

Good Practice Guide on new business models



Region of Thessaly

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1 Introduction

Rural economy SMEs need to remain globally competitive by adopting innovative solutions, new business models and modernisation approaches that can lead to increases in productivity and access to new markets. Territorial capacity building and policy innovation involving all regional actors are critical factors for promoting the diffusion of technological innovations, to maintain and strengthen SMEs' competitiveness and consequently regions' growth. Regional authorities in rural areas can play an important role in the modernisation of existing SMEs and the proliferation of innovative start-ups, providing incentives to promote the adoption of technological innovations, such as organic farming, functional food, crop resistance systems, selective breeding and feeding processes to boost livestock resistance to local conditions.

The "Regional policies for innovation driven competitiveness and growth of rural SMEs – INNOGROW" is an Interreg Europe project (www.interregeurope.eu/innogrow/) that seeks to improve partners' policies on rural economy SMEs competitiveness regarding the integration of new production technologies and business models that lead to innovative products. The project will promote the adoption of innovation by rural economy SMEs, through sharing practices / experiences between regions and actors relevant to rural economy SMEs competitiveness, and integrating lessons learnt into regional policies and action plans.

This document is the final deliverable of the INNOGROW Activity 1.2 entitled "Identifying successful new business models for rural economy SMEs". The Good Practice Guide (GPG) presents a number of innovative business models adopted by rural economy SMEs to promote their competitiveness and productivity. Relevant business models include product diversification, market development, joint venture, vertical integration and horizontal supply chain collaboration.

The purpose of this report is to inform policy makers about the existing and potential benefits of new business models for rural SMEs, and to promote the improvement of own policy instruments' implementation. The main findings drawn from the analysis will be utilised by regional authorities to develop territorial action plans and strategies on diffusing "business model innovation" among SMEs in rural areas.

The case studies provide illustrative and practical examples of business models that have proven successful in improving rural SMEs' competitiveness and stimulating the adoption of innovation. They also highlight the circumstances under which, these models can be transferred in other EU regions and sectors.

The guide is outlined as follows: section 2 provides working definitions for the terms "business model" and "business model innovation", including a classification of business models for rural economy SMEs; section 3 describes the methodological framework upon which the collection of cases was realised; section 4 presents the main findings and common issues drawn from the quantitative analysis of cases on business models; section 5 outlines the approach employed for the identification of good practices including cases' scoring assessment grid; and section 6 presents in detail the most successful cases collected by project partners, showcasing the accomplishments achieved.

2 Thematic background

2.1 Business model

The definition of the business model construct has been widely discussed both in academia and industry. Recent literature review indicates the increasing importance of “business process modelling” for enterprises and especially for SMEs. Still, there is not any single universally accepted definition for business models, possibly due to the fact that the “business model” concept lacks theoretical grounding in economics or business studies. Actually, the term has been described in many different ways, using various definitions and interpretations that are shown to be particularly loose and ambiguous, applicable to various situations/settings with different meanings.

Venkatraman and Henderson (1998) argue that a business model is a strategy that reflects the architecture of an organisation along three main vectors: customer interaction, asset configuration, and knowledge leverage. Rajala and Westerlund (2007) suggest that the term “business model” explains how value is created for the customers and how value is captured for the company/organisation and its stakeholders. Chesbrough and Rosenbloom (2002) define the term as «the heuristic logic that connects technical potential with the realization of economic value», while Shafer et al. (2005) explains a business model as a representation of the underlining core logic and strategic choices for creating and capturing value within a value network.

Al-Debei et al. (2008) indicate that value proposition, value architecture (the organisational infrastructure and technological architecture that allows the movement of products, services, and information), value finance (modelling information related to total cost of ownership, pricing methods, and revenue structure), and value network articulate the primary constructs or dimensions of business models. According to David Teece (2010), a business model articulates the logic, the data, and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value. Steven Black (2008) argues that a business model is a combination of a firm’s structure and its strategies for accomplishing its short and long-term business goals.

Zott et al. (2010) conclude that there seems to emerge a common understanding of the business model concept among researchers, i.e. it is widely accepted that the business model concept is emerging as a new unit of analysis, that business models emphasise on a system level a holistic approach towards explaining how firms do business, that organisational activities play an important role in the various conceptualizations of business models, and that business models seek to explain how value is created and captured.

To conclude, the term “**business model**” can be defined as the strategy that a company/organisation employs to achieve its operational goals and strategic objectives (e.g. to generate revenue from its product or service offerings). In essence, a business model embodies the organisational and financial ‘architecture’ of a business, and describes the rationale of how this business or organisation creates, delivers, and captures value in economic, social, cultural or other contexts.

2.2 Types of business models for rural economy SMEs

A preliminary desk research indicates that several types of business models have been adopted by rural economy SMEs (to capture value from technological innovation and economies of scale) as part of an overall strategy to increase their economic benefits and survive in a competitive environment. The following is an indicative list of business models that are currently being used in the marketplace and can potentially work for businesses in rural areas.

Table 1: Types of business models (non-exhaustive list)

Business model	Brief explanation
Producer organisation / Cooperatives	A jointly owned enterprise (e.g. agricultural cooperative) engaging in the production/distribution of goods or the supplying of services, operated by its members to meet common economic, financial and societal needs, strengthening their position in the supply chain.
Horizontal supply chain collaboration	Companies of the same industry and in the same stage of production work together to support innovation and improve their competitiveness.
Vertical supply chain collaboration	Two or more independent companies across the supply chain work jointly to plan and execute supply chain operations with greater success than acting in isolation
R&D co-operations	Collaboration with technology partners (e.g. universities, R&D institutes, technology parks, clusters) to enable specialisation / product innovation.
Internal R&D	Operation of an internal R&D department to enable the development of own portfolio of technologies or/and products.
Trading relationships	Durable and stable trading relationships with large companies and market leaders.
Product diversification	Restructuring or diversification of production (through modifying existing products or adding new products to the range) and commercialisation to enter new markets.
Market development	Development of new market segments for current products.
Market penetration	Increasing the market share of an existing product, through strategies such as bundling, advertising or lower prices.

Business model	Brief explanation
Public Private Partnerships	Public-Private Partnerships to strengthen SME’s capacity, competitiveness & development (e.g. through accessing financing).
Joint ventures	Formation of a new company, where parent companies have ownership and contribute complementary assets, technologies and human resources.
Value chain development	Co-operation with other companies, stakeholders to foster inclusive /sustainable value chain & market system development.

2.3 Business Model Innovation

“**Business Model Innovation**” (BMI) refers to the introduction of innovation within the business model or/and organisational structure of a company, to foster rapid growth and increase business competitiveness. Innovation in a business model is more than a mere product, service or technological innovation. It goes beyond single-function strategies (such as the development of a new product), including the reorientation of business strategy and the incorporation of innovative processes within the business system architecture (e.g. flexible pricing scheme, co-branding, participation in collaboration networks). The main purpose of business model innovation is to generate new revenue channels by improving product features and employing innovative processes and means to deliver additional value to customers.

To put it differently, BMI revolves around the idea of fundamentally rethinking business structure and activities to address a clear customer need, including realigning business resources, processes, partnerships and profit formula to enhance the value proposition of offerings (e.g. to offer biological, inexpensive foods to customers), capture new market segments and alienate competitors.

Business model innovation may include different types of innovation, based on the dimension of the business model changed for increasing the value proposition of offerings. To facilitate the identification of patterns of business model innovation for rural economy SMEs, the methodology will rely on the “Ten Types of Innovation” framework¹, which constitutes a generic guide for identifying innovation opportunities and evaluating how businesses are performing against competitors. According to this framework, innovation can be found in the following dimensions of a business model.

¹ Keely et al. (2013), “Ten Types of Innovation: The Discipline of Building Breakthroughs”, WILEY.

Table 2: Types of Innovation within the business system architecture

Type of innovation	Brief explanation
Profit Model innovation	Introduction of innovative pricing strategies and models (e.g. bundled or flexible pricing, financing, advertising revenue, membership, metered or subscription models)
Network innovation	Participation in collaborative arrangements with other organisations and companies to foster rapid growth and increase business competitiveness (e.g. horizontal or vertical supply-chain integration)
Structure innovation	Reorientation of the organisational structure and aligning talents and assets to create more value (e.g. clustering of units or departments)
Process innovation	Adoption of a signature and superior method for creating value (e.g. on-demand production, flexible manufacturing, process standardization)
Product Performance innovation	Design of products/services that work better to deliver superior value to customers (e.g. superior product, ease of use, safety, customization, environmental sensitivity)
Product System Innovation	Creating complementary products and services that connect or bundle together to create more value (e.g. complements, extensions/plugin, modular systems, etc.)
Service Innovation	Adding value in how you support customers find, buy, pay, enjoy and dispose of your product (e.g. try before you buy, loyalty programs, personalized service, lease or loan)
Channel Innovation	Introduction of innovative ways to deliver your offerings to customers and users (e.g. diversification, flagship store, pop-up presence, on-demand, context specific)
Brand Innovation	Presenting your offerings and business in a distinctive, memorable, and likeable way (e.g. co-branding, private label, certification, brand leverage)
Customer Engagement Innovation	Innovation in how you foster compelling interactions (e.g. personalization, experience simplification, process automation, mastery)

3 Survey purpose and methodology

3.1 Purpose and research questions

The policy purpose of this guide is to inform policy makers about the existing and potential benefits of new business models for rural SMEs, and to promote the improvement of own policy instruments' implementation, by prioritising measures based on successful cases and examples.

The collection of cases and empirical evidence provide insights on a) key initiatives taken by rural SMEs to improve their competitiveness, b) the effectiveness, impact and assessment of certain types of business models and approaches, c) the major results and lessons learned from the implementation of business model innovation and d) the potential transferability and uptake by stakeholders, identifying under which circumstances these models can be transferred and deployed in different regions and sectors.

This study therefore addresses the following research questions:

1. To what extent, has the adoption of new business models proven successful in improving rural economy SMEs' competitiveness?
2. Which have been the most effective and successful types of business models in promoting innovation adoption by rural economy SMEs?
3. Why such cases have been effective? What are the success factors?
4. What are the main benefits created by the implementation of business model innovation at both business operational and regional level?
5. How transferable are these types of business models and initiatives?
6. Is there a consistent set of guidelines for the successful adoption and consolidation of business models, aiming to improve rural economy SMEs competitiveness and innovation capacity?

3.2 Research methodology and documentation tools

Desk research was the main research methodology employed for collecting cases on successful business models implemented by rural SMEs to foster innovation and increase their competitiveness. The reason why secondary research was selected as the primary methodology of this investigation is that it represents an efficient and cost-effective way to capitalise on already existing knowledge. This approach, focused on retrieving secondary data from different sources, also bears the advantage of providing perspectives based on already analysed and validated evidence.

In our case, this type of research comprised secondary data research, during which project partners went through various texts and documents from relevant secondary sources of information, like corporate websites, web portals of agencies or/and bodies responsible for the promotion of innovation in rural areas, and academic journals.

The methodology provided a good practice documentation sheet so as to guide the identification and collection of cases and ensure that all information will be reported in a consistent and clearly structured manner. The documentation sheet was not a questionnaire addressed to rural SMEs' representatives, but an instrument used by project partners to document all relevant evidence/information for each case (i.e. innovative business models), as retrieved through desk research.

A web-based approach was employed for reasons of practicality, and to facilitate data collection, coding, and analysis processes. The case documentation sheet was made up of three (3) sections (a. Facts & Figures, b. Case Description, c. Results & Prospects), designed to address the research questions and objectives of the good practice guide.

As mentioned above, the documentation sheet was provided as an on-line questionnaire (through Google Forms), which was directly completed by project partners. The research lasted for 5 months, from August until December 2016. Region of Thessaly (RoT) was the partner responsible for coordinating the collection of data/evidence, informing partners about delays or shortcomings, and encouraging them to collect as many cases as possible.

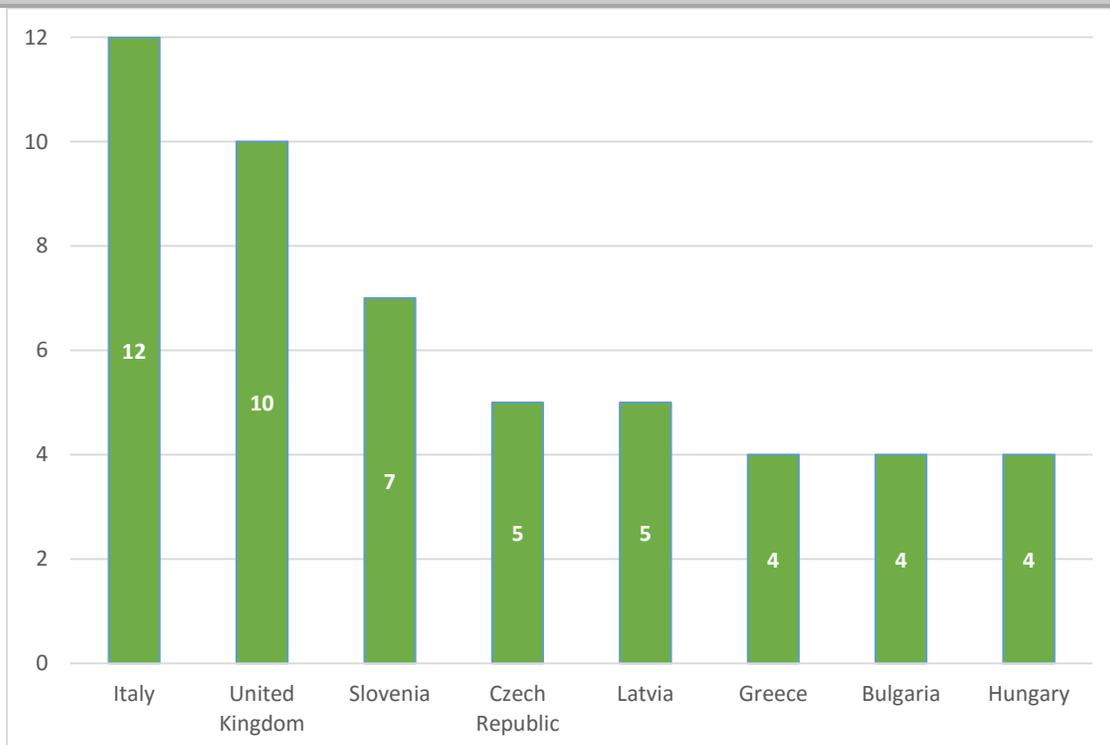
4 Main research findings (common issues)

This section discusses the main findings drawn from the statistical analysis of cases collected. The main purpose is to identify common issues and conclusions related to the successful implementation of innovative business models from rural economy SMEs. In total, 51 cases were collected and described by INNOGROW project partners through the online case documentation form (powered by Google Forms). The results are representative in terms of geographical distribution and type of establishment.

4.1 Location

Regarding geographical distribution, Italy and United Kingdom are found to participate with the highest rate, accounting together for 44% (i.e. 12 and 10 cases from each country respectively) of the total collected cases. Slovenia contributes with 7 cases (14%), followed by Czech Republic and Latvia with 10% participation rate each. The remaining 16 cases come from Greece, Bulgaria and Hungary (Figure 1). It must be mentioned that all consortium partners contributed to data collection with cases from their own territory, demonstrating a high level of commitment and reaching the collection targets set in the methodology report.

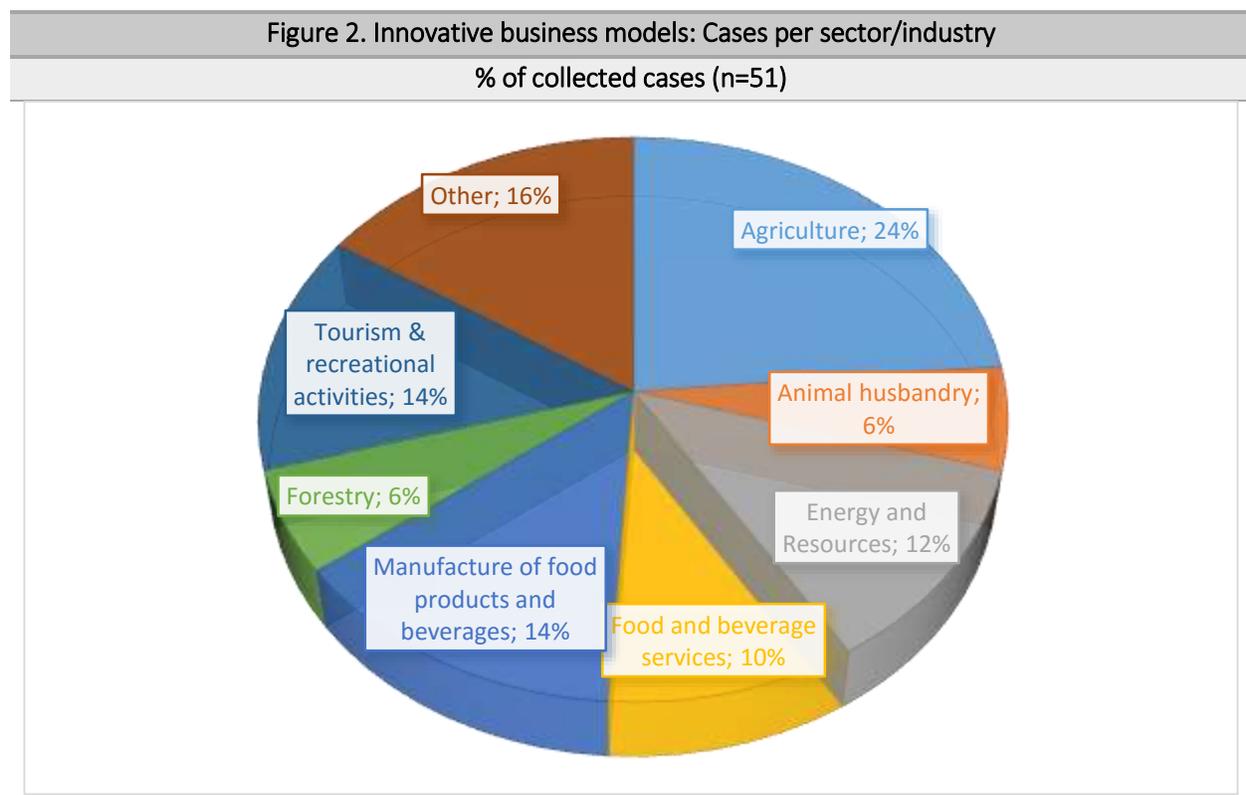
Figure 1. Innovative business models: Cases per country (n=51)



Source: INNOGROW A1.2 results

4.2 Sector / Rural specific activities

Figure 2 presents the collected cases per sector. The research (carried out by project partners) resulted in the identification of 51 cases of innovative business models implemented by SMEs in rural areas to promote their productivity and competitiveness. The sample is representative including cases from the major sectors of the EU rural economy, such as agriculture, manufacturing, tourism and energy. The majority refers to business models adopted by agricultural SMEs (i.e. 24%). This is rationale considering that agriculture is the dominant economic activity and income source for EU rural communities. According to Eurostat (2013), 172 million hectares of land use and 25 million people are involved in agricultural production. Farming and related activities make up substantial proportions of employment in rural areas, contributing also to regional growth, social welfare and the quality of the environment. As agriculture is facing ever-increasing demands and a harsh global competition, business model innovation has become a priority for the agricultural sector, which strives to remain competitive and secure farmers' revenue streams.



A significant share of cases describe business models adopted by tourism and manufacturing enterprises (i.e. 14% each), in an effort to increase their market share and develop new market segments for their offerings. Rural economies rely heavily on visitors' generated income and occupancy taxes. To survive competition, tourism SMEs are urged to diversify their services, offering sustainable tourism packages, primarily addressed to visitors wishing to come to contact with traditional rural lifestyle and explore the

unspoiled natural environment. Manufacturing companies follow a vertical integration pathway that allows to create economies of scale and decrease costs by eliminating charges associated with middle men. The remaining cases comprise business models implemented by companies operating on the energy and resources sector (12%), food and beverage services (10%), forestry (6%) and animal husbandry (6%).

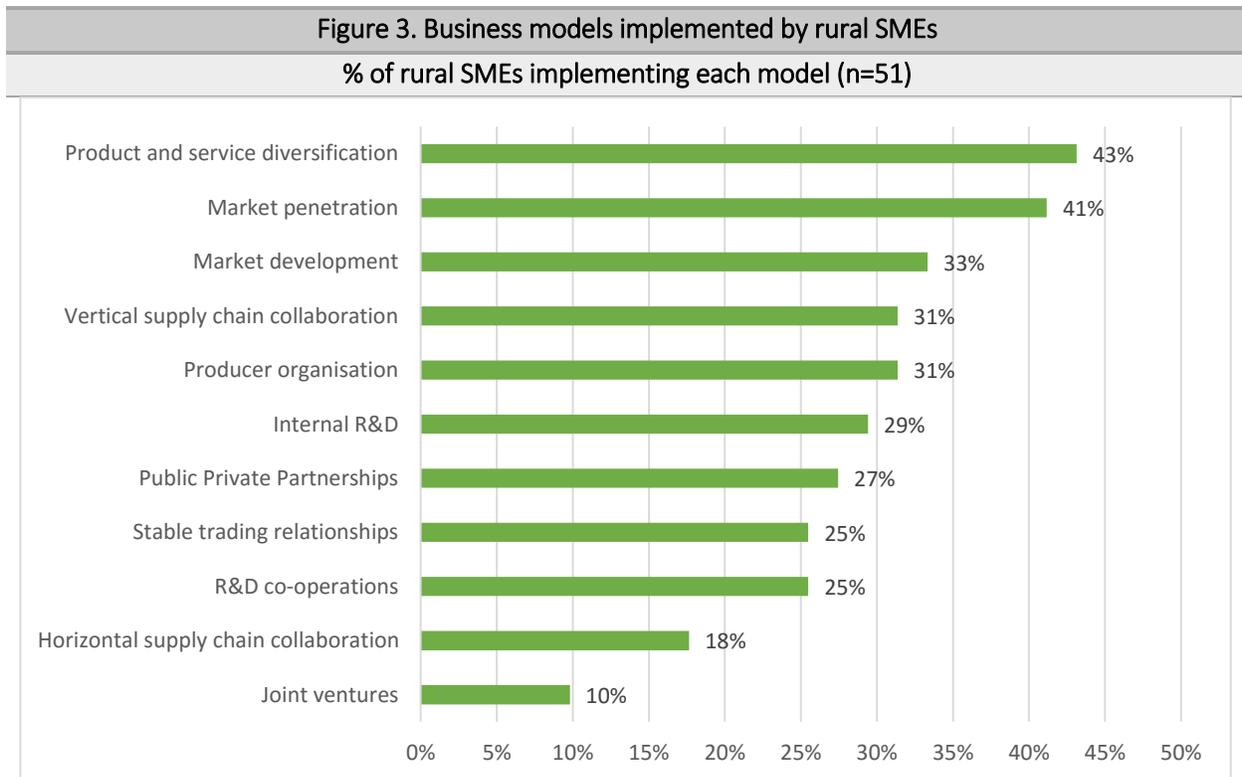
4.3 Business models

The operation and success of a business depends greatly on the type of business model adopted. The term “business model” refers to the company’s strategy to achieve its operational goals and strategic objectives and includes all the components and functions of the business. Selecting a business model requires to understand actual and future needs, decide on strategic priorities and plan or restructure operational activities in a way to increase revenues and diminish costs. Companies should take into account a series of factors/aspects when selecting a business model; namely a) scalability (increased output does not always require increased input), b) the added value offered, c) market potential for new or diversified offerings, d) competitors and potential for partnerships, and e) the ideal customer or else target groups. The literature review indicates that several types of business models can be implemented by rural SMEs to increase their market share and survive the competition; of course this depends on businesses’ special characteristics, and strategic focus. Nevertheless, a mixed approach can be also employed, with more than one business models combined to achieve maximum operational efficiency and profitability.

Survey results show that “product and service diversification” is the most preferred business model among rural SMEs, accounting for 43% of all the reference cases identified by project partners. It refers to the process of expanding business opportunities through additional market potential of an existing product. Diversification may be achieved by restructuring or diversifying existing offerings to access new markets, or developing new market segments. This process usually requires market research to identify the gap for new or diversified offerings, product adaptation analysis (it may include R&D) and legal review.

Approximately 4 out of 10 rural SMEs have implemented a “market penetration” (41%) or a “market development” strategy (33%). “Market penetration” includes selling existing products and services into the current market to strengthen a company’s position. This entails reaching non-buyable customers or selling more to existing ones via marketing activities, complementary services/products and flexible pricing schemes. “Market development” involves creating new market segments for business products by expanding their potential market to new customers or providing new product uses. Companies usually employ a mixed strategy that allows to broaden their potential customer base through product improvements or new product uses (market development) whilst also increasing their market share within the existing market (market penetration). A significant share of rural SMEs (31%) have followed a vertical integration strategy. This includes expanding business operations into different stages of the supply chain, to take control over several procedures related to the production and delivery of products. “Vertical integration” can help decrease costs and improve efficiencies by reducing charges imposed by middle men, transportation expenses and turnaround time. Participating into a producer organisation is also a common

approach among rural SMEs, especially for small farmers (31%). By working more closely, producers are able to achieve economies of scale and hence strengthen their position in the supply chain. Producer organisations or cooperatives act as intermediate bodies to assume critical functions on behalf of their members, such as ensuring fair prices for commodities, improving the marketing of products and optimising production costs.



Type of business model	Number of cases
Product and service diversification	22
Market penetration	21
Market development	17
Vertical supply chain integration	16
Producer organisation	16
Internal R&D	15
Public Private Partnerships	14
Stable trading relationships	13
R&D co-operations	13
Horizontal supply chain collaboration	9
Joint ventures	5

Source: INNOGROW A1.2 results

4.4 Innovative aspects of business models

Innovation in a business model is more than a mere product, service or technological innovation. It goes beyond single-function strategies (such as the development of a new product), including the re-orientation of a business strategy as well as the incorporation of innovative processes within the business system architecture (e.g. flexible pricing scheme, co-branding, participation in collaboration networks). Business model innovation may include different types of innovation, based on the dimension of the business model changed for increasing the value proposition of offerings.

Survey results show that almost all rural SMEs (i.e. 91%) are focused on designing products or services that deliver superior value to the customer, so as to dominate the competition and increase their market share. For instance, the Hungarian company “Color Chips KFT” uses unique varieties of potato species to produce coloured chips without preservatives and artificial dyes.

Four (4) out of five (5) rural SMEs have adopted a superior method or process for creating high value products. Such an innovation may include the deployment of modern production processes (e.g. selective breeding), innovative manufacturing technologies (distillation process) and distribution systems (e.g. vending machines) or marketing tools (e-platform). For example, the Greek Cooperative “ThesGala” has introduced an innovative distribution system worldwide by using vending machines to sell milk, allowing consumers to buy fresh milk directly from farms 24/7. Similarly, “Alteya Organics” features a modern distillery and skin case manufacturing plant for the production of rose cosmetics, based on strict USDA organic standards.

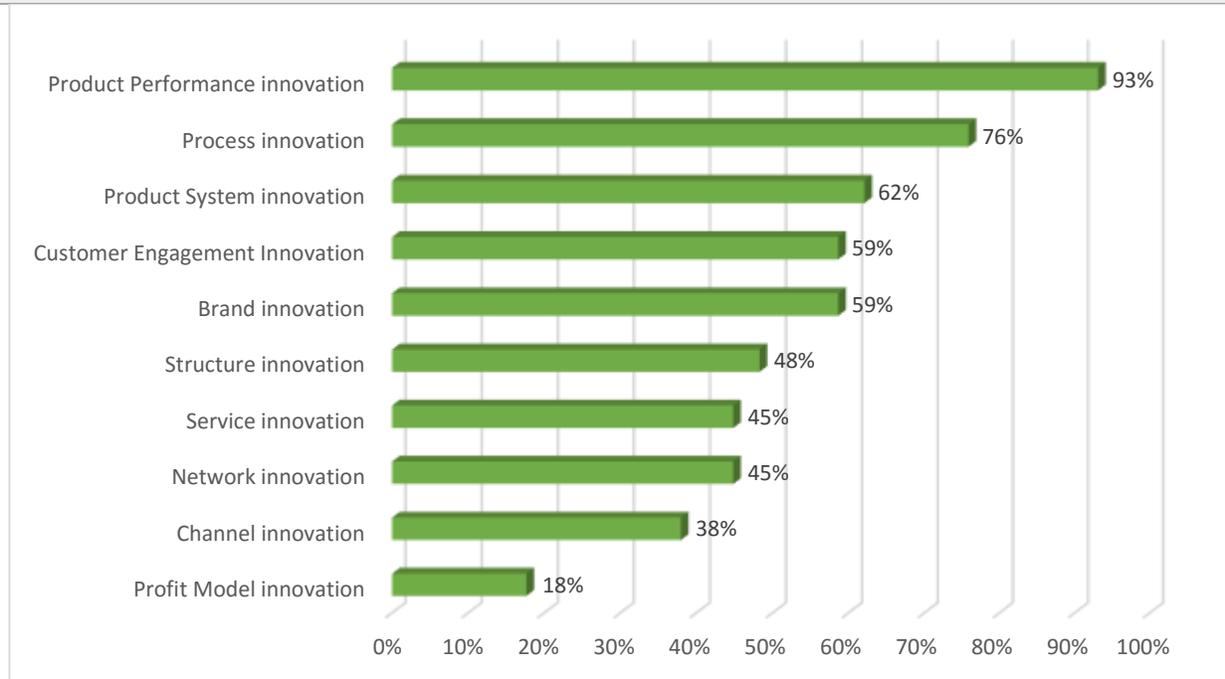
Another common type of innovation within business model is to create complementary products/services that connect or bundle together to create more value for customers. “Product system innovation” is a type of innovation found in the 62% of the cases reported by project partners. SMEs tend to add new elements or complement existing offerings with new products and services, seeking to increase customers’ engagement or presence in stores, and make them buy more. A typical example of this type of innovation can be found in the British company “Hexgreave Hall Estate”. The company, apart from leasing office space, offers a virtue of complementary services that include accommodation services for employees, in-house maintenance teams for technical support 24/7, as well as a coffee shop with breakfast and lunch menus.

Customer Engagement & Brand Innovation follow with 59%. Most rural SMEs present their offerings and business in a distinctive, memorable, and likeable way, using labels and trademarks that have a long tradition and are popular among customers. For instance, the Latvian milk processing company “Latvijas Piens” builds upon the brand name “Trikata” for its cheese products, which is the town where the one of the oldest dairy plants in Latvia was born.

Finally, the other types of innovation (e.g. structure, service, network, profit model and channel) are less frequently implemented within SMEs’ business models, with ratings from 48% to 18%.

Figure 4. Types of innovation within business model

% of rural SMEs having adopted each type of innovation (n=51)



Type of business model	Number of cases
Product Performance Innovation	27
Process Innovation	22
Product System Innovation	18
Customer Engagement Innovation	17
Brand Innovation	17
Structure Innovation	14
Service Innovation	13
Network Innovation	13
Channel Innovation	11
Profit Model Innovation	9

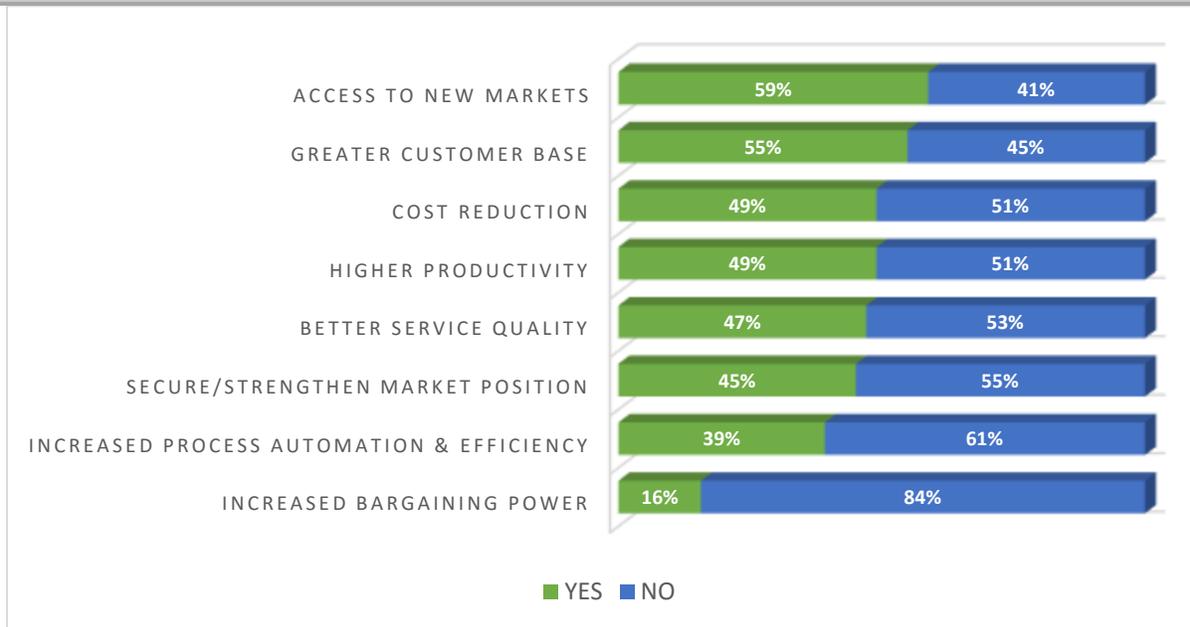
Source: INNOGROW A1.2 results

4.5 Benefits for rural SMEs

There is strong evidence that business model innovation entails substantial economic and operational benefits for rural SMEs. When developing a business strategy, it is imperative to find ways to create new segments for business offerings and access new markets. For example, “product diversification” and strategic partnerships (e.g. clusters or producer organisations) can essentially a) provide access to new markets or customers, b) accelerate new product development cycles, and c) improve a company's

competitive positioning. Alike, a “market penetration” strategy can help increase a company’s market share and expand its customer base through targeted marketing activities and flexible pricing schemes while a joint venture enables partners to join forces and resources to reach common business objectives, which they could not achieve on their own. Figure 5 presents the achieved benefits from business model implementation.

Figure 5. Achieved benefits from business model implementation



Benefits	Number of cases
Access to new markets	30
Greater customer base	28
Cost reduction	25
Higher productivity	25
Better service quality	24
Secure / strengthen market position	23
Increased process automation and efficiency	20
Increased bargaining power	8

Source: INNOGROW A1.2 results

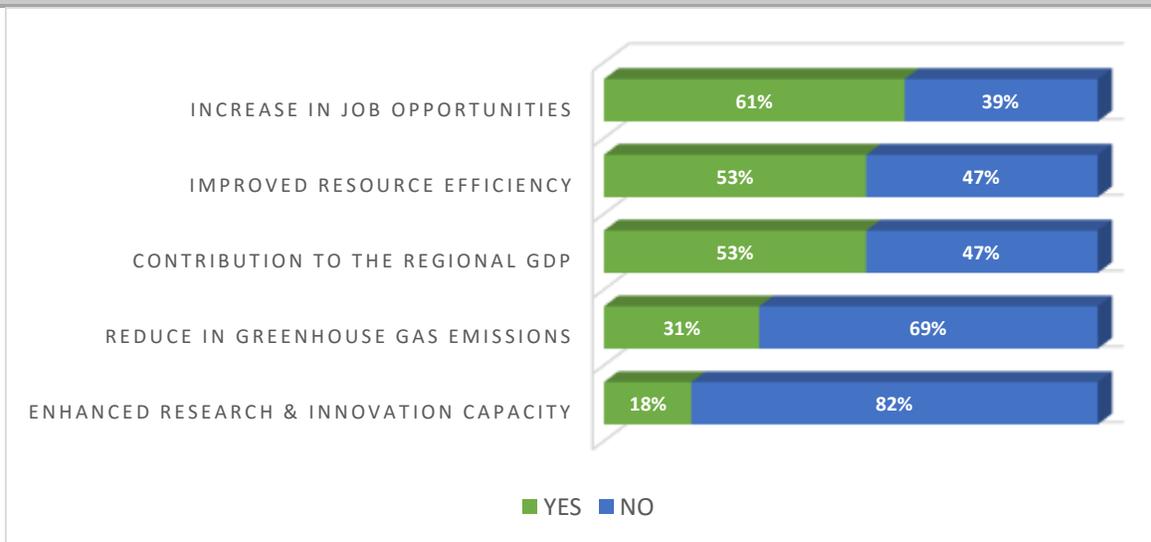
Research results show that the majority of rural SMEs has gained access to new markets (59%), and has expanded their customer base (55%), reaching new market segments or focusing on new target groups. These benefits can be directly attributed to their business model given that partners provided evidence and figures to make it feasible to compare the previous and the current situation. For instance, as regards the case “ThesGala”, the introduction of 40 vending machines in Larisa, Thessaloniki and Athens, expanded the cooperative’s customer base to reach potentially more than 4 million consumers.

Furthermore, half of rural SMEs (i.e. 49%) have managed to decrease their production and distribution costs mostly by participating in a producer organisation (i.e. cooperative), or adopting a vertical integration strategy. Another key benefit is the improvement of service and products’ quality (47%). Rural SMEs, which have adopted an innovative business model, achieved to strengthen their market position (45%), increase process automation and operational efficiency (39%), and enhance their bargaining power affecting positively price volatility (16%).

4.6 Impact on local community

The adoption of innovative business models by rural SMEs has been found by INNOGROW partners to generate positive impact on local community. Figure 6 presents an overview of the benefits created at regional level by the cases analysed. Evidence shows that 61% of rural SMEs contribute to regional employment. These companies are recognised as some of the largest employers in their region, creating several training and working opportunities for the local community, especially for the youth. For instance, “Alteya Organics” from Stara Zagora (Bulgaria) has more than 50 full-time employees (incl. scientists, accountants and farmers) whilst providing stable income for additional 400 families through contractual agriculture.

Figure 6. Achieved impact on local community, as resulted from business model innovation



Benefits	Number of cases
Increase in job opportunities	31
Improved resource efficiency	27
Contribution to the regional GDP	27
Reduction in greenhouse gas emissions	16
Enhanced research and innovation capacity	9

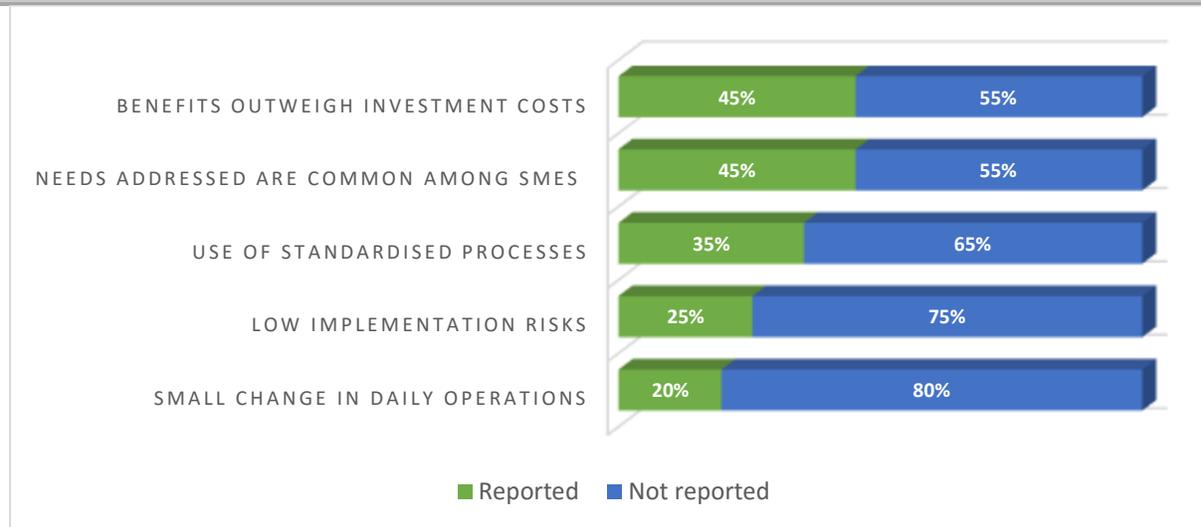
Source: INNOGROW A1.2 results

From an environmental perspective, rural SMEs are environmentally aware, demonstrating a high commitment and willingness to promote environmental sustainability and resource efficiency. There is an increasing number of rural SMEs (especially those operating in the manufacturing industry and agriculture) that integrate sustainable production processes (e.g. selective breeding) and green technologies, seeking to decrease their environmental footprint and protect the environment. For example, the British wool manufacturing company “Lily Warne Wool” strives to preserve the “Greyface Dartmoor” sheep (indigenous to Dartmoor) whilst employing a sustainable manufacturing processes to offer ecological wool products. Environmental benefits are followed by economic improvements (53%) and enhanced research activity (18%). Rural SMEs report a substantial increase in revenues and profitability; part of which returns to the local community in the form of taxes, stable income for citizens or direct investments in R&D activities and public infrastructures. SMEs’ performance also helps local communities catch up with more advanced regional economies, increasing social welfare and contributing to regions’ attractiveness to investors.

4.7 Transferability

Generalizability and transferability are significant elements of any case study intended to act as an example for other organisations. Generalizability can be defined as the extension of research findings and conclusions from a study carried out on a specific sample to the large population, while transferability refers to the process of applying a particular approach to other similar situations or settings. The objective is to identify whether the selected cases on innovative business models for rural economy SMEs include elements that make them transferable into other regions and different sectors and to anticipate the expected results (if replicated) based on generalisation principles. The study demonstrates that a business model can be transferable, only if a number of conditions are satisfied. The most important (reported) factors in determining a case’s transferability is a) the demonstrated achieved benefits to outweigh the investment costs (45%) and b) the compatibility of needs addressed by the particular model among rural SMEs in different regions and sectors (45%). Additional key elements have to do with the use of standardised processes that increase operational efficiency, low implementation risks (48%) and small changes in daily operations.

Figure 7. Factors influencing the transferability of examined cases in a positive way



Factors	Reported
Demonstrated achieved benefits outweigh investment costs by far	23
Needs addressed are common among many rural economy SMEs	23
Use of standardised technology solutions and processes	18
Low implementation risks	13
Small change in daily operations, low risk of organisational resistance	10

Source: INNOGROW A1.2 results

5 Identification of best practices

The methodology defined a number of quality specifications and evaluation criteria to make it easier to assess the collected cases on a “good practice” basis. In our case, a good practice can be defined as a business model that a) has proved successful by providing measurable positive impact on business performance in terms of productivity, cost reduction, service quality and access to new markets, b) contributes to regional problems/issues (e.g. research and innovation capacity, employment, environmental pressures), c) integrates different types of innovation that help increase the value proposition of offerings, d) can easily expand without equally increasing its cost base and e) has the potential to be easily transferred into other organisational or regional settings.

The selection of good practices was a two stage procedure. The first stage included an initial screening to identify whether the collected cases meet the requirements prescribed in the methodology and whether the accompanied data/information is complete and accurate. The results showed that all cases (n=51) satisfied to some extent the following criteria:

- Case studies that include business models adopted by rural SMEs to promote their competitiveness and refer to the categories of business models presented in section 4.
- Cases retrieved from the countries represented in the project consortium (Greece, United Kingdom, Italy, Hungary, Slovenia, Bulgaria, Czech Republic and Latvia), and where relevant / available from the rest EU member states.
- Business models implemented by SMEs that operate in rural areas, contribute to the GDP of rural area, connected with rural-specific activities and make use of natural capital / rural environment. The following categories have been considered relevant in the INNOGROW context:
 - Agriculture, forestry, animal husbandry and fishing
 - Manufacturing
 - Accommodation and food service activities (incl. tourism)
 - Energy and resources
- INNOGROW partners evaluated the cases as successful or very successful examples of business models.
- All selected cases have been recognised by an external body as remarkable and demonstrate high transferability potential.

During the second stage, the cases that were compliant with the aforementioned quality criteria, were evaluated on the basis of the good practice criteria (defined in the methodology), with the aim to identify the twenty (20) most successful ones. The cases that stood out as “good” and had the higher score, have been selected to be presented in the good practice guide. Annex A presents the evaluation criteria, together with the grading systems and the scoring thresholds for each evaluation criterion. The following table presents the scoring grid that has led to the identification of the 20 most successful cases of business models implemented by rural SMEs.

Table 3: Scoring assessment grid

No	Country	Company	Industry	Business model	Business impact	Regional impact	Innovation	Scalability	Transferability	Total
1	Greece	ThesGala	Manufacture of food products	Producer organisation	5	5	5	5	5	25
2	Bulgaria	Alteya Organics	Manufacture of cosmetics	Vertical integration	5	5	5	5	3	23
3	United Kingdom	Westmorland Family	Motorway station services	Market development	5	5	5	4	3	22
4	Greece	Masticulture	Tourism	Service diversification	5	5	5	4	3	22
5	Czech Republic	Ranc Orlice	Tourism	Market expansion	5	5	5	3	3	21
6	Italy	Dolceamaro	Manufacture of food products	Vertical integration	5	4	4	5	3	21
7	Greece	Fereikos	Animal husbandry	Vertical supply chain collaboration	5	4	5	4	3	21
8	United Kingdom	Hexgreave Hall Estate	Business services	Market development	5	4	5	4	3	21
9	Latvia	Latvijas Piens	Manufacture of food and beverages	Joint venture	5	4	5	3	3	20
10	United Kingdom	Lily Warne Wool	Animal husbandry	Vertical integration	5	5	4	3	3	20
11	Italy	Azienda Agricola	Agriculture	Product diversification	5	3	5	4	3	20

No	Country	Company	Industry	Business model	Business impact	Regional impact	Innovation	Scalability	Transferability	Total
12	Latvia	Added Value & Healthy Food Cluster	Manufacture of food and beverages	Horizontal supply chain collaboration	5	4	4	3	3	19
13	Italy	Oca Sforzesca	Food manufacturing	Vertical integration	4	5	4	3	3	19
14	Slovenia	Rave Ltd	Tourism	Market penetration	4	4	5	3	3	19
15	Italy	Olive Oil Cluster	Agriculture	Producer organisation	5	4	3	3	3	18
16	United Kingdom	Warner Edwards Distillery	Manufacture of beverages	Internal R&D	4	3	5	3	3	18
17	Slovenia	Carna Ltd	Agriculture	Producer organisation	4	3	5	3	3	18
18	Hungary	Color Chips KFT	Manufacture of food products	R&D co-operations	4	3	4	3	3	17
19	Czech Republic	ZZN Svitany	Agriculture	Public Private Partnership	5	3	3	3	3	17
20	United Kingdom	River Dart Country Park	Leisure & lodging	Service diversification	4	4	3	3	3	17

** The remaining cases delivered by project partners received a score lower than seventeen (17) points and hence they are not included in the good practice guide; only the twenty (20) higher ranking cases will be presented.*

6 Best practices – Successful business models implemented by rural economy SMEs

6.1 THESGALA – Producer Organisation/Cooperative (Greece)



“ThesGala” (www.thesgala.gr) is the biggest Greek Dairy Cooperative (producer organisation). It was formed in 2011 in the Region of Thessaly (Greece), with the aim to offer high quality milk and dairy products to consumers at highly competitive prices whilst supporting regional rural economy SMEs to access new markets and become more competitive. The Cooperative is composed of about 100 dairy farmers-members and has 55 cows’ milk production units. The total milk production amounts to 130 tons per day; a quantity that represents 10% of the domestic production. “ThesGala” consists of a dynamic group of scientists that include veterinarians, agronomists, economists, lawyers, accountants,

management and communication experts, who actively support milk producers and farmers to meet the high operational requirements of the market.

Business model description

The Cooperative “ThesGala” has managed to develop a wide network of collaborations with some of the largest companies in the dairy industry. As a result of collaborations is the favourable quality of milk and ensuring quality feed. What is more, “THESGALA” adopted an innovative distribution system by using vending machines to sell milk, allowing consumers to buy fresh milk directly from farms 24/7. The Cooperative nowadays has 44 stores with vending machines in the city of Larissa, Thessaloniki and Athens. All products are 100% natural and from cows’ milk produced in Thessaly and Macedonia regions.

The disruptive innovation in this business model is the delivery of dairy products to customers through automatic milk vending machines; which happens for the first time in the EU. The cooperation offers fresh, pasteurized and most of all safe milk of good quality, which is collected by farms owned by the members of the Cooperative. This milk is pasteurized at modern and certified facilities and it reaches directly the tanks of the automatic vending machines. It is a closed system that does not allow the milk to have any contact with the outside environment, which means that it retains as many of its nutrients as possible. The milk arrives to the vending machines in the first 24 hours after being pasteurized and then

THESGALA
Country: Greece
Region: Region of Thessaly
Industry: Manufacture of food products
Business model: Producer organisation
Types of innovation: Network, Product Performance & Channel Innovation

has five days of vending life. The consumer chooses the desired quantity, 1 or ½ litres, and packaging, glass reusable or single-use plastic bottles. The consumer is able to use his own bottle by taking the responsibility for respecting all hygiene conditions. Overall, the success of “ThesGala” depends primarily on the fruitful synergies and collaboration among the association, the producers, the delivery services, and technology and industry experts.

Types of innovation

- **Network innovation:** The Cooperative has created a wide network of collaborations with some of the largest companies in the dairy industry as well as local farmers through contractual agriculture.
- **Channel Innovation:** The delivery of dairy products directly from farms (especially milk) to customers through automatic milk vending machines is a key innovation for the agricultural sector, which revolutionises the way agricultural and dairy products are made available to end users.

Results

This business model has proven to be a success for the rural economy SMEs that participate in the organisation. They experience considerable benefits from the creation of economies of scale that allow for increasing productivity, reducing promotion and distribution costs, and accessing new markets through the proliferation of vending machines across the country. The Cooperative “THESGALA” is the larger milk producer in Greece, accounting for 10% of the national domestic production. With more than 40 milk vending machines in Larisa, Thessaloniki and Athens, the customer base of the cooperative “THESGALA” has been increased significantly, having the potential to reach more than 4 million consumers. The prices are very competitive as the milk is being sold at 1.10€ per litre and 0.60€ per half a litre. In general, the prices are lower than the average per litre of milk sold in super markets in Greece (1.50€), which entails a significant cost reduction across the supply chain. The cooperative contributes also in regional employment, as more and more farmers are interested in joining the organisation. It currently employs more than 80 persons, while this number is expected to increase, taking into account the annual growth rate of the cooperation (approximately 15%). Finally, the Cooperative has been granted with an innovation award by the Athens Chamber of Tradesmen for its distribution model (i.e. vending machines).

Transferability

Although there are no other agricultural associations known that offer products through vending machines, the transferability potential of the “ThesGala” vending machines is very high. The reason is that the needs addressed are common among rural SMEs across Europe, the demonstrated achieved benefits outweigh investment costs by far; and there are low implementation and financial risks. What is more, a similar approach has been adopted by the cooperative “ThesGi”, which is a producer organisation comprising 75 farmers/ producers across the region of Thessaly. Similar to “ThesGala”, “ThesGi” has developed durable and stable trading relationships with large companies and market leaders (such as Melissa, Barba Stathis, 3alpha, Zeikos and Dimitriaki), ensuring market outlet and fair pricing of products.

6.2 ALTEYA ORGANICS – Vertical integration (Bulgaria)



“Alteya Organics” (<http://alteyaorganics.com>) is a family – owned organic beauty and skin care enterprise located in Stara Zagora, Bulgaria. The company is specialized in the cultivation and harvesting of the highest quality certified organic Bulgarian Rose (Rosa Damascena). It features its own rose and lavender fields as well as a modern distillery and skin care manufacturing facility in the heart of the rose valley. “Alteya Organics”

performs various activities across the value chain such as: a) growing and harvesting roses, lavender, chamomile and calendula, b) distilling premium quality certified organic rose oil and other essential oils and flower waters, and c) developing and delivering certified organic skin care products for various applications into the market (e.g. anti-wrinkle, moisturizer, hair care and under eye benefits). The company is strongly committed to produce high quality organic skin and body care products relying on old proven rose oil formulations, which have been further enhanced to meet the skincare needs of modern, eco-savvy people. All products are designed to improve skins’ resistance to environmental factors and slow down the aging process. Long history and experience in the making of raw aromatic ingredients, combined with finest quality products, have helped the company build strong, long-term customer relationships with many partners, distributors, wholesalers, and retailers on multiple markets across the globe.

Business model description

“Alteya Organics” employs a vertically integrated business model to expand its activities into different stages on the production and delivery process including: a) cultivation, harvesting and picking, b) distillation, c) product manufacturing, and d) marketing.

- A. **Cultivation, Harvesting & Picking:** “Alteya Organics” has its own rose and lavender fields in the heart of the Bulgarian rose valley, which is considered as the cradle for rose oil production. The valley, surrounded by the Balkan Mountain and Sredna Gora, features the most favourable territorial and environmental conditions (i.e. soil structure, air humidity, cloudiness and precipitation) for rose cultivation. To accommodate for excessive demand, the company collaborates with small family farms and landowners employing a “contractual agriculture” approach, where farmers agree to provide specific quantities of

ALTEYA ORGANICS

Country: Bulgaria

Region: Stara Zagora

Industry: Manufacture of cosmetics

Business model: Vertical integration

Types of innovation: Process, Product
Performance, Channel & Brand
Innovation

roses. The next stage includes picking the roses, which is a very hard and labour consuming process, done solely by hand.

- B. **Distillation:** After completing the picking process (repeated every day), the fresh blossoms are taken to the distillery where the distillation process immediately takes place. The rose blossoms are placed in a special distillation still. Then a stream of low-pressure steam is discharged through the fresh blossoms to release the essential oil into the vapour. The aromatic vapour is then condensed by cooling the coil. The third stage of the process is the oil separation, where the essential oil is easily separated from the water because of the difference in density. Distillation is a dynamic procedure which requires continuous upgrades to keep up with the latest developments and retain company's competitive advantage. To this end, the company possesses a scientific team engaged with testing the quality of products and optimizing distillation methods (i.e. internal R&D).
- C. **Product Manufacturing:** "Alteya Organics" creates rose products that deliver added value to customers and are superior to those from other similar companies in terms of quality, potency and benefits. To achieve this, the company adheres to the strict USDA organic standards. The company has adopted rigorous company policies and procedures to ensure that every single product passes detailed quality inspection by the company's staff or by third-party laboratories.

Types of innovation

- **Process Innovation:** The firm adheres to USDA organic standards to realise the distillation process and provide organic certified rose products. Organic is a labelling term that indicates that the food or other agricultural product has been produced through approved methods. This demonstrates that all business operations protect natural resources, conserve biodiversity, and use only approved substances.
- **Product Performance Innovation:** "Alteya Organics" offers high quality organic skin and body care products relying on old proven rose oil formulations, which have been further enhanced to meet the skincare needs of modern, eco-savvy people.
- **Channel Innovation:** The firm has developed long-term trading relationships with key organic retailers worldwide (e.g. Whole Foods Market, Vitamin Shoppe, Costco.com and Sony Plaza) while products are present in various markets worldwide including USA, UK, China and Japan.
- **Brand Innovation:** The firm presents its offerings and business in a distinctive, memorable, and likeable way, being widely recognised as a leading organic skin care company. Situated at the heart of Bulgarian rose valley, "Alteya Organics" takes advantage of the region's long history and competitive advantage in rose cultivation and harvesting.

Results

Since its foundation in 1999, the company demonstrates remarkable achievements. Every year the company plants new rose fields in an effort to increase its productivity and meet the growing demand. The company's business model has helped access new markets and develop long-term trading relationships with key organic retailers worldwide (e.g. Whole Foods Market, Vitamin Shoppe, Costco.com and Sony

Plaza). “Alteya Organics” products are available in various countries including UK, France, Germany, Spain, USA, China and Japan while the company has a sales office and warehouse in Chicago, USA. At a regional level, “Alteya Organics” is recognised as a key business actor fostering regional growth, employment and competitiveness. The company has 50 full time employees, providing also working opportunities to more than 400 additional family farms through contractual agriculture. In addition, the company disapproves any chemical processing or the use of fertilisers, ensuring thus the protection of the natural environment and biodiversity preservation. Finally, “Alteya Organics” has been distinguished with several international awards for its products’ quality such as the “Biofach Organic Product Novelty Nurnberg”, “Natural and Organic Awards Scandinavia - Best New Organic Non-Food Product” and “Boudoir Magazine Best Serum Annual Award”.

Transferability

“Alteya Organics” business model demonstrates high transferability potential. Vertical integration can help rural SMEs decrease production costs, optimise processes (through internal R&D), and improve efficiencies by decreasing transportation expenses and reducing turnaround time. This model addresses common needs among agricultural and manufacturing enterprises, does not require radical changes in daily operations and all activities are based on standardised technology solutions and processes.

6.3 THE WESTMORLAND FAMILY – Market development (United Kingdom)



The “Westmorland Family” (www.westmorland.com) is a motorway services operator located in Cumbria County, North West England. The company was founded in 1972 when Cumbrian farmers John and Barbara Dunning decided to set up the first family-run motorway service station on the UK road network. The station initially comprised a small 30 seat café serving home cooked, locally sourced food as well as a rest area. Only a few years later (in 1976), the family opened a hotel, five minutes from the service station, to provide accommodation services for travellers and

truck drivers. Over the years, the family expanded its activities to include a) a caravan and truck spot, b) a 90,000 square foot visitor attraction, which is home to a gallery, shops and cafés plus an IMAX-style cinema screen, c) two farms shops, and d) two brand new service areas on rural motorways in the south, near Glasgow. In addition, the business is still producing lamb and beef on the family farm, and works with local artisan and speciality food producers to supply its cafes, restaurants and farm shops.

Business model description

The “Westmorland Family” features a number of comparative advantages, which are the result of its market expansion strategy (also called market development). The company’s business model was to introduce new products and services that complement existing offerings. For instance, the company complements the catering services provided by the service station on the motorway with accommodation (i.e. hotel), only five minutes away. This strategy helped not only sell more to its customer base but also to tap into new customer market segments (i.e. travellers or tourists). The company increased its revenues by prompting customers to spend more time in its

WESTMORLAND FAMILY
Country: United Kingdom
Region: Cumbria County, North West England
Industry: Motorway station services
Business model: Market development
Types of innovation: Network, Product Performance, Channel & Brand Innovation

facilities/shops and make purchases when they wouldn’t have otherwise. The same philosophy underlies in all company’s recent expansions and investments. Another key component of the company’s business model was to offer extensions for existing offerings/services; for example it provided a cinema screen for entertainment and relaxation, or/and opened shops with local products to encourage visitors combine their stay with purchases. Overall, the “Westmorland Family” owns and runs the following businesses:

- **Tebay Services:** A motorway service area with a filling station, a farm shop, and special areas for caravans. The station, located on M6, also welcomes coach drivers and passengers with good parking, homemade food, well-appointed toilets plus farm shops for last minute purchases.
- **Tebay Service Hotel:** The Tebay Services Hotel is just five minutes from the services. For over 30 years it has been welcoming weary travellers with open log fires, real ale and a restaurant that serves home-cooked food with wide, sweeping views over the surrounding fells.
- **Rheged Centre:** Rheged is home to ten individual shops and 3 cafes which reflect the best of the region, including taste food hall, and a mountain life outdoor clothing shop. It also features an indoor soft play, outdoor play and a Create pottery painting workshop, as well as the largest 3D cinema screen in the area.
- **Gloucester Services:** A motorway service area with a filling station, a farm shop, and long stay parking areas. The station, located on M6, also welcomes coach drivers and passengers with good parking, homemade food, well-appointed toilets plus farm shops for last minute purchases.
- **Junction 38 Services;** a motorway service station created specifically for truckers and coach drivers travelling on the M6. This includes a filling station, a 140-seat contemporary café with a bar and lounge area, a village shop with local products and household essentials, and a private truck drivers club.
- **Cairn Lodge.** It is the newest addition to the “Westmorland Family”; a motorway service station located just off the A74 (M) serving homemade food, tea and coffee, including a gas station as well as a range of shops with local products, household essentials and toys.

Types of innovation

- **Network innovation:** The “Westmorland Family” works closely with local producers to supply its cafes, restaurants and farm shops.
- **Product Performance innovation:** The company offers high quality services for travellers, coach and truck drivers to provide a unique travelling experience as well as numerous relaxation offerings.
- **Brand Innovation:** The business presents its offerings and trademark in a distinctive, memorable, and likeable way, under the label “Westmorland Family”. It is branded totally differently to other motorway service stations (as a complex with countless opportunities for visitors), offering also a different model to franchise industry.

Results

The “Westmorland Family” is currently being included in Britain’s private companies with the fastest growing profit rates (ranked 95th in 2017 according to “Fast Track”). Its market expansion strategy resulted in a 59.62% annual profit growth while the new service stations helped profits rise to €7.7m (2016). Through its complementary services/offerings, the company managed to expand its customer base and access new markets, attracting not only coach and truck drivers but also caravan travellers and visitors from nearby areas (especially families and youth visiting the Rheged Centre). At a regional level, the “Westmorland Family” constitutes one of the largest employers in the area, employing more than 1000 persons across all sites. As already mentioned, the business also collaborates with local artisan and

speciality food producers to supply its cafes, restaurants and farm shops. In addition, the company established “Gloucestershire Gateway Trust” to support local community through training provision, jobs, housing and financial support. A big proportion of company’s annual turnover (approximately €12m over 20 years) has been allocated through charities into the local communities of Matson, Tuffley, Podsmead and White City. Finally, the company has been distinguished with several rural business awards such as the retailer of the year.

Transferability

A market expansion strategy can be easily adopted by rural SMEs wishing to expand its customer base and access new markets. This practice demonstrates high transferability potential since the needs addressed are common among businesses in EU rural areas and the demonstrated achieved benefits outweigh investment costs by far. Implementing a “market development” strategy will allow to outline markets of focus and refine business growth potential. This will help identify areas/opportunities where the business can offer new products/services, provide extensions to existing offerings or create new channels to promote and market its brand.

6.4 MASTICULTURE – Product and service diversification (Greece)



representing the local traditions and culture of Chios.

“Masticulture” (www.masticulture.com) is a locally owned and operated small scale travel bureau in the mastic village of Mesta on Chios Island in the Aegean Sea. It works under an official Greek National Tourism Organization (GNTO) licence as a general tourism office (travel agency). It is the first and only tourism company specialising in ecotourism on the island. It provides a broad variety of activities related to Chios island environment (natural and social) as well as the people, businesses and associations

Business model description

“Masticulture” puts together ecotourism packages that combine hospitality and outdoor activities related to all the things that compose the culture of Chios: its customs and traditions, popular arts and crafts, agricultural labour and produce, architecture, and much more. “Masticulture” organises and carries out ecotourism-based activity programmes combined with the provision of accommodation on various parts of the island to meet and satisfy all standards. It offers independent visitors and groups tailor-made programmes or accommodation, or a combination of both, such as our full ecotourism package tours. It also organises professional meetings, conferences, workshops, etc. integrated with ecotourism features. What distinguishes “Masticulture” from other tourism agencies is the promotion of an alternative tourism model based on diversified tourism services that focus on local traditions/culture and island’s special attributes. In particular, the agency’s main activities include:

- Organised tours showcasing traditional agricultural methods in the great outdoors and in family-run workshops and small factories
- Lessons in local traditions and folk arts and crafts of Chios such as dancing, weaving, religious icon painting, sculpture, ceramics, etc.
- Educational and entertainment programmes for children through which they can discover agricultural cultivation processes, the island’s flora and fauna, folk art and other traditions of Chios.

MASTICULTURE
Country: Greece
Region: Chios Island
Industry: Tourism
Business model: Product and service diversification
Types of innovation: Product System & Product Performance Innovation

Furthermore, to make the travel experience easier, “Masticulture” provides the following supplementary services: a) booking ferry tickets for all Greek Islands and for the Chios – Cesme (Turkey) line, b) booking air tickets for all domestic and international flights, c) car, motorbike and bicycle rentals through select partners, d) arranging leisure boats, buses and taxis for transfers and organized tours on Chios, and e) providing Port Agent services for all short of passenger ships that berth at the Port of Mesta.

Types of innovation

- **Product Performance Innovation:** Eco-tourism activities is a new market niche in the island. The firm offers tailor-made programmes (i.e. personalised) that may combine both relaxation and adventure. All programmes focus on local traditions/culture and island’s special attributes, and seek to accommodate visitors’ preferences.
- **Product System Innovation:** “Masticulture” provides complementary products and services that connect or bundle together to create more value such as organised tours showcasing traditional agricultural methods, lessons in folk arts (e.g. dancing, weaving) and educational programmes for children.

Results

Through the introduction of this business model (i.e. product and service diversification), “Masticulture” managed to strengthen its market position and improve its service quality. In addition, the Agency expanded its customer base by attracting a distinct group of visitors that are particularly interested in exploring local traditions, culture and history with insiders. According to guests’ feedback and comments, the quality of services has been improved considerably while the agency attains a clients’ satisfaction score equal to 80%. “Masticulture” is currently rated with 5 out of 5 in TripAdvisor. “Masticulture” has been reviewed and recommended by several travel magazines and publications such as Lonely Planet, Fodors and Guide du Routard. In January 2008, “Masticulture” was distinguished with the “Company of the Year” award by the Chios Chamber of Commerce. At regional level, the agency has contributed considerably to rural development, employment and environmental protection. In particular, “Masticulture” a) supports the creation of new employment or business opportunities especially for the residents of the remote parts of the island, b) protects the environment by developing an increased knowledge and interest amongst local farmers in sustainable cultivation methods, c) support local stores and farmers by involving them into the presentation-touring programme, and d) provides favourable conditions for youths to remain on Chios.

Transferability

This business model demonstrates high transferability potential given that rural areas can rely on local attributes and specificities to attract visitors and travellers who seek to explore the culture and traditions of a destination, interacting with locals and experiencing everyday life. It is even highly recommendable to transfer this business model in other similar enterprises (e.g. travel agencies) as the demonstrated benefits outweigh investment costs by far and there are not high implementation risks to jeopardise such an investment.

6.5 RANC ORLICE – Market expansion (Czech Republic)



“Ranc Orlice” (www.ranc-orlice.cz) is an agrotourism guesthouse, located in Třebechovice pod Orebem; a small town in Pardubice region. This traditional guesthouse lies within a calm natural environment in the heart of a farm, surrounded by a beautiful valley and small rivers and lakes. The guesthouse provides visitors with exclusive accommodation, high-quality amenities and several outdoor activities, ideal for those seeking to come to contact with traditional rural lifestyle, and explore the unspoiled natural environment. Guests can take

beautiful walks around the green valley, pick fruits directly from trees, hop on a bike and visit the surrounding hills and farms, and work with locals on animal and plant breeding. During their stay, visitors can participate in local cuisine cooking, wine tasting courses, and learn how to ride a horse in guesthouse’s ranch. “Ranc Orlice” scope of activities includes (among others) the organisation of weddings, social and corporate events, horse riding lessons and stabling, sports and athletics training camps, as well as excursions in region’s countryside.

Business model description

“Ranc Orlice” started initially to operate as a typical guesthouse providing accommodation services (incl. social events’ organisation). Nevertheless, the company, very soon, decided to make a shift towards sustainable modes of tourism, and more especially agro-tourism, targeting to increase its market share and expand its customer base. The company took advantage of the surrounding farm, and built a 1000 square feet ranch (with public finding), ideal for horse riding. This has led to the development of a new market segment, not available (in the region) before. On the one side, the farm displays the rural lifestyle, traditional

farming processes, the manufacturing of agricultural products, as well as the advantages of living in a rural context near the nature. Guest are able to learn how traditional food is made from the field to the final product whilst engaging in farming and harvesting process. On the other side, the ranch provides visitors with the opportunity to come closer to the nature, perform real working ranch activities like animal breeding, moving cattle, and fixing fence, and take horse riding lessons. In addition, “Ranc Orlice” further expanded its offerings, to include recreational activities such as adventure racing, cycling, hiking, canoeing, kayaking, and fishing. To conclude, “Ranc Orlice” has successfully managed to diversify tourism offerings

RANC ORLICE
Country: Czech Republic
Region: Pardubice Region
Industry: Tourism
Business model: Market expansion
Types of innovation: Product Performance, Service & Customer Engagement Innovation

in the area, by combining standard accommodation services with localised agro-tourism and recreational activities.

Types of innovation

- **Product Performance Innovation:** “Ranc Orlice” decided to diversify its services to provide a unique tourism experience, allowing guests to live like a local, engage in farming and breeding activities, enjoy the countryside and participate in localised excursions and adventurous recreational activities.
- **Service Innovation:** The business organises personalised excursions and agrotourism programmes to accommodate for visitors’ distinct needs. For instance, “Ranc Orlice” delivers horse riding lessons for amateurs, as well as adventurous hiking routes for adrenaline seekers.
- **Customer Engagement Innovation:** As already mentioned, the business offers complementary services (e.g. accommodation, horse riding, recreational activities, tailor made agrotourism programmes) to retain visitors’ presence across its facilities, and make them buy more services and products.

Results

“Ranc Orlice”, through its business model, has managed to earn considerable financial and market achievements. Agrotourism activities allowed the establishment to expand its customer base, attracting a new group of tourism/travellers that are particularly seeking to come closer to the nature, and to experience the rural lifestyle. Actually, the number of visitors has significantly increased, outpacing all other tourism facilities in the region and dominating the regional market. Stepping through a threshold, where a whole school class or a cycling team can be accommodated, the interest rises along with the bargaining power of the business. Furthermore, “Ranc Orlice” has achieved a clients’ satisfaction score equal to 90%, mostly attributed to better service quality, diversity in agrotourism and recreational activities, as well as compliance with sustainability principles. “Ranc Orlice” is currently rated with 9.4 in Booking and with 4 in TripAdvisor. At a regional level, “Ranc Orlice” agrotourism activities has made the area/town an attractive tourism destination for those seeking exclusive tranquillity in a rural context but also adventurous recreational activities and contact with nature. The establishment has contributed to provide a more stable income for locals and decrease regional unemployment rate, creating multiple working opportunities for the local community in the tourism sector.

Transferability

The implementation of this business model did not go without problems. Ranch development required resources that were not possible to be covered via own capitals. Finally, the investment was entirely funded by the regional operational programme. Overall, this practice demonstrates high transferability. Shifting focus on a new market segment (i.e. agrotourism) entails low implementation risks (if the project guarantees financial viability) as well as the needs addressed (in terms of increasing profitability, strengthening market position and expanding customer base) are common among tourism SMEs in rural areas.

6.6 DOLCEAMARO – Vertical integration (Italy)



“Dolceamaro” (<http://dolceamaro.com>), situated in Monteroduni (Province of Isernia, Molise Region), is a family-owned company engaged with production of chocolate and cocoa products. Established in 1975, “Dolceamaro” mission is to preserve Isernia’s tradition in confectionery by creating unique and tasteful experiences. With specialists at every stage in the production process – from farm to plant – “Dolceamaro” crafts cocoa and chocolate products to accommodate for customers’ specific desires, addressing a wide range of applications including

confectionery, bakery, cereals, desserts, dry mixes, ice cream and dairy. The company is strongly committed to promoting sustainability without reducing products’ quality, as demonstrated by its devotion in green technologies, sustainable production processes, and resource efficiency. Finally, “Dolceamaro” is a certified producer, which means that all products are subject to rigid and strict quality controls and comply with food safety requirements.

Business model description

“Dolceamaro” is a vertically integrated business, consolidating multiple steps in the typical production and distribution process. That's the process businesses employ to turn raw material into a product and get it to the customer. “Dolceamaro” is active in three (3) stages of the supply chain (apart from retail); raw materials, manufacturing, and distribution. Actually, the company performs the following functions; it selects the best raw materials from across the Molise region, processes almonds and cocoa beans into its own facilities to manufacture chocolates and cocoa products, executes packaging and labelling, and finally delivers all products to the final recipients (i.e. retailers). This strategy was employed as a means to guarantee products’ quality and gain control over its suppliers or distributors, in order to increase the firm’s power in the marketplace, reduce transaction and production costs and secure supplies/distribution channels. Furthermore, the company initiated in 2013 a project funded by Molise regional development plan, to modernise the almond supply chain through enhanced research on cultivation methods, production processes, and market requirements. This involved the foundation of an agricultural cooperative focused on almond production that will supply “Dolceamaro” with the necessary raw materials for its offerings.

DOLCEAMARO
Country: Italy
Region: Isernia, Molise Region
Industry: Manufacture of food products
Business model: Vertical integration
Types of innovation: Network & Process Innovation

Types of innovation

- **Network Innovation:** “Dolceamaro”, apart from contractual agreements with local farmers for almonds supply (through the cooperative), has developed long-term trading relationships with retailers such as roasters, confectionary producers, pastry shops, and gastronomies.
- **Process innovation:** The business employs standardised production processes for its offerings. “Dolceamaro” relies on traditional recipes to deliver high quality chocolates and cocoa products, trying to satisfy all distinct desires. It also supports on-demand production, in different flavours and fillings.

Results

The main advantage sought by “Dolceamaro” from adopting a vertical integration model is more control over the value chain. “Dolceamaro” has increased control over the production process, which implies that the company does not have to rely on suppliers. This has allowed to determine the quantity of raw materials required and eventually supplied, affecting also price volatility. This is actually the case for almonds, provided by the agricultural cooperative. Vertical integration also offers significantly ability to control costs throughout the distribution process. By supplying raw materials from its own producer organisation, processing and manufacturing products, and selling directly to end buyers, the company has achieved to “eliminate the middle man,” removing one or more steps of mark-ups along the way. Furthermore, vertical integration has provided the company with economies of scale. “Dolceamaro”, achieved to decrease costs by a) lowering the “per unit” cost by buying in bulk, b) making the manufacturing process itself more efficient, and c) eliminating overhead by consolidating management. At a regional level, “Dolceamaro” is considered one of the largest region’s employers. Through contractual agriculture (referring to almond production), the company provides stable income for local farmers, and several employment opportunities for the youth. In addition, the company strives to promote environmental protection and resource efficiency, having integrated sustainable production processes and green technologies that reduce company’s environmental footprint.

Transferability

This business model has already been adopted by several rural SMEs in the industry. Transferability potential is favoured as the achieved benefits and impact outweigh investment costs by far. Vertical integration can help rural SMEs cut costs, modernise cultivation and manufacturing processes (through internal R&D), and eliminate mark-ups across the value chain. This model addresses common needs among agricultural and food companies, does not require radical changes in daily operations and all activities are based on standardised technology solutions and processes.

6.7 FERAIKOS – Vertical supply chain collaboration (Greece)



“Fereikos” (www.fereikos.com), based in Ancient Corinth (Greece), is an agricultural company specialising in snail farming as well as the creation of high quality snail products. The company was founded in 2007, with the mission to deliver certified products of different snail species all year around while maintaining highest quality standards. After just one year of operations, “Fereikos” became the International Institute of Snail Farming’s exclusive representative in Greece. The company is committed to advance snail farming in the region by developing new farming methods (e.g. organic farming) and training local farmers on the latest production technologies. The company delivers innovative snail products by combining

tradition, gourmet and simplicity. All products are carefully handpicked, then selected and prepared with the most genuine procedures and excellent raw materials. These include ready snail meals (e.g. marinated escargots), pasta and risotto (e.g. shells escargots with feta cheese), fresh and frozen snails.

Business model description

“Fereikos” has heavily invested in Research and Development (R&D) to develop new production methods and know how in the farming sector. Not only did they manage to disrupt the snail farming by introducing organic snail farming, but they also managed to develop a new business model for the primary sector. “Fereikos” believes in synergies with people and companies that share the same values such as: – Continuous improvement – Innovation – Environmental responsibility – Respect of tradition – Promote culinary excellence – Promote a healthy Mediterranean diet and nutrition. To this end, “Fereikos” works closely with thousands snail farmers from across the country (recently expanded in

FERAIKOS
Country: Greece
Region: Ancient Corinth, Region of Peloponnese
Industry: Animal husbandry
Business model: Vertical supply chain collaboration
Types of innovation: Network, Product Performance & Customer Engagement Innovation

Germany, Spain, Turkey and Cyprus) to build a network of partners that would allow to massively cultivate organic snails and deliver snail products of high value (i.e. vertical supply chain collaboration).

Apart from the many unique snail-products the company delivers, “Fereikos” has also perfected the “open full biological cycle of production”. This production method allows for full completion of the snails’ natural biological cycle and ensures continuous availability throughout the year—a boon when managing a rapidly expanding global supply chain. Overall, “Fereikos” has managed to settle 203 outdoor snail farms in full

biological cycle. In addition, the company launched (2011) the subsidiary “FEREIKOS GEFSIS”, moving up to the value chain. “FEREIKOS GEFSIS” offers high quality snail products, cleaned and pre-cooked, and ready-to-cook meals, allowing consumers to choose meals with or without snails.

Types of innovation

- **Network Innovation:** The firm collaborates with local farmers, employing a contractual agriculture approach, which guarantees the necessary supply of raw materials (i.e. snails) at a fair price for both sides.
- **Product Performance Innovation:** All products/services are sought to regular quality checks, adhere to food safety standards, and rely on traditional recipes to provide a unique taste experience for customers.
- **Customer Engagement Innovation:** The firm runs a very comprehensive website where one can browse the products, go through the company’s story and buy products online, gather information on retailers etc.

Results

The company, through its business model, has managed to earn considerable financial gains in the virtue of increased productivity and cost reduction. More particularly, since 2013 the company has been collaborating with snail farms in Germany, Spain and Cyprus, gaining access to new markets and expanding its customer base. “Fereikos” products are available (apart from Greece) in several EU countries such as France, Italy, Slovenia, Spain, Turkey and the UK. “Fereikos” contributes significantly to regional development, local employment and resource efficiency. Snail farming in the Region of Peloponnese has increased 650 percent in just five years’ time, helping local farmers have a standard income from such a collaboration. “Fereikos” offers free seminars upon appointment at its premises to potential snail breeders, supporting hence regional employment. These seminars include presentations, videos about the snail farming procedure and a guided tour to our model snail farm. Furthermore, all products derive exclusively from organic farms which ensures their recyclability and company’s low environmental footprint. Finally, the company delivers a series of educational programs for primary and secondary school children in order to familiarise them with the world of snails. The acquaintance of students with such activity sparks their imagination and provides an incentive for the formation of their environmental consciousness. In 2011, “Fereikos” was awarded the International Prize for Snail Farming.

Transferability

“Fereikos” business model offers a new dimension for agricultural activities and animal husbandry. Actually, the company’s unprecedented success can serve as inspiration for hundreds of agricultural entrepreneurs, who see vast potential in specialty agricultural goods. The fact that rural SMEs in the sector share common needs makes this model highly transferable and essential for responding to highly competitive environments, while the use of standardised technology solutions and processes favours similar endeavours in farming.

6.8 HEXGREAVE HALL ESTATE – Market development (United Kingdom)



The “Hexgreave Hall Estate and Business Park” (www.hexgreave.com) is a rural business services enterprise located in Farnsfield, Nottinghamshire (East Midlands). Established in 2005, the “Hexgreave Hall Estate and Business Park” offers high quality office accommodation, residential properties and meeting rooms, as well as various complementary services and uses (e.g. coffee shop, business support, in-house maintenance). The Hexgreave Offices are available within the Hexgreave Hall, in a unique setting of 1,000 acre

estate, overlooking the deer park. All workspaces are fully furnished, decorated and equipped with modern electronic equipment (e.g. computer and telephone points), including a fibre optic broadband connection for super-fast Internet speeds. From single offices to suites, Hexgreave offers flexible leases on fully inclusive terms with the opportunity to relocate and expand with the park. Furthermore, the business features live/work properties to offer the opportunity to live on country estate with the added benefit of own private office space and a business community for support. These homes are designed to provide flexible living and working accommodation whilst striving to suit diverse personal and business needs. Close proximity to the office (just a few steps away) is a major benefit/advantage that allows to save time, decrease costs, eliminate the commute and achieve a better work/life balance. Hexgreave houses complex, located very close to the village of Farnsfield, provides several amenities for maximum convenience and relaxation, including (among others) tennis club, cricket club, bowls club, pubs, village hall, butcher, baker and hairdressers. Finally, the “Hexgreave” business park operates a coffee shop with breakfast and lunchtime menus as well as various tea and coffee varieties.

HEXGREAVE HALL ESTATE

Country: United Kingdom

Region: Nottinghamshire (East Midlands)

Industry: Business services

Business model: Market development

Types of innovation: Product System, Service, Brand, Customer Engagement Innovation

Business model description

The company implements a market development strategy that has allowed to develop new market segments for its service offerings. The company’s main goal was to increase present customers’ (i.e. companies that already rent office spaces for business purposes) rate of use by offering a virtue of complementary services. For instance, the company makes available in-house maintenance and management teams, which are 24/7 available to serve any companies’ need or request. Such a strategy has

enabled not only to increase the size of purchase from existing customers but also to attract new ones, who look for a comprehensive business support service. This target group comprises private companies or organisations that desire to establish a permanent presence, further supported by residential properties and complementary uses/services in the same location. Another dimension of the company's business growth strategy is to add new features and extensions in existing offerings. The "Hexgreave Hall Estate and Business Park" opened a coffee shop to offer breakfast and lunchtime menus to permanent residents, in an effort to augment customers' presence in company's facilities and increase their engagement. Moreover, the coffee shop's services have expanded to include outdoor catering services for business meetings and other events (e.g. parties). Further to its core business model, the company implements a flexible pricing policy with short lease terms for small businesses and start-ups willing to rent month-to-month, and longer terms leases for businesses wishing a more stable rent base.

Types of innovation

- **Product System Innovation:** The business has created complementary services that connect or bundle together to create more value.
- **Service Innovation:** The business provides personalised services 24/7 through its in-house maintenance and management teams, including a flexible pricing scheme to accommodate for the different needs.
- **Brand Innovation:** All services are offered under the trademark "Hexgreave Hall Estate and Business Park" so as to present its offerings in a distinctive and memorable way.
- **Customer Engagement Innovation:** The "Hexgreave Hall Estate and Business Park" provides a comprehensive business service with complementary offerings to guarantee customers' presence in the park and increase their engagement.

Results

The adoption of a market development strategy has proven to be a success in increasing company's market share and profitability. The company has achieved full occupancy all year long, attracting customers that seek a comprehensive business service (that includes accommodation and business support services) as well as small businesses and start-ups seeking for increased flexibility through short lease terms. The "Hexgreave Hall Estate and Business Park" is well-known for its high quality services, as demonstrated from customers' reviews and comments. The company is recognised as one of the region's largest employers, having created several training and working opportunities for the local community. Currently, the company employs more than 100 persons. The "Hexgreave Hall Estate and Business Park" is also committed to proactively protect natural environment with long term plans for maintenance, refurbishment and capital improvement programmes. For instance, it has installed an environmentally friendly heating system in the form of wood burning boiler to supply the necessary heat for all business properties. Finally, the company has won the "Rural Business Award 2015" for the most outstanding rural diversification project.

Transferability

This practice demonstrates high transferability potential. The needs addressed (i.e. market expansion, better service quality, profitability) are common among rural SMEs across the EU while the benefits associated with the adoption of complementary services and flexible pricing schemes outweigh investment costs by far. As already mentioned, a “market development” strategy can help create new market segments for existing service offerings and expand customer base.

6.9 LATVIJAS PIENS – Joint venture (Latvia)



“Latvijas Piens” (www.lvpiens.lv) is a milk processing company, based in Jelgava (Zemgale Region), Latvia. The company was formed in 2012 by three milk cooperatives “Trikata”, “Dzēse” and “Latraps”, wishing to pool their resources and expertise, to create a powerful presence and dominate the market. “Latvijas Piens” produces and markets high quality cheese and industrial dairy products which are handmade and sourced in Latvia by local farmers. The company takes advantage of Latvia’s natural landscape to produce a special cow cheese variety,

named “Trikata”. “Trikata” is made with milk that comes from 600 farmsteads across the country, processed and matured for 2-8 years to acquire the necessary holes and unique shades of taste cheese. “Trikata” is a market leader in Latvia, and is rapidly growing to increase its market share in various EU countries, including Germany, United Kingdom, Sweden and Finland. “Trikata” is available in different forms and flavours such as fresh cheese balls (e.g. snow balls with basil or paprika), semi-hard cheese wheels (e.g. Premium, Edam, and Emmental) and cheese in blocks. “Latvijas Piens” offers also a wide range of liquid industrial dairy products such as skimmed milk concentrate, whey concentrate and cream.

Business model description

“Latvijas Piens” is a business entity created by three distinct agricultural cooperatives with the aim to develop a new market segment for industrial cheese and dairy products, and increase their market share. The formation of a new entity represents their ambition to reach their marketplace goals (e.g. access to new markets and distribution networks, market development and profitability) - by joining forces and resources - that they could not achieve alone. This case concentrates all the required features that make this arrangement a joint venture, as the company is

characterised by shared ownership, shared returns and risks, and shared governance. The parent companies (i.e. cooperatives) contribute complementary assets, technologies and human resources while they have agreed on a long-term business’ strategy and management approach. In addition, standard corporation policy is to sign long-term contractual agreements with farmers, seeking to guarantee the security and quality of milk supplies. Currently, the company has on-going contracts with more than 600

LATVIJAS PIENS

Country: Latvia

Region: Jelgava, Zemgale Region

Industry: Food and Beverage

Business model: Joint venture

Types of innovation: Process, Product System & Brand Innovation

farmers across the country (mostly with cooperatives' members), which are based on steady acquisition prices.

Types of innovation

- **Process Innovation:** “Latvijas Piens” employs innovative production methods to deliver high-quality industrial dairy products, using standardised processes and up-to-date machinery; for example using MMS membrane systems to extract whey protein and for skimmed milk concentration.
- **Product System Innovation:** The business, apart from “Trikata” cheese, offers a wide range of liquid industrial dairy products such as skimmed milk concentrate, whey concentrate and cream.
- **Brand Innovation:** The Company builds upon the brand “Trikata”, which is the town where the one of the oldest dairy plants in Latvia was born. “Latvijas Piens” relies on traditional recipes and local’ expertise to produce a special cheese variety, which is distinguished for its high quality and unique taste. All cheese products are presented with the trademark “Trikata”.

Results

The “joint venture” business model has allowed parent companies to grow faster, increase productivity and generate greater profits. The main benefits sought include increased cheese production, cost reduction, access to new markets and internationalisation, enhanced R&D capacity, smart specialisation, and risk sharing. The company’s average production volume is 250 tons of milk daily. The annual turnover exceeds €40m while the company is present in 10 countries worldwide; namely Algeria, Czech Republic, Estonia, Finland, Germany, Hungary, Ireland, Lithuania, Slovakia, Sweden, Ukraine, and United Kingdom. At a regional level, “Latvijas Piens” is recognised as one of the largest employers, employing more than 100 persons from the local community. Contract farming generates further employment in the rural economy and provide stable income to farmers. In addition, the company’s investments in technological equipment and R&D has helped to enhance regional research and innovation capacity, and upgrade infrastructures.

Transferability

Joint ventures can be successful only if the following conditions are satisfied. Potential partners should share common business objectives, bring in different levels of expertise, resources and assets and have the same culture and management approach while the objectives of the venture should be clear and communicated to everyone involved. What is more, it is critical to determine the type of joint venture suit better to business needs and objectives.

6.10 LILY WARNE WOOL – Vertical integration (United Kingdom)



“Lily Warne Wool” (<https://lilywarnewool.co.uk>) is a family-run wool manufacturing company, situated in the edge of Dartmoor in Chudleigh, Devon (East England). The business is based at Twig Farm; where the family keeps a flock of pure “Greyface Dartmoor” sheep; a rare breeding indigenous to Dartmoor itself. “Lily Warne Wool” turns the fleece from “Greyface Dartmoor” sheep into wool that can be used for manufacturing household carpets, knitwear and suits. The “Greyface Dartmoor” wool boasts tremendous strength as a yarn, this makes it ideal for both felting and crocheting. To keep it local, the

sheep fleece is taken to a local mill and spun into Aran wool which is used by local ladies to create wool products, either on farm’s facilities or in their own homes in the community. Generally, the major steps to process sheep wool into fabric include: a) shearing, which usually takes place in the spring time), b) grading and sorting based on fleece’s overall quality, c) cleaning and scouring to remove contaminants such as sweat and sand, d) carding by straightening the wool fibres, e) spinning where the fibres of the wool are spun together to form one strand of yard, and f) weaving to turn woollen yarns into fabric, using a plain weave. The company’s products (e.g. head brands, hats, hairgrips, key fobs) can be found throughout the UK while “Lily Warne Wool” has become a leading figure in the region’s wool industry.

Business model description

The company moved along the supply chain to assume processing and manufacturing duties, conducting a forward (vertical) integration. The formation of “Lily Warne Wool” created a vertically wool manufacturing (parent) company, which processes the fleece provided by “Greyface Dartmoor” sheep from its own farm to manufacture and sell wool products and clothing. This business model derived from the owners’ willingness to continue the tradition started by their family at the turn of 19th century, when their great-great grandmother (called Lily Warne) used not only to breed their sheep

but also to turn fleeces into garments. Still, vertical integration is only one dimension of “Lily Warne Wool” business model. The company collaborates with local weavers to create hand-made wool products. Local partners can use company’s studio, which is fully equipped or work at home. This allows for increased control across the supply chain, and guarantees the high quality of products. In addition, “Lily Warne Wool” plans to establish a cooperative organisation for wool-producing farmers in the region. The purpose is to

LILY WARNE WOOL

Country: United Kingdom

Region: Devon, East England

Industry: Animal husbandry

Business model: Vertical integration

Types of innovation: Product

Performance & Brand Innovation

strengthen the position of farmers (incl. its own position) in the food supply chain versus other downstream actors. By working more closely, wool farmers will be able to achieve economics of scales and synergies to process and market their products across the country, increasing also their chances to access new markets.

Types of innovation

- **Product Performance Innovation:** “Lily Warne Wool” decided to diversify its services to provide a wide range of hand-crafted wool products such as head brands, hats, hairgrips, key fobs and bunting. Additionally, the company carries out marketing campaigns during specific times of the year (e.g. Christmas) and make the products available in distinct thematic categories to attract customers’ interest and accommodate for distinct preferences.
- **Brand Innovation:** “Lily Warne Wool” prides a distinctive outlook that combines innovative and traditional elements, drawing mostly on the farm’s family history. Further, its wool products are well-known for their high quality while the company has been distinguished with prestigious business awards.

Results

“Lily Warne Wool”, through its vertical integration business model, managed to increase its productivity and decrease costs across the value chain. By working closely with local farmers and wool weavers, the company achieved stable and fair prices for fleece supplies and finished products, eliminating also additional charges and middle men. The company has a positive impact on not just the local farming community but also the wider local community. As “Lily Warne Wool” grows day by day, it provides more employment opportunities and income for locals and especially wool weavers. Furthermore, it helps shepherds achieve a fair price for their wool whilst contributing to raising public awareness on the excellence of the farm to yarn process. From an environmental perspective, “Lily Warne Wool” provides a lifeline to preserve the “Greyface Dartmoor” sheep (indigenous to Dartmoor) and employs sustainable manufacturing processes to offer ecological wool products and decrease its environmental footprint. Finally, “Lily Warne Wool” has been honoured with several business awards such as Rural Business Award, Devon Farm Business Award and Royal Agricultural University “Grand Idea”.

Transferability

This practice demonstrates high transferability potential considering that introducing a vertical integration strategy can have many advantages for rural economy SMEs, including increased competitiveness, greater process control, increased market share, increased supply chain coordination and decreased production and processing costs. A forward integration model can apply in cases that companies, which are active in one stage of the supply chain (especially farming), wish to move along the chain to take control over processing, manufacturing and distribution functions. The elements that make this case transferable are:

- Development of modern facilities to facilitate the manufacturing of wool products
- Collaboration with local farmers and wool weavers
- On-line shop and long-term trading relationships with retailers

6.11 AZIENDA AGRICOLA PRINCIPE PIGNATELLI – Product diversification (Italy)



“Azienda Agricola Principe Pignatelli” (<http://www.oliopignatelli.com/en/>) is an agricultural company founded in 1669 in the Isernia Province, Italy. The focus of the company is exclusively on the production of virgin olive oil and by-products. Its establishment is the historical Principi Pignatelli Farm of Monteroduni with over three thousand centuries-old olive trees stretching in a hilly land of over 100 hectares. The company employs no more than a few

employees. With 11 branches and subsidiaries, “Azienda Agricola Principe Pignatelli” is part of a larger corporate structure and a number of SMEs’ form part of the value chain and network of associations. The estimated annual profit of the company is over 130,000 euros.

Business model description

The company employs a basic strategy of product diversification (Restructuring or diversification of production and commercialization to enter new markets) departing from the conventional olive tree harvesting and olive oil production business. Specifically, the company makes available six varieties of extra-virgin olive oil: the Classic extra-virgin, the D.O.P extra-virgin, the organic farming D.O.P extra-virgin and three “monovariety” oils (Aurina, Paesana, and Paesana Nera). Apart from the olive oil, the range of products includes a variety of gourmet preserves, condiments and herb-infused oils, wines and a number of pasta products. The company has upgraded traditional

processing methods through the use of state-of-the art technology. The historical Monteroduni farmhouse, the facility at the centre of the production process, was transformed into a modern structure based on biological construction principles, in respect of the surrounding environment. Another strategy the company actively pursues is market development for its current products. The network of the SMEs, the various branches and outlets for its products have all contributed to its increasing the scope of the availability of its products. Market penetration (Increasing the market share of an existing product, through strategies such as bundling, advertising or lower prices) also forms part of their business strategy, for example, the various gift-bundles it makes available to its customers.

AZIENDA AGRICOLA PRINCIPE PIGNATELLI

Country: Italy

Region: Isernia

Industry: Agriculture

Business model: Product diversification

Types of innovation: Process Innovation, product system innovation

Types of Innovation

- **Process innovation:** The business operates under the ICEA biological agriculture certification. Olive oil production is thereby certified as eco-friendly, produced on renewable resources and recycling and excluding the use of synthetic fertilizers. It has also been granted the Molise Name of Origin Controlled certification, meaning that the entire production process takes place within the Name of Origin. These certifications account also for product performance innovation.
- **Product System Innovation:** The company's catalogue includes products whose main ingredient is olive oil, signalling, as they note on their website, that they are 'enhancing as best we can our main product, olive oil, showing how it can be used in combination with other Italian traditional products such as truffles, porcini mushrooms, lemons. These products are the emblem of Italy's ancient gastronomic tradition and the symbols of a Made in Italy excellence that is appreciated all over the world.' Essentially, since the farm has been operative since 1669, the company pursues in the present a strategy of brand innovation, i.e. it presents its products in a distinctive, memorable and likeable way. The company draws on the centuries-old heritage of the premises, the distinctive quality of Mediterranean olive oil, combined with modern technologies, smart and appealing branding and eco-friendly standardized processes.

Results

Overall, the abovementioned strategies account for higher productivity, cost reduction, better service quality, while they have strengthened the company's market position. Over the years, the company has opened up to new markets, notably international ones, thereby increasing its customer base. Simultaneously, automated processes and operational efficiency imply a high-standard, quality-consistent range of products. The adopted business models and the enacted innovations bear a substantive and consistent impact, cashed out in increased revenue as well as brand recognition. The company's characteristic mode of operation has had a positive impact overall at the regional level in terms of its efficient resource use in a nearly fully consistent manner.

Transferability

Most rural economy SMEs that specialize in crops can take up similar business innovations in the context of employing plural business strategies. The overall strategy of re-branding a traditional product and using state-of-the-art certified, standardized procedures, makes for a wholly transferable strategic business innovation from which most producers associated to the rural economy could benefit.

6.12 LATVIAN HIGH ADDED VALUE AND HEALTHY FOOD CLUSTER – Horizontal supply chain collaboration (Latvia)



The “Latvian High Added Value and Healthy Food Cluster”, based in Vidzeme region, is a registered membership association, recognised as one of the most developed and internationally active food industry clusters in the Baltic countries. Established as legal entity in 2015, the cluster’s mission is to

facilitate the development and market uptake of high value added and healthy food & beverages products, to promote knowledge and technology transfer between members, to develop and implement new projects and to support cluster members internationalize their activities and create partnerships abroad. Its members comprise a) enterprises focusing on healthy, high value added, organic and gourmet food and beverages production, b) public support organisations, c) R&D institutions focusing on bio-technology areas. Cluster’s scope of activities revolve around the following areas:

- Disseminating research findings and innovation knowledge
- Provide technical support and consulting on innovation management
- Facilitating access to the European Internal market
- Fostering internationalisation, enabling members to access new markets
- Raising public awareness on high added value and healthy food
- Promoting sector’s interests in national and EU bodies
- Promoting collaboration schemes between clusters’ members
- Facilitating cross-sectorial cooperation
- Raising public awareness on high added value and healthy food

Business model description

Cluster participation can be interpreted as companies’ willingness and commitment to get involved in a horizontal chain collaboration scheme, in which they can jointly execute business operations and promote (common) interests. Horizontal collaboration can deliver numerous benefits to be gained from closer working relationships between companies operating at the same stage of the supply chain. Generally, there are different forms and approaches in horizontal supply chain collaboration. In this case, cluster’s members (referring to businesses operating within the food and beverages sector) engage with a) collaborative communication to raise public awareness and promote organic food and beverage products, b) information sharing as regards best practices and ideas on products’ manufacturing process and distribution models, c) joint decision making when it comes to regulations affecting the food and beverage sector, d) joint knowledge creation stemming from R&D co-operation, and e) resource sharing and joint execution concerning cluster’s participation in international projects. Furthermore, the participation of R&D institutions and universities in the cluster facilitates the development of R&D co-operations for technology development and product innovation. Finally, the cluster promotes food and beverage sector’s

competitiveness by building public-private partnerships that can guarantee the financial viability of projects/initiatives on product innovation and food safety, including the integration of project results into policy context.

Types of innovation

- **Network Innovation:** The cluster enables companies operating at the same stage of the supply chain to participate in collaborative arrangements with their industry competitors.
- **Structure Innovation:** The cluster consists of three different types of members that allow to implement an integrated strategy to address sector’s needs and priorities in terms of policy making, research activities and products’ manufacturing.

Results

The cluster provides companies in the food and beverage sector with the opportunity to collaborate with industry competitors in order to achieve competitive advantage through the creation of economies of scale. The rationale is that companies take advantage of synergies across the value chain to reduce the operational costs related to the execution of marketing, research and production activities. Participating companies have gained access to new markets whilst experiencing increased productivity, better service quality and customer base expansion. In addition, the cluster is recognised as a key driver for regional development. It supports the food and beverage sector to become more competitive (by increasing its productivity and extraversion), creating more income and job opportunities for the local community. Furthermore, it has contributed to enhancing regional research and innovation capacity through its R&D investments. Finally, the cluster has been distinguished with the “Cluster Management Excellence Label – Bronze” for its organisational structure and impact on participating companies.

LATVIAN HIGH ADDED VALUE AND HEALTHY FOOD CLUSTER

Country: Latvia

Region: Vidzeme Region

Industry: Food and Beverage

Business model: Horizontal supply chain collaboration

Types of innovation: Network and Structure Innovation

Transferability

It is widely recognised that horizontal supply chain collaboration in the form of clustering results in enhanced returns and growth for participating companies. This implies that similar structures can be easily initiated in the different sectors flourishing in rural economy. This model demonstrates high transferability potential considering that the needs addressed are common among many rural economy SMEs and the demonstrated achieved benefits outweigh investment costs by far.

6.13 OCA SFORZESCA – Vertical integration (Italy)



“Oca Sforzesca” (www.ocasforzesca.eu), based in Vigevano near Milan (Lombardy Region), is a food manufacturing company specialised in the production of traditional goose products, following local techniques and recipes. Founded in 2012, the company offers low fat goose meat, free range and sustainable with the local agriculture, employing standardised production and delivery processes. “Oca Sforzesca” is a vertical integrated company, active in all the stages of the supply chain from goose breeding and slaughtering to products’

manufacturing and distribution. The company pays special attention to details to provide high quality goose products and ensure food safety. For instance, the bedstead is renewed daily with rice chaff to keep the geese always dry and healthy without use of antibiotics. “Oca Sforzesca” goose products include goose ham, Vigevano cured and cooked goose salami, cooked goose sausage, Vigevano cured smoked goose breast, goose galantine, cured goose leg and melted goose fat. What is more, “Oca Sforzesca” is the only Italian company to have obtained the “Halal certification”. This means that all goose products are permissible according to the Islamic dietary law, and hence they can be consumed by Muslim religious communities.

Business model

“Oca Sforzesca” has employed a vertical integration model to consolidate multiple steps in the production process, starting from the breeding all the way to the end product. The firm combines modern technology and know-how with past experience in each process of the system. It also employs a fully integrated and innovative chain and product traceability system to ensure high levels of food safety and superior quality for its products.

The company’s main operations include:

- **Breeding:** The geese are raised on the ground (in Pavia, an area free from dioxin) and fed properly with corn and soy to obtain only an excellent quality of low body fat respecting the animal’s health. The bedstead is renewed daily with rice chaff (a byproduct of cleaning rice). This allows to keep the geese always dry and healthy without use of antibiotics.

OCA SFORZESCA
Country: Italy
Region: Vigevano, Lombardy Region
Industry: Food Manufacturing
Business model: Vertical Integration
Types of innovation: Process, Product Performance & Brand Innovation

- **Slaughtering:** The geese are slaughtered when they weigh about 6 kg. The geese are taken during the night while their transportation from the breeding ground to the slaughtering house is very short (less than 2 hours) and with adequate space. This help reduce the goose stress and avoid any injury to animals' muscles. The day after the slaughtering the goose meat is prepared and packed under vacuum at the slaughterhouse in controlled environmental condition.
- **Manufacturing:** Within only 24 hours from the slaughtering all the goose meat is packed under vacuum and reaches the factory into a pallet box to get prepared for production. All products are made by hand according to region's traditional recipes that have passed down from father to son. The meat is cured with Cervia's sea salt, which is rich in trace elements and contains low bitter substances. All products are wrapped with their goose skin case, which is cut and sewn by hand to obtain its characteristic shape and retains its authenticity.
- **Distribution:** This stage includes packaging goose products and delivery to final recipients. The firm has established long-standing trading collaborations with a wide range of HORECA companies such as hotels, restaurants, catering companies, bakeries and pastries.

Types of innovation

- **Product Performance Innovation:** What distinguishes "Oca Sforzesca" goose meat from other manufacturers' goose products is its more protein and low fat content; all products are free of allergens (e.g. gluten, lactose, celery, nuts); the final products are not supplemented with added pork meat; and they have a light, digestible and fresh taste. All products are handmade, cured with Italian sweet sea salt (responsible for its delicate flavour) and follow high quality food safety and hygiene standards.
- **Process Innovation:** The firm employs a fully integrated traceability system from farm to fork that allows to collect all the information related to animals' breeding, control each step of the production chain, adhere to quality standards, review the entire production process to identify malfunctions and weaknesses, and answer better and faster to customers' requests. "Oca Sforzesca" features an in-house laboratory to process and test goose products according to high quality standards.
- **Brand Innovation:** "Oca Sforzesca" presents its offerings and trademark in a distinctive, memorable, and likeable way. The firm has built a strong brand identity to gain customers recognition mostly stemming from company's commitment in traditional recipes, biological breeding, and handmade manufacturing processes.

Results

Through its model, the company has achieved to create economies of scale across the supply chain. This has resulted in enhanced productivity, low manufacturing and distribution costs and presence in new markets abroad. Products are now available in Dubai, United Kingdom and Russia while the company attains a dominant position in the Italian market. Its prospects to promote its products in Muslim countries has been substantially augmented, as the company obtained the Halal certification that allows the consumption

of goose products in Muslim communities. At a regional level, “Oca Sforzesca” is recognised as one of the largest employers in Vigevano. Apart from permanent staff, the company provides local farmers with stable income and working opportunities, having signed long-term rice supply agreements (raw materials for goose breeding). Furthermore, the company’s focus on traditional recipes has helped enrich region’s cultural heritage and safeguard ancient traditions. “Oca Sforzesca” contributes also to environmental protection and biodiversity conservation. The firm uses exclusively recyclable blue pallet boxes that has allowed to eliminate the volume of packaging by 100g of cardboard per kg of goose meat (resulting also in a significant decrease in CO2 emissions). What is more, all products are packaged in lighter bags compared to the standard packaging. In addition, “Oca Sforzesca” strives to promote animals’ health. The geese are raised on the ground and fed properly with corn and soy to obtain only an excellent quality of low fat goose meat respecting the animal’s health.

Transferability

“Oca Sforzesca” business model shows high transferability potential. Vertical integration allows to take control over the entire supply and production chain, ensuring thus the quality and safety of food products. This can also help rural SMEs decrease production costs, optimise processes (through internal R&D), and improve efficiencies by decreasing transportation expenses and reducing turnaround time. Overall, this business model addresses common needs among agricultural and food manufacturing enterprises, does not incur radical changes in daily operations and all activities are based on standardised technology solutions and processes.

6.14 RAVE LTD. LOOPY SLOVENIA – Market penetration (Slovenia)



“Rave” is an official Slovenian tourist agency, licensed by the Slovenian chamber of commerce, offering innovative tourism products to visitors of Slovenia, by promoting the beautiful Slovenian rural natural and cultural landscape. Loopy Slovenia is a tourism brand of Rave Ltd. (<http://loopyslovenia.com>) that brings together specialized guides and bus drivers, the Slovenian 4 seasons hotel brand, and the Street Tour bus company, in order to provide to visitors of Slovenia a transport solution that takes them around Slovenia and stops at all the main tourist spots. The concept of Loopy Slovenia was based on the observation that it can be very difficult for a visitor to use public transport to travel in Slovenia.

Since 2003, Loopy Slovenia has covered this gap in the services offered to tourists, by delivering specialized tourist trips such as e.g. the East Loop, which focuses on the wines and heritage of the Styria region, with highlights such as the historical and picturesque towns of Rogatec, Ptuj and Maribor. More precisely, East Loop is a way to get a feel for Slovenia’s least discovered Eastern side, with unspoiled rolling green hills, vineyards and natural thermal spas. Off the beaten track tourists will not encounter any queues, but see more of what is best about this country. In the Rogatec outdoor museum and Ptuj castle tourists can take a walk back into Slovenian history, whereas the sights in the countryside, are an excellent site for agricultural tourism and ecotourism, due to their tranquil and self-sufficient lifestyle. By employing drivers with extensive knowledge of many attractions all around this beautiful country Loopy Slovenia tours know when to stop to get the best camera angles for tourists, and can narrate successfully a few stories about the history of the area along the road, thereby justifying the participation of Loopy Slovenia to the “SmartMove” cooperation.

RAVE Ltd. LOOPY SLOVENIA

Country: Slovenia

Region: Coastal–Karst Region

Industry: Tourism

Business model: Market penetration

Types of innovation: Profit Model innovation, Product System Innovation, Brand Innovation

Business model description

“Rave” and its brand, Loopy Slovenia have introduced an innovative tourism model in Slovenia that can be categorised as an innovative way to achieve market penetration. As can be concluded from the aforementioned description of its services, Loopy Slovenia has successfully managed to increase the market share in the tourism sector of tourism services in sites such as the Ptuj castle. Loopy Slovenia managed to achieve that through the bundling of visits in various tourism sites in a single tourism product, such as the East Loop tour. This way loopy Slovenia achieved two things:

- a) They provided users of public transportation easy access to a multitude of tourism sites in Slovenia, something not possible before via the means of public transport.
- b) By bundling many different tourism sites, they achieved economies of scale, thereby reducing the price for visiting these sites, through strategies such as bundling, advertising or lower prices.

Nevertheless, market penetration is only one aspect of the innovativeness of Loopy Slovenia's business model. The cooperation between specialized drivers, bus providers and hotels is an excellent example of vertical supply chain collaboration. Various aspects of the tourism industry have worked together to promote innovative tourism itineraries that commercialise jointly and successfully tourism sights in different locations. Finally, Loopy Slovenia has managed to develop a new market segment for Slovenian tourism destinations by making them approachable at a fair price to tourists using public transportation.

Types of innovation

- **Brand Innovation:** "Rave" under its brand "Loopy Slovenia" have introduced a new market niche, which was not previously available in the tourism industry. "Loopy Slovenia" has become a synonym of sustainable tourism. This is because the firm, through its organised tours, brings visitors closer to the natural environment and let them learn about Slovenia's culture and history whilst promoting an alternative mode of tourism based on sustainability principles.
- **Profit Model innovation:** By bundling many different tourism sites, the firm has managed to create economies of scale, thereby reducing the price for visiting these sites, through strategies such as bundling, advertising or lower prices.
- **Product System Innovation:** "Rave" offers complementary products and services that connect or bundle together to create more value such as accommodation services, organised tours in museums and natural landscapes, as well as road trips.

Results

During the last 15 years, Loopy Slovenia has generated a number of benefits for the companies participating therein as well as for the wider Slovenian tourism sector. These benefits include the higher productivity of the tourism sector derived from the connection of Slovenian rural tourism sights, the provision of improved services to tourists, the opening of the rural tourism market in Slovenia to visitors that use public transport, and the formation of a recognizable internationally brand that brought more customers to the Slovenian rural tourism sector. To provide the Loopy tours around Slovenia Rave Ltd. implemented a collaboratively developed project using the methods of total quality management together with top IT solutions and a network of local partners around Slovenia, thereby managing to increase employment and GDP in Slovenia through this innovative business model.

Transferability

Loopy Slovenia's demonstrated achieved benefits outweigh investment costs by far, and, as a result, render it a highly transferable business model. This success is due to the fact that Loopy Slovenia contains many

of the necessary elements of a profitable and transferable business model in the tourism sector. These elements include the following:

- Creation of fulfilling tourism itineraries in rural areas.
- Development of an internationally recognizable tourism brand.
- Provision of tourism services in a competitive price.
- Collaborative process of production of tourism products

However, the most important factor that renders this business model transferable, is the fact that there are always scattered tourism destinations/sights that need to be connected to consider them attractive enough for tourism development.

6.15 OLIVE OIL CLUSTER OF THE REGIONAL AGRICULTURAL HISTORICAL OLIVE PARK OF VENAFRO – Producer organisation / Cooperative (Italy)



The “Olive Oil Cluster of the Regional Agricultural Historical Olive Park of Venafro” (www.parcodellolivodivenafro.eu) is an excellent example of a producer organisation that aims to increase the profitability of olive oil production in some of the most ancient olive groves in the Mediterranean (the Venafro olive oil was famous since Roman times). The olive oil cluster was formed in 2008, as a primary function of the Regional Agricultural Historical Olive Park of Venafro, an organisation responsible for the

development of the Venafro Park. This was to be realised through the advancement of initiatives akin to olive oil trade & production such as:

- a) Ensuring and promoting the conservation, rehabilitation and recovery of the historical and agricultural landscape.
- b) Preserving the genetic heritage of Venafro’s Olive and supporting the spread of the olive "cultivars" in the area of Venafro.
- c) Exploiting and promoting the olive oil produced in the area, in collaboration with individual or associated farmers.

What this means is that the “Regional Agricultural Historical Olive Park of Venafro” is the responsible body to initialize a cooperative of olive oil producers and mills of Venafro, so as to promote and support local olive oil production. To this end, the Park of Venafro has the responsibility to allocate efficiently subsidies to private parties or to local authorities for the maintenance and restoration of olive groves, and the construction of infrastructure for olive oil production. Ultimately, the olive oil production cluster of Venafro will essentially increase the presence of Molise olive oil in the Italian & global markets.

CLUSTER OF THE VENAFRO OLIVE

Country: Italy

Region: Venafro, Molise Region

Industry: Agriculture

Business model: Producer organization

Types of innovation: Structure Innovation

Business model description

The business model of the Venafro olive oil cluster is an innovative business model, based on the formation of a large cooperative between smaller a major public body that controls the process, and numerous other smaller agricultural cooperatives & SMEs, farmers and olive oil mills. As a result, Venafro pertains to the category of producer organisation / cooperatives business models that are based on an agricultural

cooperative engaging in the production/ distribution of goods (olive oil in our case), that is operated by its members (e.g. farmers) to meet common economic, financial and societal needs, thereby strengthening their position in the supply chain. Furthermore, it can also be described as a form of Public Private Partnership designed to use the coordinating capabilities of the Venafrò regional park to strengthen the agricultural SME's capacity, competitiveness & development (e.g. through accessing financing). Through its predominant position in the cooperative, the Venafrò Regional Park has a direct control on the whole value chain of the business, allowing a more detailed monitoring and efficient management of all the aspects of olive oil production and distribution so that producers of oil in Venafrò can respond to market requests in a timely manner.

Types of innovation

- **Structure innovation:** The Cluster re-organised the olive oil production process, assigning distinct roles for farmers and agricultural SMEs within the supply chain, to create economies of scales. The former (i.e. farmers) engage with the growing of olive trees and the collection of olive cultivars during harvesting period while the latter (i.e. agricultural SMEs) mostly deal with olive oil extraction and products' distribution.

Results

The re-organisation of the olive oil production process and the efficient coordination of farmers and agricultural SMEs by the Venafrò Regional Park has led to the following positive results:

- Higher productivity of the entirety of Venafrò olive groves through the economies of scale.
- Cost reductions, by centralising activities and by providing better networking and better access to efficient management and logistics to olive oil producers
- Better service quality, through the implementation of quality control procedures by the public body.
- Access to new markets and internationalization of Venafrò olive oil production by developing a recognisable brand. This result was further boosted via the award in the form of a Bronze Label that Venafrò received by a European Secretariat for Cluster for the innovative and high quality character of its work.

These positive results allowed for an increase in the profitability of olive oil production and, hence, increased the contribution of the olive oil sector in the GDP of Molise. Another effect of this increased profitability was the allocation of more resources to R&D procedures, thereby allowing for more increases in productivity in the future.

Transferability

The business model of the Venafrò olive oil cluster is highly transferable because it is very common that farmers and/or rural agricultural SMEs are in need of improved cooperation and of a major institution capable of coordinating them and optimising the production and distribution process.

6.16 WARNER EDWARDS DISTILLERY – Internal R&D (United Kingdom)



“Warner Edwards Distillery” (<https://warneredwards.com/>) was founded in 2012 in Harrington, Northamptonshire (East Midlands). The company produces hand-made, award-winning, artisan gins. The company is based at a 200 year-old refurbished barn on Falls Farm. Local resources – natural spring water, grain spirit and home-grown, botanical garden ingredients – are responsibly made use of, while all stages of production, including sealing and label-finishing, take place on the company’s premises. “Warner Edwards Distillery” is operated by a team of 23 people, including commercial, sales, management, distilling and mixing experts.

Business model description

“Warner Edwards Distillery” features a number of comparative advantages which account for its unique business model and product outlook. The company has its own internal R&D department to enable the development of own portfolio of technologies and products. Mixing and distilling experts work on-site with local resources and experiment to produce the finest range of artisan gins. Besides their original “dry gin”, they offer a small variety of five-flavoured gins – the “Botanical Garden Range” – using herbaceous plants. The Falls Farm is still an operating cattle farm, however, business’ restructuring and use as a distillery since 2012 is a de facto diversified use of fixed capital and a value-

adding enterprise that yields local and regional benefits. The company employs further growth strategies with a view to both developing new market niches for its range of products by utilizing online retail networks and penetrating further into existing markets through strategies such as bundling, advertising or lower prices.

Warner Edwards Distillery

Country: United Kingdom

Region: Harrington, East Midlands

Industry: Manufacture of beverages

Business model: Internal R&D

Types of innovation: Structure, Brand, Channel & Customer Engagement Innovation

Types of innovation

- **Structure Innovation:** “Warner Edwards Distillery” effectively uses the family botanical garden as well as farm assets in a productive and sustainable manner, increasing product attractiveness and uniqueness.
- **Channel Innovation:** The business makes full use of online retail stores, on top of operating its own e-shop. The company’s website features an application by which prospective clients can browse retailers and pubs closest to them where they may find the “Warner Edwards” spirits.

- **Brand Innovation:** “Warner Edwards Distillery” prides a distinctive outlook that combines innovative and traditional elements: ‘Curiosity’ – the copper pot still, the farm’s family history etc. Further, its products are award-winning and the company has been funded by the European Agricultural Fund for Rural Development, optimizing thus the brand’s leverage.
- **Customer Engagement Innovation:** The business runs a very comprehensive website where one can browse the products, go through the company’s story and buy products online, gather information on retailers etc. Further, the EAF grant the company received was put into good use with the ‘Tours Program’. It is a program addressed to visitors who would like to take a tour in the farm and the distillery and buy products from the in-premises store.

Results

This business model characterized by diversification and restructuring of fixed capital initially made it possible to utilize a farm for a wholly different purpose, the result being that gin-distilling is by now the main focus of the farm. This symbiosis adds value to the distillery since it features rather distinctive and unique infrastructure, pleasant to visitors and shoppers who value the company’s ‘organic’ outlook. Channel innovations (online retail) and brand innovations (re-branding and re-tailoring a classic product) are deemed positive in what regards the operational level. At a regional level the impact of innovations in the business model did not yield significant growth overall, given that this is a stand-alone, self-sufficient company. However, it makes great use of local resources, such as water springs, herbs, infrastructure, it has contributed to an increase in local employment opportunities and, on the whole, the plural business models adopted are deemed very successful and this is reflected on the company’s story figuring in BBC shows and news on rural life and entrepreneurship.

Transferability

The company’s transferability potential is relatively high in view of the various aspects of its hybrid business model (organizational restructuring, product diversification, market penetration and development), drawing on available resources and widely used digital retail outposts to supply region-specific products and can be used virtually by any traditional, rural enterprise, aiming to make use of unexploited resources in developing unique branding.

6.17 ČARNA LTD. – Producer Organisation (Slovenia)



“Čarna Ltd” (<http://zeleni-zabojcek.si/za/>), located in Central Slovenia, started in 1999 as an e-platform offering what the firm calls Green Boxes: in all cases, the Green boxes contain exclusively organic, mostly locally grown vegetables, fruits and other crops, including milk and eggs. Customers have a standard choice of composing their own box for a week. The choice is from at least 50 different seasonal products. The company also offers custom boxes (supplemented, fruit, Mili

- for babies). Essentially, the firm provides customers with the best organic fruits and vegetables from all parts of Slovenia, given that it brings together in a co-operative platform many of Slovenia’s organic certified farmers. Specifically, there are over 70 eco-certified farmers adhering to the platform.

Business Model description

“Čarna Ltd” operates as a jointly owned enterprise in the form of an agricultural cooperative. As such, it is engaged in the production/distribution of goods and the supplying of services operated by its members (e.g. farmers) to meet common economic, financial and societal needs. This cooperative of organic certified farmers has allowed them to strengthen their position in the supply chain. This model allows the members of the cooperative various benefits such as collective purchasing and pooled risk, while it gives them full control and ownership of the company at all stages of its operations. Arguably, this model has a strong comparative advantage regarding the supply of fresh products. Given that sellers and buyers can virtually be from anywhere, especially within Slovenia, the company both reduces transportation costs and delivers a superior quality product (i.e. fresh products), by matching customer needs with close-by sellers.

CARNA LTD

Country: Slovenia

Region: Central Slovenia

Industry: Agriculture

Business model: Producer organisation

Types of innovation: Brand, Product Performance, & Customer Engagement Innovation

Types of innovation

- **Product Performance innovation:** The firm supplies the finest organic products and delivers them to customers. The product it offers is wholly customizable, allowing customers to compile their own box from an impressive range of fresh, seasonal products. They also offer certain ready-made standard boxes (e.g. “Seasonal Box”). It also gives the customer a range of pick-up options should

they prefer to reduce their expenditure, thereby, collaborating with a number of businesses in Ljubljana.

- **Brand Innovation:** The innovative aspect of the firm's workings consists in raw product branding – the company that coordinates organic products trade. Such innovation makes possible the combination of organic product appeal to customers with customer expectations of easy, online purchase, home delivery and options otherwise unavailable to buyers in conventional
- **Customer Engagement Innovation:** The firm's e-platform is user-friendly and it provides comprehensive information. In the business of crops supply, online services and e-platforms are innovative aspects which facilitate the purchase of fresh products by alternative means. The e-platform the firm operates is pivotal in facilitating trade, as it features very helpful sections on delivery, payment, box & product return options, for different types of customers (private, businesses) FAQ, etc. It thus allows for personalization of the experience of online trading of otherwise raw products. This feature makes for a rather innovative experience. In a context of mass agricultural production, a digital marketplace of organic fruits is a rather appealing project and evidently a business success story.

Results

The cooperative has extended its network of producers and broadened its customer base. Its contribution to local GDP and employment opportunities is significant while the firm prides significant low carbon emissions. The e-platform plays a central role in boosting sales and this functions well with the cooperative business model. A different model would have set obstacles to offering online services because a small SME would not be able to afford neither the costs nor the logistics of an e-commerce endeavour.

Transferability

The advantages of the Cooperative business model according to which the firm operates are easily replicable elsewhere. Otherwise isolated producers can get involved in ownership of supply operations, acquire certifications thereby reducing the risks/challenges of having their products not hitting the market. The advantage of reaching very distant markets becomes possible with integrated e-platforms and it is therefore a preferred model for crop producers.

6.18 COLOR CHIPS KFT – R&D co-operations (Hungary)



“Color-Chips KFT”, located in the city of Keszthely (West-Transdanubian Region), is a company producing and delivering potato chips and other savoury delights. Established in 2013, the company’s mission was to produce colourful chips without preservatives and artificial dyes. To realise this goal, the company decided to collaborate with researchers and scientists from the University of Pannonia (especially with the Potato Research Centre), with the aim to transfer a selective

breeding process / technology for colourful chips into the market. Currently, the coloured chips available in the market are being made with additives and artificial dyes, which are associated with negative effects for human health. The key objective of the company was to minimise environmental impact and improve resource efficiency in the production process by using natural raw materials that will enable to deliver colourful chips that will retain their flavours and taste and will be rich in nutrients and healthy.

Business model description

The company, in collaboration with the University, managed to integrate a production line for coloured chips without requiring to apply any colouring manufacturing technology. Based on a preliminary joint experimental work, the university provided some unique varieties of potato species which are suitable for producing coloured chips (e.g. Peruvian purple potatoes). Their uniqueness is that they contain natural anthocyanin pigments, which are recognised as natural colorants. Anthocyanin pigments, depending on their PH, may appear in different colours (e.g. red, purple, yellow, white and black), offering a colourful

appearance to the potato and retaining flavour and taste. Generally, coloured potatoes are usually high in antioxidants which make them extremely healthy and nutritional. The company selected the most appropriate seeds for cultivation and optimised production and processing procedures based on the characteristics of each potato variety and territorial conditions (e.g. soil moisture, climate). To increase crops’ bacterial insecticide resistance, the company applied agro-chemical fertilisers to enhance crops’ natural defences and prevent infection. The final product does not contain any additives, artificial flavour enhancers and preservatives. The salt and oil, as well as the low level of water in the chips act as a natural preservatives. The product fully covers the target consumers’ needs who are looking for healthy junk foods in the Hungarian snack market. The product’s competitive advantage is the involvement of a research team

COLOR CHIPS KFT

Country: Hungary

Region: Keszthely, West-Transdanubian Region

Industry: Manufacture of food products

Business model: R&D co-operations

Types of innovation: Process & Product Performance Innovation

with scientific and professional background verifying the product's viability and innovation. What can be seen as the key success factor behind this endeavour has been the extent of collaboration between the company and the university through technology and knowledge transfer.

Types of innovation

- **Process Innovation:** The firm implements a selective breeding process to produce colourful chips, selecting the most appropriate seeds for cultivation and optimising production and processing based on the characteristics of each potato variety and territorial conditions.
- **Product Performance Innovation:** Colourful chips without preservatives and artificial dyes were not previously available in the market. The firm has managed to offer a colourful appearance to potato chips whilst retaining their flavour and taste. What is more, its offerings are extremely healthy and nutritional, as they are high in antioxidants.

Results

This business model (i.e. the collaboration with technology partners) allowed to integrate a selective breeding process for producing colourful chips without preservatives or artificial dyes, which would not be possible without the guidance and technical capacity of the university's staff. The main impact achieved through the adoption of this technology was the significant improvement of the chips' quality, which increased the company's competitiveness and at the same time contributed to the improvement of consumers' health status due to the absence of additives and preservatives in the final product. The new technology improved the water efficiency and reduced the greenhouse gas emissions in the production process, improving the company' overall environmental impact. Overall, the company managed to introduce a new competitive product into the market (not available before) that deliver superior value to customers, developing a new market segment for natural snacks that are preservatives free.

Transferability

The implementation of this project did not go without problems. The most important difficulty, which the company owners had to overcome, was the availability of funding and the negotiation with potential public or private investors and funding sources due to the high technology integration costs required. Other constraints was the strict regulation on food quality and processing as well as the documentation needed to start the production of colourful chips. When it comes to transferability, developing collaborations with technology partners is a common approach for knowledge and technology transfer to enable specialisation. Similar food processing technologies have been already adopted by rural SMEs in different regions and EU countries in the industries of agriculture and food, seeking to differentiate from their competitors. The fact that the rural SMEs in the sector share common needs makes the technology highly transferable and essential for responding to highly competitive environments. However, varieties of potatoes suitable for the production of coloured chips have to be cultivated in the area to minimize production costs.

6.19 ZZN SVITAVY – Public Private Partnership (Czech Republic)



“ZZN Svitavy” (<http://www.zznsy.cz>) was founded in 1993 in Zvitavy, at the Pardubice region in the Czech Republic. This rural company is specialized in agricultural and cattle products and services, namely, fodder mixes, trade, services and storage of plant commodities. It supplies customers with varieties of seeds, fertilizers and pesticides for agricultural production and it specializes on agro-chemistry and selective breeding of animals. The company has modernized its entire production and

storage line with own, state and EU funding. The company forms part of a broad network of partners and is capable of transporting their offerings nationally and internationally via train shipping. The firm closed advantageous long-term contracts with their biggest customers and offers further specialized services in connection with seed production.

Business Model

The dominant business model of ZZN is a hybrid vertical and horizontal supply chain collaboration whereby companies of the same sector and along the production/supply chain work together to support innovation and improve their competitiveness – thereby yielding benefits, market and sales opportunities otherwise unavailable to rural SMEs. Notably, significant innovation started after the acquisition by AG Maiwald, which uses feed mixtures directly for the production of chicken eggs. Such hybrid model requires the establishment and maintenance of stable trading relationships with large companies and market leaders. Yet, the firm is equally engaging in Public-Private Partnerships to strengthen its capacity, competitiveness

& development through access to financing. In this respect, the firm has been a partner in two rural development co-funded projects on marketing and processing agricultural goods.

The first project, co-funded by the EU and the Ministry of Agriculture consisted in the modernization of transportation methods, which involved the acquisition of specialist lorry with mounted feedstock equipment. The rationale is to increase sales and ensure stable product flux. The project facilitated a better service provision for the final customer, reduction in transportation and delivery costs, with an overall increase in the company’s profitability and efficiency while simultaneously initiating new business relations.

ZZN SVITAVY
Country: Czech Republic
Region: Zvitavy, Pardubice Region
Industry: Agriculture
Business model: Public Private Partnership
Types of innovation: Brand Innovation

The company also bolstered its operations by engaging in a project on innovations of new products, procedures and technologies in the processing and marketing of agricultural products. The project was funded by the European Union. Overall, the company employs a hybrid business model, extending the network of its partners, its technologies and logistics so as to ensure business relations with key private and public actors.

Types of Innovation

- **Brand Innovation:** The company gets its new image "Arnošt's eggs" and the associated motto "From grains to the eggs," which describes a well-integrated agricultural process. For quality and safety of services, products and goods, the company has gained international certifications that earn considerable credibility with business partners. The firm also builds its image by sponsoring selected sport- and leisure activities, keeps up high quality internet presentation and builds personal contacts on agricultural fairs.

Results

During the period in which the company deployed its business strategies it has managed to increase service quality and to secure its market position. It has gained access to new markets including International ones and, by collaborating with various partners in a horizontal and vertical manner, it has increased process automation and operational efficiency. Thus, regarding production innovations, the increased speed, automation and specialization of incoming/outgoing goods (e.g. increasing silo storage from 1 to 3 different seed types) increased efficiency and income. Now, almost half of sales represents the production of animal fodder. Quality seed production requires specialized services that are advantageous to offer on the market, which also strengthen the firm's competitiveness.

Further, it has increased its bargaining power by entering important and stable cooperative relations with the private and public sectors. Adhering to quality assurance frameworks (GMP+ - Food Safety Assurance) and acquiring important certifications as to its sustainability (International Sustainability & Carbon Certification), the firm adds value and gains further credibility with business partners. The company has very good profit indicators, contributing substantially to the regional and local GDP, while its workings account for increased job opportunities at the regional level. Being a prospering and expanding firm, it offers advantageous jobs for dozens of people in the region, including highly qualified professionals.

Transferability

The business model and innovations the firm puts forth adequately tackle problems which are common among many rural economy SMEs, organizations and different regions/countries. Therefore, its good practices – notably the quality assurance and sustainability processes, transportation and technological innovation, branding and marketing – can relatively easily be transferred and shared in a horizontal way by most agricultural firms or cooperatives. The firm has achieved benefits which outweigh investment costs by far and therefore its innovations are predictably without significant implementation risks.

6.20 RIVER DART COUNTRY PARK – Service diversification (United Kingdom)



“River Dart Country Park” (<http://riverdart.co.uk/>) was founded over 20 years ago, in 1976. The park features a remarkable range of activities offered for all ages. It is a hybrid, ninety-acre space, primarily a camping site and holiday park for day excursions, however, also offering luxurious bed and breakfast accommodation in its two on-premises mansions. Kayak, indoor and outdoor climbing, toddlers’ space and organized expeditions around the area, are available for all visitors of the idyllic natural resort in Devon. “River Dart Country Park” is accessible to people with disabilities,

while it prides itself on operating several energy-saving, low-carbon emissions infrastructure.

Business model description

The basic business model of “River Dart Country Park” is based on product diversification (Restructuring or diversification of production and commercialization to enter new markets). The Park offers diverse services that add value for the customers who, given the nature of the services provided, can virtually be of any age, thereby representing for the company a huge potential as far as its target group goes. Further, the company’s commercialization strategies allowed it to open up to new markets by means of advertisement, online booking solutions and offers such as midweek reduced prices, free extra nights and free lodging for minors.

Simultaneously, the company has taken, over the years, a number of energy-saving measures which add substantive value for the company and its stakeholders. These are both aspects of the same strategy because the rural premises of the company have been modified, enhanced and restructured, both making it an appealing destination for holiday-makers and tourists, and a sustainable environment with exemplary environmentally-friendly infrastructure which saves the company money and adds to its corporate responsibility and responsible development profile.

River Dart Country Park
Country: United Kingdom
Region: Devon, East England
Industry: Leisure & Lodging
Business model: Service diversification
Types of innovation: Process Innovation

Types of innovation

- Process Innovation:** Several energy saving measures were introduced when the business was expanding. The main one is a hydropower ‘screw’. This is a custom-made, one of its kind in the UK, hydro-electric generator which, in a period of six years has saved over 1000 tons of carbon and has generated over 2,000,000 kWh of electricity, over £200,000. Through additional sustainable,

energy-efficient practices the company realigned processes and resources essentially offering customers an especially valuable product, i.e eco-friendly leisure and holidays. Some of these are the 'Biomass Boiler' and the 'District Heating Scheme', providing several amenity blocks with hot water through a system of underground pipes, saving the company several thousand GBP/annum and significantly reducing carbon emissions. Solar PV schemes, recycling and waste schemes in line with their 'zero waste to landfill' policy, energy saving equipment and biodegradable cleaning products, further supplement their eco-friendly initiatives and corporate outlook.

Results

Overall, the business model adopted yielded significant benefits for the company in terms of profit, corporate and environmental responsibility. The use of standardized, automated processes and the operational efficiency due to energy-saving measures and resources diversification measures, allowed the company to save money and invest it in diverse amenities. The company's operations account for a certain increase in employment opportunities in the region. Last, these innovations have been recognized several times by means of awards and distinctions achieved, notably three sustainable tourism awards.

Transferability

Most of the innovations the company has implemented are based on the use of standardized technology solutions and processes, therefore minimizing implementation risks without affecting daily operations in an organizationally significant way.

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8 ANNEX A: Evaluation criteria

CRITERIA	SCORE					THRESHOLD
	1	2	3	4	5	
Degree of organisational impact	The business model resulted in loss of productivity, competitiveness and operational efficiency	The implementation of the business model had neutral results in terms of productivity, competitiveness and operational efficiency	The implementation of the business model had low but positive results in terms of productivity, competitiveness and operational efficiency	The business model had positive results in terms of productivity, competitiveness and operational efficiency	The implementation of the business model increased significantly business' productivity, competitiveness and operational efficiency	3
Level of solution impact at regional level	The practice does not address any acknowledged regional issue (e.g. employment, environmental pressures)	The practice addresses a unique problem within the boundaries of the geographical scope	The practice relates to more than one problem encountered within the boundaries of the geographical scope.	The practice relates to at least one common problem/issue encountered by rural areas	The practice addresses widespread regional issues that are relevant to all rural contexts	2
Degree of innovation	The business model does not integrate any type of innovation within the business system architecture	The business model does not integrate any type of innovation within the business system architecture; however it supports the application of new technologies	The business model integrates at least one type of innovation within the business system architecture (e.g. profit model innovation)	The business model integrates at least one type of innovation within the business system architecture; supporting also the application of new technologies	The business model integrates more than two types of innovation within the business system architecture	3
Level of scalability	Expanding the model incurs significant additional costs (investments, operational) and complexity, rendering it ineffective.	The larger scale implementation of the model yields notably lesser benefits than small-scale implementation.	The expansion of the business model retains the benefit/cost ratio.	Larger scale implementation leads to considerable decrease of costs and/or increase of positive impact.	Larger scale implementation leads to massive decrease of costs and/or increase of positive impact.	3
Level of transferability	The practice has not shown any indications of transferability to different rural settings/activities	The practice has shown indications of possible replication in a limited number of rural contexts.	The practice has demonstrated strong potential of being replicated in different settings	The practice has been transferred to other SMEs in rural areas	The practice has been transferred to more than one organisations and rural contexts	3