

FOODMATRIX – a co-operative logistics solution, web-shop and marketing platform – the concepts of a vision (by Laurids Siig Christensen, Taste of Denmark)

Summary

FOODMATRIX is a combined distribution logistics, web-shop and marketing platform allowing at the same time

- the presentation of unique qualities and/or local identity of food commodities,
- distribution within 24 hours from a producer in any part of Denmark to customers and consumers in every part of Denmark,
- the development of co-operation (cohesion) within and among local food networks, as well as
- economic sustainability of the services of local food networks.

Offering a direct link between producers and consumers, FOODMATRIX is a novel business model for food SME’s and a facilitator of consumer driven innovation in the food landscape. The concepts of the vision and their rationales are presented here. The current implementation of FOODMATRIX, <https://smagdanmark.com>, is presented in a separate ORC report¹.

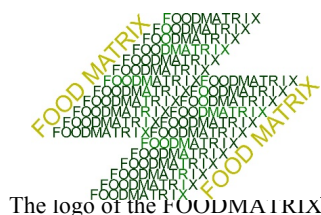
Introduction

The SME-driven food networks in Denmark were instrumental in developing the present market interest in ‘authenticity’, in locally produced food and in new qualities in food commodities. In 2014 a strategy for the ‘Taste of Denmark’ identified identity-based marketing and distribution logistics as primary objectives to be pursued by food networks², and an interview-based study in 2016 among food SME’s of their challenges and opportunities confirmed that these objectives were still requested by food SME’s³. This study also revealed the opinion among food SME’s that the food networks in general failed to comply with these objectives.

Numerous attempts were made during the past decade to establish marketing platforms and logistics solutions but hardly any of them were able to become viable and economically self-sustaining. In addition, few of them were able to properly address the basic challenges and potentials of the food SME’s. From the experiences with these attempts it became increasingly evident that maintenance and further development of the favorable market value of ‘authenticity’ and a viable solution for the challenges of the food SME’s had to build on three features,

1. volume in turnover based on collaboration (cohesion) among food SME’s,
2. collective impact in marketing, and
3. economical sustainability of the solution.

As result of these reflections, the concepts of FOODMATRIX was formulated in 2015.



Concepts of the digital marketing platform

The marketing platform of FOODMATRIX:

- It is a single portal for customers and consumers to access the variety of Danish food specialties
 - The portal is owned and operated by a thematic, non-profit food network, 'Aroma-dk', members of which are also the producers present on the marketing platform
- It presents the local identity of each food network
 - The local food networks are the operators of the marketing platform, making the local identity visible and up-dating products, market events and other culinary services
- It presents the unique identity and vision of each producer
- It presents the product including the specifications required by food legislation but also features appraised by the producer such as:
 - Unique quality or functionality in the product
 - Sustainability of production
 - Animal welfare and other ethical parameters of production
 - Location and 'history' of production
- It introduces new ways of 'evidence-based marketing'
 - Implementation of the quality label, 'A-Doc certified'

As indicated, the marketing platform is to be co-operatively owned by food producers. This is essential for two reasons; the marketing platform as a business of its own should not be subject to dispositions by external investors, and the co-operative ownership builds loyalty to the solution as one of the conditions for the build-up of volume. In addition, the co-operate ownership by producers facilitates the 'proximity' to the consumers.

As indicated, the marketing platform is a non-profit solution. This is essential for the legitimacy offering a competition non-biased solution to all food SME's. It could also provide a criterion justifying public funding for the development of the solution and funding the development of new marketing principles.

Last but not least, specialty food producers can not compete on marginal costs with industrialised food production. They can however compete on authenticity and other parameters such as quality or specific functionalities in the product, ethical parameters in production such as animal welfare, location and history of production, etc. This demands novel ways of marketing to communicate the unique qualities that justify a premium price to the consumer. 'Taste of Denmark' has developed a quality label, 'A-doc certified'. This certifies and documents the authenticity of a product or producer vision. Permission from 'Aroma-dk' to use this label by the producer is required, and such a permission certifies that the unique qualities appraised by the producer have been subject to un-biased documentation and currently is subject to control by an external auditor body. If permission to use the label is granted, it will appear as an icon on the digital marketing platform of that product or producer and give access to the documentary evidence as well as a description of the control regimen implemented for that quality.



The 'A-Doc certified' quality label warrants the documentation and control of a unique quality of the product or its production method

The 'A-Doc certified' label represents a communication link between the innovative food producer and the conscious consumer. It was developed to stimulate consumer-driven innovation in the food landscape⁴. The marketing platform of FOODMATRIX is suggested to be the medium facilitating this communication link.

Functionalities of the web-shop

Functionalities of the web-shop initially were tentatively defined as follows:

- Direct trading between consumer and producer
- A secure system (certified bank) for money transfer between customer and producer
- Payment is drawn from the consumer's account upon ordering and released to the producer upon delivery
- Allowing search for a variety of criteria including:
 - product category,
 - qualities and functionalities of products,
 - sustainability and ethical parameters of production,
 - origin of production, etc.
- Linkage with a GPS-based App, informing about current and forthcoming culinary activities in the neighborhood, offers of visiting producers, markets, providers of local food, etc.
- Identification of outlet hub or private address for delivery

The concepts of distribution logistics

The 'MATRIX' part of the concept name refers to the principle that a network of inlet hubs are linked to a network of outlet hubs. In this way, the majority of transportation will take place between a limited number of hubs.

The concepts can be summarised as follows:

- Most transportation takes place between the inlet and outlet hubs, gaining quantity rebate on distribution costs
- Inlet hubs can be established as
 - a service of the food network,
 - an on-location producer or
 - a specialty food retail shop
- Outlet hubs are specialty food retail shops
 - farmshops,
 - bakeries, slaughter shops, etc
- Direct delivery to the consumer is an option for an additional cost. It can also be arranged with the local outlet hub
- Outlet and inlet hubs can merge to one network, further simplifying distribution logistics.

There is strong win-win synergy between the specialty food producers and specialty food shops. The service as an outlet hub will result in local customers visiting the specialty shop. In addition, the outlet of products gives first-hand information about products and qualities being requested by consumers and might guide the choice of products being purchased in the future from the retail specialty shop. The linkage between a virtual producer-based supermarket and the specialty food retail shop will give added value to the service offered to consumers and strengthen the profile of these specialty food retail shops compared to supermarket chains.

Discussion

The concepts of the vision behind FOODMATRIX and the rationales of the concepts are presented here as a theoretical exercise to be pursued, developed and implemented by others. Volume in distribution logistics is the major factor reducing costs per item. When the FOODMATRIX concept was introduced to producers and food networks, it was suggested that it could potentially take 5% of the retail and food service market in Denmark, equivalent to 660 million Euro per year. Based on this assumption, consumer shopping of weekly or even daily food supplies on FOODMATRIX would become feasible. The unit cost of shipment would be sufficiently reduced to allow even shipment of daily consumable products like milk and bread. A moderate fee of 3,75%, (potentially to be decreased with volume), of the transactions would provide an economically sustainable platform for the operation of local food networks.

The rationale behind FOODMATRIX was to intentionally stimulate co-operation (cohesion) among the food SME's and provide the skeleton of sustainably operating food networks under Taste of Denmark. However, the development of volume also requires effective collaboration among the food SME's.

FOODMATRIX has not yet been effectively developed to comply with the concepts of the vision and has not developed volume as rapidly as originally envisaged. However, the concept of FOODMATRIX has been implemented into the solution of <https://smagdanmark.com>, at present operating. The concepts of this embodiment, the course of development and present status of <https://smagdanmark.com> are presented in a separate ORC report¹.

References

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- 3) Hjalager A-M, Boysen T, Leth GL. Vilkår og udviklingsmuligheder for småskala fødevareerhverv i landdistrikter (<http://www.smagenafdanmark.dk/media/2700989/vilkaar-og-udviklingsmuligheder-for-smaaskala-foedevareerhverv-i-de-danske-landdistrikter-2016.pdf>)
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