

# DEVELOPMENT OF LOCAL AND REGIONAL FOOD NETWORKS: CASES FROM THE UK

## Competitive Paper

### Special track on cluster initiatives, networks and regional development

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## Abstract

**Purpose of the paper and literature addressed:** to analyse barriers and facilitators for local and regional food network development and the role of governmental and other support agencies.

**Research method:** case analysis of three English regional food networks: a local food marketing group; an initiative integrating supply chain members to exploit a local ethnic market opportunity; and an ethically driven retailer co-operative, sourcing locally. Primary investigation uses both survey and semi-structured depth interviews with small business participants and network members. Interpretation is made via the technique of market mapping in order to highlight both supply chain issues and institutional obstacles to market development.

**Research findings:** results emphasise the importance of importance of stakeholder engagement and network collaboration, the need for common and agreed direction and strategy, strong and clear marketing image; and the important but confusing role of support organisations in network cohesion. Local food businesses are often small and micro in size and participants are likely to be individualistic, as the nature of niche specialism may decree. This individualism determines a positive approach in some via inventiveness and willingness to engage. However, others may be motivated by caution and feel isolated and disconnected from other network members. Further, success or failure will depend on the level and quality of engagement, strength of network ties and the roles of members, as both champions and network enablers, as gatekeepers with vested interest in the *status quo* or even those blocking integration.

**Main contribution:** a reminder that sector support can facilitate, rather than lead successful food network development and that support organisations should clearly define their roles and work seamlessly together to avoid overlap and confusion. The authors contend that support organisations can make a valuable contribution, but are not market makers and so cannot be effective without the presence of a network lead organisation with a vested interest in market success. These are likely to be powerful channel and network leaders, who will be motivated by self-interest, for example retailer organisations. Leaders' motivation may be benign or supportive in the development of networks, or their role could equally be indifferent or negative. This will result in different results for the development of local food networks.

**Keywords:** local food, small-business, networks, regional support mechanisms, UK

## **Introduction**

This paper explores the development of local and regional food businesses in a network context. The initial section reviews the changing business and support environment surrounding local food network development and related literature. To analyse the barriers and facilitators to food network development and evaluate the contribution of a multiplicity of governmental, commercial and voluntary support agencies, empirical analysis draws on three cases (two local networks that are successful and one regional network that has so far failed to establish itself). A complimentary mix of qualitative and quantitative methods is used to gather the data on these cases. The tool of market mapping (Albu and Griffith, 2006) is used to illustrate both core supply chain structures and institutional roles in market development.

### **Consumer interest in local food and sustainable consumption**

From the 1980's national buying policies and centralised efficiencies, meant that localism and community based business became unfashionable in the UK (Sodano and Hingley, 2009). This is now changing and a number of authors have argued that the local food sector can offer a significant alternative to the dominant conventional food supply chain built around national sourcing (Jones *et al.*, 2004; Ilbery *et al.* 2006; Watkins, 2008). In spite of the recession, UK consumers are increasingly interested in reconnecting with their food and the people, places and processes involved in local production and supply. IGD (2010) report a doubling of interest in local food, with 15% of shoppers in 2006 saying they had purchased locally produced food during the last month, compared 30% in 2010. Mintel (2010) similarly note that 29% of retail customers care if a food product is locally sourced. It should be noted, particularly in the context of the third case considered below, that this still leaves 70% of consumers who are not interested in local sourcing. Chambers *et al.* (2007) considered the barriers to uptake of local foods. In their study of buyer attitudes to purchases of local, national and international foods, they concluded that local foods are perceived to be of higher quality than the alternatives and found support for local farmers. However, they argued that this did not always translate into purchase behaviour, with price and inconvenience of access being the main barriers to the development of local food.

Knight *et al.* (2007) suggested that food scares had prompted greater interest in tracing food back to individual producers. The resulting demand for food of known provenance has provided opportunities for small local food businesses that are able to communicate clear messages about production origins and supply chain traceability. As a consequence localised food networks have developed and supermarkets have also responded with policies to stock their stores with products sourced from a specified radius (e.g. 30, 50 or 60 miles), county or region (Mintel 2010). The increased visibility and availability of local food has further fuelled demand. While safety, perceived quality, value for money and convenience remain universally important factors, for a group of older and more affluent customers (Mintel 2008, IGD, 2010), building relationships with local producers/retailers and expressing ethical sustainable values additionally contributes to purchase motivation, satisfaction and loyalty. Recent research into reasons for supporting local food suggests that freshness and distance travelled is important, with 57% of survey respondents saying they purchased local food 'because it has not travelled as far and is therefore fresher' (IGD, 2010). However, since an earlier IGD survey in 2006 there were indications of greater support for the local economy (see Table 1).

**Table 1: Reasons for supporting local food**

	2006	2010
• to support local producers and farmers	28%	54%
• to support local retailers	18%	34%
• to keep jobs in the local area	14%	29%

Source: IGD, 2010

Mintel (2010) also suggest that buying locally sourced products is motivated by support for local farmers and food producers, as well as suggesting that local food products are bought because of perceived better quality, lower transport emissions, nostalgia, authenticity and the desire to express regional identity through food choice. They argue that the recession and resulting "staycation" trend in 2009, where more people took their holidays in the UK, fuelled eating locally. This highlights the contribution of 'food tourism' to local food demand and regional development, particularly in rural areas (Hall *et al.*, 2003). Some of the strongest supporters of local produce are the bed and breakfasts, hotels, restaurants, pubs and tea shops that serve this market.

### **Local food and regional development**

A recurring issue in the literature (Jones *et al.*, 2004; Mintel, 2008; 2010) is the confusion caused by the lack of a recognised definition or common consumer perception of either local or regional food. Most usefully, Waitrose (IGD, 2008) define 'regional' food "as products that are made in, specific to, or perceived to be from a particular region with provenance or tradition, such as Lincolnshire plum bread". They define 'local' food "as products with a provenance or tradition in a local area; that are made by small-scale producers with strong community links; and that are made from local ingredients and sold within a 30-mile radius. The consumer, however, remains thoroughly confused, with notably different perceptions between men and women (Mintel, 2008). This lack of clear definitions also makes market shares difficult to estimate, with around £4.8 billion calculated Mintel (2008) for locally sourced food and drink bought in retail outlets; a figure that excludes expenditure in food service outlets serving local residents and tourists.

UK public authorities clearly see assisting quality food producers as an important regional development strategy. The recently published Food 2030 Strategy includes recognition of the need to continue promoting traditional and regional speciality foods, via encouraging greater uptake of the EU Protected Food Name Scheme and further development of sustainable farmers' markets and other direct sales outlets (Defra, 2010). There is general agreement that such support provides farmers and producers with a way to add value to their product and find alternative routes to market, at the same time meeting consumer demand for more regional and local food. Many local food proponents, including regional developers, pressure groups and promotional websites argue that local food purchase is better for the rural economy than supermarket shopping. One survey by the New Economics Foundation (2001) is frequently cited to support the claim that money spent with a local food initiative generates almost twice as much income for the local area as the same amount spent in a supermarket, since the money stays in the vicinity where its value is increased by a multiplier effect. This research monitored the turnover from a Cornish organic vegetable box scheme to see how

much of it was spent locally. More studies to verify and generalise these findings would be useful.

### **Support organisations for local and regional food**

Micro and macro factors within their business environment mean that development and growth of the resurgent local food and drink sector depends upon commercial and institutional support networks, as well as the influence of supply channel ‘gatekeepers’ (Hingley, Lindgreen and Beverland, 2010). As small-scale agricultural producers move away from their traditional skill-sets it is important for them to adapt to different market conditions. This means acquiring new skills, for example in marketing and building links with retailers, as well as investing in new capital equipment or technologies (Beer, Hingley and Lindgreen, 2009). The lack of these is a significant barrier to entry against a background of globalisation and predominance of trans-national food brands. The European Union, the UK Department for Food and Rural Affairs (Defra), regional, county and local agencies have all recognised the need for funding and support for business restructuring, skills development, set-up costs and network management. However, though extensive resources have been made available for regional food networks, particularly following the crisis in farming, funding has now been reduced. With further reductions likely, given the need to reduce borrowing and potential political change, sustainable means of supporting local food systems need to be found.

Support services and funding for the quality local and regional food sector has been provided through a lengthy and complex supply network, which has evolved over time. A number of regional food marketing groups were established in the early or late 1990s, with encouragement from MAFF (now Defra) and local authorities. By 2002, Food from Britain (FFB) had a national promotional role for the regional foods sector and was working with 17 representative organisations across the UK (Rod, 2002), including coordinating seven regional groups in England. Duplication of roles and message fragmentation was an issue highlighted by Don Curry in the Policy Commission's report on the Future of Farming and Food (Defra, 2002). In response, Defra investigated how regional and local food groups should be co-ordinated. As a short term measure from 2004 to 2008, the Government provided FFB with £5 million to support quality regional food initiatives, within a revised structure set out in the UK Government's *Sustainable Strategy for Farming and Food* and its *Regional Food Strategy* (Defra, 2009).

For England, regional level funding is currently available “for activities linked to the promotion of quality regional and local food culture” (Defra, 2009). Also the European Commission has agreed a *Rural Development Programme for England* (RDPE) that provides support for improving the competitiveness of rural businesses, which may include food businesses. Both sources of funding are channelled via the eight English Regional Development Agencies (RDAs) to the corresponding Regional Food Groups (RFGs), then, in a number of cases, onwards to associated county marketing groups, and perhaps to smaller local organisations.

The current structure for support in England, after a number of reorganisations, consists of: *The Regional Food Group Alliance*, which has taken over FFB's role as umbrella organisation and eight English RFGs, representing small and medium-sized food and drink

producers within their region. The RFGs and County Groups, which are generally not-for-profit membership organisations, are:

1. *Food Northwest* (including *Made in Cheshire*, *Made in Cumbria*, *Made in Lancashire*)
2. *North East England Food & Drink Group* (*Northumbria Larder*)
3. *The Regional Food Group* for Yorkshire and Humber (*deliciouslyorkshire*)
4. *Heart of England Fine Foods*
5. *East Midlands Fine Foods*
6. *Tastes of Anglia*
7. *Taste of the West*
8. *South East Food Group Partnership* (including *Hampshire Fare*, *A Taste of Sussex*, *Produced in Kent*)

In addition to this hierarchical public sector structure, a plethora of non-governmental organisations (NGOs) and pressure groups take an interest in local food. The Grocer (Rod, 2002) under the headline, “giving local directions: local food groups, their services overlap and definitions confuse”, reported that “no one knows the exact figure but there are scores of local and regional groups providing marketing support, showcasing products, advising and training”. As with government support agencies, these organisations have started to coalesce into alliances, particularly to obtain funding for projects. However, a review of the partnership details and links provided on the support body websites still reveals a complex web of interconnections. For example, *The Local Action on Food* is group of national organisations established in 2008 and coordinated by Sustain. This network supports local and regional promotion of healthy and sustainable food, via projects, events, sharing good practice and other support services. It builds on the work of two separate former groups: *Food Links UK* and *Sustain's Food Access Network*. *Local Action on Food* is a consortium partner in the national *Making Local Food Work* programme, which is funded by the Big Lottery Fund and coordinated by the Plunkett Foundation. This alliance also includes the Campaign to Protect Rural England, Co-operatives UK, The National Farmers' Retail & Markets Association and the Soil Association.

One of the problems with this complex support structure for local and regional food is that small suppliers can easily become confused and even overwhelmed by all the changes in name and the different organisations, initiatives and funding sources, which have often offered overlapping training, advice or grants. Funding has usually been short-term, with agreement for projects being delayed by complicated application and approval procedures and a consequent rush to spend grants by the end of the financial year in March, just at a busy time for small farm businesses. Those businesses frequently complain that the financial support they need to develop their businesses is instead going to researchers, consultants, advisors and trainers.

### **Power and network relationships**

Creating distribution networks that offer an alternative to national and international owned food retailing chains and establishing a degree of (perhaps countervailing) market power has been a major challenge for small producers and their local/regional support organisations. However, it is important to understand this potential in a business network context and

appreciate the impact of power relationships and the role of lead organisations within networks.

Business relationships have long been described as existing in a network context (Gummesson, 1996; Healy *et al.*, 2001), as demonstrated by Håkansson and Snehota (1990) and Anderson *et al.* (1994), with their contention that individual organisations and dyadic relationships are both part of a network of inter-relationships (Johnsen and Ford, 2002). A network approach to supply chain relationships is borne out in practice in the agri-food industry, in which economic and trading circumstances have resulted in changes to organisational structures. Competition in the UK agri-food industry, for example, occurs between the supply networks led by national/multinationals food retailers such as Tesco with that of J. Sainsbury and Asda. Each employs a hub of supply centred on its own middlemen (Hingley, 2005; White, 2000). These hubs are then focused on regional distribution of national, international and regional suppliers' products in conjunction with the retailers' regional distribution centre (RDC) network.

Important to the discussion of network relationships in food is the issue of power and where power lies in the network. Hingley (2005) in his study of food industry network relationships considers the influence of channel leaders (in this case multiple retailer organisations) and their role in determining the role and direction of the network. Power is seen by some to have a negative influence in that stronger network members benefit more greatly than dependents and this can be a cause of breakdown of network co-operation, trust and ultimately relationships (Doney and Cannon, 1997). As identified in Duffy *et al.* (2003) some food industry suppliers may worry about the expression of retailer power allowed by the imbalance, as well as the potential for abuses of power. However, others, for example, Batt (2004) consider power imbalance to be a normal phenomenon and Hingley's contention is that as most network relationships are imbalanced it is more important to focus on all parties managing that imbalance and that the situation of power is fluid and changeable all the time between network members; who according to Cox (2004) should adapt to changes in circumstance. For weaker parties, for example, when considering small-scale suppliers and their relationships with more powerful channel buyers, this means accepting imbalance in decision-making and reward; and focusing on gains in market stability, reductions in transaction costs as a result of association with networks led by more powerful channel leaders (Hingley, 2005). However, success may depend on the intent of the powerful channel leader, whether it is confrontational, or perhaps benign or even constructive and helpful. A further view is that for reasons of self-interest powerful or lead network members may act in a 'blocking' or gatekeeper' role which acts against co-operation or cohesion in the network (Hingley, Lindgreen and Beverland, 2010), or as stated above may be actually destructive (Duffy *et al.* (2003) In the case of the UK food market, Lang (2003) identifies the main gateways to consumers as being the large food retailing chains, who act as gate-keepers between producers and consumers and as such wield a considerable amount of power.

### **Case studies**

Case analysis was undertaken of three local or regional food supply and marketing networks in different areas of the UK. The aim was to identify commonalities and disparities in their development and examine how the food businesses fit within the remit of local marketing, the ethical agenda and a network context. The analysis identifies barriers and facilitators to

development and evaluates the role of support and advisory bodies. In addition, each case highlights a distinct facet of network arrangements (for example, in interpretation of the ethical and social impact of sourcing, distribution and consumption of local products; cultural disconnection between network members; and the importance of cohesive identity and entrepreneurship).

An outline of each network is presented using a modified 'market map' (Albu and Griffith, 2006). This tool has been designed for use in less developed countries by policy makers, rural planners and, recently, emergency practitioners. It is useful here as a simple descriptive framework for a market system, which goes beyond traditional marketing channel or supply chain diagrams; identifying not only the small-scale producers and other value chain actors, but also support services and the commercial and institutional environment affecting the chain.

### **Case One: *Made in Lancashire* local food marketing group**

*Made in Lancashire* (see Figure 1) is a local food marketing group, whose membership consists of specialist food and drink producers and retailers in the County of Lancashire. It was established in 2002, after foot and mouth disease, to help the farming community to diversify and to create additional outlets (*Made in Lancashire*, 2010). The members are generally micro or SME businesses and often of a craft or artisanal nature. The brand identity supports members on a local outlet basis and broadens access via national/international retailers. *Made in Lancashire* and its neighbouring county food groups *Made in Cheshire* and *Made in Cumbria* are partners in the *Food Northwest* RFG, which obtains its funding from the *Northwest Regional Development Agency* (NWDA).

### **Case Two: Lincolnshire Co-operative Society (LCS) - Socially embedded local sourcing**

LCS (see Figure 2) is a regional consumer co-operative, operating predominantly within the county of Lincolnshire in the East Midlands region of the UK. It is one of 20 regional retail societies that make up the Co-operative Group (the 5th largest grocery retailer in the UK). The case concerns the development of local sourcing for livestock and meat in the county by an ethically driven retailer, who helped to build a community centred network infrastructure to surround the supply chain (incorporating farmers, processors and retailers and local consumers) specifically to enhance the social and environmental benefit of local food supply.

### **Case Three: West Midlands Ethnic produce network**

The third case (see Figure 3) was a regional developmental initiative to integrate supply chain members (fresh produce growers, distributors, wholesalers, retailers/foodservice businesses) to exploit an ethnic market opportunity on their doorstep. A network was designed to bring together rural fresh produce growers to supply demand for specialist produce from predominantly urban consumers from Asian and wider ethnic groups in the West Midlands of the UK. A further ethical agenda was to substitute imported produce for locally sourced alternatives. The initiative had widespread support from regional government, a regional university, the farming lobby and an agency representing Asian business interests.

## **Research methods**

Primary investigation used both semi-structured depth interviews and questionnaire surveys involving both business participants and support staff and in addition there were focus group discussions/dissemination fora. The methods for each case are discussed below and summarised in Table 2.

### **Case One: *Made in Lancashire* local food marketing group**

Firstly six semi-structured depth interviews (including four *Made in Lancashire* members and two industry experts) were conducted face-to-face. Secondly 108 questionnaires were posted as part of a regular communication by *Made in Lancashire* (including to all their 80 producer members). Anonymity was guaranteed and there was a return rate of 29% (Haley, 2009). A diverse range of agri-food business types were canvassed, however, more responses were obtained from meat, fresh produce and dairy producer businesses, whereas some covered a range of business areas, such as farm shops. Respondents were questioned concerning their views on market development for local foods and on the support structures and organisations surrounding their network.

### **Case Two. Lincolnshire Co-operative Society (LCS)**

The core of this case was a series of in-depth interviews with supply chain actors within the county of Lincolnshire. The respondents included: the CEO of the Lincolnshire Co-operative Society (LCS); livestock farmer suppliers and a local producer/marketing group supplying meat to the society and to other retail outlets. They were questioned on the ethical and social implications of supply chains and networks for local food supply.

### **Case Three: West Midlands Ethnic produce network**

This case assesses a number of distinct members of the supply chain: fresh produce growers, wholesale trader intermediaries; a lead intermediary who grows, packs, distributes and markets fresh produce; and a sample of typical (small-scale) urban retail and foodservice customers.

Postal questionnaires were sent to a sample of West Midlands vegetable, fruit, salad and herb growers. The survey included questions relating to market oriented local and regional production, growing produce targeted to ethnic minorities and routes to market. In addition, growers were asked to detail how they thought local and regional fresh produce could compete with imported fresh produce. Grower respondents were also questioned about supporting network structures and organisations. The respondents were invited to join follow-up focus group and strategy meetings at the supporting agricultural university, held to gain more detailed responses to the market opportunities posed by emerging ethnic markets for specialist crops in the region. These meetings were chaired by the National Farmers Union and were attended by representatives from Advantage West Midlands, the Regional Development Agency and potential funding body, plus and ethnic business fora based in the West Midlands.

Face-to-face interviews were conducted with appropriate wholesale channel intermediaries based at the Birmingham Wholesale Market, chosen for its pivotal role in the West



Midlands region fresh produce distribution. These wholesale traders were asked to give their views on relationships with growers and retail and foodservice customers. They were also questioned about local and regional produce compared to imports from outside the United Kingdom.

Further face-to-face interviews were conducted with a sample of retailer and foodservice customers of Birmingham Wholesale Market. These were asked to give their views on buying locally or regionally sourced fresh produce.

**Table 2: Comparison of research methods**

	<b>Case One. <i>Made in Lancashire:</i> Local food marketing group</b>	<b>Case Two. Lincolnshire Co- operative Society (LCS): Socially embedded local sourcing</b>	<b>Case Three: West Midlands: Ethnic Produce Network</b>
Depth Interviews	4 producer members 2 industry experts	LCS Chief Executive 2 livestock producers 1 processor/marketing group Feedback to respondents & repeat longitudinal interviews	29 wholesale traders 20 retailer & foodservice businesses 1 wholesale/retail trade association 1 lead intermediary 1 regional co-operative retailer
Group discussion/ Dissemination		2 business/other stakeholder conference dissemination sessions	3 group discussions with producers, a product packer- distributor & advisory/support bodies 2 open forum dissemination session in the West Midlands region
Postal questionnaires	108, including all 80 producer members (29% response rate)		460 growers in the West Midlands region (14% response rate)

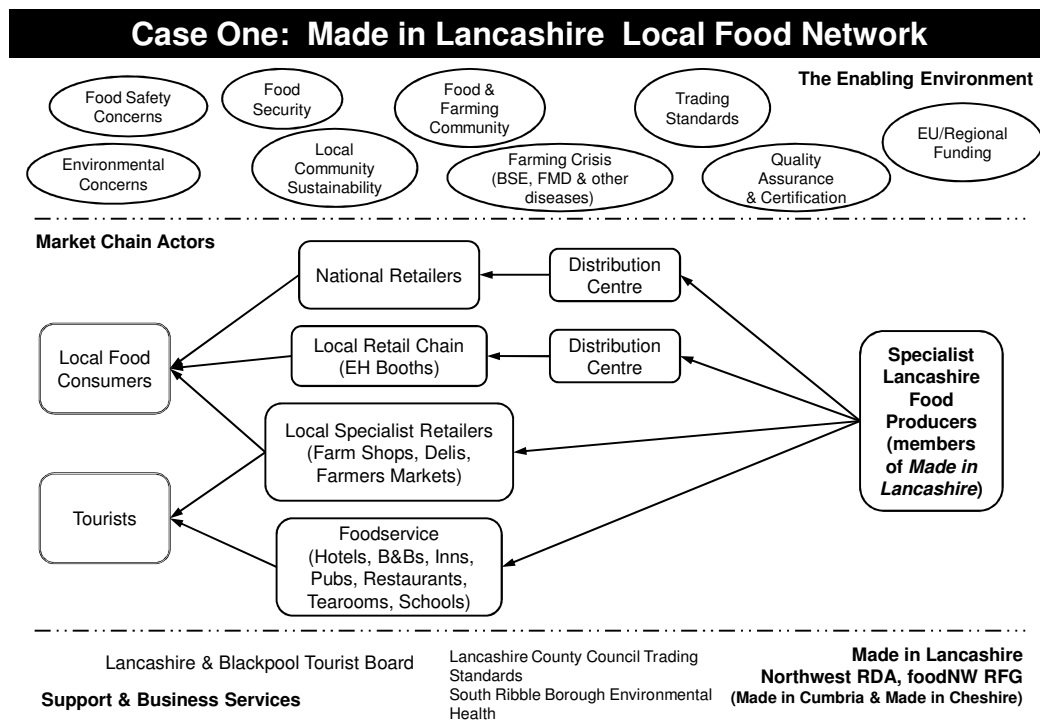
## **Research findings**

### **Case One: *Made in Lancashire* local food marketing group**

*Made in Lancashire* producer members supply directly (without intermediary distribution or wholesaling) to specialist retailer outlets, including retailer members and to retail national supermarket and local chain retailers. Most of the respondents in the case felt a local

marketing strategy was beneficial to the small food business and a source for competitive advantage, in the belief that supporting the local economy held credence with the consumer. The concepts of freshness and origin of food were important and over 90% of the businesses surveyed agreed that correct target marketing of such attributes improved product performance. One shortcoming identified in the case (corresponding with prior literature) was in the lack of an agreement on the definition of the term 'local food'. Respondents were in general agreement that this was encompassed within the realms of a county boundary and the community area which surrounds products, with local practices and origins being integral to its perception. In this, the majority of the survey respondents considered that definition should encompass the matter of distance travelled by products from source to consumer, with 'less than 30 miles' being typically expressed. So this places localness as being bounded by county and sub-county distances. Interestingly, the Lancashire regional retail chain EH Booths was cited by respondents as a retailer occupying a middle ground between farm shops and national/international supermarkets, and its regional distribution of only thirty miles as a prime factor in the store chain's appeal; which could and could offer an advantage over larger national retailers who operate a national buying/centralised distribution system that makes it difficult for them to operate at the local level. This corresponds to the view of Sodano and Hingley (2009), who identify the supply chain difficulties of national food retail chains that prevent them from being able to claim 'localness'. *Made in Lancashire's* consumer buyers are increasingly price and value conscious which makes it harder for food SMEs when competing against the economies of scale realised by larger retailers as a result of national/global product sourcing. However, respondents believe that local/regional food can still be successful as a result of the close relationship that members have with local consumers and recent interest in reconnecting with food. They believe that the challenge therefore is to influence consumer behaviour through marketing and education.

Respondents claimed that the cheap food policy present in the UK was an indication of the Government's neglect of management of the industry, that has led to a greater amount of imports as well as abdication of control over issues of food safety and security to large food corporations; and the major retailers in particular were now the 'gatekeepers' of consumer satisfaction and protection. This echoes the view of Lang (2003), who identified the considerable power of the large food retailing chains. Correspondingly, over-restrictive business and food sector regulations, as well as excessive business rates and bureaucratic hurdles were mentioned as a disproportionately great barrier for small and micro-businesses. Access to finance (to a certain degree) and insufficient business knowledge were also cited as issues. Some respondents also cited lack of industry organisation support. For members, the burden of legislation in the food market is onerous and could be seen as excessive given the smaller size, scope and turnover of their businesses.



**Figure 1: Market Map for Case One**

## Case Two: Lincolnshire Co-operative Society (LCS)

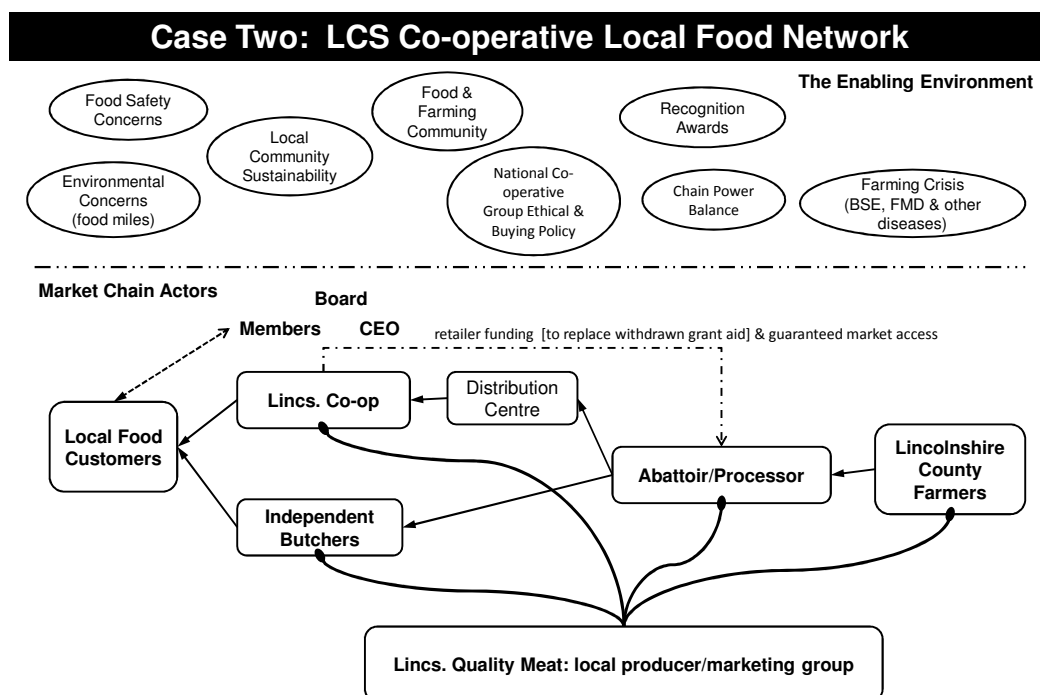
For the CEO of Lincolnshire Co-operative the most fundamental difference that a local co-operative food retailer chain offers compared with a public limited company (plc) national/international retailer, is that the supply network, customers, membership and community are inter-related and inter-dependent. Their principal rationale is that as a local retail co-operative they are there to serve the people in the local area and it is this association with the county and local communities that distinguishes what they do from other food retail chains. There is a parallel here with Waitrose, another retail prime mover in local food and ethical sourcing, which as the CEO observed are effectively a worker's co-operative.

Lincolnshire Co-operative takes a twin track approach to supply of food to their stores. They access the Co-operative Group national buying facility for mainstream national and international products (and therefore are part of the marketing and distributive processes that serve all Co-operative Group stores), but in addition have a strong local sourcing agenda. The strategy of developing ranges of locally sourced product has resonance in the wider community, given the rural and agricultural nature of the region. As such, a further motivation was to support the economy of the county against a background of rural decline.

As a result Lincolnshire Co-op was instrumental in assisting with the continuation of a local farmer controlled meat supply group, *Lincolnshire Quality Beef, Lamb and Pork*. As their Chairman explained, when their grant aid ran out in 2002 they "couldn't have survived" without the support of Lincolnshire Co-op. Had they not provided funding and become the major customer, offering guaranteed market access, the *Lincolnshire Quality* meat would not have gained such a volume of consistent sales. Lincolnshire Co-op sat on the steering board of this organisation alongside farmer and processor representatives and invested in the principal abattoir that processed the meat. The *Lincolnshire Quality* livestock and meat chain

is a localised ‘closed loop’ (county farmers, processor, stores, co-operative members and customers) ethical trading organisation and an origin traceable sourcing venture. The products are brand identified through an on-pack and in-store *Lincolnshire Farm Assured* and *Quality Lincolnshire* rosette logo which is the symbol of the scheme. Further, the supply chain can be seen as having a very low environmental impact in terms of minimal ‘food miles’. In fact, Lincolnshire Co-op identify, through point of sale and promotional literature that the meat can have travelled as little as 60 miles from farm to abattoir to store. All of this is used by the co-op to underpin their commitment to both local economy and community.

*The Lincolnshire Quality* scheme has been recognised (in 2008) through a national UK Rural Action award won through the Business in the Community (BiTC) scheme. The award was made to Lincolnshire Co-op, the farmers, the abattoir and the independent butchers that make up the *Lincolnshire Quality Scheme*. The success of local food marketing, based on community centred ethical trading with local suppliers can be seen as an outcome of the co-operative approach to sourcing which would not necessarily have worked within the centralised structures of private sector or plc retailers, who would have normally expected a national roll-out. Even within Lincolnshire Co-op itself it was not initially easy to match the expectations of the national Co-operative Group buying policy with a local buying solution. Indeed there was some initial resistance at national level to Lincolnshire Co-op switching meat buying from national to locally sourced product.



**Figure Two: Market Map for Case Two**

### Case Three: West Midlands Ethnic produce network

Few of the West Midlands region grower respondents sold directly to the supermarket sector. Wholesalers provided them with an easy and regular route to market. They were seen as offering regular payment and as being less exacting than produce pre-packers and

supermarkets. However, using wholesale channels raises issues in relation to seasonal trading variations and price instability.

At the time of the research hardly any growers produced crops specifically targeted at the ethnic minority consumer market. They did identify specialist crops they might consider growing. Moreover, many growers indicated that market gaps could be efficiently and cheaply filled by imports. For West Midlands growers, the most important issues in marketing their local produce concerned market knowledge (for example, access to relevant consumer product sales data) as well as advice concerning how new specialist crops might fit into the existing seasonal cycle. Not surprisingly, other important issues for growers included production (agronomic and technical advice), product quality (i.e. how to grow high-quality specialist crops), price and supply continuity. Finally, they noted the possible need for specialist machinery to produce and harvest new types of crops.

The growers appeared divided with regard to whether consumers are interested in buying local or regional produce. Qualitative comments revealed that the value competitiveness of national/international supermarkets represents a continuing threat to local product marketing. However, the popular impact of emerging environmental and social issues, such as 'food miles' were believed to also be a consumer influence. Given that, urban consumer awareness of local production is low; wholesalers rely on promotional materials from their overseas agencies and as such little promotional activity concerning local sourcing reaches these consumers.

Growers clearly understood the market opportunities offered by re-connection with the regional urban population and with corresponding ethnic markets, but the focus groups confirmed their generally negative view toward pursuing such markets. This negativity is derived from a general risk aversion amongst the region's growers. Further, growers are worried about the channel power of retailer and wholesaler customers and questioned the level of customer interest in and loyalty towards buying local and regional produce; especially when customers have easy access to and are readily offered cheap overseas produce. Lastly, the cultural issues highlight disconnections in the supply chain; the predominantly white, rural growers did not understand urban Ethnic Minority business customers and end consumers, such that channels are fragmented by both language and culture.

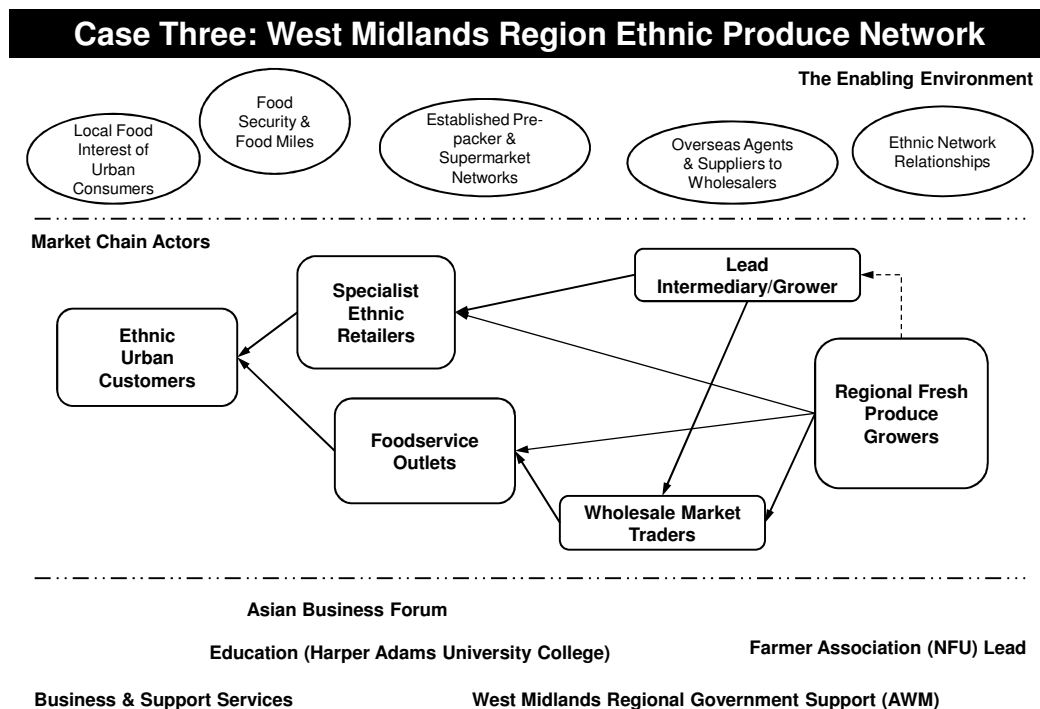
All of the wholesaler respondents sold some UK produce. However, wholesalers found it easier to source produce from abroad, because they believed that UK growers cannot supply in continuous quantities. Most wholesalers claimed that West Midlands produce was uneconomical (outside of the peak UK summer season) and not viable. Interestingly they questioned the ability of producers to 'sell themselves'. Instead, the wholesalers had developed long-term relationships with foreign suppliers, including via family connections (typically in Pakistan or India) or through subsidiary relationships with international trading companies. The wholesalers were simply not motivated enough to seek local produce alternatives to imported produce, for the reason they prefer simple (one stop) business transactions. According to their past experiences local growers do not offer this. Moreover, the wholesalers claim to prefer the appearance and taste of imported products, though none of them mentioned freshness. Their overall feeling was that local food was no more profitable to sell than imported produce and more problematic to source. For example, seasonality issues were critical; by sourcing abroad, wholesalers could guarantee year-round supply. Changing

suppliers according to season would be regarded as complicated. As such they expressed no desire to start dealing with many different local and regional growers. Nearly all wholesalers believed that local sourcing was not important to their customers. They claimed that their customers neither ask about nor care where the produce comes from, as long as it is of adequate quality and a reasonable price.

Retailer and foodservice respondents mostly obtained fresh produce by visiting wholesale markets, though they also receive deliveries from wholesalers. Other respondents from this group source fresh produce directly from farms, and one restaurateur grew his own garden herbs. When asked to identify their preferred supply routes for fresh produce in the future, these respondents mostly indicated they would continue to collect from wholesale markets, who offer a classic one-stop opportunity. However, retailer and foodservice businesses identify some opportunities for 'import substitution' of speciality crops they already bought, mostly from wholesalers that relied on imported sources. Herbs are typical of this. In contrast to their wholesale suppliers, retailers and foodservice operators express interest in buying local or regional fresh produce in the future, citing freshness and support of local supply networks as reasons. However, they also voiced typical concerns related to seasonality and availability. For them, the decision to use local or regional produce currently and in the future thus depends on the two predominant issues, namely, quality and price, but also on influential factors such as availability, reliability and delivery issues and this corresponds with the issues identified by Chambers *et al.* (2007) above with respect to the problems of developing the consumer market for local foods.

Ethnic produce offers considerable untapped potential for growers. The interviewed lead intermediary West Midlands-based (Shropshire county) organisation (JK Fresh Produce) offered a model for potential re-connection of the regional fresh produce supply chain. This company was established by an Asian grower, who now farms 1,200 acres but also buys in specialist fresh produce and pre-packs and distributes it to the wholesale markets. Asian entrepreneurs might offer a distinct advantage to some customers; just as wholesalers develop overseas affinities based on ethnicity, UK supply channels involving, for example, Asian growers could offer a similar advantage. Thus, the cultural disconnection problem might find a solution in the context of this particular grower who bridges the Asian, culturally bound predominance of the fresh produce wholesale markets. The grower offers wholesale access to other local growers of other specialist crops destined for Asian end users by acting as a packing and marketing hub.

The case identifies some opportunities resulting from increased demand among growing ethnic minority populations for specialist produce grown in the West Midlands. However, the opportunities may be tempered by supply channel disconnection and the strength of the existing importer and wholesale channel that prefers to import. Thus, the access and availability of local produce depends on the strength of the intermediary wholesale channel, which displays no loyalty to local sourcing.



**Figure 3: Market Map for Case Three**

### Issues arising from the three cases

One issue that is clear from this case comparison is that the lack of a shared understanding of the term ‘local food’ is hampering the development of the local concept and its translation to consumers. It may be, however, that sub-regional and micro-location specific products hold more credence with the consumer in terms of provenance than that offered in supermarkets, for whom ‘local’ may mean ‘regional’ origin. Both the *Made in Lancashire* case and the Lincolnshire Co-operative case illustrate the distinctiveness of using a long established county identity as a point of differentiation. Although legislation on the definition of local is very unlikely it remains an informal advantage for small craft food businesses, as national distribution policies of large scale food retail competitors would find it difficult to compete with this offer.

One common link between Cases One and Two is the involvement of facilitating and ‘benign’ local retail chains (including the *Made in Lancashire* retail member structure itself). Such local county or sub-county distributive networks can offer marketable advantages concerning localness, including a positive contribution to the ‘food miles’ debate. The West Midlands Ethnic Produce (Case Three) offers potential for similar supportive distributive networks (through the lead intermediary, JK Fresh Produce) and the interviewed West Midlands regional retail co-operative society; who also offered a potential regional outlet for specialist fresh produce. However, local grower risk aversion and lack of network integration effectively stalled equivalent facilitation in Case Three.

Previous literature has suggested that in the food sector, ‘gatekeeper’ controlled market concentration can lead to inequalities and even negative social and environmental effects (Sodano and Hingley, 2009; Lang, 2003). All three of the cases provide and pose

opportunities for local food marketing and to take advantage of an underlying consumer demand for reconnection with local food. Certainly each case offers both similar and different angles on exploiting local food markets. However, a counter theme across all is consumer demand for value for money (especially in uncertain economic times) and the attractive value offer of national/international food businesses and therefore local food marketing requires additional (although realistically, niche advantages) in order to counter the general demand for price-based value in a prevailing harsh economic climate. The strong identities supported by the umbrella marketing of *Made in Lancashire* and the Lincs. Co-op provides a framework for effective marketing communication of the positive societal benefits of the local food message. In contrast the apparent lack of identity for the regional fresh produce of the West Midlands region meant that retailers and end-users, while aware of the opportunity offered by 'reconnection', 'import substitution' and 'food miles', were unable to express these messages because there was no 'joined-up' communication network. Local businesses at the heart of local sourcing networks are identified as innovative and different from the norm (Sodano and Hingley, 2009). Both Case One and Two concur with this view and Case Two, in particular, demonstrates the importance of the bond between network businesses and the consumer at the heart of local community. In both Case One and Two local food, serving and engaged with local communities, was seen as part of the ethical agenda as much as any environmentally driven agenda based on low 'food miles'. Correspondingly the benefits of supporting local and regional food were curtailed by wholesaler self-interest in Case Three, despite some interest from retailer and foodservice businesses to source regional produce in order 'to support the regional economy'. There was clearly a sense of community and network integration in the urban West Midlands in the strong ethnic and cultural ties with overseas fresh produce suppliers, wholesalers, retailers, foodservice operators and consumers (particularly concerning those with Asian origins). However, these ties have become disconnected from regional fresh produce production. In the rural counties of the West Midlands, white growers have little connection with the rest of the urban and ethnic minority based food network. Case Three offered some hope of realisation of rural and urban reconnection via the development of a lead networking hub based in one of the rural counties of the West Midlands and with the proposition of a cultural and physical bridge. With a collaborative approach, growers would be able to actively court interactions with wholesalers, retailers, and foodservice customers. Yet growers, wholesalers, and retailers and caterers also needed to undertake considerable education to overcome the supply issues and preconceptions.

Even amidst the enthusiasm for market making and market satisfaction concerning local food, it is too easy to ignore issues of market power and the role of channel leaders or 'gatekeepers', despite prior research that confirms their significance and impact (Hingley, Lindgreen and Beverland, 2010). These considerations often conspire to confound new market channels or simply maintain the *status quo*. Wholesalers act as gatekeepers for the fresh produce industry in the West Midlands (Case Three). Their desire for 'an easy life' derived from their connections to imported produce suppliers is understandable, but the lack of understanding and flexibility in their attitudes toward home-grown production and producers represents a major barrier to for local and specialist fresh produce. A conclusion to be drawn from the three cases is that support from a benign power authority can direct the local network and give it cohesive direction and purpose, whilst indifferent or hostile parties with channel power can confound its development. Equally, local food network members fear the market power of channel leaders from outside of the local sphere (for example, national retail chains) as the greatest danger.



However, despite the obvious advantages of big business (and it is apparent that in the modern business climate there is an imbalance of opportunity which favours the larger retailers, for example, in lowered transaction costs resulting from greater economies of scale, spread costs of quality control and so forth); SMEs should not view economies of scale as a disadvantage, but instead as a chance to create a profitable niche-based differential. Small businesses are run by individuals, who by definition can be very individualistic. This can be an advantage in terms of the creative and entrepreneurial spirit (as exemplified in the case of many of the members of *Made in Lancashire*), but also can be a disadvantage in terms of network co-ordination where small businesses may lack common direction and fear change; as can be seen also amongst many of the growers in the rural West Midlands, or in the more individualist ‘lifestyle’ member businesses of *Made in Lancashire*.

The local food sector is still relatively small within the food industry and if targeted changes were to be implemented in price, accessibility and awareness, consumer interest should be followed by increased spend. Available government and industry sector support (through for example, regional aid and small business emphasis are important in the development of the local food economy, but it cannot force the successful development of the network. Certainly, all of the three cases featured extensive network support from governmental and NGOs. These are no doubt useful and effective (for example, in creating an umbrella image in the case of *Made in Lancashire*). However, network support cannot replace the will of small businesses to succeed (as exemplified again by the enthusiasm and creativity of the *Made in Lancashire* members and the farmer supplier/processors of the Lincolnshire Co-operative case; and by contrast the more reserved and risk averse nature of the West Midlands growers). Support agencies are important in creating the right atmosphere for success, but can only facilitate. The directional lead comes from the vested interest of a (benign) power, as stated above. A further issue is in the confusing layers of diverse governmental, regional, local and NGO support agencies. There is quite often overlap in the responsibilities and activities of such agencies and the understanding by small business of the roles and relative importance of each can be confused. Table 3. below summarises the key issues arising from the three cases, demonstrating the common issues concerning barriers, facilitators and network development.

**Table 3: UK regional food networks: Case analysis**

	<b>Case One: Made in Lancashire</b>	<b>Case Two: Regional Ethnic Food Supply</b>	<b>Case Three: Lincolnshire Co- operative</b>
	SUCCESSFUL	FAILURE (on hold)	SUCCESSFUL
<b>Barriers</b>  See: *Chambers <i>et al</i> (2007) Local food: issues of ‘access’  See: +Rod (2002)	<ul style="list-style-type: none"> <li>• overlap between local and regional bodies+</li> <li>• overlap between voluntary &amp; public sector support+</li> <li>• confusion/replication – too many agencies+</li> <li>• diverse nature of business objective, for example, lifestyle versus professional</li> </ul>	<ul style="list-style-type: none"> <li>• lack of cohesion – not a joined up supply channel</li> <li>• channel gatekeeper roles inhibit innovation**</li> <li>• risk aversion</li> <li>• top down (artificial) initiative – lack ownership</li> <li>• urban consumers lack interest in local produce*</li> </ul>	<ul style="list-style-type: none"> <li>• conflict between national and local decision making – centralisation v decentralised buying – dichotomous conflict*</li> </ul>

Issues of 'agency overlap/ conflict'	<p>food marketing make it hard to create a cohesive food policy</p> <ul style="list-style-type: none"> <li>• burden of taxation and bureaucracy on small business</li> </ul>	<ul style="list-style-type: none"> <li>• cultural and language disconnection (lack of trust) v. established importing relationships*</li> <li>• regional – not contributing to local sustainability*</li> <li>• poor channel member/ network marketing and product identity</li> </ul>	
<p><b>Facilitators</b></p> <p>See: ^ Defra (2009) Importance of support infrastructure</p>	<ul style="list-style-type: none"> <li>• common local umbrella identity and marketing image ^</li> <li>• cost saving of joint promotion</li> <li>• critical incident of agricultural crises sparking the regional/local agenda ^</li> <li>• a degree of self organisation &amp; historical determination</li> </ul>	<ul style="list-style-type: none"> <li>• stakeholders links – farming (NFU), academic (HAUC) regional government (AWM), business links (Asian Business Forum); a local lead intermediary+ ^</li> </ul>	<ul style="list-style-type: none"> <li>• county (local) level</li> <li>• rural &amp; agricultural nature of the region</li> <li>• rural decline &amp; supporting local communities</li> <li>• NFU – farming groups, co-op ^</li> <li>• outside recognition through national award</li> <li>• critical incident – catalyst of BSE crisis – wanted safer locally sourced meat ^</li> </ul>
<p><b>Local impact</b></p> <p>See: ++Mintel (2010); IGD (2010) Importance of 'local food'</p>	<ul style="list-style-type: none"> <li>• cohesive identity for local products*++</li> <li>• local food in local stores*++</li> <li>• local decision making++</li> </ul>	<ul style="list-style-type: none"> <li>• regional disconnection not linking local initiatives++</li> </ul>	<ul style="list-style-type: none"> <li>• ethical issues – food miles multiplier effect – stakeholder engagement++</li> <li>• county-based local buying policy of co-op++</li> </ul>
<p><b>Network ties</b></p> <p>See: **Hingley, Lindgreen and Beverland (2010); Lang (2003) Network 'Gatekeepers'</p> <p>See: ***Duffy <i>et al</i> (2003) &amp; Hingley (2005) Issues of 'benign' and 'hostile' power</p>	<ul style="list-style-type: none"> <li>• individualistic – entrepreneurial mentality</li> <li>• networking synergy</li> <li>• importance of supportive local retail chain**^</li> </ul>	<ul style="list-style-type: none"> <li>• weak ties – disconnected* **</li> <li>• network support exists but can't force cohesion despite market potential*</li> <li>• status quo – no incentive to change</li> <li>• wholesalers block integration (hostile) gatekeeper power** ***</li> <li>• lead local intermediary and regional co-op retailer would support but network wide integration lacking**</li> </ul>	<ul style="list-style-type: none"> <li>• strong supportive local retail chain* *** ^</li> <li>• strong – co-op integrated – involved in production, retail infrastructure, joined up promotional campaigns and good marketing image ^</li> <li>• 'closed loop' of integration for local food between suppliers, processors, retailer and community retail facilitation using (benign) power/commitment** ++ ***</li> </ul>

## Conclusions and recommendations for further research

Despite a lack of specific definition, local food marketing has demonstrated the potential to exploit niches in order to grow business alternatives to national/international food marketing organisations and structures. Results and common conclusions from the three cases emphasise the importance of stakeholder engagement and network collaboration as necessary to achieve local food marketing success. Also demonstrated is the contribution of a common and agreed network direction and strategy for local food businesses and groupings, supported by strong and clear marketing. The role of support organisations is critical to the development of network cohesion. However these can be seen to cause a degree of confusion due to their multi-agency and multi-layered nature, as developed over time and circumstances. Supply channel gatekeepers and benign self-interested powers can have either a restrictive or facilitating role. The recommendation is to widen the study to other country and sector contexts in order to explore the key contributory factors of local marketing networks, namely collaborative stakeholder engagement, cohesive marketing, the value of support agencies and infrastructure, the local economic and community benefit and the role of benign versus unbalanced, indifferent or negative network powers.

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