

---

**Baltic Sea Food**

# BALTIC SEA FOOD PILOTING REPORT,

## LATVIA

Pilot organization:

**Cooperative Society of Agricultural Services "Kuldīgas labumi"**

Partners of the project:

Latvian Agricultural Organization Cooperation Council

Latvian Rural Tourism association "Lauku ceļotājs"

## Table of Contents

1	Background .....	1
2	Description of B2B model used for piloting .....	3
2.1	Customer segments and target groups .....	4
2.2	Customer value proposition .....	5
2.3	Channels to reach the customers .....	6
2.4	Customer relationships .....	8
2.5	Revenue streams .....	9
2.6	Key resources .....	10
2.7	Key activities .....	11
2.8	Key partnership .....	11
2.9	Cost structure .....	13
2.10	Organization and strategy .....	13
3	Changes in operational plan .....	14
4	Quantitative results .....	15
5	Qualitative results .....	18
6	Other local food distribution solutions developed in the region .....	22
7	Conclusions .....	24

## 1 Background

The pilot organisation - **Cooperative Society of Agricultural Services "*Kuldīgas labumi*"** (further – cooperative) has been operating since February 19, 2014. The cooperative shop is located in the centre of Kuldīga city, Pilsētas laukums 7A. The main goal is to promote Kuldīga's local crafters and manufacturers and help them to increase popularity and product sales, as well as promoting the development of the cooperative.



The executive body is the **Board of Cooperative**, which consists of 3 members including the chairman of the board. The Board responsibilities are economic activities, financial supervision and other development-oriented organizational work. The task of the board is to promote the growth of the cooperative and increase the turnover. The highest governing body of the Company is the General Meeting of Members, where decisions are approved by open voting.

**Kuldīga County Council** supports idea of cooperative for a long time. It is very helpful for the development of cooperative to have a possibility to run a shop in a city center and get some support for the management. In the beginning cooperative got also financial support from the Counsel – salary of board member to run a cooperative was paid. Today the Counsel offer legal advisory when it is necessary. The cooperative still has access to shop premises on a long-term lease basis.

Cooperative is active also by itself to **apply** for different **grants** and **projects**, as well as participate in different exhibitions, fairs and markets to promote its products. Participation in the BSF Project is also one of examples of target-oriented approach to development of cooperative.

„Kuldīgas labumi" has also come across with difficulties in forming a cooperative. At first, it was quite difficult to gain the trust of the members. Careful teamwork helps to create a stable organization. There are 36 **members in cooperative** and it is tendency to grow. It should be noted that not all member are active ones and there is yearly change of members. New members come also from region outside Kuldīga. Opinion poll of members gives evidence that special methods have to be design how to work with and involved in marketing members in age group 60 and above. Fact that in average only 20% of produced amount is realised via cooperative is challenging.

Members all are mainly food producers, vegetable and fruit/berry growers. They offer to customers a wide range of products - domestic chicken eggs, various meat types which are cooked using different cooking and seasoning techniques, home-baked bread which is made by using a recipe which was passed down from previous generations. It is possible to claim that “Kuldīgas labumi” is pioneer of very small-scale (home) production cooperation in Latvia.

It is cooperation also with producers outside the organisations and total number of suppliers exceed 50. In order to meet customer demand in the store, product groups that are not produced by the members of the cooperative are purchased outside. It is important to point that cooperative is not a only place where its members sells products and in most cases also not a only source of income.

There was a very little experience in B2B sales before this project. Mainly activities were targeted at B2C segment and direct sales at the shop. Main activities before the BSF project started were:

- regular sales stand in Riga, twice a month;
- cooperation with tourism events in Kuldīga and selling produce in town festivals and other events;
- production of presentation souvenirs/gift baskets for the needs of the municipality, business enterprises and other customers;
- participation in trade fairs and exhibitions, e.g., Riga Food in LV, Gruene Woche in Berlin;
- experience exchange and contacts with eco food wholesalers and retailers in Hamburg, Germany.

There has been **significant development** and since the last spring (2020). First e-store has been open and delivery was available also in Rīga (150 km) and at some places near Rīga like - Babīte, Ķekava, Mārupe, and Garkalne. From May, 2020 it is possible to buy products of cooperative in Liepāja, Petersburg Market



stand. In November new shop opened the doors in Ventspils. Work within the cooperative has also been improved – new solutions for delivery were tested, as well as small equipment for selling operations purchased using financial support of LEADER project.

One of the most important **development goals** of "Kuldīga Labumi" is to expand outside the Kuldīga's county and develop also B2B model. It means to attract new home producers, expand the number of outlets, develop marketing, educate members and improve communication, as well as find the way how to attract new employees to implement ambitious plans. It is only way to bring together small producers and home producers to provide buyers and clients with a wide range products of high quality and added value. Operational plan designed within the BSF Project is a great help to reach targets and goals of the cooperative.

## 2 Description of B2B model used for piloting

Prior the participation in the BSF Project, the activities of "Kuldīgas labumi" were oriented towards the B2C model. Some business towards B2B was done, but clients of B2B were not considered as a target group. Situation changed in 2018 during the study trip, when representative of pilot region visited several organizations in Denmark and Sweden and was able to see B2B model in practice and discuss the situation from *the roots* to successful and profitable organization. Chairmen of the Board Gunita Šteinberga is very thankful for the possibility to participate in this study trip and considers it very valuable and inspiring. Operational plan was a base to evaluate situation and possibilities and start target oriented activities towards B2B.

## 2.1 Customer segments and target groups

The most important target groups of pilot region are residents and guests of Kuldīga city. Also the third target group – clients of the nearest big cities Liepāja (85 km) and Ventspils (56 km) and also in Riga (150 km) – is considered as very important target group for the development of pilot region and members of cooperative. Each of group is different by their needs, demand, frequency of shopping and also taste.

**Local clients** are important to generate daily income for the members of cooperative. This group is interested to get healthy and good quality food constantly for household (every day eating). It is possible to foresee the amount and type of basic products – vegetables, meat and milk products, bread etc. Most of clients are looking for fresh products, friendly price and friendly service. Number of inhabitants in Kuldīga is close to 10 thousands – it means that it is possible to increase this segment by proper strategy and investments.

Kuldīga is very popular tourism destination. Especially **foreigner tourists** are looking for “something special from the city”. It provides possibility to sell different value added products, also luxury ones. Demand for culinary products and confectionery, sweets and drinks dominated in this group. Design, packaging and story are very important for this segment.

The third group – **clients in big cities** outside Kuldīga is a mix between 2 previous groups. Customers in all markets and shops are looking for quality and cheap daily products and for “something special”.

All these 3 groups are important for the development of both - B2C and B2B - models. Increase in number of clients and in the demand of products is the only way how cooperative can **increase competitiveness** and involve more farmers and producers. It is important to point that increase in sales volumes increase not only income, but reduce also costs for farmers, producers and also cooperative.

With the implementation of Operational plan and development of B2B model importance of new clients in HoReCa and tourism sector, as well as corporate clients become more important. Nowadays diversity of B2B clients in pilot region is increasing. Cooperation with



**tourism sector** is very challenging due to the situation that sometimes farmers and producers are already involved in the providing of tourism services. Cooperation with **HoReCa** is in starting point and it is hope to continue started activities when the restrictions of Covid19 will end.

HoReCa and tourism sector are characterised by seasonality. To promote activities also in winter time and “low season”, “Kuldīgas labumi” is looking for new target groups - **municipalities, museums, cooperative associations, hospitals, and schools**. These organisations are already in the list of planned activities and special offers for this segment of B2B model is already in the process.

Totally 5 segments of B2B were recommended by the Operational plan: regional HORECA; state procurements; local companies/enterprises and municipality; similar cooperatives and organisations and e-shops. Despite of Covid19 restrictions in a very short piloting time cooperative manage to identify contact-persons for these groups and first steps for collaboration in future in most cases were done.

## 2.2 Customer value proposition

The members of cooperative are mainly food producers, vegetable and fruit/berry growers. Customers can buy a selection of products in person by visiting the store "Kuldīgas labumi" located in the city centre of Kuldīga. These producers offer their customers **wide range of products** - domestic chicken eggs, various meat types which are cooked using different cooking and seasoning technics, home-baked bread which is made by using a recipe which was passed down from previous generations. Customers also can buy various types of cookies, berry syrups, organic flour, buckwheat and peas, chocolate, etc. There are more than 30 product groups and in almost every group - several producers and/or growers.

**Specific offer** in the shop is fresh baked pastry (round cake from rye flour with a carrot and potato filling) called “sklandaraushi” . It is a unique dish from the western part of Latvia, Kurzeme, and has been deemed a “Traditional Speciality Guaranteed” by the European Commission (EC) in 2013. Convection oven was bought with the support of LEADER project

in 2017 and smell of fresh baked sklandaraushi attract local buyers and tourists. It is possible to get also **take away** coffee roasted in the region.

Special offer is **gift boxes** – simple one for daily use and more luxurious for presents. Some offers are ready, but customers and clients can also choose the content of “box”. Related to local products there are no competitors in the region and it is possible to say it is unique offer. Customers value local products and are ready to pay for products of natural origin.

Also **producers** are invited to pay attention to the **outfit** not only of product, but also “packaging”. Personalisation of products and small added value in packaging/design is very important for marketing.



Information about new products and offers are published in the Facebook. It means than message reached a lot of followers. **Special event**, like “GIFT ROOM” of products and goods of cooperative was organised before the Christmas time.

It is important that **advertisement** is done for shop, products, producers and also cooperative **at once for all** involved parts. Target oriented and short messages with proper pictures and information is a big step to reach success.

## 2.3 Channels to reach the customers

“Kuldīgas labumi” **webpage** [www.kuldigaslabumi.lv](http://www.kuldigaslabumi.lv) was created in 2014 and was active for 2 years. Based on recommendations of Operative plan pilot region re-started activities in the webpage – from piloting information about new activities and changes are published in the web regularly.



Today a lot of activities take place in **Facebook** and cooperative also started activities also in their own page <https://www.facebook.com/kuldigas.labumi/> There are more than 1700 followers. New products and offers, as well as information about activities and new market options are published. It is good channel to advertise and inform everyday buyers and clients, as well as current and potential members and other interests.



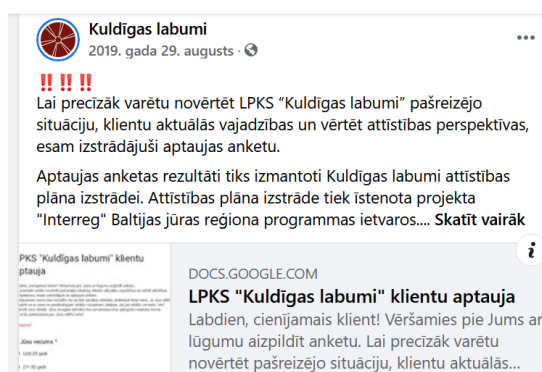
Instagram account <https://www.instagram.com/kuldigas.labumi/> of the cooperative also was created in 2019, but the target group is not active users of it. At least for the Instagram fans basic information, nice photos and link to the web page is available.

This year around spring, due to the state of emergency, which was declared by the Latvian government as a response to the COVID-19 breakout, all residents of Latvia had to comply with particularly strict requirements/restrictions. These restrictions served as an incentive for the cooperative to open their own **e-store**. It was also a place where clients got information about products, producers and prices.

In daily communication with members **e-mails** and **phone-calls** are still in leader position. It is hard to change the routine, because it is very comfortable for the members. E-mails are also used to send news and information about coming events or activities to clients.

**Personal contacts** is very important with new clients. During the SWOT analyses recommendations to improve communication and proposals how to do it were pointed out, but due to lack of time and human resources old system is still in force. Customers, clients, members and other producers are met face – to face also in the shop, farmer markets and other events.

Within the BSF Project **opinion poll** of clients were organised in 2019 to get feedback of products and other issues. It was valuable experience and will be used by the cooperative also in future. Information gives evidence that everything not only price is important.



Information from clients were taken into consideration in the Operational plan.

**Video** is the new way how to communicate with clients and promote cooperative. With the support of BSF 11 video were designed about the different products and producers. Short video films were good way how to tell about the production process, products, producers and also role of cooperative. Some video were watched more than 5000 times during 5 month period. Number of shares for most popular reached 150 and 220. The most popular was video about eggs' production, the second one – growing of berry and fruits and the third – how to make bread. Conclusions how to make good video, choose persons (popular in society) and announce message were done. Next video was design by cooperative as invitation for opening of the new shop in Ventspils.

## 2.4 Customer relationships

“Kuldīgas labumi” has their own **logo** and it is as recognition mark and used on products. Time ago it was solution to use it on all products, but due to the practical reasons the idea were cancelled. Otherwise there would be very mottled labels for the products and in some cases, especially small size packages, the effect would even be negative. Today logo is well known recognition mark for the cooperative and products are sold under it.



Considerable work has been invested in the design and content of the **labels** of members' products and/or **package**. First, the information have to be in line with the requirements of legislation and state institutions. Secondly, it is important to provide information also about producer for two main reasons – recognition of producer is important to have trust and promote the product and also for future marketing, for example, to develop story telling. It was request from members to organise seminar about issues related to packaging and it is still in the plans of BSF Project.

Regular clients usually are informed by **e-mails**. During the development of the Operational plan lack of activities related to customer relationships were pointed. As up to the pilot there were no B2B oriented activities data base or records of clients didn't exist.

Recommendations how to improve this work and be proactive to offer something to clients are known and will be taken in the practice.

**Personal meetings** with the B2B clients and also customers is one of important activities and provides several benefits. It is possible in situation with a few B2B, but some additional activities have to be considered in the nearest future. Local traditions and mentality, as well as regional differences have to be taken in account and personal approach is the only option in the beginning in cooperation with new clients.

## 2.5 Revenue streams

The main criteria is the **market price** and members of cooperative in most cases are "**price takers**". Each producer have to calculate costs and potential income and make decision about production and also price of the product.

**Products markup** is up to 40% to members and up to 50% for non-members. Cooperative is owner of members' products, but products of non-members are taken only for sale. It means it is responsibility of cooperative to sell products of members comply with the expiry data.

Until 2018, "Kuldīgas labumi" actively participated on a **jointly organized off-site trade** to various fairs, international and Latvian food exhibitions, participated in all Kuldīga festivals. The cooperative also has its own equipment for off-site trade - a tent and tables. The volume of members' products was traded to the extent that the profits covered the payments to traders, transport rent, fuel and trade fees, but it was not possible to obtain additional profits that could be invested in the development of cooperative. Due to this practice was **cancelled**. Today members have the opportunity to go on an off-site trade by themselves and they are provided with the best place to trade all together and the lowest price for it. Members have the opportunity to use the tent and tables of cooperative.

During the time of e-store delivery was available within Rīga (150 km) and at some places near Rīga like - Babīte, Ķekava, Mārupe, and Garkalne. The minimum amount of order was about 30 euros and delivery cost is 5 euros. Customers can pay by cash or card.

About 70% of turnover come from food, 15% from confectionery, 5% from fresh products (vegetables, fruits, greenery) and 10% from the other products and goods. Members get paid once a week. Turnover of non-members is about one quarter of the total.

Published information by Firmas.lv give evidence that turnover for the 2019 was 120 953 eiro and profit - 1368 eiro. In the first six month of 2020 turnover reached 96 792 eiro.

## 2.6 Key resources

Good **location and infrastructure** to retail places is one of key conditions to attract clients and be visible. However, the growth of cooperative requires for more, also for wider place of trade and storage place.

**Activity level of members** in marketing and other activities are relatively small. Some of members are oriented and interested only in growing and producing and not always listen to needs of clients and recommendations of the cooperative. Fortunately, number of such type of members decreases and with the Covid19 restrictions situation change a lot. Importance of cooperative to sell products and get income was noticed by all members and proportion of active and market oriented members increases. Members are interested to increase amount of their products sold within the cooperative due to the reason that all small market places and stands were closed.

Mostly private **transport** was used in the delivery process. New trading places in Liepāja un Ventspils, as well as e-store required for every day transport services. Two transport units **are rent** from members to organise deliveries. After some of time it will be possible to analyse costs of delivery and work out plan for effective solutions.

**Lack of human resources** in management level is one of the major obstacles in the development of cooperative. At the moment one person is responsible for everything from marketing to delivery, from members to clients.

**Knowledge** and practice of members is very important tool for daily work and development. Different informative seminars were offered to the members within the BSF Project and several is still waiting for time to be implemented. Meetings and discussions with other producers and participation in big fairs is a only way how to obtain awareness and new knowledge and it is necessary to find ways to get members interested in active participation.

## 2.7 Key activities

All activities from ordering and delivery to invoicing and payment were organised by manager of cooperative. Orders usually were done by phone or emails, as well as basic communication with clients and producers. All activities are organised in accordance with the requirements of legislation. At the moment there is no use of digital or innovative tools in any process.

## 2.8 Key partnership

**Kuldiga City Council** has been a key partner since establishment of cooperative. Its role is multifunctional – from initiator of cooperation idea to financial supporter in the beginning and current advisor and partner in promoting tourism and rural development.

Most important partners are cooperative **members by themselves**. It is important to notice that members are partners within cooperative, but in same time also competitors, especially in case they grow or produce similar products. At the moment it is not a problem, but it can be in future when the number of members will increase and also production amount for certain products.

Each **member is a value** for the cooperative and also for clients. Cooperative make advertisement not only on the products, but also highlight each member and his/her products. In the same time it is also like story telling about the way of product from farmer/producer to the shop. Additional value is also recipes or advices.



**Producers outside cooperative** are very important partners to secure full range of daily products in the shops. There is still free niche for producers of milk and dairy products. Today dairy products are delivered by “Talsu piensaimnieks”. It is great demand also for coffee and to keep the idea of locality – roasted coffee is delivered by “Capulus Terra” from Kuldīga. Good cooperation with “outsiders” is the basis for later joining a cooperative.

**Representatives of local HoReCa sector, tourism sector and municipality** and local organizations (schools, hospitals, museums, kindergartens etc.) become important key partners with the developing of B2B model. There are at least 14 HoReCa representatives and 12 possible partners in the state procurement sector pointed out by Operational plan. Number of key persons outside Kuldīga region increases with the opening of new shop and stand in the market.

“Kuldīgas labumi” is a member of **Latvia agricultural cooperative association** since 2018. It is expected that activities within association will increase, because cooperative already has valuable experiences and its viewpoint is necessary for policy formulation and other activities related food distribution in the state level.

Cooperative is active also in communication with other organizations involved in food business, as well as look for possibilities to sell products within the big shops and supermarkets. Due to limited number of human resources plan to expand activities and work with all target groups and key persons are not realized.



## 2.9 Cost structure

**Fixed** costs are salary for employees in the shop and leader (manager) of cooperative. Other costs started with utility payments for premises, costs of distribution, marketing and other activities are **variable**. All costs are covered from the mark-up on products and there is no special rules or strategy for cost distribution among producers.

The members of the cooperative note that the conditions of membership and **membership fee** are very democratic. The benefit, in this case, is incomparably more than the symbolic membership fee for the services provided by the cooperative. Home producers also appreciate the mutual exchange of information and experience, discounts for participation in fairs.

Calculations on necessary **investments** to expand activities are done, but there is no plan for implementation of it in practice. There is a great need to buy transport units and organise storage to expand activities and be more effective. Funding is also necessary to attract human resources to help with marketing and project writing.

## 2.10 Organization and strategy

Pilot organisation is a **cooperative** and belongs to its members. This means decisions are taken by voting. The executive body is the Board of Cooperative. The basic principles of activities are regulated by Cooperative Societies Law in force from January 01, 2019.

The cooperative's **short-term goal** was to market a wider range of products from home and small producers. Increase in number of members and turnover is evidence for it. During the first 5 years cooperative realised two LEADER projects – "Purchase of equipment and facilities for the expansion and improvement of the LPKS" Kuldīga labumi "trade" and "Creation and development of new and existing products and services LPKS" Kuldīga labumi ". Thanks to financial support 3 new cold showcases, 2 freezers, a cash register, electronic scales, a laptop and a printer were purchased in 2017 and convection oven, meat slicer and a vacuum cleaner in 2018. "Kuldīga labumi" is also proud of the awards – "The

most successful collaboration of the year” in 2018 and Kuldīga County Entrepreneurs and Craftsmen annual award in the nomination “TRADER OF THE YEAR” in 2015.

With the trade development and gaining trust from producers and clients yearly short terms plans were replaced with more ambitious **long term plans**. The goal of the company is to promote the level of well-being of home producers and craftsmen of Kuldīga region by selling the products produced by its members. In order to efficiently and efficiently sell the products produced by the members, the tasks of cooperative were to create a marketing materials and expand activities also outside the Kuldīga region to increase amount of products sold. Informative and educational events for members, participation in exhibitions, markets and fairs were in the list of top activities. In this stage activities were oriented only to developing B2C model.

“Kuldīgas labumi” was chosen as **a pilot** region because the cooperative had already proved purposefulness and successfully represented the interests of its members also in international events. Participation in the BSF Project was great opportunity for the cooperative. Practical experiences on B2B model gained from study trip to Sweden and Denmark in 2018 inspired to set new targets. **Operational plan** was worked out within the frames of the BSF Project and can be considered **as long term strategy** for the cooperative. First steps in implementation of strategy are done, but there is need for serious enlargement to achieve the planned.

### 3 Changes in operational plan

Due to the Covid19, planed piloting activities were not possible to start in the time. The situation differ from the usual one when activities started in the late spring. The opportunities of that time were used and e-shop was the first success story of implementation of recommendations of the Operational plan.

Activities of HoReCa sector were still limited in summer, 2020 and there were no interest and/or possibility to start something new. Situation improved at the end of summer and

there were decision to continue planned Project activities. Seminar in September brings together producers of cooperative, representatives of HoReCa sector, consultants of Agriculture Training Centre and other interests. Meeting was very successful – a lot of ideas related cooperation were discussed.

For the next step the round-table discussions in 5 different restaurants were planned. Idea was to bring together cooperative members interesting in producing goods and products for particular restaurant and develop tourism activities. Target of each meeting was to work out activity plan for the first period. These plans were cancelled in October due to the new restrictions of the Covid19.

“Kuldigas labumi” consider the Operational plan as very challenging and plan to implement it in practice when it will be possible, hopefully this summer.

## 4 Quantitative results

<b>Number of B2B clients (buyers)</b>	More than 10 buyers (schools, Municipalities, museums, cooperative associations, hospitals and others)
<b>Number of producers involved to the piloting</b>	Producers of products and goods are members of cooperative (34) and also other producers outside the organisation - around 50
<b>Number of transactions in total and per months (B2B, and if relevant also B2C)</b>	It depends from the month, but roughly more than 10 transactions per month during piloting period
<b>Variety of assortment - which product groups, how many different products were sold</b>	Meat-Yes Fish and shellfish- No Fruit- Yes Vegetables- Yes Flour and baking- Yes Dairy and eggs- Yes

	Beverages- Yes  Sweets-Yes  Delicacies-Yes  Others- Yes						
<b>B2B turnover in total and per months (in euros, B2B, and if relevant also B2C)</b>	Information on total turnover of BB2B model isn't available. Simple calculation give idea about the situation. If B2B client is school or hospital than one transaction turnover is around 30 – 50 euros, if the client is cooperatives or museums (buying gift bags, for example) - one transaction turnover is around 20 – 40 euros. Information about 2020 will be available in May, 2021. <a href="#">Turnover</a> of 2020 was 120 953 euro.						
<b>Satisfaction of producers involved to distribution system (in 1-6 scale):</b>				Number of answers: 5			
	1 (extremely unsatisfied)	2	3 (neutral)	4	5	6 (very satisfied)	Average
Communication with distributor	0	0	1	1	1	2	4,8
Ordering solution	0	0	1	1	2	1	4,6
Logistic solution	0	0	1	1	2	1	4,6
Sales results	0	0	1	1	3	0	4
Price level of distribution service	0	0	2	1	1	1	4,2
General satisfaction with the cooperation with distributor	0	0	1	1	2	1	4,6
Producers highly value the role of cooperative and possibility to sell products and goods, especially during Covid19 time, when it was almost their only chance to earn money – by selling their goods via							

organisation.

Producers also value the everyday work of cooperative. Satisfaction rated with 5.

<b>Satisfaction of B2B clients with the distribution system (in 1-6 scale)</b>				Number of answers: 2			
	1 (extremely unsatisfied)	2	3 (neutral)	4	5	6 (very satisfied)	Average
Communication with distributor	0	0	0	0	1	1	5,5
Ordering solution	0	0	0	1	1	0	4,5
Delivery of products	0	0	1	0	0	1	4,5
Variety of products	0	0	0	1	1	0	4,5
Quality of products	0	0	0	0	2	0	5
Price level of distribution service	0	0	0	0	1	1	5,5
General satisfaction with the cooperation with distributor	0	0	0	1	0	1	5

Customers are very satisfied because they have an opportunity to buy local products in one place, in bigger quantities and they don't have to deal with the producers/farmers themselves. It is comfortable for customers such as school or hospital, because they don't have to do the communication part with the several producers.

If the offer of product from one producer/farmer is limited, the cooperative is ready to organise similar product from other farmer/producer. There is an agreement with bigger customers that they buy the product from local producers as long as they have the product. Only in case the demand for product will be bigger than supply, the product from non-local producers will be delivered.

Two farmers are involved in the delivery activities with their own transport from 2020. Cooperative is going to continue with testing this system also this year. If it will be successful than they will continue

<p>with this kind of distribution.</p> <p>Satisfaction rated with 5.</p>	
<p><b>Satisfaction of distributors with the distribution system (in 1-6 scale)</b></p>	<p>The cooperation is very good. The manufacturer is communicating directly with school management, because there is not a person from the cooperative who could do the communication. But more comfortable for clients is to offer/deliver from the cooperative not single producer, because it relieves paperwork. Cooperative is looking for more communication and distribution partners to increase the network.</p> <p>Satisfaction rated with 5.</p>

## 5 Qualitative results

<p><b>Gained new skills / cooperation partners during the piloting</b></p>	<p>Important success - some producers from other regions (from Ventspils and Liepaja) are joined to the network. They appreciate the situation that the cooperative is ready to invest and help with their involvement. It is necessary to point – in nearest regions there is no that kind of cooperatives where producers can get support and help.</p> <p>Members of cooperative obtained new skills and knowledge also from participation on the BSF Project activities – study trip to Sweden and Denmark (president of cooperative) and different seminars for cooperative members. Study trip gives idea how important is storytelling and recognition. Cooperative continue already started job with the design and etiquette of products become more attractive and understandable for clients.</p> <p>New skills were gained also with opening e-shop. During the restrictions of Covid19 time in spring 2020, it was the only way how to stay in market and sell products and goods. Lockdown ended in summer, so e-shop didn't get as much use as was expected, but it was definitely a new challenge. It gives new knowledge, make the team stronger and</p>
--	---



	<p>save market positions and also strength reputation.</p> <p>Management team of cooperative got good theoretical knowledge during the period when Operational plan for “Kuldīgas labumi” was worked out. Practical knowledge obtained in daily activities and experience with organising e-shop were the base for next step - shop in Ventspils and shopping stand in Liepāja market were opened in summer 2020.</p>
<p><b>Examples of good experiences / success stories</b></p>	<p>Success of shop in Ventspils and the stand in Liepāja market is the evidence for right management decision - there are regular customers in both places and the product range offered by cooperative suited for the regional clients.</p> <p>During the Covid19 time single market places were closed and contacts of producers with clients were restricted and limited. Situation had a negative effect to a large number of traders in region, but cooperative in that time was an important support for producers, because their products were still available in the cooperative shop, while they are not allowed to trade in the markets in their own stands, especially during Christmas time. Cooperative gives a sense of security in this financially unpredictable and unstable time, because producers regularly got their weekly or monthly payment from the cooperative.</p>
<p><b>Examples of challenges/problems pilots faced during the pilot period, incl. the solutions - how they solved the problems.</b></p>	<p>It is very good cooperation with local municipality. In case, cooperative need a legal advice, local municipality help with it.</p> <p>One of the most important problem of cooperative is transport. Many members use their personal vehicles for delivery of goods and products. One delivery car is rent from the member of cooperative – once in a month to deliver goods/products to Liepāja and twice – to Ventspils. Financial solutions is necessary to improve the delivery system and cooperative is planning to find financial support from the Leader Project.</p> <p>Cooperative do not have storage place right now. At the moment there is no funds where to apply for grants, but monitoring of situation is</p>

	<p>ongoing and cooperative is ready to write a project to apply for money for development when the call will be announced.</p> <p>An important improvement in the shop was implementation of a storage accounting system which was done with the help of the Leader project. With the help of new system, it was possible to count how many clients visited the shop and due some planning and evaluation. New scanners and cash registers were implemented to work with bar codes of the products.</p>
<p><b>What needs to be improved or changed in their model for the future</b></p>	<p>A big problem that should be solved in nearest future is the need for additional human resources in management activities and help with implementation of development (operational) plan. Cooperative needs someone who can help with the management and delivery of the products, someone who can meet producers and workers from both shopping places in Ventspils and Liepāja, there is a needs for someone to be involved in the writing of project applications. Right now there is one or two people who deal with everything, but they possibilities are limited.</p> <p>Supermarket chain <i>Sky&amp;More</i> has showed the interest of “Kuldīgas labumi” stand in their shopping places, but unfortunately cooperative could not pay salary to someone for work in one of these stands.</p>
<p><b>What were the main benefits from participation and from piloting? What kind of value different parties received from the model- producers, clients, distributor. Do they plan to continue to work with a business model?</b></p>	<p>The study trip to Sweden and Denmark was very useful for the president of “Kuldīgas labumi” Gunita Štenberga. There were good and practical examples, where Gunita could see how it is possible to develop B2B model and attract more clients. History of development of similar organisations in abroad demonstrated that every beginning is hard and starts with small and limited resources and activities. Gunita understood that it is possible to develop B2B model also in Kuldīga, but there is need for additional financial and human resources to develop this idea rapidly.</p> <p>Cooperation with B2B model clients is considered as very important for the development of cooperative and it is planned to continue started negotiations on cooperation issues with HoReCa and tourism sector</p>

	<p>after the Covid19 restrictions.</p> <p>Creation of 10 training video promoting local food and cooperative member farms was mentioned as very good, being both – for training and marketing help for the cooperative:</p> <p><a href="https://www.celotajs.lv/lv/news/item/view/933">https://www.celotajs.lv/lv/news/item/view/933</a></p>
<b>Do they recommend B2B local food distribution to other food networks?</b>	<p>Gunita recommend B2B distribution model to other food networks in Latvia, because it is still demand from market and conditions to develop this model in practise. The problem is to find the way how to start cooperation with HoReCa also in case when both sides are interested in it. Lessons learned give evidence that B2B is the only way if cooperative want to increase amount of sold products and goods and reduce costs.</p>
<b>General feedback to project partners from participation in the project.</b>	<p>Cooperative members and partners, as well as potential members and partners were involved in different seminars organised by BSF Project. New knowledge and contacts gained from the participation were important also for their daily work.</p> <p>Handbook designed by the Project was nice help to start communication about B2B model inside the cooperative and also with potential business partners in B2C and B2B sectors. It gives common understanding about business and explain to all involved why each step in product value chain is important and where the costs come. Common understanding and comprehension</p> <p>Formed based for developing activities.</p> <p>Operational plan was great help to evaluate work of cooperative and get ideas and recommendations for the development. Due to the Covid19 restrictions only part of planned activities were implemented.</p> <p>Seminar in September 2020 in Kuldīga brings together active producers and representatives of HoReCa and tourism sector. First steps for future cooperation were done – special place where to share information was designed for them and restaurants already placed information about products they need, but offer in market and shops is limited or close to zero. It was plan to continue started with round table discussions in</p>

	restaurants and work out a plan on how to proceed, but due to Covid19 restrictions this has been postponed.
<b>What are other interesting or innovative local food distribution solutions (both B2B and B2C), which are used in the country/region and can be as inspiration for other organizations acting in local food sector in Baltic Sea Region area (both small or big scale solutions)?</b>	<p>There are no similar organisations to cooperative “Kuldīgas labumi” and such organisation still is an innovative idea in Latvia. This initiative was possible thanks to the support of Kuldigas municipality covering the salary of the manager during start-up and providing premises for the shop. Cooperative growth was driven by the trust of cooperative members and stability gained in the market. The main focus group of the cooperative still is the producers who trust to it and it necessary to help them to get their products and goods to clients, to make them feel as a part of a cooperative where they can get help, advice and other support. It is important that producers also know that they will get the regular payment from the cooperative on the product sold in the shop. It is much more convenient for the producers to be a part of Coop than SIA (Ltd.), because cooperative belongs to members and it always works to the interest of members. In this case members also feel more responsibility for the cooperative to do well.</p> <p>Gunita thinks that there is need for more cooperatives in Latvia to unite the producers from the regions and support small scale manufacturers get involved in market.</p>

## 6 Other local food distribution solutions developed in the region

There is no other local food distribution solutions in the region. Cooperative has good cooperation with **Virtual marketplace Svaigi.lv**. *Svaigi.lv (Fresh)* is an online shopping platform that has operated since 2015 in Latvia, where you can buy products from local producers. The platform provides information on producers, shows how and where products are grown and managed and tells the story behind each farm or farmer. It is a place where farmers or producers can meet a customer and customers can choose the product or farmer based on his/her needs and values. When the customer chooses products in the virtual market and places an order, it is sent to the producer. Products are delivered

to a collection point on market days and customers can pick them up there or ask for delivery. The platform also provides other values to visitors such as a blog, recipes and relevant information.

**Latvian Rural Tourism association "Lauku celotajs"** within the BSF Project developed a section in their popular rural tourism website [www.celotajs.lv](http://www.celotajs.lv), which includes an offers for the individual visitors and bring together HoReCa businesses - guest houses, restaurants and cafes - the rural food producers in the Latvian countryside. These farms and food&beverage producers welcome visitors, give tours of their facilities, offer to taste their products and sell them on site or deliver by orders. In a simple way, potential customers - individual clients or businesses, [can find farms](#) by the product of interest. Farms and producers are arranged here in larger groups according to the type of products they produce. For each type, a number shows how many farms and producers are there in total. Next to each specific product listed in a group, a number shows from how many farms or food&beverage producers it is available.

When you open the list of product groups or a specific product, farms and producers show up with lists of all the products they offer and a link is provided to each farm's profile. It is possible that one farm or producer makes several types of products, for example, vegetables and dairy products - then it can be found in all relevant sections. When you open a profile of any farm or a food&beverage producer, you can find more information about the place itself, its produce, size, contacts and location. There are also shops, markets and e-shops listed where its produce is available. All these farms and food&beverage producers are also marked [on the map](#) with a search option "Producers", where you can search by product groups (eg., vegetables, dairy products, etc.) or by specific products (potatoes, yogurt, etc.).

**Farmers' markets** have a good potential for B2B food distribution. Farmers markets operate in regions and in Riga, the capital, mostly on weekly basis. Some of them are private business initiatives, some are partly supported by local governments interested to facilitate local entrepreneurship. Most popular are the [Straupe Farmers market](#) is open twice a month. Focussed on high quality local farm produce, Slow Food member. Other examples of local and regional farmers markets in [Dobele](#), Babīte, Mārupe, Daugavpils and [Liepāja](#).

## 7 Conclusions

Several types of food networks exist in Latvia. They are cooperative societies, markets, local action groups, direct buying groups, Ltd. Companies and shops. In some regions tourist information offices also are engaged in coordination of food networking. So far majority of local food networks have been focussing on individual customers – buyers in markets and direct sales. Recently growing numbers of small food producers and their organisations show interest also in regular B2B cooperation as they get stronger and improve the quality of their products and services and are able to meet the needs of business customers. Regular cooperation with restaurants and other businesses is not yet a common practice due to lack of experience, knowledge and a number of problems in coordination, logistics, storage, marketing etc. Cost efficient transport and distribution logistics represent important obstacles. At present, restaurant chefs often visit local producers directly or buy products in local farmers markets, which is usually time consuming and is not cost efficient. This situation give evidence there is a need for an efficient B2B food distribution model also in small scale food business.

Among the different groups in the B2B model, cooperative societies present the highest readiness as they are well organised, strongly business oriented and also experienced. Members are farms and so called home producers – micro or family business units producing specific food at home. There are good in production, but do not have knowledge, skills, time and capacities to distribute the products and goods to business therefore cooperation is a only solution to be in market and get profit.

During piloting, the main conditions that hinder “Kuldīgas labumi” operation in B2B are identified and cooperative is looking for solutions and possible development in these sectors:

- lack of **packaging technologies** allowing to meet the needs of shops and other business customers;
- problems with logistics – how to organise regular deliveries to customers (business customers are concentrated in larger cities and towns.) in a profitable way (number and



type of **transport** units);

- to organise cost efficient deliveries and meet the terms of use of the products, it is needed for an adequate **storage**;

- competition with distributors – supermarkets work with distributors instead of dealing with small deliveries. The cooperatives or other associations of small producers **should learn** if and how they can become distributors in order to gain supermarkets as B2B partners;

- dealing with restaurants – cooperatives need to develop more experience and gain **knowledge** about the needs of restaurants and other caterers;

- presentation and description of the product - **Product catalogues** could be a part of the



B2B distribution model that would help to deal with business customers.

*Baltic Sea Food Project is the first experience in bringing a cooperative of small scale food producers in B2B model in Latvia. It was a big challenge for the project partners and pilot region to learn the principles of the B2B model and apply them to local conditions. Great support was the theoretical knowledge gained during the BSF project, the opportunity to see B2B in practice and examples of good practice from other project countries. The time of the project activities was too short to implement everything in practice and the plans were significantly changed by Covid19 limitations. Most importantly, however, the implementation of the B2B model has begun and the Operational plan and Manual developed in the project will be good helpers. We hope that piloting is good example for other organizations, too.*

