

## **Fociss-R<sup>(etail)</sup>**

# **Developing a system based sustainable strategy model for small food retail**

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### **Summary**

*Small retail entrepreneurs in the Netherlands are confronted with declining turnover and ROI. A decrease and even disappearance of small retail in town centres, suburbs and villages is not just a loss of income for the people involved. It constitutes also a loss of attractiveness and economic viability for town centres and villages. Besides for specific groups of people, for instance the less mobile ones, it leads to erosion their social surrounding. Small and local retail can be seen as essential for sustainable living conditions.*

*In discussions and studies aimed at better viability of small retail it is proposed that sustainability forms a key element for attractive and profitable business plan. That is not just because they can and should contribute to a sustainable social living environment but maybe even more because sustainability offers opportunities for small retail that do not exist, or are more difficult to arrange, for large scale retail. The present business and marketing models for retail are not appropriate to come to sustainable retail business. Too often only the envisaged sustainability (how green it is) of a product is looked at and not the strategic role it can have when developing and running a business, in particular in view of the system(s) in which the business plays a (essential) role.*

*For small and medium enterprises (SME)s in general we have developed an approach called Fociss (focusing innovation for a sustainable strategy) to determine the strategic issues a company much address in view of its future viability which is essentially sustainability aimed and must lead to real sustainable businesses. It sets priorities and gives directions for further development.*

*This model is now being adapted for small retail because of the quite specific issues here (Fociss-R). Essential is the insight in the whole retail chain of their business and the various options and possible preferences that exist, at the supply side as well as at the consumer side.*

*The research project has not been ended yet as we would like to present the first results of this model to show how a framework to find new and sustainable strategic business models for SME's is developed. We like to show also that it also forms a perfect tool to educate our students in developing effective sustainable business management information.*

### **1. Small vegetable and fruit retail in the Netherlands.**

Small retail experiences hard times. For instance in fashion but also jewellery, books etc. many shops fail to survive. Actually some retail formulas have closed up to 40 % of their shops.(CBS 2012, HBD 2012). A major cause is of course the present economic crisis in which consumers tend to abstain from buying because they are uncertain about their future

financial position. But is this the only reason?

Other parallel developments take place which influence viability of small retail. The increasing sales through internet is one of them. But also a substantial part of SME (small and medium enterprises) closes business because of a lack of succession. The establishment of large shopping centres, often not in the centre of a town, and the fact that nearly everyone has a car, lures customers away. And less customers in the traditional shopping areas, leads to closure of shops, which leads to less public etc., a downwards spiral. Unfortunately, this seems to happen all over Europe. The result is that small retail shops ‘just around the corner’ are disappearing from residential areas, town centres and smaller villages. In particular in the case of the shops for the daily needs such as food that has also a large impact on the quality of life in towns and villages.

Sustainability is another important factor that will influence business in general, and also retail, large or small, too. Most obvious, environmental and social aspects will certainly raise prices. Kotler (2006) for instance argues that “Marketers lives will become more complicated. They must raise prices to cover environmental costs, knowing that the product will be harder to sell. Yet environmental issues have become so important in our society that there is no turning back”. In particular small retail will not be able to compensate such higher prices by reducing operational costs and higher efficiency easily.

### ***Changing customer views and expectations***

All these developments are of influence for the small vegetable and fruit retail too. Analysis of the actual consumption patterns for food, vegetables and fruit show that consumption in that field is not declining. There is however a strong shift from small to large retail. As a result the market share of small food retail dropped from 23% in 2005 to 19% in 2011. In the same period market share of supermarkets in food has increased from 43.2% to 49%. (CBS 2012). In view of these challenges small retail have to offer other things, extra added value and attractiveness to compensate for higher prices and extra shopping time needed.

Fortunately there exist already issues and trends which can be used here. In contrast to the trend towards larger scale shopping, efficiency and ‘one stop shopping’ there is the wish for ‘product and shopping experience’ that create feelings such as old fashioned, feel good, comfort, traditional quality etc. Furthermore recent scandals in chains of food, such as pollution of food with toxic compounds, the uncertain origin of meat, bad labour conditions in champignon growing have caused uncertainty about quality, health and honest and fair trade. Studies indicate that in general the problem about food safety and health issues causes that people have a more positive view on ‘alternative’ type of businesses then before when they were often considered as ‘too idealistic and unrealistic’.

There is often no transparency for the customer about the actual food supply chain.

Companies which can supply such transparency and offer ‘old fashioned quality’ and a feeling of health and ‘clean hands’ have a position to increase their profitability and increase their market share. Nevertheless sustainability as such is hardly recognized as an advantage in average small vegetable and fruit retail shops. Specific ‘organic food stores’ have still a small market share.

In the Netherlands recently studies and projects have been done to improve the position of small vegetable retail (Loddersen 2012, and summarized in the addendum). Sustainability issues have been studied too but were as yet not given much attention nor were seen as essential. Yet, an outcome of the studies is that within present food retail business we need to shift our viewpoints. Instead of thinking in strategies like ‘the customer is our king’, a more fitting approach is the idea of having the customer as your acquaintance, more specifically, nearly as a friend. We have to deal with consumers who are through digital technology are

citizens of the world and part of interacting masses through facebook and the like. At the same time that customer wants to be fulfilled in his human needs and valued as a person. Furthermore, through this same digital innovation, that customer has receives more and more information about sustainability and social issues. So shopping must have also a personal touch, and not a mass event, and they need a partner who supports them in sustainable shopping behaviour. Doing that could add much value to a business strategy. And just that personal touch, is a rather difficult strategic issue for large retail.

### ***Challenges for green retail marketing***

According to Richardson (2008), consumers are increasingly aware of ethical and/or environmental issues and are adapting their spending patterns accordingly. Consumers are also increasingly cynical in terms of green claims and their increasing awareness of green-washing (Ramus & Montiel 2005) which may render 'green' marketing ineffective'. In general however marketing academics have failed to embrace sustainability. Up to now there is no clear description or definition what Sustainable Retail Marketing (SRM) must entail. And retailers are at disadvantage if they do not know their customers' perception and expectations in that respect. Richardson's study seeks to use a SRM definition that could provide the basis for benchmarking SRM. Sustainable Retail Marketing can be seen as a conflation of sustainability and extant marketing. (Richardson 2011). Retail is worthy of special consideration as it is a key economic driver and based largely upon extensive consumer contact (BRC 2007). Retailing is a complex and mysterious subject that can be viewed from a variety of perspectives (Rosenbloom and Schiffman 1981). Also retail is recognised as a fast changing environment where studies are soon out of date (Mitchel & Harris, 2005). For retail developers, they have to face and answer key questions like "why would shoppers visit one shopping centre rather than another?" Answers to such questions can be of crucial importance for retail managers and developers (Dennis 2005). Our own research results (Hendriksen 2013, Loddersen 2012, see addendum) in the Netherlands defines the same questions which have to be resolved.

One possible answer could be that all consumption is social lined to the consumer spending. It is a socialised process in which consumers' thoughts, feelings and actions are subject to a range of social and cultural factors (Petrick & Sheenan 2007). A socialised individual takes on attitudes, beliefs, opinions and values of others, hence retailers who are not aware of changes in society run the risk of alienating customers" (Richardson, 2008). In order to clarify and taxonomies SRM it is interesting to start with research in a historical perspective of sustainable retailing in the Netherlands.

## **2. Sustainable food retail**

Explicit sustainability is practiced in food production and retail in the Netherlands already to some extent. The market share is still small, 2,3% of food purchased is to be considered sustainable (meaning for the moment organically grown) (FoodHolland 2013). For some products that is higher, such as dairy products. Furthermore some other aspects of sustainability get growing attention, such fair trade.

With respect to sustainability much attention goes to the production, agricultural practice, dealing with producers in 'low wage countries', how long resources can last, the way animals are raised and treated. Examples are biological agriculture products such as vegetables, but also fish, bread, coffee, beef and pork. The recent Dutch scandal around chickens which are mostly raised under abominable conditions, forced the branch to develop a new protocol to raise chicken in a more 'ethical' manner which will be practice within some years. So there is

an increasing awareness and as a consequence a growing supply of more or less 'sustainable food'.

But still: a sustainability in food retail is often just a way to bring those products to the market and not an own strategy with a broader orientation including other (sustainable) retail issues.

Several practices exist already to incorporate sustainability issues in business models and marketing.

- ✓ Fair trade shops selling sustainable (mostly the people aspect oriented) products from in particular 'less industrialized countries'.
- ✓ Farmers who are selling directly to consumers in an own shop, so season dependent and hardly any transport .
- ✓ Specialized butchers, bakeries, greengrocers and small supermarket chains that sell organically grown and sustainable processed food
- ✓ 'Normal' supermarket chains adding some organically grown and fair trade products to their assortment.

A well-known Dutch example of the latter is Ahold, with a market share in the Netherlands up to 35%. They first started with closing the personal servicing departments such as butchery and fish. Instead of the traditional way of servicing, new refrigerating and freezing systems were built, filled up with proportioned meat from pork, beef and chicken and all kind of fish. These are together with potatoes, vegetables and fruits and, bread daily freshly baked, delivered from the several logistic service centres. In recent years they have introduced special food product ranges such as healthy, environmentally friendly and organically grown with prices increasing up to 50% higher in comparison with the normal assortment.

With respect to marketing, sustainability was, and is still, a rather 'unmentioned issue'. Only recently Ahold started informing its customers about origin of products, special development of vegetables, fruit, meat and fish in protected areas. In this they cooperate with the farmers, wholesalers and universities who supply the background information.

An example of a 'sustainable supplier' is The Greenery, a wholesale organization working closely in cooperation with production firms, farmers etc. in- and outside the Netherlands. Their slogan is: 'developing good products from farm to fork'..

Most supermarket formulas nowadays follow the example of Ahold, also discount formulas as Aldi and Lidl. The latter originates from Germany.

An interesting example of a specialized supermarket chain, a total new development since 2010, is the supermarket formula of Marqt, with owners who worked for Ahold in the past. They decided to introduce only biological products into their shops. At this moment the formula is only present in the area of Amsterdam, It is rather successful. Recent news about fraud in the production of meat made customers decide to choose for this formula and turnover increased 30%. So customers do care, for the moment.

Specialized sustainable food retail marketing differs completely from this 'supermarket chain approach'. With some exceptions it are mostly small individual companies which have started with fair trade and organically grown products. Only recently some cooperation grows and 'chains' are formed. In Belgium a strong and fast development of such stores in medium and small villages is observed. In future, development of shops with purely organically grown and fair trade products is an option, although one should invest in offering a complete range of such products.

Farmers which sell organically grown products from their own ground are unfortunately commonly not situated nearby large communities and in logistics terms consumer are obliged to spent extra shopping time in their efforts to by such products. A complete range of

vegetables and fruit has not been offered neither it is possible to offer such products during the whole year. The customer has to search for other suppliers in order to fulfil its complete demand. Still these farmer shops do often very well, but in total it is only a very small part of total food sales. Recently there is a trend to offer vegetables and fruits from local producers/farmers in supermarkets and also small retail with a promotional storytelling about the origin and quality of the product and the way the producer/farmer operates. It will mean they have the possibility to stimulate local economies of scale, for instance employment, savings in logistic costs.

Dutch consumers are in for convenience and even support to let them bring the ordered goods at home. Research has to be done to what group or segment of groups of consumers are more likely interested in alternative ways of supplying of vegetables and fruit.

The examples however show that sustainability has been used as a retail marketing tool and mostly not as a philosophy to be phrased in the mission statement and vision of a company. That other issues are at stake is starting to become apparent: health, income, liveability of towns and villages. What is needed is that food retail acknowledge this also as an important issue. In Hungary for example, government is stimulating the direct sale of agricultural products. This distribution form ensures consumers of healthy food-provision, while at the same time it provides better and more stable income to farmers and agricultural areas as a whole. So at the one hand it is necessary to stimulate production and consumption of 'sustainable food' at the other hand the broader issues of sustainability involved should be incorporated into retail strategies.

To achieve increases in direct sales marketing, an increase in both producer and consumer consciousness is necessary. Larger retail organisations have the means to develop and formulate strategies to do that. Investing in qualified personnel, in logistics, buildings, ICT etc is needed.

For small retail that is different. They have less means and money to do that, not the expertise and staff trained for that. For them the possible approaches, models and instruments have to be developed too. And such models should not just help to introduce sustainable food into their assortment, but also how to develop an business model and customer approach, which helps them survive and even grow, being still the 'attractive shop just around the corner' which adds to the liveability in towns and villages.

### **3. Sustainability: a necessary driver for successful retail businesses**

What we learned from our own research (Venselaar et al 2007, 2010) is that good sustainable business development leads to better profitability and that long term profitability needs a good understanding of what sustainability does imply for the real core business. For small food retail it will not be different. Nevertheless real and total sustainable enterprising is for most SME still a bridge too far. Despite the fact sustainable enterprising has been known for several years and actually is introduced to SMEs in the Netherlands they do not pick it up on a large scale and remain aloof from the development that are being made in larger companies (Graafland et al, 2002). Generally their view is still too often: we are pleased to notice sustainability is a good thing to work on but it remains the responsibility of others (Venselaar, 2010). The lack of knowledge and skills to introduce sustainable enterprising at SME in the Netherlands is huge. Recent study (CBS 2013) points out that at this moment this lack is only increasing.

That seems to make it neither interesting nor motivating to start with sustainable retailing e.g. sustainable retail marketing. Hoefnagel (2004) shows that SME simply neglect the necessity

of sustainability and do not observe their chances at successful new business (Graafland et al 2002).

Sustainable retailing/sustainable retail marketing (SRM) has to be recognized as an essential strategic issue. It is clear that sustainable development will be a major driving force for new developments in businesses in general. But as discussed this branch is totally unaware of the challenges and possibilities that sustainability poses.

Sustainability in small retail must cover more issues, and business opportunities, than just the green, organically grown or fair trade products. Issues as logistics, regional economic development, inspiring jobs in the business itself etc. can and should be addressed. As yet these are addressed nowhere, on the contrary.

And as we notice, in (Dutch) literature, books and reports retail sustainability has nearly always been described in the form of successful examples and best cases. The background arguments and the methods to decide for and implement successful options: 'the why and how' are not being elaborated nor being investigated. So in our view this field 'sustainable business models for small retail' with retail of vegetables and fruits, as example, is certainly open for research.

#### **4. Fociss<sup>Retail</sup>**

Most companies cannot discern the opportunities and challenges that sustainability offers their business. Sustainability is often seen as tedious and somewhat unprofitable and therefore is taken up reluctantly just because it 'should' and is 'good' in a rather abstract manner. Our experience is however that sustainability can be very sensible and is good business practice, when done right. At the same time discussing its consequences it commonly offers new business perspectives and models which can set a business on a new and profitable course. Reinventing the business is often necessary and at the same time advantageous.

In many sustainability and CSR approaches the starting point is often a set of specific 'sustainable issues' of societal importance which then are to be addressed by 'known sustainable measures and solutions' with insufficient view on a company's own needs and ambitions. That can result in solutions that do not fit actually the company and offer no or insufficient business value.

We have developed an approach that helps companies to track that new course. Using that real core business related sustainability issues for an individual company can be determined. It provides a clearer focus and a better understanding of the importance of sustainability. This so-called Fociss approach (focussing innovation for a sustainable strategy) aims at setting priorities not just on needs and risks but on profits by new and improved business options and by matching them with the own company (and management) visions and ambitions.

The approach has been used in studies with a wide variety of companies: chemical industry, food, equipment manufacturers, engineering companies and auto lease businesses. It is therefore rather generic structured, so it can fit all sorts of businesses. However that requires much insight, creativity and experience of the people involved. It is observed that therefore its effectiveness is not optimal because the participants from the companies themselves lack sufficient knowledge and gain not always all the insight needed to use the results effectively.

It is deemed therefore advisable to make a more dedicated version of the Fociss approach. As described above, the request for innovative and promising business models using sustainability as driver to 'reinvent the business' forms a perfect opportunity for that. So we are in the course of specifying and developing a dedicated Fociss<sup>Retail</sup> approach, at first with food retail as main target.

The Fociss approach has as main features:

- a. broadening the view of the entrepreneur by analysing the ‘systems and chains’ which his business is part of and the actual role and function the product or service has;
- b. narrowing down and focussing on the developments, issues, options and constraints that will influence his/her business in particular and selecting viz setting priorities for the right actions and measures essential for the businesses future.

The approach and the method protocol is described and discussed in detail in earlier papers (Venselaar et al 2007, 2010). The main steps are outlined in Table 1.

The approach starts with the actual role a company and its products have in society and economy and the changes that will occur. It is a stepwise narrowing down on theme’s, issues, sensible innovations and priorities which must then be the core of a company’s future aimed strategy for taking part in the sustainable transitions that will occur. It very much uses the knowledge and insight already available, mostly proving sufficiently, in a company of some size. Also because its starting point is formed by the own company interests, options and ambitions. That is the basis for an assessment of the requirements society and economy will pose, now and in the future. It shows the business related consequences that developments will have.

Table 1 Outline of the generic Fociss protocol

	phase of study	focussing on	activity, tool
1	Preparatory	introduction in company	
		selecting participants from staff and management	
2	Scope of the study	coherent set of products/services with comparable production chain	
		collecting background information	
3	System oriented	identifying the role of company in economy and society, for the specific products and services	
		levels involved	
		system / level specific issues and developments	
4	Sector oriented	main specific issues in the industry sector	
5	Key areas of attention	information and views available at the staff, and if possible other stakeholders	interviews Fociss matrix
		selecting the main areas of concern for the company	workshop
6	Key issues	inventory and elaboration of issues named for the selected key areas of attention	
			workshop
7	Priority of sustainable options and innovations	inventory of options and attractive developments in products, services, processes and business operation	back-casting
		rough estimates of costs and (future) profits and ‘sustainability effect’	economic models technology review
		selecting best options for the present strategy	workshop
8	Implementation	determining needed actions and attainability, actors to be involved	complexity chart

The sequence and specific points and steps of the approach are crucial because they are aimed at real understanding, real future profitability and real ‘reinventing the business’.

a. Future developments such as sustainability issues must be inventoried before innovation selection. Innovation that does not take the (near) future constraints set by sustainable development into account will not pay off in the end. Too often sustainability is often brought in as the second step, intending to polish up the already selected innovation and make it looking sustainable. But then a possible wrong decision is polished up. As example: some companies invest heavily in renewable energy and new innovative low energy processes because that is seen as the present most urgent priority to become a sustainable business. However when the company does not heed the challenges they will really face, such as uncertainty of resources (copper, wood), socio-economic problems with resources (biofuels, child labour) or unpleasant effects of their products (obesity, problematic wastes) they might have set the wrong priorities to stay viable on the long run.

b. Sustainability innovations are only effective when they concern the real core business of a company. That must be strengthened and ‘adapted to future requirements’. The core business determines the role a company plays with its products and services in society and economy (‘function thinking’). A company and its products will stay viable and profitable when they contribute to a sustainable society and economy. That asks for understanding the role a business has and the changes sustainability might bring in that.

c. Real ‘system awareness’ is essential. All too often companies address with their activities in ‘sustainable business’ only the product as such (green products, green marketing) and its activities only on production level. There the ‘Planet’ aspects (environment, resources, ecology) and employee related aspects (labour conditions) are emphasized. On the higher system levels a company operates in: the ‘production chain’ a company is part of, and the larger socio-economic systems in which the product/service plays a role (such as ‘transport’ and ‘housing’), the effect sustainable development has for a company is often not well understood or not given sufficient priorities. That poses risks but at the same time very attractive and profitable opportunities are missed.

d. In the end there must result a practical framework for an effective sustainable business. Recent management research literature concerning the relation of sustainability, innovation and profitability shows a growing consensus that incorporating sustainability and corporate social responsibility in the company strategy will strengthen the company’s basis and profitability, certainly on the longer term (Bhattacharyya 2007). Nevertheless Bhattacharyya concludes: “The notion that CSR should benefit the firm as well is no news now. But a framework which guides managers so that they can decide which CSR initiatives make strategic sense to the firm remains elusive.” He concludes that such a framework must act as an effective ‘CSR-strategy-filter’ and minimally must be able to:

- ✓ determine actions that contribute to value chain activities;
- ✓ select those actions that effectively improve context of competitiveness.

That is what we want to attain with the Fociss approach.

To adapt the generic Fociss approach in a Fociss<sup>Retail</sup> approach it is necessary to adapt the broad generic set-up in several aspects. As this paper reflects the specific research aimed at ‘small retail’ it specifies these adaptations specifically for them.

Being small, mostly very lean staffed and with mostly staff with only work related training and experience it is necessary to specify options and issues in more detail and much more specific for that line of activities.

Where in table 1 views and input of staff is indicated (actually quite often) the role of external partner/consultant supplying information and ideas will be much larger.

Envisaged is that such input will be in the form of tables and matrixes to select and combine from with sets of criteria to base such choices on.

Specific for the Fociss<sup>Retail</sup> adaptations for food is that chain aspects, in particular origin of food, will most often forms the most crucial aspect for business models.

Second in that will be preferences of customers, changing societal views on that will be an important aspect to consider for future business attractiveness.

The end result will certainly not be a technical or product innovation but a 'business model' innovation. A different set up of the own business, a different offer to customers and quite likely a different 'chain approach' is likely to result. One would expect more explicit cooperation between steps in the chain to make it more robust, reduce costs and offer an attractive business profile to all involved.

What should not change is the sequence so that the crucial aspects and aims of the approach as described above are assured even when the method is simplified.

## **5. New business models for small food retail**

In order to come to a practical tool for developing sustainable business strategies for small retail in vegetables and fruit, the various options that might be considered during the Fociss steps as described before a table is made in which relevant aspects, issues, factors and options are represented (table 2). It is then used to generate smart and novel combinations which might represent attractive business concepts. The actual outcome, business model, attractive extras, will vary for each situation, dependent on place, supply options, local preferences and likely type of customers.

The aspects, factors and issues given in table 2 are based on a first analysis of the various existing approaches taken in small and large retail to introduce sustainability in their product lines and their operations. That analysis showed that the business models are different but are made up of definite components that come back in the different approaches. The inventory is of all possible components is certainly as yet not complete.

We envisage that analysing the aptness and effectiveness of different components in different combinations for different situations can lead to insight in the strength of the various approaches on business models.

This table 2 is also a first attempt to start discussions about which indicators for sustainable new business models of food retail are to be used to assess new business models. We reckon that each option, leads to a specific attractiveness and customer response, for different customer groups. At the same time they involve specific sustainability outcomes. For instance local grown food might be attractive for customers which have a strong local orientation, 'this is our home' and at the same time involves few transport movements. The challenge is of course to find as much as possible aspects, issues and their customer and sustainability outcome. Some combinations of course are already used, so there is experience with how they could function and some data on their actual sustainability. For new combinations, other methods must be found to assess their actual practicality and sustainability.

For instance from retail marketing point of view we are facing a lot of major marketing indicators which can be divided in external and internal variables. It is therefore rather complex, possibly to be split up en three dimensions and will perform numerous methods.

Table 2. Scheme of concept business model building blocks - first inventory.

step in the supply chain						
Cultivation	Origin	Importer/ wholesaler	Kind of store/chain	Shop location	Customer segmen- tation	Added value customer
Sust./non sustainable	Sust./non sustainable	Sust./non sustainable	Sust/ non sustainable	Sust./ non sustainable	Sust./Non sustainable	Sust./ Non- Sustainable
Organically grown	Foreign/ Global	Ordinary	Large chains	Large towns	Customer (mosaic model)	Retail Marketing Variables:
Macrobiotic	All seasons		Franchise	Medium towns Small towns	Non sustainable consensus	Price Value Logistics/ Place/Local Staff Others
traditionally grown	Foreign/ Global	Biological	Small chains	Village  Hamlet  Nearby district	Customer( Mosaik)	Health/  Body  Mind setting
Greenhouse	Regional  All Season	Cooperative purchase	Cooperation	Countryside	Specialty customer	Brand  Image
Fair trade	Regional  Season	Single purchase	Individual	Industrial areas	Local involved	Local radiation
Ordinary	Local		Farmer shop			Extended Services At location
Traditional	All season					
	Local  Season		Shopping Mall			Door-to- door

Combinations can lead to business concepts in which the customer experiences its own preferences, such as ‘normal sustainable or more purely organically grown, macrobiotic, vegetarian and vegan’, combine that with place of shops, information on the source of the food and a wide choice of recipes, to support customers in their choices. Another idea/ concept is to point out new product and service combinations. Advices on menus and recipes to handle special, for instance also local and seasonbound products. Preprocessed and prepared products which are not easy to handle and cook yourself. Servicing a complete meal to be used at home. The possibility to order your own chef and prepare a dinner at your place. In the Netherlands at this moment it is also possible to select your menu by buying your biological products at a shop and let it be prepared on the spot, or the same shop functions also during the evening as a restaurant. Some companies, although operating on a small scale, are offering to customers a special way of loyalty program. Customers have the

possibility to by certificates of a company and will become a member of shopping concept. This membership gives them the opportunity to purchase their goods a lot cheaper. In combination with internet possibilities and social media there are a lot of business opportunities and chances. Moreover, when the customer is prepared to work voluntarily in the shop, restaurant or at the farm for 'free' and will receive products or discount instead of a salary one can imagine a total new economy can be built up.

The strength of the company depends on how you serve your customer. You have to be absolutely accurate in the definition and targeting of the segment of your group(s) of customers. The customer profile is an essential factor: gender, age, class, they all might be of influence. And you have to decide if you concentrate on a single segment only or want to serve more segments. They all need to feel 'at home' in your shop.

We still have to define and describe more indicators such as the product life cycle, the way to communicate the different customer segments and medium of exchange for instance. One could imagine that you do not pay in money, but perhaps in labour or exchange with other products/goods or services, as is practice already in some situations. Eventually, the results of ongoing research and analysis of present business models, will provide concepts of new business models. Further on, they will be proposed and evaluated with entrepreneurs and experts and specialists in retail and tested on their sustainable procurement and profitability.

## **6. Conclusions and further development.**

There is insufficient knowledge about the opportunities sustainability offers to entrepreneurs with small retail shops in vegetables and fruit, and for that matter, for small retail in general. Knowledge concerning most applicable business models for sustainable food retail and marketing is clearly insufficient.

The present conditions for surviving the economic depression for small retail in the Netherlands, as we have been studying specifically for vegetables and fruit, are not good.. Nevertheless there is a clear place and role for small retail because they offer options customers in specific segments want, which are not, easily, supplied by the large retail and supermarket chains.

For small retail, in vegetable and fruits, to fit into that place and role, it is necessary to innovate and create retail relevance. New business models with better strategies are asked for, as well as better training of staff, marketing and services to customers.

Many of the issues that they need to address for finding this new place and role and thus becoming more viable in the competition with large retail chains, overlap or coincide with sustainability concerns and approaches. It is in our view obvious therefore that in the retail sustainability, in its broader form then just 'green products' forms one of the leading principles when developing business models and participating in retail marketing.

We conclude, sustainable retailing in food business can be the best solution and option for small food retail and will create new chances and opportunities. Sustainability could be a main contributing factor to attract consumers who are interested in new ways of shopping and have specific individual attitudes towards food. It can also directly improve the business by reducing costs in e.g. logistics, labour and management and/or by removing intermediate steps between producer and consumer. Further research might even show that operating in a sustainable way is the one and only solution for safeguarding the future of individual small retail business.

At the same time, by offering new, attractive and for customers individualised options, sustainable production and consumption of food as a whole will be stimulated. That is higher goal, small retail might just be one of the major contributors in.

Further study we plan to do, therefore is aimed at the following questions:

1. In how far does sustainability create extra, and sufficient, value for this particular retail sector to be able to increase its viability?
2. Which new business models offer the best approach for specific situations;
3. How can the presently proposed approach for business model generation developed further
4. What steps are necessary to implement such business models.

It will increase the knowledge and experience concerning sustainable business development and marketing in small retail. Ultimately, these results could be used as an input for research in other sectors/branches of small retail. For Avans it will also contribute knowledge that can be implemented in our course for students.

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## **Addendum**

### **The Dutch SIA-RAAK project small retail in vegetables and fruit, 2012**

The aim of the project was to strengthen the position of small retail businesses in the sector of small retail for vegetables and fruit by offering better insight in their economic position and offer possible strategies to survive and improve. It was assessed that within a period of several years (till 2020) only about 250-300 SME in fruit and vegetables will remain in the Netherlands, out of 2500 shops in 2002.

It was a cooperation between Avans Hogeschool and Fontys Hogeschool and the sector organisation AND for small vegetable and fruit retail. It involved literature studies, interviews with businesses and other stakeholders and case studies aimed at developing feasible business models. It was financed by a subsidy of the governmental based SIA-RAAK organisation from 2011 till 2013.

Main problem this sector is facing, is the lack of trust of entrepreneurs in each other, lack of management skills and the low quality of entrepreneurship. Supermarkets are still having profit about this form of non-communication and are in top position They are defining and controlling the market and its developments.

Our research pointed out that this branch is just following what is developed in the larger supermarkets chains. Most fruit and vegetables shops are old fashioned in style, with owners who are rather frustrated about their ongoing loss in turnover and market share. The range of products in comparison with supermarkets is less, they supply no information to customers, owner and staff are not at all trained to cherish the customer they have. They are not service minded at all. Daily delivery of fresh goods is not guaranteed. The retail marketing mix of such a company is totally out of date, if there is any. Our students have studied the branch, made specific strategic plans and implementations, defined new ways of doing business, wrote concepts for new business. At the end of the project, after the students having presented the best options to start with, none of the present companies or delegated entrepreneurs decided to start with any novel approach. Even the members and staff of the branch organisations involved were unable to implement some of the recommendations. Just recently the branch for vegetables and fruit has therefor started a new project in order to implement a total new approach of doing small retail business.

The following recommendations were made::

- ✓ The range of products should be as broad and as deep possible. Health, enjoyability and convenience are either in combination or separately with each other criteria for local focus on specific groups of consumers. Corporate Sustainable Responsibility and attractiveness in the product concepts offered are main components.

- ✓ The small specialty shop for fruit and vegetables should be in the front of innovation for new product concept development, such as it for healthy ready to eat meals or attractive and easy to procure components.
- ✓ Every company has to describe its own local situation and population in order to adapt the most suitable range of products and services.
- ✓ Staff and personnel should be educated and well trained into product knowledge and sales skills in order to inform customers on all aspects, from health, food preparation till environmental aspects and make valuable suggestions to customers.
- ✓ Management must be trained in to involve and motivate personnel who are the main asset for an attractive and friendly business relation.
- ✓ Staff and personnel must be active and stimulated to get acquainted with customer preferences in their area, for instance through the use of social media.
- ✓ The entrepreneur should be aware of personnel as a main source of income and not as the largest point of operational costs.
- ✓ To be really successful in present and in future and to ensure a larger effectiveness of all marketing efforts, it is absolutely necessary to closely cooperate with all relevant actors in the supply chain that has to be set up for the specific business model chosen.

The major difference between retail SME's and supermarkets must be found in the combination of an optimal range of (local) products, specialized on the local environment of the company, with skilled, friendly and motivated staff which can communicate on a personal basis with customers.

In particular cooperation has to be strengthened.

- ✓ Locally/regionally between various retail SME's.
- ✓ Within the sector as a whole in search for new strategic and business models.
- ✓ Between wholesaler(s) and SME.
- ✓ In the whole food chain: from "farm to fork". And in particular research has to be done into all possible models that can exist in such value creating chains.

That sustainability issues offer a sensible contribution to the demands of current business was not noticed as yet. In our view that is a regrettably missed opportunity. Neglecting it would diminish the chances for finding real and lasting improvement of the position and profitability of small retail in vegetable and fruit. We strongly believe that a totally new profile for sustainable entrepreneurship in SME is needed. The sector organization ADN is now looking for with our group and a special consultants to formulate total new business strategy and formula(s) for the Dutch Food Market. Further research into the role that sustainability can play, is absolutely necessary.