providers, tourist information offices, boat renting companies etc. as additional service for their B2C customers; Offering assortments of products to owners of companies as additional service for their employees, as giveaways or presents for their customers or as supply for their in-house catering
Business segment 5 MECK-SCHWEIZER Brand	Setting up an own brand scheme with product labels 'MECK-SCHWEIZER Quality' and network label 'MECK-SCHWEIZER partner', gain income from label application charges
Business segment 6 Commission	selling e-platform software to other local food nets, gain income from sales and/or from a commission fee for turnover via those platforms

The MECK-SCHWEIZER's first step into the piloting phase was introducing their new pricing model for the e-platform on 1st January 2020: Service charges for marketing and maintenance were split between vendors and buyers in order to attract more customers. So far, buyers had to pay the biggest part of those charges plus logistics costs. The MECK-SCHWEIZER informed their customers about the new pricing system in their December newsletter, the personal personal information was planned for March but only followed in June 2020 (due to corona lockdown). The new system, being more similar to what everybody is used from online trade elsewhere, helped to reduce potential customer's reluctance. However, it did not work as a game changer –maybe because it was also planned to introduce a discount system to encourage larger and repeated purchases and membership in the cooperative but this plan is still pending.

The second step was upgrading the marketing material. The MECK-SCHWEIZER were lucky to receive more public funding for 2 additional marketing staff positions. Both employees started in January. Integrating them into the team and work flow cost time but it was successful. Until March, the website got a facelift as did flyers and other print materials. The texts were adapted to incorporate the value propositions and to target them at each customer segment individually. All this enhanced the professional look and feel of the MECK-SCHWEIZER portfolio immediately. One special twist is the use of Low German language for naming the new product assortments. The marketing team was also very creative in developing ideas for B2B co-operations and campaigns – which helped to survive the lockdown months in Spring 2020.

Most of those ideas want to rise the e-platforms turnover, suggesting joint events to B2B customers with obligatory sourcing of catering ingredients from the MECK-SCHWEIZER platform. Examples for such events are: Yoga Brunch at unusual places (i. e. old manor houses or trendy remote locations), Beach bar (a pop-up event with a regional market, in cooperation with local hotel owner at his lake front) and RegioBrunches at café or restaurants in the area. Recently the environmental education activities of the NGO Regionalbündnis resulted in pilot nutrition projects with two local schools where the food will also be delivered by the MECK-SCHWEIZER. So, the pilot organisation is successfully using its strong network competence and creativity to further promote their local food business.

When annual B2B reception event could finally take place in June the MECK-SCHWEIZER involved all participants in a very productive workshop on how to foster regional networks and consumer awareness for local products and economic cycles. This creative session resulted in many fresh ideas, i. e. a cooking road show, a local food guide map to foster individual culinary and educational tour planning for cyclists and hikers, a local youth festival, awareness campaigns at local schools ('green classroom', local food day) and quarterly news packages for local media journalists. Most of them can only be implemented when business is back to normal after the pandemic.

Business segment 1 / Owner-operated (village) shops

Owner-operated shops remained in the MECK-SCHWEIZER focus, growth potential was seen in intensified business with current customers and in the publicly fostered re-opening of village shops. Unfortunately, the latter happens much slower than existing village shops give up. Therefore, at the moment there is no big customer potential in the MECK-SCHWEIZER area, so selling more to existing customers is most important.

Of course, the food net also tried to place their products at those owner-operated shops that belong to larger retail chains. In the MECK-SCHWEIZER area these are mostly EDEKA shops. MECK-SCHWEIZER products were piloted in two of them, but got de-listed afterwards. Shop owners said that the products had been too expensive and that sales were not satisfying. Unfortunately, MECK-SCHWEIZER never had the nerve nor the man-power to fully explore the reasons for losing those important but demanding B2B customers.

During piloting, it became very obvious that intensive customer care with a lot of personal contact is the key for successfully gaining market share (this is also true for business segments 2 to 4). For this, the MECK-SCHWEIZER currently do not have the man-power. Hence, they have applied for ESF funds. Parallely, the MECK-SCHWEIZER engage in educating future shop owners – thus investing in the long-run.

The MECK-SCHWEIZER also wanted to attract shop owners by offering them a commission if they serve as a pick-up point for B2C food hampers. As soon as more shops open and the B2C business grows and all the contracts are ready, this business might grow nicely.

Business segment 2 / Restaurant and catering branch

When reviewing the operational plan, the HoReCa sector was found to be too demanding - organic growth would be welcome but no extra marketing effort would be made. Thanks to their networking, the MECK-SCHWEIZER could establish a close cooperation with two restaurants in their area: one existing hotel and one new location where new owners brought with them strong visions of fair regional

value creation and cooperation. This boosted their sales, at least during the summer months when both restaurants could re-open after corona lockdown and tourists overran Mecklenburg-Vorpommern. As soon as holidays in Mecklenburg-Vorpommern were over, those numbers declined again in August.

Business segment 3 / Private customers

The food network decided to also enter the B2C market, with product assortments for locals. This potential seemed easier to tap than B2B, so for a sustainable economic base the MECK-SCHWEIZER wanted to combine B2B and B2C. The MECK-SCHWEIZER had already started to experiment with food hampers (in Low German: Fretbüdel) for private customers in the second half of 2019 (<https://www.fretbuedel.de/>). Thus, the operational plan could already draw some conclusions for such a business segment. There was quite a strong initial interest from B2C customers when the food hampers were launched for piloting in a limited area close to Gessin. This interest flattened over time. The MECK-SCHWEIZER then invested in a marketing campaign, inserting flyers into the local gazette, which only brought them 2 new customers.

The pandemic then raised their expectations again but customer numbers for the food hampers remained stable, with some customers cancelling and some customers joining. Customer satisfaction is high, word of mouth is spreading but numbers are still stagnating. This is also because many households in that rural area still own a garden – they only need to buy fresh produce in winter. In May, the MECK-SCHWEIZER won a tourism award that brought them an advertising package by Germany's leading outdoor advertising company. They decided to use that quota for promoting the food hampers in the three bigger neighbouring towns. Again, there was no customer rush. The market potential of the area currently targeted with the food hampers seems fully tapped. It was planned to run a customer survey among B2C customers but this was not carried out yet. Now, MECK-SCHWEIZER want to take the big step and drive the long way to Rostock because only they need a considerable number of new private customers to make this business segment survive.

Business segment 4 / Tourism branch, Owners of a company

In view of the available product range and the importance of tourism, selling tourist assortments of local food products to the accommodation sector and to tourist hot-spots (tourist information offices, boat renting firms etc.) became a new B2B target for the pilot organisation. The MECK-SCHWEIZER developed several options:

- a range of pre-packed food hampers with fresh products,
- shelves stocked with local products (the 'shelf hosts' re-ordering products from the MECK-SCHWEIZER platform or the food net itself fills the shelf up, shelves can be bought or rented)
- ready-packed souvenir parcels (in Low German: Touri-Büdel, Geschenke-Büdel)
<https://www.fretbuedel.de/shop/Geschenke%C3%BCdel-feinslieblich-T%C3%A4glich-lieferbar-p161500228>

We managed to introduce those offers to accommodation providers at an event in February. Shortly thereafter, the pandemic and the lockdown of tourism stopped all sales activities planned for this new customer segment before the main season. Our organisation, Tourismusverband MV, could coordinate at least some business for the MECK-SCHWEIZER when catering for some of our media campaigns (blogger trips on boat or bike). When tourism re-started in summer, the MECK-SCHWEIZER were busy

with their business segments 1 to 3. By now, some marketing activities for this segment take place: In October the MECK-SCHWEIZER are a prominent partner for the annual tourism campaign 'Castles and palaces in autumn': the locations offering a special cultural or recreational programme to attract visitors, some of them also promoting local delicacies (in cooperation with MECK-SCHWEIZER). We hope that some of those castle owners will keep up the cooperation afterwards.

It was also planned to contact larger companies and ask them if they would be interested in food hamper deliveries for their employees or give-aways / presents for their customers. Nearby firms could even be supplied with food for their inhouse catering. Especially the X-mas season is always a very lucrative opportunity for offering new product assortments as presents, especially regional products. The MECK-SCHWEIZER have not entered this business segment yet, mostly due to lack of man-power and time.

Business segment 5 / MECK-SCHWEIZER Brand

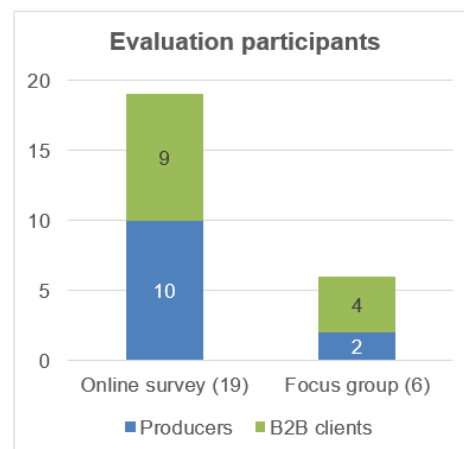
Establishing an own brand scheme is planned for the mid-near future as it takes a lot of effort to agree on product quality criteria and to introduce the control mechanism. Plus, a product label only makes sense when the MECK-SCHWEIZER as a brand is already known to the public. So, all current marketing activities already help to reach this goal. Partner criteria have already been agreed upon by MECK-SCHWEIZER and their co-operative. The partner label still needs registering as a trademark and will then be awarded to first partners already this year. These first pilots will be free of charge in order to push the degree of brand awareness.

Business segment 6 / Commission

The online platform tool has been rolled out to two neighbouring local food networks in Mecklenburg-Vorpommern so far. Their sales do not earn the MECK-SCHWEIZER a commission yet as the food networks still struggle with the workload of the pandemic and could not activate their platform version yet. In Mecklenburg-Vorpommern the software itself is for free, thanks to public funding for the roll-out. The MECK-SCHWEIZER so far sold the software once, in another Federal German State. Of course, Expectations regarding the turnover commissions were higher but the pandemic slowed down this business segment, too.

3. Results

The results stated below show how the e-platform business of the MECK-SCHWEIZER co-operative developed during piloting. The co-operative earns 10% of turnover. For 2020 the operational plan had forecasted a profit of 36,302 Euros from e-platform transactions, coming from 363,020 Euros turnover. That amount will not be reached in 2020, the fifth part of it is more realistic. As we had to work without external business experts during piloting, we could not, however, determine how much of the underperformance is due to the pandemic. The focus group interview took place on 17th August, afterwards we ran an online survey for one week. Participation was as follows:



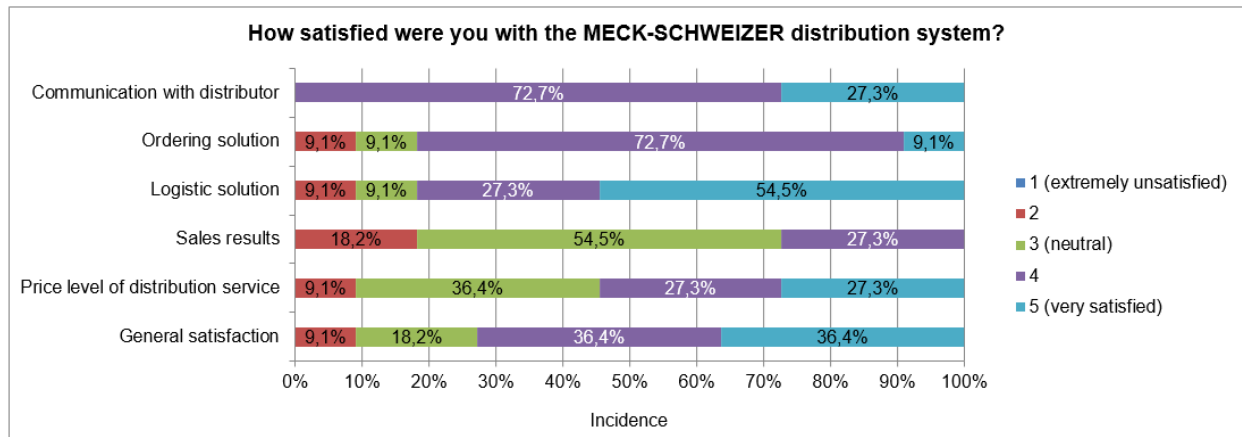
Quantitative Results:

Criteria	in 2019	At the end of piloting (January - August 2020)	
Number of B2B clients (buyers)	37	35	
Number of producers involved to the piloting	83	64 (there are more than 200 producers listed on the platform but only a rough third of them was active from January to August 2020)	
Number of transactions and turnover in total and per months	480 transactions (40/month)	Number of B2B transactions (44/month)	B2B turnover in Euros
total	58,911 EUR (4,909 EUR per month)	351	63,517 EUR
January		26	3,198
February		33	4,776
March		39	6,434
April		35	7,119
May		38	5,732
June		57	9,827
July		66	15,095
August		57	11,336
		B2C*	
		20 food hampers per week	
Variety of assortment- which product groups, how many different products were sold	There are 1,500 products listed on the platform. This number did not change considerable during piloting because the number of producers involved also remained stabled.		

* B2C sales are already included in B2B numbers because B2C business belongs to the MECK-SCHWEIZER logistics company who purchases the food via the e-platform thus creating turnover for the co-operative. The logistics company's shopping for food hampers resembles circa 17% of the platform's transactions and 25% of its turnover.

Satisfaction of producers involved to distribution system

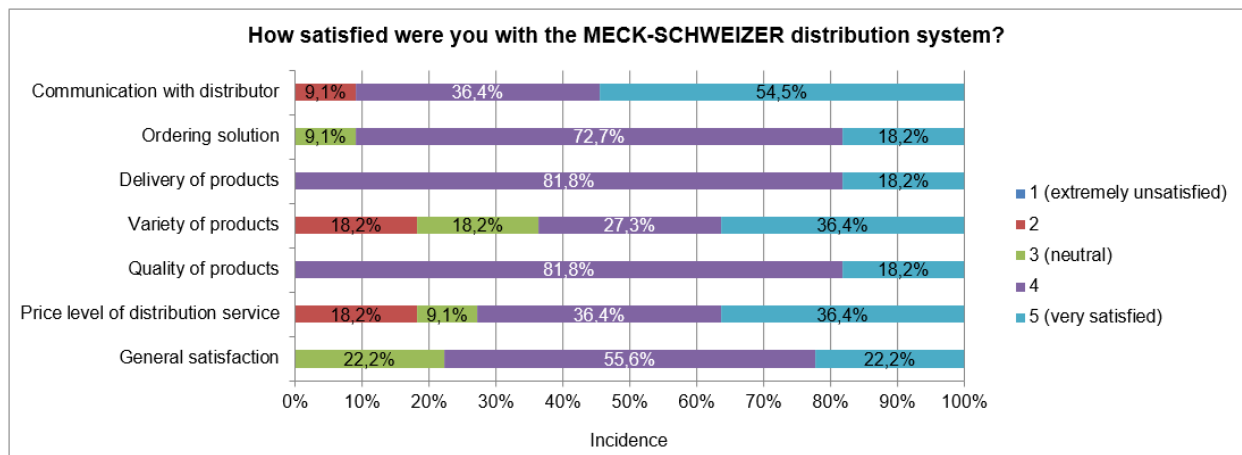
We used a 1 to 5 scale, average general satisfaction was at 4 (online survey and focus group together).



10 out of 12 respondents want to continue their cooperation with the MECK-SCHWEIZER and would also recommend them to other colleagues.

Satisfaction of B2B clients with the distribution system

We used a 1 to 5 scale, average general satisfaction was also at 4 (online survey and focus group together).



10 out of 11 respondents want to continue their cooperation with the MECK-SCHWEIZER and would also recommend them to other colleagues.

Satisfaction of distributors with the distribution system

The MECK-SCHWEIZER's satisfaction with their e-platform (Communication to clients, Communication to producers, Ordering solution, Incoming logistics, Storage and packaging of products, Delivery of products to clients) was at 5 (here we used a 1-6 scale). Only their satisfaction with sales results was lower, at 3. The MECK-SCHWEIZER want to proceed with their e-platform and they would also recommend it to other local food nets.

Qualitative Results:

Gained new skills / cooperation partners during the piloting (quotations from surveys)

Producers	Clients	Distributor (MECK-SCHWEIZER)
50:50 Yes / No answers	Yes, we got new information about producers and their products in our area that we could use for our own storytelling towards our customers	<p>Yes, new skills earned:</p> <ul style="list-style-type: none"> - Marketing (incl. Storytelling) - Defining business segments - Addressing customers according to business segment - Controlling - Franchise - Barcodes - Electronic Cashier systems <p>Yes, new partners gained:</p> <ul style="list-style-type: none"> - 2 restaurant owners - Touristic companies (boat rental) - 1 child care facility - 2 schools - Good for cross-marketing - Strategic partners thanks to Tourismusverband's involvement in state-wide initiative

Examples of good experiences / success stories (quotations from surveys)

Producers	Clients	Distributor (MECK-SCHWEIZER)
<ul style="list-style-type: none"> - Friendly and individual customer service - The MECK-SCHWEIZER's general positive attitude - Communication and cooperation / live meetings with fellow MECK-SCHWEIZER network partners - I can now market at a bigger scale without having to be out on the streets myself - I gained a new customer at the Annual reception in June - Friendly drivers - Quick solving of a problem I faced with invoices 	<ul style="list-style-type: none"> - I got to know a new producer in my neighbourhood - I made at least one third of my turnover with local food products (many B2C customers only came to me for them) - At the meeting with the accommodation providers I found a solution for giveaways for my hotel guests - Great team, friendly drivers - Delivery was always on time, product variety very good - Fast problem solving - Good contacts and information 	<ul style="list-style-type: none"> - Annual reception in June brought good cooperation and results in workshops - A hotel from the region approached us during the pandemic and asked for cooperation / joint marketing ideas, both partners benefitted

Examples of challenges/problems pilots faced during the pilot period, incl. the solutions- how they solved the problems (quotations from interview)

Distributor (MECK-SCHWEIZER)
<ul style="list-style-type: none"> - Communicating the new pricing system was challenging (time wise) because we had to talk personally with many customers. - There were also irritations regarding the new platform fee for buyers. Many of them had not read our announcement, so again we had to talk to them personally. - Our software had troubles to align invoices with payments made through our new payment service. The software update eliminated those mistakes. - Covid19 lockdown was challenging but thanks to our flexibility we could find solutions for home office. - Turnover did not increase as much as we had hoped for. Obviously, our region does not have enough customer potential. We are still searching for solutions, approaching bigger cities will have to be one option. - We faced several disillusionings regarding how to reach potential customers with advertising, i. e. our poster campaign did not work out. Due to the overall high workload we prioritized spontaneous advertising opportunities and did not stick to all the marketing activities from our operational plan. This we started to correct in August and we will continue to do so. - We also invest into long-term customer awareness change, cooperating with the environmental education projects of our ideational home NGO. - Our high workload stems partly from our lone fight for local products in a sparsely populated area. In order to improve the structural conditions for our business, via the MV Section of German Regional Movement we also engage in the initiative for a state-wide strategy on regional value creation.

What needs to be improved or changed in their model? (quotations from interview)

Distributor (MECK-SCHWEIZER)
<ul style="list-style-type: none"> - We want to include even more service functionalities in our platform software (memory list, favourite products) to make repeated shopping more comfortable for clients. - We want to intensify cooperation with our logistics company regarding B2C business ideas. - We want to engage in aligning customer demands with producer's portfolio (if we know beforehand what HoReCa needs we can tell our producers what to grow).

General feedback to project partners from participation in the project. What were the main benefits from participation and from piloting. (quotations from surveys)

Producers	Clients	Distributor (MECK-SCHWEIZER)
Benefits: <ul style="list-style-type: none"> - New marketing channels for our products - Stronger network - Seminars - Knowledge about new restaurants in our area 	Benefits: <ul style="list-style-type: none"> - New producers delivering food to me - Bigger variety of local products - Platform fee was reduced thanks to operational plan 	<ul style="list-style-type: none"> - Baltic Sea Food enabled us to get a wider perspective (i. e. in the first survey when travelling through Mecklenburg-Vorpommern and talking to stakeholders) - BSF helped us to regularly get into contact with our customers (BSF events, the founding of the MV Section of German Regional Movement). - We understood how important frequent controlling is.

	<ul style="list-style-type: none"> - Seminars and trainings 	<ul style="list-style-type: none"> - We gained a better understanding for strategic business thinking. We plan to have monthly strategy meetings in our team (in continuation of our talks with BSF project manager during piloting). - We got access to touristic B2B clients. - BSF brought us media additional coverage. - Thanks to BSF we could host and cater events and trainings for our stakeholders.
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4. Other working distribution systems existing in partner countries that could be used as good examples, both B2B and B2C

‘Marktschwärmer’ (<https://marktschwaermer.de/de>) is the Germany branch of the French ‘La Ruche qui dit Oui’ idea (internationally known as ‘**Food Assembly**’), a membership-based network of local producers and B2C customers. Product presentation and sales happen entirely online. The customers buys directly from the producer, no costs for retailers or market stalls. The producer sets the price for his goods, he can also define a minimum quantity of sales per item and location in order to keep the delivery costs for himself at a reasonable level. A service fee of 18.35 % of his net turnover goes to the food assembly to pay for the assembly hosts and for the Marktschwärmer team. 81.65% of his earnings, taxes to be deducted, remain with the producer.

Once a week, producers bring the pre-ordered and pre-paid goods to the assembly, a pick-up location for the local customers. For customers there is no membership fee, no obligation to order every week, no minimum turnover per order, no delivery charge. Customers can apply for hosting an assembly, thus earning a little income for preparing the venue and surveying the delivery.

Currently, there are a little over 50 food assemblies in Germany but none in Mecklenburg-Vorpommern. Here, CSA, the **Community-supported agriculture** (in German: Solidarische Landwirtschaft) is more common (www.solidarische-landwirtschaft.org).

Community-supported agriculture or cropsharing connects farms or gardening businesses with a group of private households. Producer and consumer share the risks of farming. In return for subscribing to a harvest, subscribers receive either a weekly or bi-weekly box of produce or other farm goods. This includes in-season fruits and vegetables and can expand to dried goods, eggs, milk, meat, etc. Typically, farmers try to cultivate a relationship with subscribers by sending weekly letters of what is happening on the farm, inviting them for harvest, or holding an open-farm event. Some CSAs provide for contributions of labor in lieu of a portion of subscription costs. Farmers can work independently from world markets, concentrating on good farming practice.

The German Regional Movement developed a software app (www.regioapp.org) that shows producers and restaurants in a certain region. This **RegioApp** makes it very easy for B2C and B2B customers in every German region to find nearby local offers. Every producer or HoReCa client can upload their own profile. However, most of the data is being uploaded and maintained by local food networks who carry it out as a service for the producers and providers in their region. The app always indicates what local food net supplied the data of a finding, thus promoting the food nets to interested parties. The app is very easy to use and can be downloaded from main app stores.