



European Commission



THE FIFTH FRAMEWORK PROGRAMME 1998-2002



QUALITY OF LIFE AND MANAGEMENT OF LIVING RESOURCES

**“Marketing Sustainable Agriculture:
An analysis of the potential role of
new food supply chains in sustainable
rural development”**

SUS-CHAIN
QLK5-CT-2002-01349

**SUPERMARKET PROCUREMENT OF
LOCAL FOOD IN SOUTH EAST ENGLAND**

Case study report

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SUS-CHAIN deliverable no. 16.2b

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ABBREVIATIONS

BLFI	Budgens Local Food Initiative
BRC	British Retail Consortium (standard for post-harvest processing)
CLFI	Co-op Local Food Initiative
CRTG	Co-operative Retail Trading Group
DEFRA	Department of Environment, Food and Rural Affairs
EFSIS	Standard for Companies Supplying Food Products
FARMA	National Farmers' and Retail Markets Association
FFB	Food From Britain
FSA	Food Standards Agency
FSC	Food Supply Chain
IGD	Institute of Grocery Distribution
KCC	Kent County Council
KHWP	Kent High Weald Project
OS&G	Oxford, Swindon and Gloucester Co-operative Society
PDO	(EU) Protected Designation of Origin
PGI	(EU) Protected Geographical Indication
PIK	Produced in Kent
RDAs	Regional Development Agencies
RFGs	Regional food groups
TOS	Taste of Sussex
WLF1	Waitrose Local Food Initiative

ACKNOWLEDGEMENTS

The authors are very grateful to the interviewees who provided the insights that form the basis of this report. Thanks also to Rachel Burlton, Sean Deakins and David Croft of Co-operative Retail who submitted comments on an earlier draft. The UK team are also indebted to the team at University of Pisa – Adanella Rossi, Stefania Medeot, Raffaella Cerruti and Gianluca Brunori, University of Pisa, and at Arsia -- Natale Bazzanti, Claudia Mearini and Carla Lazzarotto -- for organising a very informative and valuable satellite visit, also for providing important background information. We are also very grateful to participants at the case study workshop (see Annex 4) for their insights and reflection.

1 INTRODUCTION

This report is an investigation of procurement of local foods by national supermarket chains in a region of South East England rich in landscape resources. The report is a defined 'work package' for a European project (SUS-CHAIN), and a contribution to the debate in the UK about the future direction of the agrifood sector and the connection between food supply chains and sustainable rural development. It is built around a local sourcing initiative of one particular retailer – the Co-operative Group - through interviews with different stakeholders at local, regional and national level, reinforced by consumer research, a 'satellite' study in Italy, and a multi-stakeholder workshop to discuss and analyse the findings.

1.1 OBJECTIVE

SUS-CHAIN is a research project co-financed by the European Commission, which runs from the beginning of 2003 to the end of 2005 (see www.sus-chain.org). It brings together a multi-disciplinary team of sociologists, economists and marketing experts from seven leading European universities paired with NGOs, which are active in the field of sustainable food production and marketing.

The work is being undertaken at a time when issues of food quality and sustainable rural development have emerged as central concerns in the future development of food and farming at the European level. These concerns are likely to lead to different outcomes in different countries, conditioned partly by the different structures of food supply chains, but also shaped by the nationally and regionally distinctive demands and the different disturbances and crises that have become a common feature of the agrifood system in developed countries.

The purpose of the project is to assess the potential role of food supply chains in the enhancement of sustainable food production and rural development. It sets out to do this by identifying critical points in food supply chains which currently constrain the further dissemination of sustainable production, and by recommending actions that are likely to enhance the prospects for sustainable food markets. Specific attention is given

to factors related to the organisational structure of food supply chains and interactions between stages of the chain.

The SUS-CHAIN project is using fourteen *case studies* to explore what has been achieved in breaking down the bottlenecks to enhanced sustainability in agro-food chains. It will recommend actions to enhance sustainability, including consideration of the organisational structure of the food chain and interactions between different actors. This is the report of one of two UK case studies, focussed on supermarket procurement of local food in South East England, and the potential to scale up those efforts until they make a significant impact on the rural economy.

The study is centred on the High Weald, an Area of Outstanding Natural Beauty (AONB) which spans four counties -- Kent, East Sussex, West Sussex and Surrey -- and in which the development of local food initiatives has lagged behind that of many other regions in the UK.

The South East region represents the economic powerhouse of the UK, in which average per capita incomes are significantly above average. But the cosmopolitan nature and lack of strong regional identity in the counties which make up the region make it difficult for supermarkets to a) source food products with a distinct local heritage, and b) develop a strong and commercially viable demand for local food outside of farmers markets, farm shops and independent retail stores.

The main unit of analysis is the Co-op's local sourcing initiative. Of all the supermarkets in the UK, the Co-op is arguably the best placed to exploit the current interest in local and regional food, given their regional structure and positioning as a convenience retailer in market towns all over the country. The key question that the case study seeks to address is 'how important are UK supermarket initiatives in the procurement of local food for the sustainable development of rural economies?' The answer to this question lies in the compatibility of supermarket strategies and procurement practices with the needs of local suppliers (farmers and food producers) and the wants of local consumers.

Two other supermarkets in the UK - Waitrose and Budgens - and one in Italy - Unicoop Firenze - are investigated as satellite initiatives. All of the satellite organisations have

been developing local food initiatives for some time and their local procurement practices reflect the general, 'conventional' pattern which exists in the UK and Europe as a whole, and act as a point of comparison for the main initiative.

Because the case study was investigated during its period of implementation rather than after the event, it was possible for the research team to step into the initiatives, as action researchers. The satellite case study, for example, could constitute a fact-finding mission for the Co-op on alternative procurement models which could influence the configuration and outcome of the Co-op's local food initiative.

1.2 METHODOLOGY

The case study adopts a combination of both qualitative and quantitative methods. Work began with an exploration of existing research and other background data on the subject, and preliminary discussions with relevant actors in the field of local food initiatives amongst UK supermarkets. Following this, semi-structured interview guides were developed for internal stakeholders (local suppliers and retail store managers), external stakeholders (government agencies, trade organisations, NGOs) and interface stakeholders (consultants, distributors, other partners to the local food initiatives). Interviewing began in July 2004 and was concluded in January 2005. Copies of the semi-structured interview guides for the different stakeholder groups are presented in Annex 1.

The semi-structured interview guides were based on the core elements of Actor Network Theory as a framework to explore the formation of the network around the Co-op's local food initiative in the South East of England. They seek to establish the strengths and weaknesses of the initiative from the perspective of the different stakeholder groups involved, and any generic lessons from which local food retail initiatives elsewhere might benefit. A total of 12 in-depth interviews were completed with stakeholders from the Co-op local food initiative and 3 interviews for the UK satellites.

In addition to the semi-structured interviews, which constituted the bulk of the empirical evidence gathered for the case study, a survey was undertaken in April 2005 in three Co-op stores, to gain insights into the attitudes and perceptions of Co-op

shoppers towards the general concept of local food, what they believe the Co-op could do in the way of making local foods available, and how their purchasing behaviour would be influenced by the range of products offered as well as the marketing and merchandising strategies adopted . A total of nine days was spent interviewing Co-op shoppers at three different store locations in Kent, producing a sample of approximately 300 consumers. A copy of the consumer questionnaire is presented in Annex 2, and tabulated results in Annex 3.

Results were presented at a case study workshop on 8 July 2005 (Annex 4), and the discussion and comments incorporated into this final report.

2 CONTEXT

This section provides background and contextual information for the case study. Firstly it gives an overview of the region (South East England) and the area (the High Weald of Kent and Sussex) in which the case study is set, focussing in particular on its socio-economic profile. This is followed by a description of supermarket local food initiatives in the UK and their role in the context of sustainable rural development.

2.1 NATIONAL CONTEXT

The dominant trend in food supply chains (FSCs) in the UK has been towards oligopoly, most evident in the retail end of the food chain, common but less visible in the food manufacturing sector, and not at all developed in the farm sector. Farming has not and cannot consolidate as far or as fast as the industries it works with. The public has largely complied with the relocation of food retail from the market and high street to the supermarket. And the government has been very reluctant to regulate in favour of alternative FSCs. An extended national context is presented in another SUS-CHAIN output.¹

Sustainability has not been a significant driver of change. The principal changes have been driven by intense competition (caused principally by downward pressure on prices by retailers) and by shortening supply chains in terms of the number of stages, rationalisation of structures e.g. through mergers and asset disposals.

Sustainability has nevertheless become a significant topic in academic critiques of FSCs in the UK, alongside issues relating to trust, health related concerns about food quality and concerns over the damaging effects of 'unfair' competition. The sustainability critique of the mainstream food sector has shaped the emergence of alternative food supply chains, although there are some signs that mainstream FSCs are accommodating or appropriating some of the elements of the alternative food sector. One of those accommodations is the area of local foods.

¹ *A macro-level analysis of food supply chain dynamics and diversity: the UK perspective.* (Work Package 2).

2.2 REGIONAL CONTEXT

2.2.1 The South East

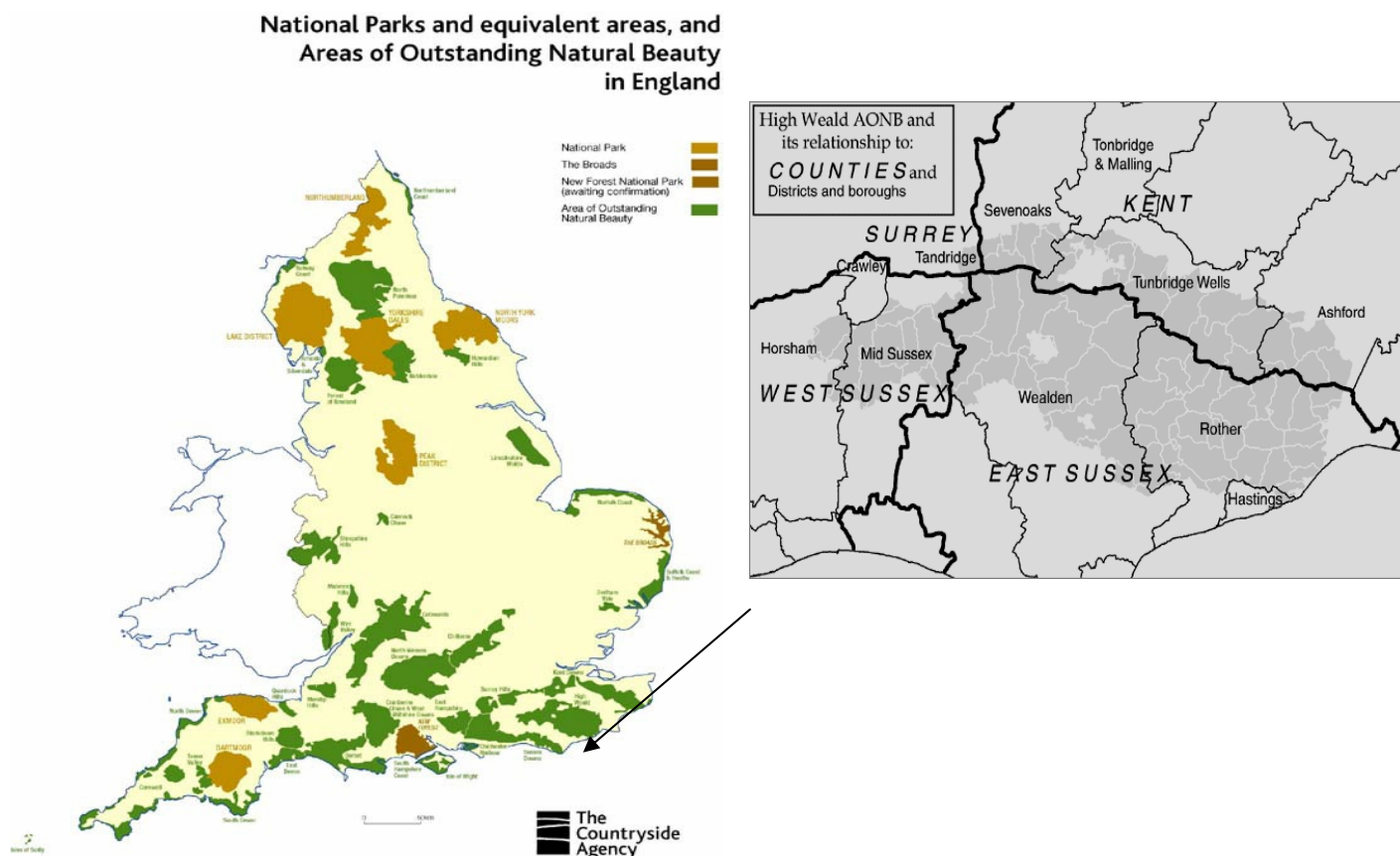
The South East, which covers eight counties (Kent, Sussex, Surrey, Essex, Hampshire, Oxfordshire, Berkshire, Cambridgeshire) and the Isle of Wight, is a region of considerable contrast and tension. It has the largest population (8 million) of any region in the UK and is the second largest regional economy after London, with a Gross Value Added of £149 billion in 2003 (16% of the UK total). It is the country's best performing region in terms of employment (4 million people) with the highest employment rate (79%) in the country. It represents the gateway to the rest of the UK, with transport infrastructure of national and international importance (Gatwick and Heathrow airports, the Channel Tunnel and major South Coast ports of Portsmouth, Southampton and Dover). However, there are pockets of severe deprivation, the roads are the most congested in the country outside of London, and despite its position as the country's economic powerhouse, one third of the region is designated Areas of Outstanding Natural Beauty (AONB) and a further 15% is designated as 'green belt'. It has the second highest cost of living (and the lowest cost-of-living adjusted earnings) and the second largest number of homeless people (15,000) after London. Thus, in many ways the South East represents a microcosm of the country as a whole, with the best and the worst of many of the nation's features.

The South East is a heavily populated region yet more than 23 per cent of all businesses in the region are based in rural areas; small rural towns, villages and the countryside. Less than half of these businesses are engaged in farming yet 70% of the region's landscape is managed by its 18,000 farmers and 60% of the landscape is under commercial agriculture and horticulture. The agricultural sector contributes less than 1% of the region's GVA and just over 1% employment. It is the only sector within the South East which is forecast to decline (by 2.8%) in 2005 (SEEDA, 2005).

2.2.2 The High Weald

The High Weald extends across parts of four counties (Surrey, East Sussex, West Sussex and Kent), spanning 1,457 square kilometres (Figure 1).

Figure 1 The Area of the High Weald in the South East of England



The South East is often referred to as 'the garden of England' and the High Weald typifies the landscape and rural economy upon which this image has been created. With a strong rural heritage and situated in one of the more affluent parts of the South East, it has ingredients for the development of a local food initiative, of which supermarkets may have a part to play. Indeed, the High Weald AONB unit make specific reference to local food on their website, drawing visitors attention to the diversity of local foods available in the area and the benefits thereof for sustainable rural development (*"Fresher, more nutritious food.. Reassurance of knowing who produces goods and how.. Less long-distance transport, energy use, packaging, waste and storage.. The preservation of our unique, irreplaceable landscapes.." www.highweald.org*).

Area of Outstanding Natural Beauty (AONB) designation was confirmed October 1983. There are currently 41 AONBs covering about 13.5% of England and Wales. The High Weald is the largest AONB in South East England and the fourth largest in England and Wales.

With an estimated population of around 121,000 and a density of 0.8 people per hectare, the High Weald AONB is a reasonably populated but essentially rural area: the boundary excludes urban areas such as Tunbridge Wells town and Crowborough, but includes Battle (population 5,500) - the largest built-up area within a landscape of scattered villages and dispersed settlement. The population is high for a designated landscape but, compared to urban areas and the neighbouring parts of rural West Sussex and north Kent, it is thinly populated. The High Weald has a dispersed settlement pattern of farms, hamlets, and small villages, of which there are around 100, but 38% of the population lives in the countryside outside villages.

The highest ridge of the High Weald AONB rises to 223m (732ft) above sea level on Ashdown Forest and 225m (738ft) at Crowborough Beacon, on the edge of Crowborough Common. As a comparison, the highest point of the eastern South Downs directly opposite the High Weald is Firle Beacon at 217m (712ft) above sea level.

Historically, agriculture in the High Weald has been concentrated in small livestock farms. It is still the main land use, but in 2000 only accounted for 58% of the total area and is forecast to fall to less than half of the total area by 2010. Only around 4,000 people are now employed in agriculture out of a total estimated population of 121,000.

The High Weald AONB is managed by a specialist team of five full-time staff and seven project staff, whose role it is to furthers understanding of the area, advises on its management and enables action to conserve it. The AONB Unit is funded and guided by the High Weald AONB Joint Advisory Committee (JAC). The committee is composed of councillors from the 15 local authorities whose areas are covered by the AONB designation, a Countryside Agency representative and individuals drawn from High Weald Forum member organisations to represent community, recreation, farming, landowning and nature conservation interests.

The Kent High Weald Project (KHWP) is a partnership between a borough council (Tunbridge Wells), a county council (Kent) and a central government agency (the Countryside Agency), which works mainly in that part of the AONB which falls within the Tunbridge Wells Borough (see Figure 1). The project aims to conserve landscape

features and wildlife habitats, promote quiet access to the countryside, encourage community environmental action, and raise awareness of the Weald and its landscape.

2.3 LOCAL FOOD INITIATIVES IN THE UK

2.3.1 The Policy context

Like so many of the food initiatives currently in operation or under development in the UK, the importance of and potential for local food, as a contribution to the sustainable development of the UK food industry, was something that was brought to the attention of government, industry and numerous stakeholder lobby groups by the findings of the Policy Commission on the Future of Food and Farming (The Curry Report), which stated:

“We believe that one of the greatest opportunities for farmers to add value.. is to build on the public’s enthusiasm for locally-produced food or food with a clear regional provenance.”

The findings from the Curry Report were reflected in the Government’s Strategy for Sustainable Food and Farming, published in December 2002, a common theme throughout which was the reconnection of stakeholders within the food chain, and in particular farmers with their markets (Defra 2002). Local food was one of seven initiatives identified in the strategy document as important in the process of reconnection for sustainable development (Table 1). The new Food Industry Sustainability Strategy (Defra, 2005), however, reveals a mindset within much of the UK food chain that the localisation agenda falls primarily within the environmental rather than economic part of the sustainability agenda. The links to reducing food miles are much better understood (though with little evidence) compared to positive impacts on the rural economy.

Table 1 - The seven initiatives identified in the Government’s strategy document for sustainable farming and food (Defra, 2002)

- | |
|---|
| <ul style="list-style-type: none">• Adding value, including promotion of local and regional foods and farmers’ markets;• Assurance schemes, to help re-establish consumer confidence;• Organic action plan, to help create a sustainable and competitive organic farming and food sector; |
|---|

- Export promotion, offering tailored assistance to smaller producers;
- Improving efficiency along the food chain;
- Public procurement, ensuring that British producers can be fairly considered, within procurement rules;
- Farm diversification, helping farmers exploit new markets and new sources of income while remaining in farming; and
- Business advice to assist producers in pursuit of these objectives.

The strategy document recognised that key stakeholders for the development of local food initiatives are farmers and consumers, the former supported by regional food groups funded by the Regional Development Agencies (RDAs). Direct sales (through farmers markets, box schemes and farm shops) are recognised as being the most likely (and most sustainable) channel for the development of local food networks. However, the government also challenged the multiple retailers and large scale food service operators to play their part too:

“One way (to add value) is to respond to the demand for locally produced foods; both delivered direct to local consumers, through box schemes for example, and made available through farmers’ markets, multiples and other retailers. It makes excellent business sense and there are clear benefits to the environment if transport and packaging are reduced. And farmers’ markets not only benefit producers, but help bring life to town centres and connect consumers with the rural economy... There is a challenge for the supermarkets and caterers too. They have a vital part to play in giving prominence to locally produced products” (Defra, 2002).

There is a clear tension in this strategy, that is evident in the current initiatives for local food in supermarkets. On the one hand, direct sales or local food from suppliers to consumers is the means of distribution that is most clearly in tune with the objectives of sustainable development - farmers generally capture a larger share of the value added, and there is generally less packaging waste and fewer food miles. Yet on the other hand the direct sales channel is arguably the least in tune with consumer lifestyles and the dominant position of supermarkets as destinations for the majority of our food shopping (due to ‘convenience’ and ‘value for money’) make it difficult for local food networks to develop beyond the small scale operations that existing channels represent. Moreover, the scaling up of local food networks, in tune with supermarket

requirements of scale, quality and consistency, invariably brings with it considerable challenges to the very principles of sustainability upon which they have evolved thus far.

Nevertheless, the momentum was created and continues to grow, as rising numbers of farmers go in search of consumers with an interest in local food and consumers become increasingly aware of and exposed to the growing diversity of local variants to their food.

2.3.2 Regional Food Groups

The regional food groups (RFGs) currently play an important role in ensuring that the products that farmers bring to market match the needs and wants of consumers. There are nine RFGs in England - Taste of the West, South East Food Group Partnership, Taste of Anglia, Heart of England Fine Foods-West Midlands, Food and Drink Forum-East Midlands, North West Fine Foods, Yorkshire Regional Food Group and Northumbrian Larder) - all of which were set up with government funding channelled through Food From Britain (FFB) and the Regional Development Agencies (RDAs).

The RFGs are private companies formed primarily of members who are involved in the production, preparation and marketing of speciality food and drink. They typically provide a range of market development services including the preparation of trade directories and publicity material, public relations activities, information exchange and the organisation of participation in shows and exhibitions. In addition to the regional food groups there are numerous similar groups operating at a *county* level (eg. Taste of Sussex, Produced in Kent) who fulfil similar functions on a smaller (ie more local) scale.

From a policy perspective, the RFGs are tasked with executing the 'local' food element of the Strategy for Sustainable Farming and Food 'on the ground', with funding channelled regionally through the RDAs and nationally through FFB. Increasingly, they are becoming the business hub for the provision of services (to both buyers and sellers) in support of local food. But only one (Taste of Anglia) has branched out into commercial trading of members' produce - a model which many people believe is the way some (if not most) of the regional food groups will choose to go as government support dwindles over time.

From the perspective of sustainable rural development, the RFGs provide a catalyst for action, advice, guidance and support. Local food networks are, almost by definition, extremely fragmented and the RFGs provide a mechanism for bringing key stakeholders together and the 'glue' which keeps them together. It is very difficult to see how local food networks in the UK (where the 'disconnect' between farmers and consumers has been allowed to fester for generations) could evolve beyond the existing direct marketing channels (that are virtually self-supporting) without the work of the RFGs.

2.3.3 Farmers Markets and direct marketing of local food

Information on the size and scope of direct marketing of local food is extremely patchy, which is not surprising given the fragmented nature of local food networks and the absence of any structured mechanism for recording the value of local food. The estimates of the turnover of the local sector that have been made (Macgillivray, 2001) suggest that local food represents no more than 1-5% of the total grocery market. What is certain is that direct sales (farmers markets, box schemes and farm shops) account for the bulk of local food sales at present.

The National Farmers' and Retail Markets Association (FARMA) (www.FARMA.co.uk) lists over two hundred farmers markets and over four hundred farm shops around the country. The numbers represent strong interest in farmers markets and local food, from both farmers wishing to add value and consumers wishing to try something new and/or support their local community continues to grow. However, what is significant about farmers' markets is the extent to which they are viewed (by consumers) as a leisure activity rather than a food shopping destination, which has clear implications for the type, quality and volume of food purchased.

Box schemes are less explicitly related to local food, with organic services dominating the dozens of home delivery companies that now exist. The logistics of home delivery services are complex and there is a trade-off between volume of business and geographical coverage, which is obviously related to population density. Restrict your market too locally and you run the risk of making lots of short deliveries with half-empty vehicles. The rational business model for sustainable box schemes is for broader product ranges and broader coverage of densely populated areas, which tends to encourage a focus on gourmet, organic, speciality foods rather than purely local.

2.3.4 Consumer perspectives on local food

The consumer perspective is critical in terms of the scope for local food as a source of sustainable rural development. Lack of awareness, lack of interest, lack of availability, and incompatibility with centralised procurement systems are four good reasons why supermarkets have been slow (if not reluctant) to respond to the challenge of local food. To date the direct market channel has only reached the genuine local 'enthusiast', who is willing to invest time and money in pursuit of local food. What is evident is that even amongst these enthusiasts, different people are looking for different things when it comes to local food, so an understanding of consumer attitudes and perceptions towards local food is extremely important if the sector is to continue to grow.

Although research by the Institute of Grocery distribution (IGD, 2002) indicates the strength of interest in local foods - 59% of consumers surveyed said they were quite or extremely interested in buying local food - only 9% of consumers are estimated to have purchased food direct from a farmer quite or very often. This is due, in part, to a lack of availability in a convenient format but also to the fact that consumer expectations about 'local' food differ and the local product offer is rarely a segmented one.

Research conducted by the Food Standards Agency has shown that although there is sympathy for local food, consumers don't have a single coherent framework which underpins the values that they associate with local food (FSA, 2003). The IGD study suggests that proximity of the source of food to the consumer is the defining factor, a view which is supported by additional research by the FSA (FSA 2003). For most consumers it appears that 'local' means within 50 miles and probably within a county (or neighbouring county) boundary. 'Local' is generally a more attractive attribute than regional and there is a much stronger association between 'local' and fresh foods (fruit, vegetables, meat and dairy products) than with processed or manufactured foods, unless the latter have a distinct artisanal appeal or are linked to traditional recipes or some aspect of local heritage. However, what consumer research consistently reveals is that local products are unlikely to sell just because they are local, but will need to compete in terms of price, quality and availability (FSA, 2003).

The importance of specific attributes of local foods in influencing purchasing decisions is likely to vary not only according to the lifestyle and life stage characteristics of the

consumer but also according to the region in which they live and the sales channel used. For example, the West Country has a much stronger food heritage and, arguably, regional identity than the South East of England, so you might expect local food to develop quicker and reach more people in the South West than in the South East, other things being equal. Similarly, price and availability are likely to be much more important for supermarket shoppers than for people visiting a farmers market, for whom choice, quality and the 'feel good factor' from supporting local farmers is likely to be much more important. Home delivery services and box schemes are much more likely to appeal to people with gourmet tastes or preferences for organic food, which in turn may be regarded as healthier, tastier, fresher, more wholesome, more environmentally friendly or any combination of thereof.

Given the critical position of consumers as key stakeholders in the development of local food, the recognition and understanding of the differences, both stark and sometimes subtle, in their attitudes, perceptions and preferences is a vital component of any local food initiative. Indeed, this is an important feature when examining the impact of supermarkets on the development of local food, as almost all of them choose to ignore certain aspects of consumer demand in the interests of their centralised procurement distribution and merchandising strategies, which evolved tremendously over the past twenty years but with scale and efficiency rather than mass customisation in mind.

2.4 SUPERMARKET INITIATIVES FOR LOCAL FOOD

The UK grocery market is worth around £115bn (IGD, 2003) and 70% of retail food expenditure is concentrated in the top four supermarket chains (Tesco, Asda, Sainsbury's, Morrisons). The UK food retail sector is considered one of the most dynamic and profitable retail sectors in the world but year on year growth has been declining over the past ten years (Figure 2). Competition for market share has intensified, placing increasing pressure on retail prices and margins for all stakeholders in the supermarket supply chain.

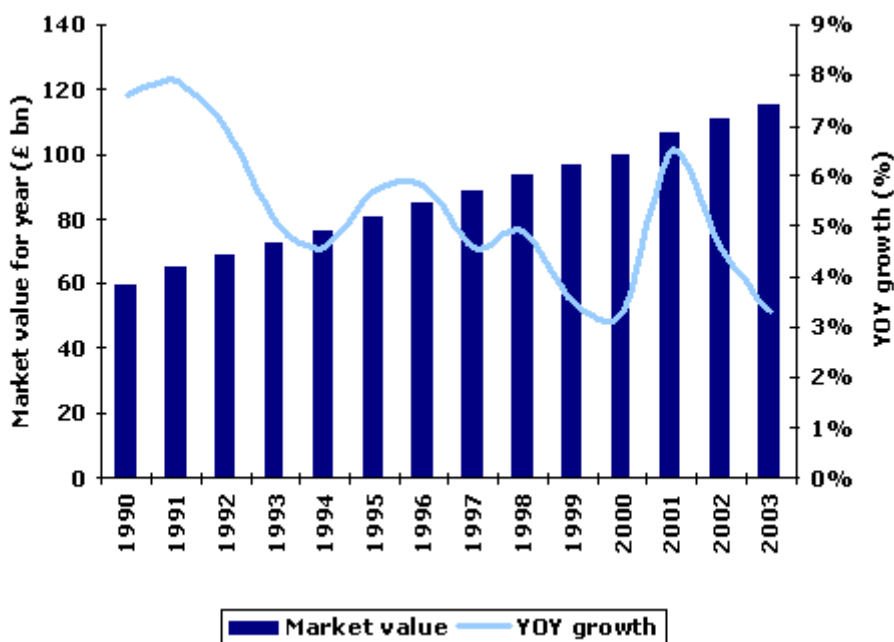
There are nearly 105,000 grocery stores in the UK, split into 4 sectors, which are defined by IGD as follows:

1. Convenience stores: stores with sales area of less than 3,000 sq ft, open for long hours and selling products from at least 8 different grocery categories, (e.g SPAR, Co-operative Group, Londis).

2. Traditional retail and developing convenience stores: sales area of less than 3,000 sq ft such as newsagents, grocers, off-licences, and some forecourts
3. Supermarkets and superstores: Supermarkets have a sales area of 3,000-25,000 sq ft selling a broad range of grocery items. Superstores have sales area above 25,000 sq ft, selling a broad range of mainly grocery items. Non-food is also sold (eg Tesco, Asda)
4. Alternative channels: e.g Kiosks, markets, post offices, doorstep delivery, vending, home-shopping.

The size of each sector is illustrated in Figure 3, which illustrates the importance of the multiple retailers (chains stores), who together account for almost 75% of total grocery sales, and the supermarket/superstore formats, which account for 83%.

Figure 2 - The Value of the UK grocery market (1990-2003)

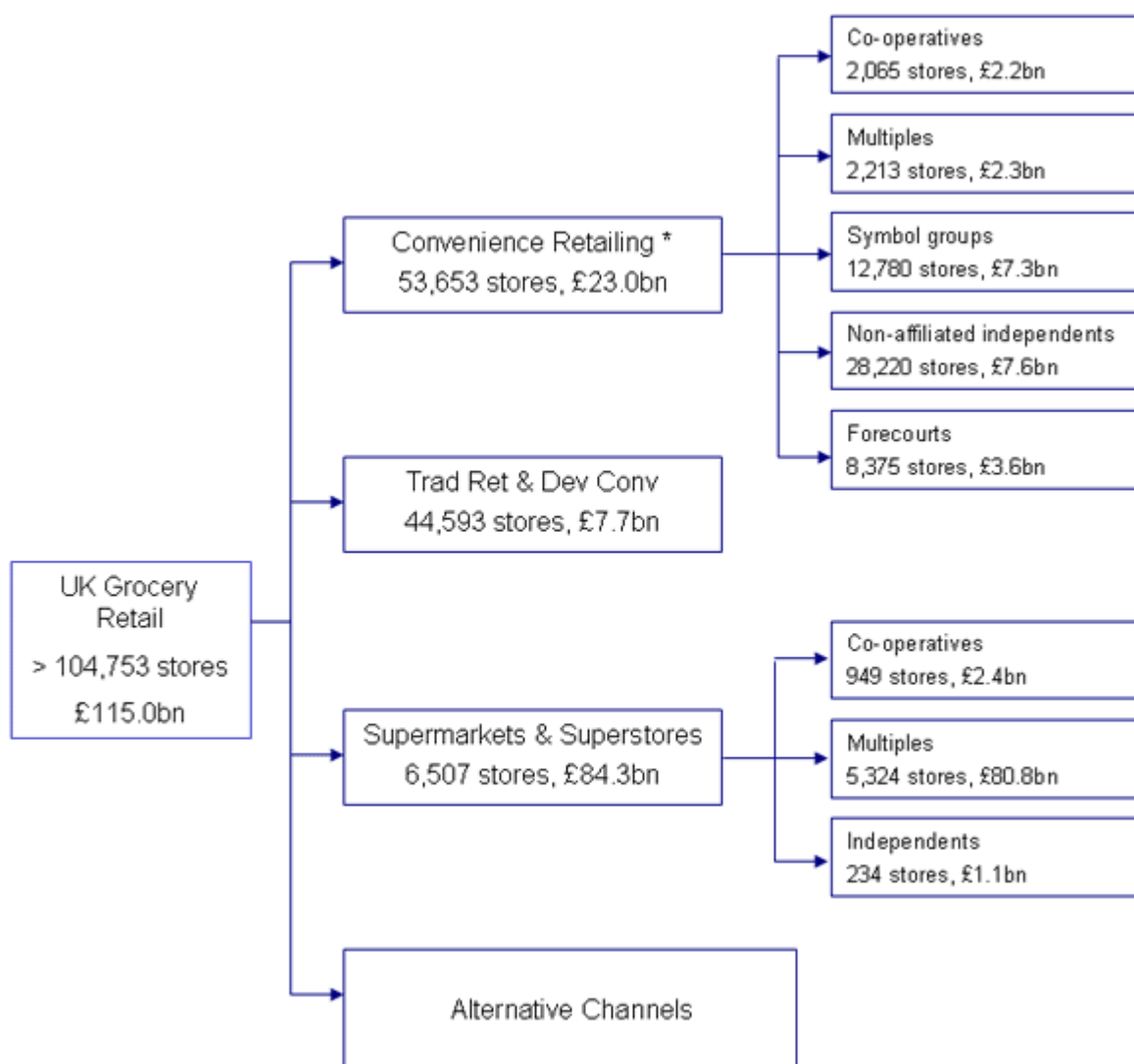


Source: IGD (www.igd.com)

What these statistics on the structure of UK food retailing illustrate is that multiple retailers have progressively equipped themselves to compete on scale, service and value for money, and have developed procurement, merchandising and distribution systems to support this retail strategy. The vast majority of purchasing, merchandising, and marketing decisions are taken centrally, and stores are replenished

with stock from regional distribution centres which drive down the costs of distribution and drive up customer service levels (on-shelf availability). Their systems are not designed to handle single pallets of heterogeneous products delivered direct to store from a plethora of local suppliers. Therein lies the major reason for a distinct lack of interest, until very recently, amongst the largest of the multiple retailers in the procurement of local foods.

Figure 3 - The value of the different UK retail sectors (2003)



Source: IGD (www.igd.com)

Concentration in UK food retailing has resulted in supermarkets (and their suppliers) focusing on scale and efficiency in production and distribution -- rationalisation of

supply base but also of product lines, as non-food items take up growing share of supermarket space. Yet, increasing fragmentation of consumer demand has resulted in growing interest in regional/local foods, farmers markets, box schemes and greater choice within supermarkets. Many supermarkets have become caught between stocking and supporting local/regional foods for competitive advantage (ie doing it properly) and merely paying lip service to it, given the Government Strategy for Sustainable Food and Farming and the growing (but still small) awareness and concern amongst consumers about sustainability issues, particularly provenance (food miles) and ethics (the exploitation by large/powerful supermarkets of small/weak suppliers). National supermarket chains have been accused of bypassing local producers with their national and global procurement networks, while the independent grocers, greengrocers and butchers, who usually procure a greater proportion of local produce, have declined sharply in numbers in the face of supermarket competition. This ambivalence towards local food on the part of some, primarily the larger, supermarkets may be coming under increasing pressure.

In recent years, all of the major food retailers have introduced ranges of local food, with varying degrees of success. Greatest progress to date has come from the smaller supermarket chains and convenience stores, where 'local' stands a much better chance of making an impact on the consumer, either because of the store size and location (ie smaller stores in the centre of a town rather than hypermarkets on a retail park) or the overall retail strategy being adopted (ie niche/ethical as opposed discount/volume).

In general the supermarket approach to local sourcing is encapsulated in the description provided on the Tesco website (www.tesco.com):

"We source a large number of products from producers across the UK. We aim to stock locally produced food wherever it is available, of the right quality and where there is customer demand. All products, no matter what their origin, must meet the same high technical, quality and welfare standards in order to meet our customers' expectations."

Products with clearly identified provenance are beginning to be included within the high quality, premium price sub-brands of multiple retailers (e.g. Sainsbury's 'Taste the Difference' range which now sells full fat Guernsey milk, identified as being from the

Lake District). Small producers are often very innovative and supermarkets have found that they are able to produce high quality products suited to marketing through premium ranges.

Regional level sourcing is more common than local sourcing and many supermarkets are implementing regional/local sourcing frameworks and putting managers for those initiatives in place on a region by region basis, or even taking local sourcing initiatives forward according to demand in individual stores. Such approaches are most established for Scotland and Wales, where produce is usually identified at a national level. However, local/regional sourcing is also increasing in importance within other regions, such as the North West (*e.g.* Asda's Taste of the Lakes initiative) and the South West (*e.g.* Tesco's West Country meat range). There is often no blueprint approach applied even within one retail chain, let alone between them. In some cases local products are stocked just in one store, in other cases the offer might be made at a regional level. Asda Wal-Mart claim that across the UK they now have more than 100 local suppliers and sell more than 800 local lines.

Waitrose, which is an employee-owned up-market national food retailer (part of the John Lewis Partnership) has arguably led the way amongst the multiples, in terms of their approach to local/regional sourcing, and have developed several specific initiatives to enable them to work effectively with small, local and regional producers to offer customers the best quality goods. Waitrose has developed a "Locally Produced" label which can be used to highlight products which represent the finest locally produced food (produced within a 30 mile radius of the store). There are hundreds of lines within the range and Waitrose is keen to add more. However, such approaches clearly affect only a small number of products within the total supermarket offer.

Booth's, which operates a relatively small regionally based supermarket chain in the Northwest of England, has included a policy of sourcing locally and regionally wherever possible at the core of the whole marketing position of their chain. The policy is designed to support the "destinational" marketing of the supermarket as a whole by providing a reason (alongside promotion of quality, a strong wine and beer offer *etc*) why customers should chose to come into the supermarket in the first place. This contrasts with the approach taken by many other retailers who regard local/regional sourcing as providing choice within product types to customers inside the supermarket.

What is interesting about this case study is that it comes at a time when several of the supermarkets are making a serious effort to embrace the local food challenge. Thus, rather than presenting a complete story from start to finish, we are presenting the development of a local food initiative almost as it is happening - when we began the case study the Co-op had just embarked on its local sourcing strategy and Budgens only had a presence in East Anglia, thanks to an innovative experiment with Taste of Anglia. Waitrose was the only supermarket with an established local offer in the South East of England and as we discovered during the course of the interviews with stakeholders, this was not without its problems.

3 OBJECTIVES AND STATE-OF-THE-ART

This case study is concerned with the way UK supermarkets have approached the challenge of local food procurement and the implications for the strategies they have adopted for sustainable rural development. There is a clear tension in the link between supermarkets, local food and rural economies. On the one hand supermarkets are criticised for destroying local markets and having a negative impact on rural communities through their displacement of local retail markets and the centralised purchasing of globally sourced food. On the other hand they are regarded by many as the only way of scaling up the local food offer to the extent that it might make a more significant contribution to rural development in the longer term.

As a result of this tension there has evolved a love-hate relationship between local food suppliers and supermarkets. Some (often many or even most) local food producers refuse to contemplate dealing with supermarkets, so opposed are they to their ways of working and the impact they have had on the profitability and structure of the UK food industry. Others set out from the beginning with the clear and focussed objective of securing a supermarket contract, to provide the potential for volume growth and the confidence to expand into other sectors and other markets. What is important from the perspective of this case study is that we have approached this initiative from the perspective of the supermarkets - this is a top down strategy for local food procurement, with the emphasis on supermarkets *scaling up* the market for local food, rather than the bottom-up initiatives that characterise the growth of farmers markets, farm shops and box schemes as vehicles for ensuring that local producers retain a larger share of the premium associated with local food.

We chose the South of England because it is one of the regions in which local food networks are least developed. We chose the High Weald as a specific area as it has all the features that should support a thriving local food proposition - Area of Outstanding Natural Beauty with a strong agricultural heritage in the midst of one of the wealthiest parts of the region. And, we chose the Co-op as the focal supermarket as (a) they announced a Local Sourcing initiative (b) they have been slow to respond to the call for local food despite a historical trading platform, and (c) they have a market position that is ideally suited to the provision of local food, in part because of their tradition of *embeddedness* in the communities in which the Co-op operates.

The UK satellite cases, Budgens and Waitrose, offer interesting perspectives on the challenge in the South East: Budgens is a direct competitor of the Co-op and is further advanced in its local food provision, having established a regional offering in East Anglia in conjunction with Taste of Anglia, and in Sussex in conjunction with A Taste of Sussex. Waitrose does not compete with the Co-op but serves a discerning niche segment, and is the most advanced of all the retailers in its provision of local food in the South East. The European satellite Unicoop Firenze - a member of Coop Italia - offers another interesting perspective as another cooperative retailer, but in this case the leading chain in Italy, which is developing a strategy for increased local and regional embeddedness.

3.1 OBJECTIVES OF THE CO-OP LOCAL SOURCING INITIATIVE

The Co-op has 2745 stores nationally. After a hundred and fifty years of independent buying, all the independent retail societies have joined to form the Co-operative Retail Trading Group (CRTG) which is operated on behalf of the 32 independent members by the Co-operative Group, which owns 1800 of the 2745 stores trading under the Co-op banner. Co-operative Retail is a division of the Co-operative Group, owned jointly by retail members (customers) and corporate members (other independent societies) and is split into eight regions (Scotland, NE and Cumbria, Northern Ireland, North, Wales, Central and Eastern, SE, SW). Annual turnover of the Co-operative Retail is £2.6bn, 40% of which comes from their Welcome convenience stores and 60% from their Market Town stores and Big Urban Trap stores. Overall, cooperatives have 6.5% share of the supermarket sector and 4.4% of the total grocery market (2.9% for the Co-op Group) and this represents 17% of the convenience sector (11.3% for the Co-op Group). There are still some quite large independent co-operative members of CRTG, such as the Oxford, Swindon and Gloucester Co-op and West Midlands Co-op which have a combined total of 350 stores. These independent societies are potential sites of greater innovation on local sourcing than the Group as a whole.

The Co-op is a convenience retailer, which means their stores are smaller than those of their competitors and are mainly used for top-up shopping rather than a weekly family shop. The lack of space means that shelf space is at a premium -- every square inch must be justified on the grounds of sales. The tiny CTN (Cigarette, Tobacco and News, i.e. newsagent) and small convenience formats are limited by space and demand as outlets for local foods. The competitive nature of food retailing has driven the Co-op down an aggressive path towards central purchasing and regional distribution, several years behind the multiples with whom they compete. So, the timing of the local sourcing

initiative has some irony – just as they rid themselves of the inefficiencies of independent purchasing and distribution, so consumers and policy makers start to push for a more locally customised offer. Nevertheless (but perhaps reluctantly) the Co-op recognises that there will be products which will fit into their style of convenience retailing (notably in their larger market town stores—a much lower subset of total store numbers) and they want to be able to sell them provided they generate additional sales rather than cannibalise existing sales.

In essence, the objective of the Co-op's local sourcing initiative is to find an efficient and effective process for sourcing an initial target of thirty local/regional products in each of the eight Co-op regions “to give people the opportunity to buy the products they like to buy but for which they currently have to go elsewhere”.

This is the objective as portrayed by Peter Hubscher, the former Co-operative (Retail) Group's Local Sourcing Development Manager. Whilst it is devoid of any reference to sustainable rural development or benefits to any stakeholders other than the Co-op and its shoppers, it is important to note that the Co-op's overall retail strategy has a strong emphasis on ethical retailing, responsible sourcing, and corporate social responsibility in general. Indeed, the Co-op believes its main points of difference, vis-à-vis the other high street retailers is that it is a “consumer led, socially responsible, community based and democratically run retail business”; in short, a ‘responsible retailer’.

3.2 CORE STAKEHOLDER GROUPS

Five key stakeholder groups were identified at the outset of the case study: Three internal - the Co-op (local sourcing team and store managers), potential local suppliers from the High Weald, and Consumers; one intermediate (distributors, wholesalers and other supplier partners); and one external (the regional food groups in Kent and Sussex and other government agencies, trade bodies and NGOs). The views of all five groups were captured through face-to-face semi-structured interviews, with the exception of consumers, whose opinions were obtained via a survey, conducted face-to-face, in three of the Co-op's Kentish stores.

3.3 CASE STUDY HYPOTHESES

The main issues addressed by this case study concern scaling up and the impact of supermarket sourcing of local food on sustainable rural development. Specifically, there are three hypotheses that we are trying to test:

Hypothesis No.1 states "Scaling up depends on commercial performance and appropriate public support". 'Commercial performance' relates to how well the supermarket executes its local sourcing strategy, from the selection of products and suppliers to the merchandising, marketing and availability thereof and to consumers' willingness to buy from the local 'menu' that is offered to them. 'Appropriate public support' relates primarily to the contribution that the local food groups make, given that they are the manifestation of government support for the development of local food networks.

Hypothesis No.2 states "The nature of organisation changes with scaling up has the effect of increasing market power whilst simultaneously increasing the pressure from economic constraints". Given the embryonic nature of supermarket sourcing of local foods in general and specifically in the South East of England, the best we can hope to achieve with this hypothesis is some insight into future opportunities and constraints, should the initiative prove successful and scaling up is required.

Hypothesis No.3 states "Supermarket local sourcing initiatives have a positive effect on rural sustainable development." Within this hypothesis are embedded three key questions:

- Does the initiative support the rural economy?
- Does the initiative strengthen local and regional capacity to self-organisation and self-governance?
- To what extent does the initiative improve the sustainability and liveability of the rural areas?

The answers to these questions lie primarily with the suppliers but are contingent upon the reaction to the initiative by consumers and the effectiveness of the regional food groups. Thus, all three hypotheses are linked and dependent upon the commercial success of the initiative, as without it there are no real scaling up issues to consider and there are few benefits to the rural economy to measure.

4 THE CO-OP LOCAL SOURCING INITIATIVE

"Being a national retailer operating regionally, we want to reflect regional products within our range. This must add value to the business and not simply fragment the existing offer. We do not stipulate a maximum distance from a store, we take a pragmatic approach based on common sense, consumer demand and practicality." (Peter Hubscher, former Local Sourcing Development Manager, Co-operative (Retail) Group)

4.1 OVERVIEW

The Co-op stores across the country have for the best part of 100 years been run as regional co-operative societies with regional procurement and a high degree of regional autonomy with respect to retail strategy and operations management. In recent years the Co-op has struggled to compete with the larger multiple retailers, several of which have entered the convenience retail sector in which the Co-op operates. Centralisation of purchasing and a much tighter control of retail strategy and operations was absolutely essential for the Co-op to maintain its position as the UK's largest convenience food retailer. Thus, over the past decade the Co-op has been re-structuring its activities in the pursuit of scale economies in purchasing and distribution, with the result being a more competitive offer and much greater centralisation of operations and decision-making in its Manchester headquarters. The irony (and frustration for the Co-op) is that whilst the Co-op has been pre-occupied with the centralisation of its purchasing and distribution operations, consumer interest in regional/local foods has grown beyond all expectations. The result is that the retailer with the greatest regional heritage, with a consumer base likely to be amongst the most interested in regional/local foods has been re-structuring itself to compete in a manner which is much better suited to fewer product lines and greater volumes thereof.

This case study illustrates many of the major problems associated with supermarket procurement of local/regional foods:

- the incentives are purely commercial (although the Co-op, like some of the other retailers who have moved into local foods, would argue that their corporate ethos is embedded in ethical and 'responsible' retailing and working with the local community)

- the centralised purchasing processes provide for very little (if any) input from store managers in the choice of products or their merchandising
- the large scale and systems orientated regional distribution centres cannot accommodate small volumes of heterogeneous products designated for a small number of stores
- the standards that retailers impose on small scale producers offer little flexibility in terms of certification and proof of Due Diligence for health and safety as well as quality management
- there is a distinct lack of consumer research to support the choice of product sectors and product lines therein.

These problems are not trivial and represent a major barrier to the emergence of supermarkets as contributors to the market for local foods. As such, the opportunities for scaling up are, at present, distinctly limited and the likely impact of supermarket procurement of local foods on rural development are negligible in most of the regions across the country and particularly in the South East of England, where the lack of a strong regional food heritage affects both the supply and demand of local food. There is nothing like the scale of local/regional food production in the South as there is in the South West. And much of the cosmopolitan population in the region struggles with regional identity in general let alone a local/regional identity with food, beyond the existing channels of farmers markets, box schemes and farm shops.

The Co-op launched the local sourcing initiative internally with the aim of 30 local food lines in each region, from a normal range of 7-12,000 product lines. Considering the Co-ops' a 4.4% national market share, it was clear that the national market impact of the initiative would be negligible.

The satellite cases offer a glimmer of hope - greater involvement of local store managers, greater flexibility in the choice of products - but the volumes of local food through even the most proactive supermarkets remain very small and it is difficult to see how this could change, in the short to medium term, within the constraints of contemporary supermarket purchasing and distribution systems.

4.2 ARCHITECT OF THE INITIATIVE

Given the corporate nature of this initiative it is difficult to identify a single individual as its architect. Whilst the Co-op may claim to be leaders in many aspects of ethical and responsible retailing (e.g. fair trade, consumer labelling, pesticides) they are amongst the laggards when it comes to local food. Architects are generally people blessed (or charged to come up) with a vision of something to be built. In the case of the Co-op's local sourcing initiative one gets the distinct impression that the inspiration came from the *competition*, and also a *Board* level view that local products are important and should be pursued. Thus Peter Hubscher, the person appointed to the position of local sourcing development manager in January 2003² for the Co-operative (Retail) Group, should be better described as implementer rather than architect. The architect of the Co-op's wider Responsible Retailing Initiative is without doubt David Croft.³

Peter has Co-op blood in his veins. He had worked for twenty three years, at all levels of the business from 1971 to 1994, when he was made redundant as a result of the structural changes to purchasing and distribution operations. He returned three years later and in 2002 was appointed to the new position, to execute the company strategy for local food - quickly and efficiently. Peter assembled a team of two - Sean Deakins (who is responsible for the South East, South West and Northern Ireland) and Rachel Burlton (who is responsible for Eastern and Central, North East and Scotland) leaving Peter to pick up Wales and all the independent Co-operative societies.

The UK satellite cases operate in much the same way with similar 'architects' for their local sourcing initiatives. Waitrose have Graham Cassie, formerly a buyer in the dairy section and Budgens have Jonathan Bayne, both of whom fulfil a very similar role to Peter, executing the company strategy on local foods as quickly and efficiently as possible (and ideally faster/better than the competition). All have significant reliance on the regional food groups to source and vet potential suppliers and support the successful ones during the test period, a crucial time if suppliers are to avoid problems with quality or availability.

² During the case study, Peter Hubscher left this position, and at the time of writing, has not been replaced.

³ David Croft has since left the Co-operative Group to take up a position at Cadbury-Schweppes

4.3 ORIGINS OF THE INITIATIVE--CONTEXT

The initial *problematization* (ie the stage when an actor analyses a situation, defines the problem and proposes a solution) revolves around three drivers: two economic (demand and supply) and one political. On the demand side, consumer interest has been evident for some years and the growth in Farmers Markets and direct sales provided clear evidence that suppliers were out there and that consumers were willing to pay for local foods. However, the challenge to supermarkets was the accommodation of local food within a retail infrastructure that was designed for volume and velocity. In the case of the Co-op, the realisation of this problem came a little late due to their pre-occupation with re-organisation and streamlining of their purchasing and distribution processes through the Co-operative Retail Trading Group (CRTG).

For supermarkets in general, but excluding the two UK satellite cases, local food was not treated as a serious issue as it seemed embedded in direct market channels, of which Farmers Markets have been attracting the greatest attention. Despite the publicity and growing interest in Farmers Markets, supermarkets did not consider them a threat as the products these markets sold were not competing with the bulk of supermarket business and the volumes were tiny. As mentioned earlier, the publication of the Curry report and the launch of the Government's Strategy for Sustainable Food and Farming drew attention to the prospects for local food and the potential role for supermarkets. But, with the exception of the niche retailers such as Waitrose and Booths, for whom local fits very easily into a niche retail marketing strategy, the response has been slow and patchy. As Graham Cassie from Waitrose puts it, "Our consumers make the link between local/regional and "classic" products. The problem is that what growers and suppliers want does not always equate with what consumers are interested in... quality food is essential, local by itself is simply not enough." So, for Waitrose the origins of their local food initiative were firmly grounded in their core marketing strategy, to delight their discerning shoppers with something else that the competition did not have - a commercial motive, pure and simple.

On the political side, the origins of the initiative are also linked to the setting up of the regional food groups and the touting for supermarket business amongst potential suppliers who were looking for a volume solution to provide growth as well as economies of scale and scope, which the regional food groups facilitated.

The Waitrose satellite

Mark Hardy of High Weald Dairy is a good example of a supplier who needed a supermarket contract. Mark had invested in new premises, allowing him to meet stricter hygiene standards and expand beyond the limitations of the farmers markets, (which account for 15% of his cheese sales) and the 200 retail stores (that are expensive to serve but account for 60% of his sales). Mark sells 25% of his cheese to a wholesaler, Rowcliffe's, who provide a distribution solution for suppliers like Mark who are seeking supermarket business but do not have all the necessary infrastructure to do it alone. Mark has been supplying Waitrose, through Rowcliffe's, for the last five years. Mark recalls the origins of his quest for a supermarket account, with Waitrose the only option at the time: "We decided to start supplying supermarkets because we wanted to grow the business and make it more sustainable and because the number of independent shops, on whom we rely for so much of our sales, were declining... We were already selling our cheese to Rowcliffe's and Waitrose approached them for potential suppliers and we were in!"

Rowcliffe's have developed a unique relationship with Waitrose, with whom they have been trading for over twenty years. Rowcliffe's supply 240 lines of cheese to Waitrose and up to 35 of them will be locally produced products, across the whole country. Rowcliffe's experience with Waitrose is something that local cheese producers can take advantage of. Rowcliffe's help producers by sorting out price structure, helping with packaging, even to the extent of labelling and bar coding cheeses once they have been supplied to Rowcliffe's. As Anthony Rowcliffe put it, "Rowcliffe's make a small local cheese Waitrose-friendly."

The significance of this example of the satellite retailer is that it demonstrates a unique trading philosophy at Waitrose that other supermarkets find difficult to copy. Developing relationships takes time but Waitrose value them because they bear fruit when it comes to sourcing 'special' products, of which local cheese is an example. It also an entry barrier for competitors, or as Anthony says "For Waitrose cheese is a signature brand and Rowcliffe's have helped make Waitrose a destination cheese shop".

The Waitrose local food initiative is very centralised at the levels of decision making, promotion, and distribution, with little involvement of store managers. The Regional

Food Group are the gatekeepers, and check potential products first for minimum criteria: barcodes, EU regulations, assurance schemes, etc. There are then three rounds of selection. With the first round, the local sourcing manager meets with Regional Food Group. In the second round, the local sourcing manager meets with producers, applying more robust selection criteria. In the third round, the local sourcing manager meets with the Waitrose buyer, to make a final decision. As stated earlier, the product is selected on values of quality, craft and tradition, which must create “an extra offer for the consumer” (ie consumers must *already* strongly identify with food from the region).

During the course of the research, Waitrose announced that it was piloting a trial of Kentish seasonal fruit and vegetables branded 'Country Produce' in its Tonbridge store (close to the Weald). This initiative is using a new distribution service -- Country Produce Marketing -- which has been set up to supply multiple and independent retailers with fresh produce from Kent. Country Produce Marketing receives produce direct from local growers and then provides onward distribution to customers. The project is backed by Kent County Council through its Produced in Kent initiative. The move followed the launch of a six line organic range under the 'Local Farm Series: Organic Farm Foods' label last week in its Cirencester, Cheltenham, Monmouth and Stroud stores in the West Country.

The Budgens satellite

Budgens were also established in the South East before Co-op embarked on their initiative. When they first started looking for suppliers they relied on word of mouth, in the same way that Waitrose looked to wholesalers like Rowcliffe's for leads into potential suppliers. The county food group A Taste of Sussex was not established until 2004, so any sourcing from within Sussex had to be done independently. Tom Jinks of Biddenden Vineyard was one of the first suppliers to Budgens, who remain the only supermarket with whom Tom does business. He recalls how hard Budgens worked to make it easy for him to supply them: “Budgens offered the standard price... we contact them every two weeks and tell them what they can have and they fit in with our existing delivery pattern, so no special arrangements have had to be made for them. They have even come to collect on occasion.” Like most supermarket suppliers then and now, supermarket sales are a very small part of Biddenden Vineyard turnover, and like many suppliers they have no interest in supplying any others.

The other key difference about Budgens' experience, prior to Co-op's entry, is the degree of autonomy given to the store manager at Hawkhurst. The Budgens store in Hawkhurst opened eighteen months ago and the current manager, Ian Williams, was involved in setting up the store from scratch, including recruiting and developing staff. The Hawkhurst store is one of Budgens' larger stores, at nine thousand square feet of shop floor, and currently stocks 9000 lines. Ian believes that local sourcing provides an opportunity to offer a wider range of products to the customer, representing a commercial opportunity that can add value to products and can be sold at a premium. He took the lead on setting up the local sourcing project on behalf of Budgens South East and has managed to source eighty local products. In fact, Ian Williams seems to have been in part the architect of the initiative, showing a somewhat bottom-up pattern in Budgens. Ian was given the responsibility of signing up local suppliers due to his strong involvement in the store development from the outset; the flexibility he has been given is in stark contrast to the highly centralised process at work in Waitrose and Co-op. Ian found the local suppliers through the regional food groups (Kentish Fare and Taste of Sussex) as well as from the internet. Word of mouth soon had producers coming into the store to offer their products. Ian reflects "The key for me was being flexible enough to meet the needs of the suppliers, in the knowledge that our customers want to see more local products on our shelves."

Produced in Kent

Of the regional food groups in the South East 'Produced in Kent' is the best established. Produced in Kent evolved from Kentish Fare, which was started 10 years ago by Kent County Council as a specialty food group to promote the products and produce of Kent to farm shops retailers, consumers and supermarkets. Produced in Kent has the aim of facilitating and developing anything that is produced in the county. The group also helps facilitate Farmers Markets, offering guidance, training and ongoing support. Rob Weaver is responsible for both Kentish Fare and Produced in Kent. He has a marketing, food safety, brewing, and fertilizer background and has also worked extensively with supermarkets in previous jobs, so he was well versed in what the supermarkets would be looking for. He is passionate about the local cause and was extremely active in the early years. However, in the context of this initiative and indeed with supermarket initiatives in general, Rob has struggled due to supermarkets' resistance to sourcing local commodities, most notably fresh produce, for which Kent (the 'Garden of England') is renowned. As Rob recalls "The problem with supermarkets is that they are only interested in speciality foods and niche products, but that is not what this region

is known for and not what people want.” This is an important point as it demonstrates that from the outset there was a mismatch between what the supermarkets were looking for, what the region could offer, and what the consumer was demanding.

Thus, it would appear that prior to the involvement of the Co-op there had been minimal progress made in the region in the development of local food networks for supermarkets, beyond Waitrose and their niche products like the organic cheese from High Weald Dairy. This despite the enthusiastic efforts of Rob Weaver to build bridges in the one sector, fresh produce, in which the supermarkets were least interested. Whilst these examples of stakeholder engagement before the launch of the Co-op initiative are not directly related to the origins of the Co-op strategy, they are important contextual features of the environment in which the Co-op was about to enter.

4.4 DEVELOPMENT OF THE INITIATIVE

Having taken the belated decision to invest in the local sourcing agenda in a systematic and sustainable way, the Co-op launched the initiative with an invitation in early 2004 to all the regional food groups, through FFB, to attend a seminar at which their aims, objectives and requirements would be announced and the support of the regional food groups elicited.

Peter Hubscher, in his capacity as local sourcing development manager, made the presentation and spelt out the minimum criteria for potential suppliers:

- Only interested in differentiated products not commodities
- Looking for strong demonstrable consumer franchise within a region rather than just the immediate locality
- Products must fill a top up need and should be a mainstream rather than a niche
- All products must be pre-packed and bar-coded and presented so that the customer understands their origin and nature
- All products must be technically sound and either accredited to BRC, EFSIS or similar standard or pass their own audit

There appears to have been little flexibility in the approach they were adopting - ‘mainstream’ products but pre-packed, which meant fresh produce and meat were

effectively omitted. Peter did list the target categories (craft bakery, sausages, pies/pasties, spring/mineral waters, beer ciders, preserves/pickles/sauces, ice cream, yoghurt, butter/cream, biscuits/confectionary) but there was very little here outside of the dairy products for farmers to get excited about. Significantly, the criteria were not based on consumer insight. Neither did it leave much scope for local circumstances. Store managers were much closer to local circumstances but they were informed rather than consulted: "The Co-op has become increasingly centralised in recent years, which is great for operational efficiency but has done little for our local offering... customers are always asking for local products yet the only two products we stock from the region are Shepherd Neame beer and Speldhurst sausages, neither of which are produced locally" Jeremy Depledge, Manager, Cranbrook store.

Interviewed by the Co-op's in-house magazine in 2002-3, Hubscher had already decided that the focus would be speciality foods such as preserves, biscuits, cheeses, sausages, and ice cream. "The emphasis will not be on fruit and vegetables as this is often impossible due to availability guarantees, packaging requirements and quality control issues. Fruit and vegetables don't tend to have the 'unique' element that we want from local produce - a cabbage is a cabbage wherever it's grown and although I accept there is an issue about food miles, once again it comes down to the basics of business... People may agree we need to reduce food miles but parallel with this view, consumers tend to assume locally produced products are cheaper. That's often not the case and evidence suggests that it's only a minority of people who will forego the pound in their pocket purely in favour of supporting their principles." (Co-operative Group, 2003).

The plan was for the regional food groups to go forth and source 30 products from each region within the first 12 months. Once proposed, a supplier would be sent a questionnaire to fill in and return with packaging samples. Each proposition would then be considered by the appropriate category team (ie the meat team would look at sausages, dairy at ice cream). If passed, a trading agreement would then be reached on a trial basis and performance reviewed at the annual review.

The initial objective was to have the first wave of products on shelves before Christmas 2004. Christmas came and went, February became the next target and at the time of writing (September 2005) the new range of local foods for the South remains eagerly awaited.

Late to the party and inflexible in its approach, the Co-op has made life difficult for itself, particularly in a region (the South East) where the supply of local foods is distinctly limited and the better ones have already been snapped up by the competition, Budgens and Waitrose, who started the process much earlier and in the case of Budgens, adopted a much more flexible approach (though avoiding fresh produce if at all possible!) and empowered local staff to take a lead. Both Waitrose and the Co-op chose to pull all the strings from head office, but Waitrose had the support of trusted intermediaries like Rowcliffe's to find top quality products and a customer base that was willing to pay, so the best supplier tended to go running to them first, or were encouraged to do so by the regional food groups.

Co-op's failure to successfully execute their local sourcing initiative in the South East needs to be placed in some perspective. Other regions have proven far less problematic due to the abundance of suppliers and much stronger consumer franchise for existing products in the market - another key criteria that prevents any new ideas, however exciting, from reaching the Co-op's shelves. However, whilst Co-op was struggling to find 30 products the Budgens store manager at Hawkhurst managed to source 80.

There is little more to say about the Co-op initiative at present, but such was our involvement in the project that we have taken to conducting our own consumer research on behalf of the Co-op, to shed light on what products they would like to see on Co-op shelves. Furthermore, we worked hard to build the satellite trip to Italy around the Co-op. In fact, in this case study the researchers have stepped in to the research - as action researchers - to try to make improve the impact of the initiative.

But it is important to note that the business outlook for the Co-operative Group in 2005 looks a lot less optimistic than in 2004. The Group announced cuts of 600 head office jobs in May 2005 in response to poor 2004 sales and profits. As with Sainsbury's in 2003-4, a tough business climate is putting a strain on the innovative parts of the Co-op's retailing, while the group struggles to consolidate core bases of price, selection and availability.

4.5 CONSUMER PERSPECTIVES OF LOCAL FOOD AT THE CO-OP

In order to gain consumer perspectives on local and regional food in general and Co-op's provision thereof in particular, we conducted a survey of Co-op shoppers. Just under 300 face-to-face interviews were conducted in three Co-op stores in Kent (Tenterden, Cranbrook, Edenbridge) over a three week period in April 2005.

Respondents were primarily female (91%) but there was a good spread in terms of age (60% aged between 25yrs and 44yrs), occupation (54% classified as C1/C2), frequency of shopping at Co-op (53% at least once per week) and average expenditure per visit (62% between £5 and £20).

There was a fairly high level of agreement over the definition of local and regional food, with 65% choosing the 30 mile radius and 30% extending this to the county boundary. As expected the perception of regional food is much broader, with 56% accepting the county boundary but 37% accepting the South east as acceptable.

Two thirds of respondents said they bought local food and staples dominated the local shopping basket, with over 70% citing fruit and vegetables, a third citing meat and 10% citing cheese and bread. Farm shops accounted for the largest share of local food purchases (30%) followed by supermarkets (25%) and farmers markets (24%).

Reasons for purchases varied but the most popular were taste and freshness (40%) followed by support for local farmers (22%) and environmental benefits (13%), with 7% believing them to be healthier.

When asked how they knew that products were produced locally or within the region 28% of respondents said they bought them from local people and a fifth mentioned regional labels (Taste of Sussex, Produced in Kent), point of sale material or just the name of the product.

Of those respondents who said they did not buy local foods, inconvenience and price were the most popular reasons (over a third of non-buyers) followed by lack of availability/awareness and lack of interest (a quarter of non-buyers).

When asked which local/regional products they would like to see stocked at their local Co-op store responses tended to reflect existing purchase patterns, with fresh produce suggested by over three quarters of respondents, 60% meat, 38% bread, 33% milk and 29% cheese, with very few people suggesting the kind of value added processed products that most supermarkets (including the Co-op) are seeking to stock from local suppliers.

There was a clear preference for merchandising to be concentrated, with two thirds of respondents preferring to see a specific local display where they knew they could find a selection of local foods. The favoured means of promotion was in-store tasting (supporting the widespread view that 'local' is not enough and that products must taste good to ensure repeat purchase). 37% thought TV advertising would be effective, 33% radio, 42% press. Special offers appealed to 34% of respondents and only 15% said they would respond to seeing local suppliers present in the store.

Finally, respondents were asked to indicate their agreement/disagreement with three statements about local food and supermarkets in general and the Co-op specifically. Significantly, three quarters of respondents either agreed or strongly agreed that more people would buy local/regional food if supermarkets made them more widely available - convenience and lack of awareness were major reasons for non-purchase. Two thirds of respondents either agreed or strongly agreed that the Co-op should be taking a lead amongst the supermarkets by making more local/regional foods available in their stores. Over half of respondents trusted the Co-op the most amongst all of the supermarkets to ensure that suppliers of local/regional foods were treated fairly.

These results are consistent with many of the barriers to scaling up local/regional foods already identified and confirm the important role that the supermarkets potentially have if they respond to consumer preferences - for fresh food (not processed) merchandised collectively (not spread around the store) and with distinct attributes (particularly taste) in addition to localness. Significantly, the Co-op shoppers interviewed in this survey clearly felt the Co-op could/should be doing more, which suggests there is competitive advantage to be gained for the Co-op, but this is unlikely to be realised if they pursue their existing strategy of going exclusively for processed/value-added niche products and ignore the commodity categories in which the majority of their shoppers are interested.

The Co-op point out consumers' expressed preferences are not always supported by actually purchasing behaviour, especially as most consumers use Co-ops for top-up shopping, where local is perhaps less of an issue. Clearly more research is required to probe the disconnections between stated and actual preferences for local – an issue with all of the Co-ops's Responsible Retailing products.

4.6 THE FUTURE

The FSA, in its report on local food (FSA 2003) emphasised that supermarkets should complement rather than replace Farmers Markets and other existing channels for local food. However, the report also highlighted the general concerns that supermarkets have about the development of local food procurement on a larger scale than at present, all of which were evident in this case study:

- Lack of interest amongst customers of specific supermarket chains (e.g. Waitrose and Budgens shoppers might expect and want to see local foods available in their stores but Tesco and Asda - the largest food retailers in the UK - might not, at least to the same degree)
- Lack of a clear premium for local products - the need to offer more than just local and significantly more than just local fresh produce
- Heterogeneous quality - consistency of quality is a must for most supermarkets, yet one of the features of many local food products is the diversity and artisanal nature of production that invariable results in variable quality, an attribute that many (most?) consumers regard as positive for products of this kind, provided that the actual quality is acceptable
- Logistics - direct to store deliveries are anathema to most supermarkets but the majority have yet to come up with an alternative. The development of local/sub-regional hubs would appear to be the favoured approach, where one local supplier or an existing wholesale distributor takes responsibility for the distribution of several local suppliers to individual stores. Asda is leading the way on this, which is not surprising given their lean systems and an absolute refusal to accept higher prices if an alternative exists. The Budgens/Taste of Anglia model is a variant on this theme, but requires the regional food group to have a commercial operation of its own, which no other food group has at present. The alternative is for the food groups to work with the supermarkets

through a third party - a local distributor/wholesaler with the capacity and skill to provide what the supermarkets regard as an essential service, as being trailed by Budgens/Taste of Sussex

- Lack of support amongst suppliers - as highlighted earlier there is something of a love-hate relationship between local food producers and supermarkets. For some, supermarkets are an essential part of their plans for growth whilst for others they are viewed as the enemy whose very strategies and practices have spurned the growing interest in farmers markets and alternative channels for food with a distinct local and sustainable tag. For as long as this tension remains (and it is difficult to see it lessening significantly in the short to medium term) many supermarkets will pay little more than lip service to local foods, for as long as they can sustain their growth and profitability without them

The FSA report quotes one stakeholder as summarising the challenge for supermarket procurement of local food as follows:

“It is so logistically, strategically and intellectually complex to bring all the strands together.”

However, the argument for greater involvement of the supermarkets is compelling and Hilary Knight from Taste of Sussex has no doubt that without them there is no long-term future for local food on anything other than a small scale:

“The only way people are going to be able to carry on enjoying the beautiful rural landscape in the South East of England is by supporting the farmers and the best way of doing that is to buy what they produce... but it has got to be made easy for people to buy local food because most of us are incredibly time poor and that is why supermarkets are important in all of this... if we are going to have a significant impact on the rural economy and the livelihoods of significant numbers of farmers.” (Hilary Knight, Taste of Sussex)

Both of these quotes are undoubtedly true but they also suggests that the future development of supermarkets' procurement of local food is more a question of what is desirable than what is possible - it depends fundamentally on how badly different actors want supermarkets to succeed in this area. This case study demonstrates quite

clearly why one supermarket is having difficulties in developing its local food initiative, at least in one part of the country, but it also demonstrates how and why others have had some success. The following quotes from our stakeholder interviews in the South East highlight some of the key plus points that demonstrate very clearly that where there is a will there is a way:

“We have supplied all the major supermarkets at one time or another over the past few years but we are now only supplying Budgens, who keep things really simple... they pay the standard price and place orders every two weeks over the phone, they usually fit into our existing delivery pattern, so no special arrangements have to be made for them and there have even been times when they have come directly to us to collect orders... no other supermarket would go to those lengths to deal with us” (Tom Jinks, Biddenden Vineyards).

“Budgens are incredibly honest and open about local products and will tell me things that they wouldn’t tell suppliers, in the hope that I can present that information to suppliers in a palatable way... I don’t think we could get a better relationship with Budgens, they have been extremely supportive... even offering to run workshops here in Sussex for suppliers, to help them with the new food labelling and packaging laws that are coming up, for free, and for which I provide administrative support” (Hilary Knight, Taste of Sussex).

“The Co-op are good people to do business with... you get the feeling that they are not going to take advantage of small suppliers... they were the first to accept a 12% price rise this Autumn when pork prices shot up, without passing it all onto the consumer and they always share in the cost of promotions” (Kevin Walters, Speldhurst sausages).

“We are not into marketing and would rather focus on the farming side of the business. We have learned a lot from Taste of Sussex in this area and they have given the best advice for marketing and dealing with the supermarkets. There are lots of organisations offering to help but a distinct lack of people advising within these organisations who have direct experience of working with supermarkets. We don’t understand them and they don’t really understand us but Taste of Sussex were able to bridge the gap and helped us enormously, first with Waitrose and more recently with the Co-op” (Marian Harding, Court Lodge Organics).

5 EUROPEAN SATELITE - LOCAL PROCUREMENT BY UNICOOP FIRENZE IN TUSCANY

The European satellite is *Unicoop Firenze*, part of *Coop Italia*, which has experience of local procurement in Tuscany.

Thanks to the SUS-CHAIN partners at the University of Pisa, a visit was arranged in 28 February - 1 March 2005 with the objective of exploring lessons from the efforts at local procurement by Co-op Italia in Tuscany, for application by supermarkets, producers, local authorities and facilitators, in partnership with groups involved in producer-retailer linkages in the High Weald.

The UK contingent comprised representatives of Sustain (National alliance of organisations working for 'better food and farming'), A Taste of Sussex, Co-operative Retail, Kent High Weald Project, The Netherfield Centre for Sustainable Food and Farming (an organisation which assist farmers and growers in producing and supplying regional food), and IIED.

5.1 COOP ITALIA

Coop Italia, a consumers' co-operative, is the biggest Italian retail company, with 1,320 stores and 39,000 employees. It was established in 1967 as the result of a process of concentration and modernisation of all Italian consumers' co-operatives. This concentration has been necessary in order to increase the contractual power towards suppliers. In 1975, a *shift from the centralised management to the decentralised system* allowed a better service and efficiency at store level. Since then, the creation of hypermarkets, the increasing marketing of Coop own-label label products (now 20% of products), and better integration between selling and purchasing policy have led to Coop achieving a position of leadership of the national distribution system.

Co-op's mission is price leadership, quality and food safety - the needs and rights of consumers remain central. But is also has to develop sustainable and ethical production and safeguard the environment. Co-op Italia was the first in Europe to get SA8000 certification.

As the national consortium, Coop Italia plays a key role for the marketing policy of the whole Coop system. Coop Italia deals with contracts with national-level suppliers such as Unilever. The Coop Italia system is articulated in local consortia, called *districts*, located in the Centre-North Italy: the North West district including the co-operatives of *Novacoop*, *Liguria Coop* and *Lombardia Coop*; the Adriatic district including *North East Consumers' Coop*, *Estense Coop* and *Adriatica Coop*; the Tirrenico district, including *Unicoop Firenze* and *Unicoop Tirreno*.

Management of local supplies (around 10% of produce) is the responsibility of local consortia. The Coop is working on a restructuring that would introduce an *intermediate level of procurement for 'district level' supplies* (eg combined procurement for Lombardia+Adriatica+Tirrenico districts), which would account for ~20% of supplies.

The 'bottom-up' structure and regionalisation of parts of procurement was compared with other companies such as Carrefour, which have the same products in each store. Around 90% of bakery is locally supplied, and local procurement is also quite high for meat and cheese, and fresh fruits and vegetables in season.

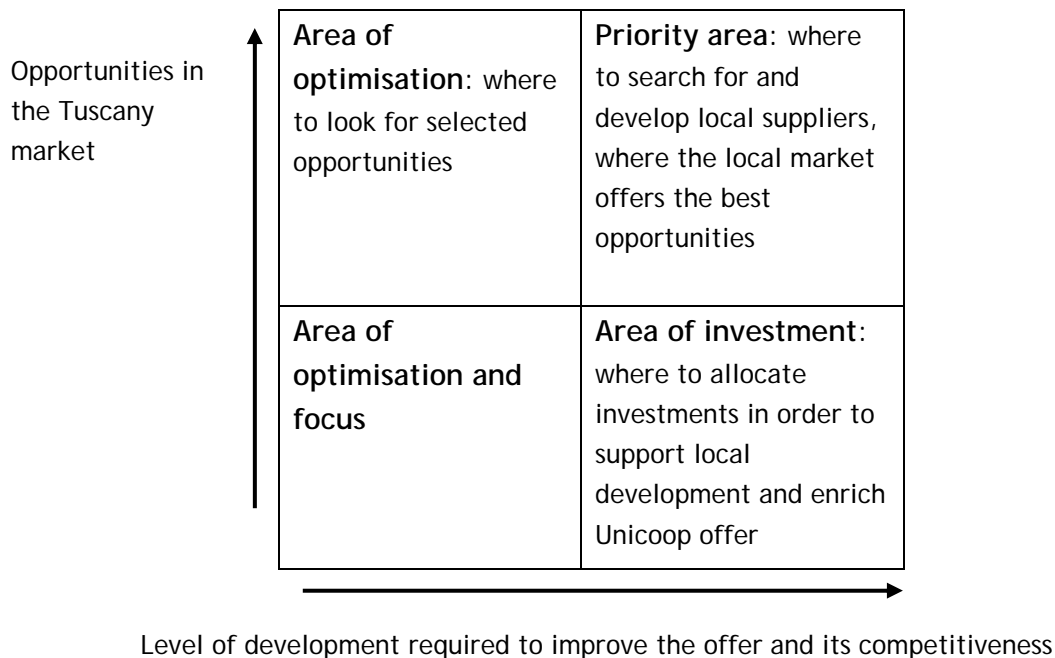
5.2 UNICOOP FIRENZE

Unicoop Firenze was set up in 1891 in Florence. After a long merging process among the other Tuscan co-operatives it has become the biggest retail company, with 1 million members and above 100 stores. Two out of every three families have a member. Unicoop Firenze has a 25% market share for food in the region. The Unicoop Firenze Group is the largest member partner of Coop Italia.

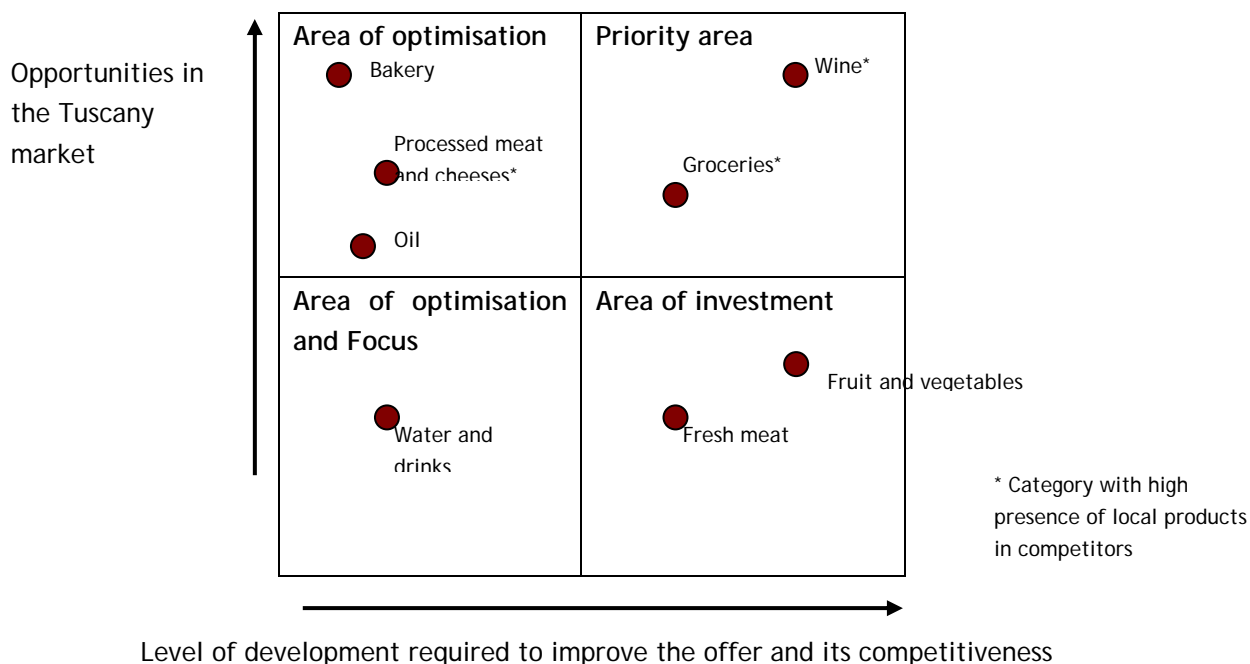
During recent years, the political strategy of Unicoop Firenze has been to favour the economic development of the rural areas of Tuscany. In order to achieve this goal, Unicoop Firenze stipulated some important agreements with some local institutions (Regional Government of Tuscany, producers' associations and handicraftsmen). In particular, in 1998 it stipulated an agreement with the organic producers' association, which allowed it to double the selling of organic products. In 1999, it stipulated another agreement with Arsia (see 7.3) in order to *enhance the selling of local typical products*. Of Unicoop's €1320 million sales, 67% of products come from outside of Tuscany, and 18.2% from inside the province.

Unicoop has developed guidelines for local suppliers. A historical moment occurred 5-6 years ago, when the market demanded communication of quality and territory rather than just quantity. The strategy for local has not been to create very expensive niche products.

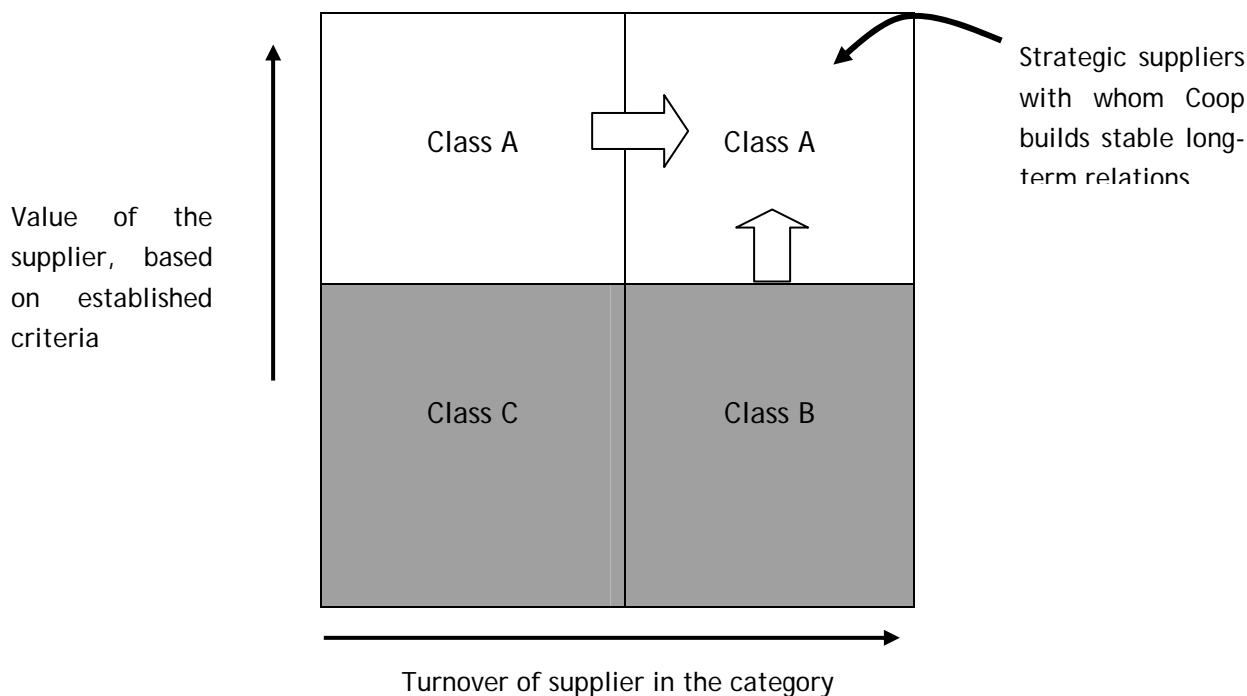
Prioritisation of local products is based on the level of development required to develop the products, and opportunities for those products in the Tuscan market:



The “priority area” includes some highly competitive sectors such as wine. Note that fruits & vegetables and meat are in the ‘area of investment’ and therefore of quite high interest in Unicoop’s strategy:



The Tuscan products are procured from 302 producers, 61 of whom contribute two-thirds of value. This has led Unicoop to concentrate its effort on a limited number of suppliers within its local procurement strategy. Priority of local suppliers is also based on the value of the supplier to Unicoop, and their turnover in the product sector. Suppliers are segmented into three groups on the basis of value and bearing on Unicoop sales. Those “strategic suppliers” (Class A) will be singled out for special treatment; Unicoop will try to get exclusive supply, will share promotional costs, and Coop staff will be incentivised (through evaluations) to connect with these suppliers. For “ordinary suppliers” (Class B), there is a different kind of partnership—they are treated as simple suppliers, with no promotional effort. They will be developed if there are possibilities to increase their value – either reducing purchase costs or improving quality. For “marginal suppliers” (Class C), the Coop will aim to reduce the number of suppliers, and minimise the transaction costs of dealing with them.



When questioned, Mr Cioni (strategic marketing manager) agreed that there is a real problem of rationalisation of Unicoop's supply base and the maintenance of diversity (genetics, artisanship..) which Arsia is trying to promote. The primary requirement is quality and safety -- Coop's standards are stricter than legal minima. The Coop's code of practice creates high costs of certification and market entry, which may put off some producers.

Local produce is marketed via newspapers to members, publicity, brochures and shelf differentiation. At one time there was a plan to identify the origin of all products (including non-food) but problems arose, and the plan was stopped.

Success is measured in the increase in sales volume of local produce (which have met the target of a 5-10% increase).

5.3 STATE SUPPORT FOR REGIONAL AGRIFOOD DEVELOPMENT: ARSIA

ARSIA is the technical branch of the Regional Government of Tuscany (Regione Toscana) and works as a mediator between rural/agricultural activities, research activities and production systems. In order to achieve this purpose, Arsia fosters and encourages

innovation and develops technological support for production, processing and commercialisation of agricultural production. It operates through a service network for technicians, producers and rural areas as a whole. A third of Arsia's budget comes from the regional government, and half from project funds.

One of the main goals of the regional government is the re-valuation of agricultural food production resources in Tuscany, regulating and safeguarding biodiversity and species risking extinction. With this purpose, Arsia has promoted a programme of initiatives and supporting interventions. The Regional Government has created a collective label for integrated production, *Agriqualità* (Agriquality, with a white butterfly as symbol), regulated by the regional law no. 25/1999. The main aim of this label is the valorisation of sustainability of the production processes, and also a guarantee of both traceability (all raw materials has to come from Tuscany) and the absence of GMOs.

Tuscany is the first region in Europe to safeguard, through a collective label, integrated production and to guarantee quality attributes. To use this label, every agent in the supply chain adheres to two *Codes of Practice*: the first one concerns the method of cultivation by means of integrated methods of farming, while the second one is for the storage and the processing of the products. The label is two years old. At the moment there are two products certified with the agri-quality label: the pasta "*La Tosca*" and the "*Tuscan bread*". But thanks to the approval of new Codes of Practices at the end of 2004, new products will soon be certified.

5.4 TOSCANA CEREALI

Toscana Cereali was established in Sienna. It now has 4300 members, 90% of whom are part of 17 cooperatives. The situation of cereal production in Tuscany is tough: high production costs, low yields (3-3.5 t/ha), poor international competitiveness, and focus of production in the South of the country. Average farm size is 7-8 ha. Much Italian pasta is made from imported wheat. The law that established the *Agriqualità* label gave producers an opportunity to add value, in a similar way as wine and oil producers had done, with an underlying message of quality and low environmental impact. Since January 2003, *Toscana Cereali* have established two chains, one for pasta (*Pasta Tosca*) and one for bread (*Pane Toscano*). These chains have codes of practice for farmers and processors, and rules on the use of fertilizers, pesticides, crop rotations, use of

additives etc., in order to preserve the safety and quality of the product, and have traceability from the consumer to individual producers. These are “not niche products” and they are facing the challenge of selling a high quality product at a medium price.

Toscana Cereali made an exclusive agreement with the Coop in 2003, and a lot of effort was put into communication—shelf indicators, special packets for Coop members, and ‘week of bread and pasta’ jointly organised with Arsia. Progress has been very satisfactory; awareness with customers is now very high, and the objective of adding value has been achieved (farmers get a 20% price premium). There are now 134 producers growing for *Pasta Tosca* and *Pane Toscano*, up from 46 in 2003. *Toscana Cereali* will continue working with the Coop, but are also looking for other outlets such as hospitals and schools, and expanded exports. They are also looking at the potential of other chains: fresh pasta, malting barley, beans... They are considering setting up a chain association to prevent appropriation of value-added by other chain actors.

5.5 ASSOCIAZIONE AGRICOLTORI CUSTODI

The *Associazione Agricoltori Custodi* (Association of Caretaker Growers) are small-scale ‘guardian’ farmers who cultivate old Tuscan varieties, for preservation of agricultural biodiversity — especially from a gastronomic and marketing points of view. The association was officially formed in 1999, starting in the upper Valdarno in the provinces of Arezzo. There are now 93 producers scattered all over Tuscany, 90% of whom are small-scale producers. Members exchange seeds and information, take part together in fairs and other events, meet periodically and work to protect and distribute traditional agricultural products from their region.

The cooperative *Staccia Buratta* was established as the commercial arm of the *Associazione*, to organise selling to supermarkets. They receive raw products from producers, then grade, package and label them and deliver to supermarkets’ distribution centres, and agree on price. This has advantages of a short supply chain, to retain value with members.

Cultivation of old varieties is now an important economic activity. But recovery has been very difficult for producers — small sloping fields are not suitable for mechanization. In order to achieve higher earning for producers, the association

looked to selling to supermarkets as unusual regional products. 80% of produce of the association now sold through Coop and Conad (another Italian cooperative supermarket), with the other 20% going to local markets and restaurants. The relationship with Coop is now 6 years old, though there is no contract. They supply the Coop with fresh and dried products, while all processed produce is sold through local shops.

Although local markets understand the ethics and importance of these old varieties and recipes, the supermarkets' rules and standards are not appropriate. For example, all local apple varieties end up graded as Grade II under supermarket standards. Or the Florentine courgette is rejected because it is curvy, while supermarkets – who are not responsive to this varietal diversity – want straight ones. It has been easier for old varieties of beans, for which supermarket regulations are not so strict. Also the Coop only wants these products when out of season, and wants all the produce to look the same – “they do not respect the time, the farm, the vegetable – vegetables are not plastic”.

If people can find these special products in supermarkets, their value seems to decline, compared to local markets. But supermarkets are important for visibility, and local markets are not big enough to deal with the amount of produce – consumers are shifting from local stores to supermarkets. Also, direct marketing takes time out of farming. Restaurants are also not a good market – the proposition of ‘localness’ is not interesting to most of them; but there is a new project with 500 restaurants in Tuscany to promote the use of local/typical products.

Supermarkets are interested in these local varieties and recipes, as they are good for image. But they want the same price as local markets, leading to severe reduction in margin. The Coop does not promote these traditional products properly or differentiate from other products. Arsia is helping with public education and communication, also schools programmes in part to recreate local knowledge.

Organic systems should use typical products and be connected to place, but there is currently a big difference between organics and traditional produce. Consumers are not able to understand origins of produce outside of PDO/PGI labelling.

The association tried unsuccessfully to improve logistics by having growers specializing in one product. But there are thematic groups within the association to look after specific products, such as beans and chickens. There is a close connection to the Slow Food movement, which is especially important for communication.⁴

⁴ See www.slowfood.com/img_sito/riviste/slowark/EN/32/pollovaldarno.html

6 CASE STUDY WORKSHOP, JULY 2005

On July 8 2005, a workshop was held to present and discuss the case study results. The event was built around the Co-operative Retail, but also included other key stakeholders in the region, including participants in the Co-op Italia satellite visit. A full record of the workshop is available in Annex 4.

From the research, the satellite visit, and from evidence from other unfolding initiatives, the workshop discussion could focus on a quite clear consensus, that:

1. *'Locally produced' is the equivalent of fair trade procurement from within the UK, and can therefore be a very logical extension of the Co-op's Responsible Retailing unique selling point.*
2. But the Co-op's local sourcing initiative has been held back by inflexibility and lack of ambition, and has struggled as a defensive catch-up exercise to deal with members' concerns, rather than a concerted brand-building effort. More recent profitability problems in the Co-operative Group, as well as priority setting within the Co-op's Responsible Retailing policy and changes of leadership, have pushed local sourcing further to the back of group strategy.
3. Consumers, at least in the case study region, identify much more strongly with fresh produce as 'local' rather than the craft products that feature in most retailers' 'local' offer -- a pattern repeated in the Co-op's own local sourcing strategy.
4. Commercial models exist or are in development for regional procurement of local foods - such as Co-op Italia's new intermediate level of regional procurement, or Asda and Waitrose working with local procurement hubs - that reduce transaction costs of local sourcing and avoid the necessity of direct delivery to stores. In fresh produce areas such as Kent, these models could allow a shift back to smaller pack houses and thereby take some producer costs out of the chain.
5. The fixation of 'local' as craft speciality products, which has been promulgated by the regional food groups, is being challenged by attempts at local procurement of fresh produce
6. Two retailers in the same convenience market as the Co-operative Group - Budgens and the Oxford, Swindon and Gloucestershire Co-op (OS&G) - have been

able to successfully roll out a local sourcing strategy, built on buy-in at both senior management and store level, a strategic commitment (not just a commercial exercise), strong communication including with customers/members and other stakeholders, and joined-up management and marketing. The OS&G, an independent co-operative retail society within the CRTG, has developed a successful local sourcing strategy *within* the central procurement model

7. But even Unicoop Firenze's commitment does not yet translate into a strong local foods presence in store.

Key points that emerged during the discussion included:

The role of the state. In the UK, the state is largely absent from the promotion of local procurement, other than the policy statements in the Curry Commission and (temporary) support for the Regional Food Groups. This is a big difference with the Italian model, where one participant observed "a strong synergy between corporate and government policy motivation".

Disagreement over role of regional Food Groups. There was some disagreement about the extent to which RFGs have (a) perpetuated perception of 'local' as niche craft value-added, and more seriously (b) failed to challenge the model of concentrated supermarket retailing built on long distance transport and cheap fuel.

Disagreement over the position of supermarkets with the localisation agenda. Another area of debate was the role of supermarkets in pushing the localisation agenda. On one hand if scaling up is to occur, then we must work with the 85% of the market which is already captured by supermarkets, rather than the 15% occupied by the independent sector. On the other hand, assisting supermarkets to procure small amounts of local food will not challenge the current transport-intensive food distribution model, which promotes regional specialisation and the demise of mixed farming.

The case study workshop marked the point in the history of the initiative when Co-operative Retail stepped back from an innovative approach. It was the point when it became clear that internal changes agents (especially Rachel Burlton) and very engaged external stakeholder actors (eg Dan Keech) had lost the struggle to reconnect the Co-op's food procurement with the regions in which it operates.

7 DISCUSSION AND CONCLUSIONS

The 'sustainability' of agrifood chains is increasingly measured in terms of the locality of procurement. With the advent of concerns about 'food miles' and the disconnection between food production and consumption, there have been growing calls for the localisation of national food procurement and distribution systems. These calls for local sourcing are aimed at both the big institutional markets *and* national grocery chains. In the workshop which discussed the case study results (Annex 4) were reminded that, from a sustainability perspective, the localisation of food sourcing built around new procurement infrastructures is not simply a matter of serving a subset of consumers with local food. It is the cornerstone of building a food system which can operate in an era of expensive fuel and carbon constraints.

Both of the UK SUS-CHAIN case studies are about attempts to localise national food procurement networks -- the National Health Service, and a national grocery chain - which have been built around efficiency, value, and food quality/safety. Setting these complex national procurement and distribution networks a new challenge of local sourcing reveals the contradictions and strains inherent in creating local embeddedness, other than small bolt-on niches. In the case of the Co-op supermarket, there was a predisposition to interpret 'local sourcing' as the stocking of a limited range of retail-ready local products - mostly highly processed niche 'craft' products such as preserves - rather than *localise the infrastructure of bulk procurement* of mainstream meat, fruit and vegetable categories, despite the area's reputation as the 'Garden of England'.

The discussion below is structured around the three sub-hypotheses presented at the outset. However, the lack of success that we have seen in supermarkets' procurement of local food in the UK to date renders the question of *scaling up* somewhat premature. Thus, in the discussion of each hypothesis below we focus on the potential for scaling up and the changes necessary to generate the kind of success that would render the scaling up of the local food offer a significant issue for UK supermarkets and their local food suppliers.

7.1 HYPOTHESIS I: SCALING UP DEPENDS ON COMMERCIAL PERFORMANCE AND APPROPRIATE PUBLIC SUPPORT

It is very difficult to shed very much light on this hypothesis due to the fact that, at the time of writing (April-June 2005), the Co-op's local offer in the South East was still not on the shelves.

There were some positive comments about the efforts of the satellite supermarkets but in reality the commercial performance is very poor with respect to Waitrose's efforts in the South East and whilst Budgens may be showing the greatest enthusiasm of all three supermarkets, the fact remains that volumes are likely to be small for the foreseeable future.

Waitrose has been engaged in local sourcing the longest yet and at the time of this research, they stocked only four niche products (2 sheep cheeses, 1 wine, 1 salad dressing) from the High Weald branded as Locally Produced and these were available in just two local stores. This low uptake of local foods with the South Eastern Waitrose stores appears to be due to two primary factors:

- their strict adherence to a policy of "Local is not enough"
 - values of quality, craft and tradition must create "an extra offer for the consumer" (ie consumers must *already* strongly identify with food from the region)
- centralised decision making, promotion, and distribution
 - store managers and consumers have little say in what products are listed, never mind how they are merchandised or distributed

Whilst the existing local suppliers to Waitrose spoke highly of the way the company conducted itself, the experience of one former supplier illustrates that not only are Waitrose's systems centralised they are also far from perfect, as this quote from one disillusioned local yoghurt supplier reveals:

"We signed a contract to supply Waitrose two years ago... we worked closely with the Waitrose buyer and ended up selling the yoghurt through Rowcliffe's, which suited us fine. We had a listing for five Waitrose from March 2003 till July 2003, when it was de-

listed due to inadequate sales. We were pretty disappointed, not least because there were problems with launch promotion which must have had an impact on sales, but they did not seem prepared to make allowances for them... Waitrose barker dept rejected the promotional price tickets that were made up by the Waitrose Dairy buyer. Therefore, initially the yoghurt wasn't even put on the shelves and ended up getting thrown away. This had a knock on effect on Rowcliffe's who had already re-ordered in anticipation of Waitrose re-ordering. Local products just have to find room on Waitrose's shelves and don't have a particular shelf space. Our yoghurt got put with yoghurt pots when it should have been with yoghurt drinks. Waitrose also did some tastings which weren't much of a success. We sold just £2,000-£3,000 worth of yoghurt sold over the 3 months." (Marian Harding, Court Lodge Organics).

Waitrose has since had a very interesting change in strategy. As mentioned earlier, in February 2005, Waitrose announced plans to introduce branded, locally-sourced fresh produce as part of a long term strategy to work more closely with local grocery producers.

The part of the hypothesis on 'appropriate public support' is interesting, and formed an important comparator in analysing the activities of co-operative retailers in the UK and Italy. One of the participants in the satellite study tour, who was also at the case study workshop, observed: "So what I have learned from that is that there is [in Tuscany] a very close alliance between the political motivations or policy motivations of the regional government and the corporate business motivation [of Unicoop Firenze]. It is about the region as much as it is about the business in both cases so that's the first step." (Dan Keech, Sustain).

Even the Co-op bemoaned the lack of state backing in the UK, which affects the commercial performance and the ability to scale up the sales of local food in UK supermarkets: "The sustainability agenda will not win over the bottom line. What is good for sustainability is not necessarily good for business. The 'Race to the Top' project⁵ exposed the gap between the consumer and the citizen. What citizens do as consumers is completely different to what they think and what they desire and hope for. So there is an important role for government but there is a lack of effort there to force a solution. The

⁵ www.racetothetop.org

education of the public on the connection between consumption and sustainability is part of that government role.” (Rachel Burlton, Co-operative Group)..

The only effective institutions of public support in the UK for local food -- the regional food groups -- are constrained by their scope of operation. Because the most active groups such as A Taste of Sussex and Produced in Kent operate at the country level, there are big problems of disconnect between *political* boundaries of local food and *landscape* boundaries of areas such as the High Weald.

7.2 HYPOTHESIS II: THE NATURE OF ORGANISATION CHANGES WITH SCALING UP

Given that there has not been any scaling up, there is little comment we can make about organisational changes, other than those already identified as necessary in order for local sourcing by supermarkets to really take off. Cooperative Retail in the UK (in common with all multiple retailers) has a centralised buying policy. Even when products are found in the local marketplace, as with the OS&G, the buying function is always conducted through CRTG. The tensions of *localising a national procurement structure* are obvious.

The visit to the Italian satellite – Unicoop Firenze – was very instructive in this regard. Co-op Italia have proved that multi-level procurement can work (see Section 7). Coop Italia appear to have developed a good balance of centralisation for competitive procurement of brands, and decentralisation for regional and local produce. Co-op Italia have proved that multi-level procurement can work. This is one of the most important insights from the visit.

But Unicoop Firenze is not immune from the tensions between policies of supply chain management and localisation – with needs to rationalise the supply base, and protect brand reputation. They have gone some way towards resolving the contradictions between very high brand standards for food safety and quality (which demand scale and uniformity), and small size and variability in production and presentation of local foods. But there is probably little room for the ‘hyper-local’ even in this retailer.

Substantial public sector support at the regional level – through Arisia and laws to develop and promote local, typical and ‘sustainable’ produce – has been an important element.

7.2.1 Potential model for localising parts of supermarket procurement in the UK

To develop a local and regional food offer which goes beyond a low-level ‘catch up’ exercise, and which re-establishes Co-operative Retail as a *locally embedded* national retailer, it could be necessary to regionalise parts of procurement, and empower store managers, through devolving some responsibility to them at regional and store level.

This could be done at three levels:

1. *National* (and international, via buying groups) of branded products, household products etc. conducted centrally by Co-operative Group buyers.
2. *Regional* procurement of commodities such as fresh fruit and vegetables in season, milk, meat, seafood. These categories would be selected by a partnership of regional managers and store managers, based on what the region’s comparative strengths are.
3. *Local* store-level procurement of local specialities, such as preserves and wines, selected by store managers. Local staff are much more likely to have a feel for which local products stand the greatest chance of succeeding. In terms of operations management, the simplest way to accommodate this change would be for each store to have an allocation of space explicitly for local foods, over which store managers would have discretion. Given the quality of store managers and the enthusiasm shown for local foods by those to whom we spoke from all three supermarkets, there is little doubt that this would have significant impact on the type and volume of products listed, with more products likely to be given a chance and from a wider range, including fresh produce from the ‘Garden of England’.

In order for this arrangement to not add costs, level 2 (regional) procurement can be managed via regional distribution centres and an adapted product tracking system. Even the Level 3 store-level procurement can be rationalised through the use of specialised broker/wholesalers, as being trialed by Taste of Sussex.

Modification of procurement systems, of course, must be accompanied by changes in management culture in the Co-operative Group, to create a facilitating environment for the flexibility and innovation which a local procurement strategy demands. It is noteworthy that an independent member of the co-operative group—the Oxford, Swindon and Gloucester Co-op—has quite an interesting lead in terms of local sourcing in the form of the Local Harvest programme⁶ within the centralized system of CRTG.

7.2.2 Is local enough?

One of the main barriers to expansion of local foods by supermarkets is the mantra that ‘local is not enough’. This report has questioned the tendency to make presumptions about people’s reasons to buy local. With a powerful broad message such as local, with multiple motivations such as freshness, food miles, and support for the rural economy, it may be a mistake to narrow its appeal or impose motivation on buyers.

7.2.3 The risks of short-cuts on the road to local embeddedness

We have mentioned that local procurement is a means for the Co-op to differentiate itself in the marketplace, though re-embedding itself in the community. But embeddedness is not built easily. It is reliant on a complexity of networks, often a charismatic individual, and a lot of work. If a national retailer tries to short-cut the process of local embeddedness, for instance through arms-length procurement with low-level contacts with local producers and processors, then embeddedness will be shallow and easily reversed once the ‘fashion’ for local food fades. There is a distinct threat to the credibility of the ‘local’ brand through scaling up via supermarkets, with retailers accused of co-opting or diluting the brand, and this risk is much greater if supermarkets are perceived to be opportunistic players.

7.3 HYPOTHESIS III: EFFECT ON SUSTAINABLE RURAL DEVELOPMENT

It is obvious that the effect of supermarket sourcing of local food in the South East of England, and in particular from the High Weald, has had minimal impact on the development of the rural economy, let alone the rural environment. The reasons for the poor economic performance have already been discussed at length and without significant commercial activity, the environmental benefits are also bound to be

⁶ www.osg.coop

negligible. However, it is important to highlight that, beyond the broad corporate objectives relating ethical sourcing and responsible retailing, none of the UK supermarkets have espoused any direct interest in tackling environmental or ecological challenges through local sourcing. At least in the South East of England, they have singularly failed to make any significant economic impact through the development of local foods.

It is, however, important to note that the economic case for local procurement is itself very poorly developed. The Co-op is right to point out that “while there can be no doubt that local sourcing does add value to local businesses, the wider implications of local sourcing benefiting local economies *per se* is debatable.” They add that “in many cases labour for local farms is no longer local”, being brought in from elsewhere, so that local economic multipliers are weak.

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9 ANNEX 1 - INTERVIEW GUIDES

Semi-Structured Interview Guide

(External Stakeholders)

Context

This case study is one of two UK case studies being conducted as part of the SUSCHAIN project. The unit of analysis in this case study is UK supermarket (Waitrose/Co-op/Budgens) local sourcing initiatives. At this stage it is proposed that the Co-op is regarded as the main case study (as they have agreed to work with us from Head Office and beyond) and Waitrose is the satellite (we have a good idea of corporate objectives and operations re local sourcing and have made some progress already with Waitrose store managers and suppliers in the Kent High Weald). Budgens remains a reserve option should we face further problems with either Co-op or Waitrose.

Four interview guides have been developed to assist with the data collection for this case study: Two for internal stakeholders = suppliers (farmers/food producers) and retail store managers in the Kent High Weal region, one for intermediate stakeholders = consultants, distributors, other partners, and one for external stakeholders = Government agencies, trade organisations, NGOs.

This is the interview guide for external stakeholders (e.g. Regional food groups, regional Govt, NGOs, trade organisations) in the Kent High Weald)

Background of the external stakeholder's organisation and interviewee's role and objectives

Start by asking the external stakeholder to describe the nature of his/her organisation and how its involvement in local foods has developed over the past five years and how he/she sees this changing in the future (e.g. nature and level of support services). The purpose here is to spend 15-20 minutes getting a feel for the type of organisation, the activities with which they are involved, the people they work with and how they fit in the regional scheme of things. The later questions concern issues from which we can build the ANT especially stakeholder relations (conflict/consensus/strategies to overcome problems) and barriers and constraints and motivations. Interviewers should bear in mind that the focus of the questions centres on the initiative (i.e. Co-op/Waitrose local sourcing) rather than the retail store in isolation.

Proposed questions to prompt the elicitation of this information:

Problematisation

1. Please describe the nature of your organisation and your role in its support for the local food initiative
 - range of services provided, target sectors/businesses
 - Are there any special features about the nature of your organisation, your role or your experience that equips you to support the local food initiative (e.g. what experience do you have in this area)?

Interestment

2. What are your views about local food (are there any benefits in terms of regional development, is it just good PR for those involved or something that people get involved with for political reasons?)
3. Why did you and your organisation get involved with supporting the development of the local food initiative?
 - What was the chain of events that led to you becoming involved in supporting the production, marketing, distribution of local products (e.g. did you actively pursue local food suppliers and/or get involved in the development of local food initiative or were you asked to get involved, and in which case by whom, when and why)

Enrollment and Mobilisation

4. What were the first products that you got involved with and how were they selected
5. Who are the other people involved in the local food initiative with whom you interact?
 - key suppliers, distributors, supermarket buyers and/or head office merchandisers, local interest groups (e.g. schools, pubs, restaurants)
 - key competitors (what products do the local suppliers have to compete with, what other retail outlets do they sell to and what other intermediate stakeholders are in operation in support of local food initiatives in the region?)
6. What major obstacles have you had to overcome or witnessed along the way (focus on the four elements of the marketing mix)?
 - Products - problems with supplies/orders of adequate quantity/quality
 - Price - lack of profit in local foods to justify large scale involvement
 - Promotion/advertising - lack of it, not knowing what to promote, how to promote, who to promote to, lack of awareness and/or interest amongst customers

- Distribution - lack of adequate transport from suppliers and/or local retail facilities
 - Any others?
 - Strategies adopted (if any/if possible) to overcome these constraints
7. Success/achievements that have derived from the local food initiative, for you and the local economy in general (sales, increased customer loyalty/interest, support for the local economy, other...)
 8. How do you think the local foods initiative will develop over time in terms of the focus (environmental, health, economic) and benefits (commercial, sustainable development of the region etc)?
 - How will it affect your organisation and your involvement with the initiative (size, scope and focus of operations)
 9. What action do you expect/plan to take in order to meet your objectives or the objectives of other stakeholders (local food suppliers, retailers, intermediaries, regional/local govt) to develop the local food initiative further (e.g. actively seek out and encourage local suppliers, better promotion and advertising, distribution)
 10. What major obstacles do you see for the development of local food initiatives in the High Weald (if not mentioned then probe for the issues around scaling up - how will local suppliers be able to meet growing demand for their product(s) and what can the retailers do to help them)?

Consumer Engagement

A major element of this project is about engagement of/with consumers. Are you aware of any efforts that been made to involve consumers in the local foods initiative?

11. Has anyone conducted or used any market research to inform their decisions about what to stock, who to target etc?

Public Support

12. What, if any, support has your organisation provided or received from any public sector agencies with respect to the development and promotion of local foods?

Governance

13. What kind of relationship do you have with the suppliers, retailers and intermediate stakeholders associated with the development of local foods. Probe here for level and nature of involvement (personal, organisational)

Rural development

14. Explore their perception of the role of the local food initiative in sustainable rural development
15. Explore any rural development contributions that their organisation has made through involvement with the local food initiative (eg. local employment, value added processing that has been encouraged by their support for local producers)

Lessons Learned

16. Wrap up the interview by asking them what they would regard as the major lessons learned to date in terms of the local food initiative in the High Weal, working with local suppliers and retailers and promoting the idea to customers.
 - What are the critical things that suppliers and/or retailers have got just about right?
 - What could they have done differently in terms of supporting the local food initiative with the benefit of hindsight?
 - What opportunities do they think they have missed/remain untapped?
 - What help/information could they have benefited from the most were it available and where should it have come from?

SUSCHAIN CASE STUDY

SUPERMARKET LOCAL SOURCING INITIATIVE (KENT HIGH WEALD)

Semi-Structured Interview Guide (Intermediate Stakeholders)

Context

This case study is one of two UK case studies being conducted as part of the SUSCHAIN project. The unit of analysis in this case study is UK supermarket (Waitrose/Co-op/Budgens) local sourcing initiatives. At this stage it is proposed that the Co-op is regarded as the main case study (as they have agreed to work with us from Head Office and beyond) and Waitrose is the satellite (we have a good idea of corporate objectives and operations re local sourcing and have made some progress already with Waitrose store managers and suppliers in the Kent High Weald). Budgens remains a reserve option should we face further problems with either Co-op or Waitrose.

Four interview guides have been developed to assist with the data collection for this case study: Two for internal stakeholders = suppliers (farmers/food producers) and retail store managers in the Kent High Weal region, one for intermediate stakeholders = consultants, distributors, other partners, and one for external stakeholders = Government agencies, trade organisations, NGOs.

This is the interview guide for intermediate stakeholders (distributors, consultants) in the Kent High Weald)

Background of the intermediate stakeholder's business the interviewee's role and objectives

Start by asking the intermediate stakeholder to describe the nature of his/her business, how it has developed over the past five years and how he/she sees this changing in the future (e.g. sales growth, customer profile, range of products and services). The purpose here is to spend 15-20 minutes getting a feel for the type of business, the clientele and where it fits in the regional scheme of things. The later questions concern issues from which we can build the ANT especially stakeholder relations (conflict/consensus/strategies to overcome problems) and barriers and constraints and

motivations. Interviewers should bear in mind that the focus of the questions centres on the initiative (i.e. Co-op/Waitrose local sourcing) rather than the retail store in isolation.

Proposed questions to prompt the elicitation of this information:

Problematisation

1. Please describe the nature of your business and your role in its development
 - Turnover, range of services provided, customer portfolio
 - Are there any special features about the nature of your business or your experience that equips you to support the local food initiative (e.g. what experience do you have in this area)?

Interestment

2. What are your views about local food (are there any commercial benefits or is it just good PR or something you have to do for political reasons?)
3. Why did you get involved with supporting the development of the local food initiative?
 - What was the chain of events that led to you becoming involved in supporting the production, marketing, distribution of local products (e.g. did you actively pursue local food suppliers and/or get involved in the development of local food initiative or were you asked to get involved, and in which case by whom, when and why)

Enrollment and Mobilisation

4. What were the first products that you got involved with and how were they selected
5. Who are the other people involved in the local food initiative with whom you interact?
 - key suppliers, distributors, supermarket buyers and/or head office merchandisers, local interest groups (e.g. schools, pubs, restaurants)
 - key competitors (what products do the local suppliers have to compete with, what other retail outlets do they sell to and what other intermediate stakeholders are in operation in support of local food initiatives in the region?)
6. What major obstacles have you had to overcome or witnessed along the way (focus on the four elements of the marketing mix)?
 - Products - problems with supplies/orders of adequate quantity/quality

- Price - lack of profit in local foods to justify your involvement
 - Promotion/advertising - lack of it, not knowing what to promote, how to promote, who to promote to, lack of awareness and/or interest amongst customers
 - Distribution - lack of adequate transport from suppliers and/or local retail facilities
 - Any others?
 - Strategies adopted (if any/if possible) to overcome these constraints
7. Success/achievements that have derived from the local food initiative, for you and the local economy in general (turnover, increased customer loyalty/interest, support for the local economy, other...)
8. How do you think the local foods initiative will develop over time in terms of the focus (environmental, health, economic) and benefits (commercial, sustainable development of the region etc)?
- How will it affect your business and your involvement with the initiative (size, scope and focus of operations)
9. What action do you expect/plan to take in order to meet your objectives or the objectives of your customers (local food suppliers, retailers) to develop the local food initiative further (e.g. actively seek out and encourage local suppliers, better promotion and advertising, distribution)
10. What major obstacles do you see for the development of local food initiatives in the High Weald (if not mentioned then probe for the issues around scaling up - how will local suppliers be able to meet growing demand for their product(s) and what can the retailers do to help them)?

Consumer Engagement

A major element of this project is about engagement of/with consumers. Are you aware of any efforts that been made to involve consumers in the local foods initiative?

11. Has anyone conducted or used any market research to inform their decisions about what to stock, who to target etc?

Public Support

12. What, if any, involvement have you had with any local government organisations or support groups with respect to the development and promotion of local foods?

Governance

13. What kind of relationship do you have with the suppliers and retailers of local foods. Probe here for examples of market power (who dictates the terms of supply, examples of opportunistic behaviour), personality clashes, risk and benefit sharing mechanism (e.g. use of contracts, long term and/or fixed term agreements)?

Rural development

14. Explore their perception of the role of the local food initiative in sustainable rural development
15. Explore any rural development contributions that their business has made through involvement with the local food initiative (eg. local employment, value added processing that has been encouraged by their support for local producers)

Lessons Learned

16. Wrap up the interview by asking them what they would regard as the major lessons learned to date in terms of the local food initiative in the High Weal, working with local suppliers and retailers and promoting the idea to customers.
 - What are the critical things that suppliers and/or retailers have got just about right?
 - What would they have done differently in terms of supporting the local food initiative with the benefit of hindsight?
 - What opportunities do they think they have missed/remain untapped?
 - What help/information could they have benefited from the most were it available and where should it have come from?

SUSCHAIN CASE STUDY

SUPERMARKET LOCAL SOURCING INITIATIVE

(KENT HIGH WEALD)

Semi-Structured Interview Guide

(Retail store manager)

Context

This case study is one of two UK case studies being conducted as part of the SUSCHAIN project. The unit of analysis in this case study is UK supermarket (Waitrose/Co-op/Budgens) local sourcing initiatives. At this stage it is proposed that the Co-op is regarded as the main case study (as they have agreed to work with us from Head Office and beyond) and Waitrose is the satellite (we have a good idea of corporate objectives and operations re local sourcing and have made some progress already with Waitrose store managers and suppliers in the Kent High Weald). Budgens remains a reserve option should we face further problems with either Co-op or Waitrose.

Three interview guides have been developed to assist with the data collection for this case study: Two for internal stakeholders = suppliers (farmers/food producers) and retail store managers in the Kent High Weal region, one for intermediate stakeholders = consultants, distributors, other partners, and one for external stakeholders = Government agencies, trade organisations, NGOs.

This is the interview guide for retail managers (Waitrose, Co-op, Budgens and other retail stores in the Kent High Weald)

Background of the retail store and the manager's objectives

Start by asking the store manager to describe a) the development of the store over the past five years and how he/she sees this changing in the future (e.g. sales growth, customer profile, range of products and services). The purpose here is to spend 15-20 minutes getting a feel for the type of store, the clientele and where it fits in the regional scheme of things. The later questions concern issues from which we can build the ANT especially stakeholder relations (conflict/consensus/strategies to overcome problems) and barriers and constraints and motivations. Interviewers should bear in

mind that the focus of the questions centres on the initiative (i.e. Co-op/Waitrose local sourcing) rather than the retail store in isolation.

Proposed questions to prompt the elicitation of this information:

Problematisation

1. Please describe the current retail operation and your role in its development
 - Turnover, no. of product lines stocked, length of service/involvement with the store
 - Are there any special features about the store in terms of the products, service or clientele that make it 'different' in any way from other, competing retail outlets

Interestment

2. What are your views about local food (are there any commercial benefits or is it just good PR or something you have to do for political reasons?)
3. Why did you get involved with selling local products?
 - What was the chain of events that led to stocking local products (push from local suppliers and/or head office or pull from customers making requests for more local foods)

Enrollment and Mobilisation

4. What were the first products and how were they selected
5. Who are the other people involved in the local food initiative?
 - key suppliers, distributors, supermarket buyers and/or head office merchandisers, local interest groups (e.g. schools, pubs, restaurants)
 - key competitors (what products do the local suppliers have to compete with and what retail outlets does the store have to compete with when selling local foods?)
6. What major obstacles have you had to overcome along the way (focus on the four elements of the marketing mix)?
 - Products - problems with sourcing them, getting consistent quality, regular deliveries etc
 - Price - too expensive
 - Promotion/advertising - lack of it, not knowing what to promote, how to promote, who to promote to, lack of awareness and/or interest amongst customers
 - Distribution - lack of adequate transport from suppliers
 - Any others?

- Strategies adopted (if any/if possible) to overcome these constraints
7. Success/achievements that have derived from stocking more local foods (turnover, increased customer loyalty/interest, support for the local economy, other...)
 8. How do you think the local foods initiative will develop over time in terms of the focus (environmental, health, economic) and benefits (commercial, sustainable development of the region etc)?
 - How will it affect your store (product range, profitability, customer focus)
 9. What action do you expect/plan to take in order to meet your objectives or those of head office to develop the local food initiative further (e.g. actively seek out and encourage local suppliers, better promotion and advertising)
 10. What major obstacles do you see for the development of local food initiatives in the High Weald you (if not mentioned then probe for the issues around scaling up - how will local suppliers be able to meet growing demand for their product(s) and what can the retailers do to help them)?

Consumer Engagement

A major element of this project is about engagement of/with consumers. What specific efforts have you made to involve consumers in the local foods initiative?

11. Have they conducted or have they used any market research to inform their decisions about what to stock who to target?

Public Support

12. What, if any, involvement have you had with any local government organisations or support groups with respect to the development and promotion of local foods?

Governance

13. What kind of relationship do you have with the suppliers of local foods. Probe here for examples of market power (who dictates the terms of supply, examples of opportunistic behaviour), personality clashes, risk and benefit sharing mechanism (e.g. use of contracts, long term and/or fixed term agreements)?

Rural development

14. Explore their perception of the role of the local food initiative in sustainable rural development
15. Explore any rural development contributions that their store has made through involvement with the local food initiative (eg. local employment, value added processing that has been encouraged by their support for local producers)

Lessons Learned

16. Wrap up the interview by asking them what they would regard as the major lessons learned to date in terms of retailing local foods, working with local suppliers and promoting the idea to customers.
 - What are the critical things do they think suppliers and/or retailers have got just about right?
 - What would they have done differently in terns of supporting the local food initiative with the benefit of hindsight?
 - What opportunities do they think they have missed/remain untapped?
 - What help/information could they have benefited from the most were it available and where should it have come from?

SUSCHAIN CASE STUDY

SUPERMARKET LOCAL SOURCING INITIATIVE (KENT HIGH WEALD)

Semi-Structured Interview Guide (Suppliers=farmers and food processors)

Context

This case study is one of two UK case studies being conducted as part of the SUSCHAIN project. The unit of analysis in this case study is UK supermarket (Waitrose/Co-op/Budgens) local sourcing initiatives. At this stage it is proposed that the Co-op is regarded as the main case study (as they have agreed to work with us from Head Office and beyond) and Waitrose is the satellite (we have a good idea of corporate objectives and operations re local sourcing and have made some progress already with Waitrose store managers and suppliers in the Kent High Weald). Budgens remains a reserve option should we face further problems with either Co-op or Waitrose.

Three interview guides have been developed to assist with the data collection for this case study: Two for internal stakeholders = suppliers (farmers/food producers) and retail store managers in the Kent High Weald region, one for intermediate stakeholders = consultants, distributors, other partners, and one for external stakeholders = Government agencies, trade organisations, NGOs.

This is the interview guide for suppliers (farmers/food processors) in the Kent High Weald region.

Background and Overview of the Business and its Objectives

Start by asking the interviewee to describe the a) the current status of his business, b) how the business has evolved over the past five years - pressures, problems, events that prompted change, and c) the hopes and plans for the future. The purpose here is to spend 15-20 minutes getting a feel for the big picture in terms of where they are, where they have come from and where they hope to be going in the future. The later questions concern issues from which we can build the ANT especially stakeholder relations (conflict/consensus/strategies to overcome problems) and barriers and constraints and motivations. Interviewers should bear in mind that the focus of the

questions centres on the initiative (i.e. Co-op/Waitrose local sourcing) rather than the farm enterprise itself as the initiative.

Proposed questions to prompt the elicitation of this information:

Problematisation

1. Please describe your current business operation
 - land farmed, crops grown and production methods used (e.g. organic)
 - processing undertaken
 - markets supplied and relative importance (share of turnover, price and profit differentials for raw versus processed products (e.g. liquid milk versus yoghurt) and for different market channels (e.g. farmers market versus supermarket)
 - what is special/unique about the product(s) you have developed and what investment (time and/or money) have you made to achieve this point of difference?

Interessement

2. When and why (probe for major drivers) did you make the decision to
 - change from what you were doing in the past (if they mention a major change in their business operation when describing what they currently do) and/or
 - invest in value-added processing and/or
 - start to supply new market channels (e.g. farmers market, local store, supermarket)
3. Key milestones in the development of their contact with the local sourcing initiative:
 - What influenced the change (global/national/local/sectoral/internal).
 - What motivated the change? (Include motivations for and barriers to/constraints on participation in the case study initiative in terms of stakeholder relations that are directly relevant to the case study initiative. E.g. unwillingness of key partners (members etc. to participate). Explore any points of conflict and also consensus.

Enrollment and Mobilisation

4. Who are the other people/organisations involved in this initiative?
 - who are key partners and/or other stakeholders (internal/external and interface stakeholders-see end of document) involved in delivering or facilitating the delivery of the local sourcing initiative product/service (e.g. producer group/co-op members, spouse, distributor).
 - key competitors (products and people/organisations)

- What is the Nature, Extent and Significance of their relations with the case study (including motivations for and barriers to/constraints on participation) Strategies adopted (if any) to overcome these constraints.
5. What major obstacles have you had to overcome along the way (focus on the four elements of the marketing mix)?
 - Product - problems with making it, achieving consistent quality, getting the right ingredients etc
 - Price - not getting enough, not knowing what to charge
 - Promotion/advertising - not knowing what to do or how to do it, lack of awareness, lack of interest amongst potential target groups
 - Distribution - lack of adequate transport, difficulty getting market access, not knowing where to sell, small loads/high cost
 - Any others?
 - Strategies adopted (if any/if possible) to overcome these constraints.
 6. Success/achievements that have derived from supplying the (Co-op/Waitrose) initiative (turnover, membership numbers, employee numbers, recognition, customers, other...)
 7. What are your long term aims (general) and objectives (specific)?
 - Need to distinguish between economic/financial, lifestyle, social, ethical, environmental...
 - Include any changes over time.
 8. What action do you expect/plan to take in order to achieve them (e.g. investment in further processing, expansion of supplier and/or customer base)?
 9. What major obstacles do you see before you (if not mentioned then probe for the issues around scaling up - have they thought about how will they meet growing demand for their product(s) and if so what do they envisage, again focusing on the four elements of the marketing mix)?
 - Product - problems with making it, achieving consistent quality, getting the right ingredients etc
 - Price - not getting enough, not knowing what to charge
 - Promotion/advertising - not knowing what to do or how to do it, lack of awareness, lack of interest amongst potential target groups
 - Distribution - lack of adequate transport, difficulty getting market access, not knowing where to sell, small loads/high cost
 - Suggestions for how to overcoming these difficulties.

Consumer Engagement

A major element of this project is about engagement of/with consumers. What specific efforts have you made to involve consumers in the development of your business?

10. Any market research?

Do they have any specific target segments in mind and if they have more than one and they are different how do they tailor the marketing mix accordingly (e.g. do they have different products, packaging, prices, channels for different target groups)?

Public Support

11. What, if any, support have you had from government (local = county, regional = SEEDA, national = DEFRA/DTI)? and what form did this support take? (e.g. grant, advice, information)

Governance

12. What kind of relationships do you have with the other stakeholders involved in the production/distribution/marketing of your product(s). Probe here for examples of market power (who dictates the terms of supply, examples of opportunistic behaviour), personality clashes, risk and benefit sharing mechanism (e.g. use of contracts, long term and/or fixed term agreements)?
 - Input suppliers
 - Other producers (if part of a co-operative/producer group)
 - Wholesaler/Distributor
 - Retailers
 - Consumers (if selling direct)

Rural development

13. Explore their perception of the role of the case study initiative in sustainable rural development (active/passive; perceived/actual/potential)
14. Explore any rural development contributions that their enterprise has made through involvement with the case study initiative

Lessons Learned

15. Wrap up the interview by asking them what they would regard as the major lessons learned to date in terms of how to go about developing a sustainable (local/regional) farm/food production business.
 - What are the critical things that they think they got just about right?
 - What would they have done differently with the benefit of hindsight?
 - What opportunities do they think they have missed/remain untapped?
 - What help could they have benefited from the most were it available?
 - What advice did they receive that proved most helpful?
 - What advice did they follow that they now wish they had ignored?

10 ANNEX 2 - CONSUMER QUESTIONNAIRE (CO-OP LOCAL FOODS)

1. Which of the following best describes what you would regard as 'local' food? *(Tick one only)*

- Produced within 30 miles of where it is being sold Produced within the county
 Produced within the South East Other (specify.....)

2. Which of the following best describes what you would regard as 'regional' food? *(Tick one only)*

- Produced within 30 miles of where it is being sold Produced within the county
 Produced within the South East Other (specify.....)

3. Do you currently buy any 'local' or 'regional' food products? Yes No *(Go to Q.6)*

4. What are they and where do you buy them from? *(Tick one or more purchase location)*

Name/Type of Product	Where purchased?				
	Supermarket (specify)	Farm Shop	Farmers Market	Home Delivery	Other (Specify)

5. Why do you buy them? *(Tick one or more but do not prompt)*

- Taste better Fresher More environmentally friendly (less food miles) Support local farmers Other
 (Specify.....)

6. How do you know they are produce locally or within the region? *(Tick one or more)*

- 'Produced in Kent' or 'Taste of Susssex' Logo Purchased from or delivered by local producer
 Point of sale material Local or Regional product name Other (Specify.....)

Go to Q.7

7. Why don't you buy any 'local' or 'regional' food products? *(Tick one or more but do not prompt)*

- Too expensive
- Not interested in local/regional food
- Products not available/have not seen any
- Disappointing taste/appearance
- Other (Specify.....)

8. Which of the following ‘local’ or ‘regional’ food products would you be interested in being able to buy from this store? (Tick one or more)

- Milk
- Cheese
- Yoghurt
- Fresh meat
- Fruit
- Vegetables
- Bread
- Biscuits
- Cakes
- Preserves/Pickles
- Other (Specify.....)
- Not interested in buying any ‘local’ or ‘regional’ food from this store (Go to Q.15)

9. How would you prefer to see ‘local’ or ‘regional’ foods presented in this store? (Tick one only)

- In a special stand-alone display of ‘local’ or ‘regional’ foods (so you can find ‘local’ or ‘regional’ foods easily)
- Mixed in with the different food categories (e.g. ‘local’ or ‘regional’ sausages next to the other sausages)
- No Preference

10. What would be the most effective way for the Co-op to promote ‘local’ or ‘regional’ food and persuade you to try some? Tick one or more but do not prompt)

- Advertise on national TV
- Advertise on local TV
- Advertise on national radio
- Advertise on local radio
- Advertise in national press
- Advertise in local press
- Have tasting sessions in the store
- Have local producers in the store
- Have special offers on ‘local’ or ‘regional’ food products
- Other (Specify.....)

11. Please indicate the extent to which you agree/disagree with the following statements

“If supermarkets made it easier for people to buy ‘local’ or ‘regional’ food by making them more widely available then more people would buy them”

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

“Of all the supermarkets I would expect the Co-op to be taking a lead on making ‘local’ or ‘regional’ foods available in their stores”

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

“Of all the supermarkets I would trust the Co-op the most to ensure that suppliers of ‘local’ or ‘regional’ food are treated fairly”

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Personal Details

- 12. Age** 18-24 25-34 35-44 45-54 55-64 65+

13. Occupation of the main income earner in the household (previous if retired)

14. How frequently do you shop at this store?

At least once a week No more than once a week Occasionally Rarely

15. On average, how much would you say you spend when you shop at this store?

Less than £5 £5-£10 £10-£15 £15-£20 Over £20

16. Gender Male Female

11. ANNEX 3 - TABULATED SURVEY RESULTS

1. Which of the following best describes what you would regard as 'local' food?

	% of Respondents
Produced within 30 miles of where it is being sold	65
Produced within the county	30
Produced within the South East	2
Other	3

2. Which of the following best describes what you would regard as 'regional' food?

	% of Respondents
Produced within 30 miles of where it is being sold	7
Produced within the county	56
Produced within the South East	37

3. Do you currently buy any 'local' or 'regional' food products?

	% of Respondents
Yes	66
No	34

4.a What 'local' or 'regional' products do you buy?

Name/Type of Product	% of Respondents
Fruit	76
Vegetables	74
Meat	66
Bread	10
Cheese	10
Organic	7
Eggs	4
Milk	3
Fish	2
Other	4

4.b Where do you buy them from

	% of Respondents
Supermarket	25
Of which:	
Waitrose	41
Co-op	37
Sainsbury's	9
Tesco	8
Asda	3
Farm Shop	30
Farmers Market	24
Home Delivery	2
Other	16
Of which:	
Local butcher	12

5. Why do you buy them?

	% of Respondents
Taste better	42
Fresher	44
More environmentally friendly (less food miles)	13
Support local farmers	33
Other	22
Of which	
Healthier	7
Better quality	4
More choice	3
Convenient (just passing)	2
Appearance	1
Value for money	1
Support local shops	1

6. How do you know they are produce locally or within the region?

	% of Respondents
'Produced in Kent' or 'Taste of Sussex' Logo	19
Purchased from or delivered by local producer	28
Point of sale material	20
Local or Regional product name	20
Other	6
Of which	
Trust	2

7. Why don't you buy any 'local' or 'regional' food products?

	% of Respondents who do not buy
Too expensive	35
Not interested in local/regional food	24
Products not available/have not seen any	26
Disappointing taste/appearance	15
Other	46
Of which:	
Inconvenient (time, travel)	36

8. Which of the following 'local' or 'regional' food products would you be interested in being able to buy from this store?

	% of Respondents
Milk	33
Cheese	29
Yoghurt	20
Fresh meat	60
Fruit	78
Vegetables	78
Bread	38
Biscuits	18

Cakes	14
Preserves/Pickles	15
Other	21
Of which:	
Cold meats	6
Organic	4
Game	2
Not interested in buying any 'local' or 'regional' food from this store	10

9. How would you prefer to see 'local' or 'regional' foods presented in this store?

	% of Respondents
In a special stand-alone display of 'local' or 'regional' foods (so you can find 'local' or 'regional' foods easily)	67
Mixed in with the different food categories (e.g. 'local' or 'regional' sausages next to the other sausages)	18
No Preference	15

10. What would be the most effective way for the Co-op to promote 'local' or 'regional' food and persuade you to try some?

	% of Respondents
Advertise on national TV	16
Advertise on local TV	21
Advertise on national radio	12
Advertise on local radio	11
Advertise in national press	9
Advertise in local press	33
Have tasting sessions in the store	47
Have local producers in the store	15
Have special offers on 'local' or 'regional' food products	34
Other	15

Of Which:	
Window posters/cards	3
Mail shots	3
Regular customers would see and buy	3

11. Please indicate the extent to which you agree/disagree with the following statements

	% of Respondents				
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
"If supermarkets made it easier for people to buy 'local' or 'regional' food by making them more widely available then more people would buy them"	32	43	17	6	1
"Of all the supermarkets I would expect the Co-op to be taking a lead on making 'local' or 'regional' foods available in their stores"	16	45	33	3	2
"Of all the supermarkets I would trust the Co-op the most to ensure that suppliers of 'local' or 'regional' food are treated fairly"	15	37	41	4	1

12. Sample Profile

Age

	% of Respondents
18-24	9
25-34	25
35-44	33
45-54	18
55-64	10
65+	5

Occupation of the main income earner in the household (previous if retired)

	% of Respondents
A/B	32
C1/C2	54
D/E	14

How frequently do you shop at this store?

	% of Respondents
At least once a week	53
No more than once a week	28
Occasionally	13
Rarely	6

On average, how much would you say you spend when you shop at this store?

	% of Respondents
Less than £5	7
£5-£10	20
£10-£15	20
£15-£20	22
Over £20	32

Gender

	% of Respondents
Male	9
Female	91

11 ANNEX 4. LOCAL FOOD PROCUREMENT BY RETAILERS IN THE HIGH WEALD

SUS-CHAIN Case Study Workshop, Tunbridge Wells, 8th July, 2005

Workshop Report

Matt Pitts and Bill Vorley

Hosts

International Institute for Environment and Development

Kent High Weald Project

Background and Objectives

Many UK supermarkets have policies for the sourcing of local food. For some initiatives, this means seeking out supplies from within a certain distance of the branch where they are sold (in the case of the Waitrose 'Locally Produced' scheme, this is a 30-mile radius). It may also mean using small suppliers with strong links to the local economy and community.

In a region such as the High Weald of Kent and East Sussex, with a rich agricultural heritage and landscape but no deep local food culture, the implementation of these policies can be problematic. Without a strong customer 'pull' for local foods, supermarkets are reluctant to replace national and global sourcing with local foods, other than a very limited range of craft products.

The objective of this workshop was to pool knowledge on production, processing, retailing and consumption in the High Weald, and to evaluate opportunities for deeper links between supermarkets and the local agrifood economy.

It built on extensive interviews of a wide range of stakeholders in the food chain and rural development in and around the High Weald as part of the SUS-CHAIN project, and also some consumer research conducted in partnership with the Co-operative Group. Some of the participants also could reflect on experiences gathered on a fact-finding visit to Italy, where Coop Italia member Unicoop Firenze are implementing a programme of local and regional procurement.

Research Findings—Andrew Fearne

Box schemes and Farmers Markets have flourished while supermarkets ignored local foods, but they realised that they are missing an opportunity. Of alternative markets in the UK, Farmers Markets are most *in* tune with SUS-CHAIN objectives, but most *out* of tune with people's busy lifestyles. It's not very convenient to try and do all of your shopping in half an hour at a Farmers Market once a month, if you are busy and have got three children.

For *local* to work, supermarkets must invest time and resources in infrastructure, new systems, new people, and new incentives.

Local sourcing in the High Weald was in its infancy a year ago when we started this research, but now people are talking about local and regional wholesale distribution hubs as the way forward, rather than growers supplying direct to store. This seems to be the emerging model and that's the one that Budgens seem to be working with.

The Waitrose Local Sourcing model

In this model, Waitrose selected local products by demand, with widespread reliance on the regional food groups. At the time of the research, they had only a handful of niche products in High Weald stores, two cheeses, one wine. To Waitrose, *local* is not enough -- a new local product must be as good if not better than another existing product to stand a chance of being taken on; ideally they also need a story behind them (ie artisanal products). Waitrose have been very good at developing supply chain relationships, so the success stories in the Waitrose chains in the South East are the key suppliers like Rowcliffes, who have been working with Waitrose for 20-30 years. But if you are not one of the current suppliers, how do you get in?

The Budgen's Local Sourcing Model

Budgens is more flexible in seeing local as an opportunity on a larger scale. They work more closely with the food groups in actually trying to foster the distribution hubs, finding people helping them to develop that role. A Kent and Sussex joint venture is visible in their Hawkhurst store in Kent where they have around 80 local products. This is largely attributable to the store manager working closely with the local food groups and directly with producers.

The Co-op Local Sourcing Model

Co-op's initial target is for 30 local regional products in each of the Co-op regions. Co-op has been becoming increasingly centralised which is great for efficiency but does not necessarily meet the needs of those customers who are asking for local products. The Co-op approach has been that local products have got to have a proven track record and meet the supermarket targets for margins and sales.

The Producers

On the suppliers' side there is some very simple summary messages that came out from the interviews. Expectations of selling to supermarkets were rarely met. The pattern that emerged was that the supermarket would set up a deal with the supplier and then nothing happened or something went wrong, either because the supplier was not ready for this kind of market, or they were not given help and nurturing from the supermarket.

High Weald Consumer Research

According to consumer research, people aged over sixty buy local produce most regularly. Research also shows that people mainly associate the High Weald with fruit production. Consumer research was carried out in three Co-op stores across the High Weald in April 2005 over a three-week period. People interviewed were mostly women and sixty per cent of these were aged between twenty-four and forty-four. When questioned on the meaning of local, thirty per cent deemed the *county* level as sufficiently local when buying, and when questioned as to what was regional food, fifty-six per cent classed regional as again countywide and thirty-seven per cent classed it as covering the South East area. Seventy per cent of those interviewed said they bought local fruit and vegetables and ten per cent bought local cheese and bread. Farm Shops accounted for the largest share of local produce purchasing.

The results were misleading as many people assumed that when buying things like milk and vegetables from the Co-op that they were probably buying local. People buy local food because they perceive it to be fresher and taste better, and because they want to support local farmers. When questioned about how they know whether their produce is local, twenty per cent purchased from somebody they knew producing locally, for example a farm shop. Only twenty per cent mentioned regional labels. Only fifteen per cent said they would respond to seeing local suppliers presenting their products in store. The major barriers to purchase were price. Three quarters agree that more people would buy local food if supermarkets made them more widely available, so convenience and lack of awareness are major reasons for non-purchase.

Two thirds of people said that the Co-op should be taking a lead amongst supermarkets. The Co-op is ideally positioned to exploit this new demand for local meat and fruit. Consumers said that amongst all the supermarkets they can trust the Co-op most. People respect Co-op and trust the responsible corporate image. Kentish people want local fresh produce and no supermarket has delivered on this part of 'local'. Regional food groups know best what suppliers need and act as a go between, as many producers don't know much about marketing.

Conclusions

More consumer research is needed about local produce. Opportunities for scaling up are minimal at present. This is partly due to the lack of strong food heritage in the South East. Budgens in particular have created involvement of local store managers, which is creating greater flexibility in the choice of products. But its difficult to see how much it can be scaled up, especially around support for and development of local regional distribution hubs.

Supermarkets have the ability to make local food work. They have the resources, people, stores, space, shelves and shoppers. The solution lies in a different approach, with a vision that extends beyond immediate returns on investment.

Discussion

- We may need to think bigger than the Regional Food Groups. RFGs have perpetuated the preferences for 'local' as craft niche products, with Kentish Fare as an exception
- Many people (eg SUSTAIN members) see contradictions in helping supermarkets do better in local food procurement, because of the need to build diversity in food supply channels and reduce the dominance of the multiple retailers
- Much of the consumer data is very similar to perceptions of organics

Lessons from Italy: regional procurement by Co-op Italia / Unicoop Firenze (Dan Keech)

There are several lessons to reflect on from the fact-finding trip to Italy.

The first is very important, around *achieving a strong government and corporate policy framework for local and sustainable food purchases*, which is lacking in the UK. Tuscany has got very strong EU funded regional government support for agriculture. Coop Italia has seen local food as a rising market opportunity, from annual customer surveys and sales of local goods over the last 2 or 3 years. There is a very close alliance between the political motivations or policy motivations of the regional government and the corporate business motivation. It is about the region as much as it is about the business in both cases.

The second lesson is about the benefits of the Coop Italia model. There is a lot of autonomy among the Coop stores in Tuscany, compared to Britain where local stores managers are restricted in what they can buy outside of central purchasing. There are national contracts eg for household products, but there is lots of autonomy to buy locally, and there are regional-level buyers. There are also regular mailings to consumer-members.

The third lessons is the very structured concerted model for buying local and regional food at the corporate level, with 3 tiers of supplier relationship. Staffing in stores is higher than in the UK. Staff appears to be more incentivised.

The fourth lesson is around labelling. In Tuscany, legislation was passed establishing of a Tuscan ecolabel for regional sustainable production and processing methods. It relates to land stewardship as well as well as quality and hygiene controls. There is the potential for the development of a more sustainable label in the UK such as the green tractor logo.

The fifth lesson is about making ordinary food logistically viable, rather than focus on craft niche products, eg carrots from Kent into shops in Kent rather than whisky flavoured mustard. Centralised logistics are a problem for UK farming; for instance, Waitrose still go to mid-Wales for slaughter of local meats.. Co-op Italia is investing in areas where there are problems.

To summarise, the Co-op Italia model shows a strong synergy between corporate and government policy motivation, which creates a mechanism for sustainable food and local food entry in the supply chain. There is a sophisticated and strategic approach to local sourcing, there is labelling, and there are relationship, and the operational realities of a farmer.

Discussion

- How much of the difference between the UK and Italy depends on culture? Might the Tuscany model better work in the SW?
- Note that Italy is moving towards the UK model of supermarketisation, pre-packs etc.
- The Italian system relies on bringing farmers/producers on board, to see that it is a worthwhile project. Producers in the UK see that the government is not particularly interested, and that a lot of money and time has been wasted on failed schemes.

Local sourcing: Co-operatives Retail's local sourcing initiative (Rachel Burlton and Sean Deakins, The Co-operative Group and **Co-operative Retail Trading Group)**

The Co-operative Group started out as a wholesaler, then became a wholesaler and manufacturer, and then it became a wholesaler, manufacturer and retailer. More recently the Group acquired more retail outlets but it still fulfilled a role in the wholesale co-operative market. The Group is family of businesses with 1,800 food stores throughout the UK from the Shetland Islands to the Isle of Wight and from Cornwall to Wales, Northern Ireland across to Lincolnshire.

The Co-operative Group (Co-operative Retail) also acts as the central buying point for the entire Co-operative Retail Movement in the UK, including independent co-operative societies -- retail Societies are independently owned by their individual members and run by their independent management teams. The central buying consortium (Co-operative Retail Trading Group, CRTG) came into fruition in the mid 1990s. The Independent Societies are corporate members of the Co-operative Group through their membership of CRTG.

The Co-operative Retail Movement in the UK has gone through this centralisation process over a number of years and have finally got to the point whereby all 33 independent co-op societies are buying together with one point for contact of suppliers, and national contract negotiation. This is great for achieving economies of scale, as every society had previously bought independently. The Co-operative Group (Co-operative Retail) operates it's own stores, *and* fulfils the central buying function for all the Independent Retail Societies. The local sourcing team is employed by the Co-operative Group but actually works on behalf of the central buying consortia - CRTG.

A Co-operative is an organisation that adheres to a certain operational constitution and governance driven by a common set of values and principles - that's the single unifying characteristic of the businesses. Each independent Co-op society has a different emphasis on local food. And each society is present in different markets -- retail, cars, travel, funerals, health care -- and each articulates their co-operative brand in a different way.

In developing a local food strategy, the Co-op felt that 'local' products needed to be *retail ready*, i.e. bar coded and labelled in a way that the consumer could identify with the region. Prospective 'local' suppliers first fill in a questionnaire, then the Co-op selects products with good sales prospects; Co-op's space is of a premium. Within the Co-operative Group (Co-operative Retail) a target of criteria 30 local products has been set per region for their store estate.

The success of the Oxford, Swindon and Gloucester Society

The independent Oxford, Swindon and Gloucester Society (OS&G) is in the vanguard of local sourcing, and the reasons behind that are already highlighted in the full SUS-CHAIN report. Local sourcing is a complex network, often built around a charismatic individual and a lot of work. These factors have come together within OS&G, where there is someone who is visionary about how a Co-operative makes itself relevant to the modern consumer, including being very active in the local community. One of the ways to do that is by supporting the local economy and local producers. OS&G have very much gone forward and developed and marketed a model corporate brand message around local communities and particularly local foods (called '[Local Harvest](#)') and they have got several hundred lines now and around 20 producers.

OS&G started by doing an audit of what their individual members thought of their community involvement. The results showed that members saw OS&G as doing really well

with fair trade and championing people in poverty in the third world but they were not doing enough in the UK to support domestic producers. So OS&G looked at local sourcing as a kind of *UK version of fair trade*. The society approached CRTG to set up the procurement. It took a lot of determination and hard work for CRTG, which works under tight budgetary and personnel constraints, to put this local procurement into practice for OS&G. There is the further challenge that if that society starts lowering its sales of national centrally approved products, then total central income can be reduced. So to get the OS&G local procurement system within the complexity of the Co-operative movement is a very big challenge.

Why has the OS&G succeeded in local sourcing when the larger Co-operative Group has yet to succeed? OS&G have two success factors: a marketing model that supports their Local Harvest scheme, and a management model. Marketing has been very much aligned with rural development and rural revival, with a lot of promoting work in store, featuring the producers that supply their scheme. OS&G have succeeded in marketing, signage, and labelling -- all the factors that ensure that consumers know products are local. They have also got a management model whereby they only operate 120 stores (compared to the Co-op Group's 1,800 stores) from the heart of their three county trading areas. The central office knows the store managers personally and they have much closer relationships.

OS&G have marketed their local sourcing as very much a part of their core brand, their core offer. It also fits a stakeholder engagement model whereby members, consumers and people in the local community -- agricultural producers, local media etc -- are brought together and get on board.

By contrast, the Co-operative Group (Co-operative Retail) are operating within an enormous organisation with 47,000 employees and levels of hierarchy that constrain flexibility. Yet the Co-operative Group (Co-operative Retail) has individual members around the UK who through the retail network campaign for local procurement – demands which are carried to the main board through a democratic structure, and come back down again through the management. But how do you manage local procurement in the CRTG and all of the 33 societies, and the 1,800 stores in the Group? On one hand there is hierarchy, corporate social responsibility and responsible procurement to deal with. And on the other hand, there are commercial pressures to deal with, as the Co-op needs to restore profitability. And in the middle there are issues of branding. The Co-op is not managing to successfully join these pieces of the local challenge.

Reflections on Coop Italia/Unicoop Firenze

On the Italy trip, it was very reassuring to see that Unicoop Firenze are facing the same struggles as the Co-operative Group in the UK. It was also very reassuring that there is a way forward and that they have a successful example of how to do it in theory. In practice, there was not much evidence in the Unicoop stores, apart from the pasta products (and even then, they were hidden within the pasta aisle, without any point of sale information)

and their own brand bread. It was reassuring on another level to see the way that they have gone about classifying how to manage the complexity that is local within a national and global procurement model.

The fact that the Co-op is a co-operative and not an ordinary commercial supermarket is a very important factor. There are opportunities for the model of co-operativeness -- saving the planet rather than saving the pennies -- to work. The Co-op's new corporate social responsibility group brand project will deliver some of this, but ultimately it is *branding* that will be the deciding factor in people choosing Co-op stores over the competition.

Infrastructure and distribution

There are two key issues for local: working infrastructure and distribution. It is frustrating that somebody may know how to make the best cheese in the whole of Kent, yet cannot talk to the Co-op in retail language.

The Co-op can only do so much. There has to be some kind of bringing together of knowledge because each food group is funded and operated in a slightly different way. There should be more co-operative *producers* that pack under a local brand, such as Kent Apples. The example of pasta producers in Tuscany is a good one – the wheat producers worked in a co-operative, to add value to the producers themselves. Producer organisation can provide marketing tools (perhaps with the support of a national academy in marketing for small food businesses) and some economy of scale, because price is the key thing that puts consumers off -- they like the idea of a local product but they are not going to pay extra for it unless it tastes really fabulous. But there are also concerns around the idea of working more co-operatively -- the growers could finish up with all the costs of packing, production and transport, with new larger and extravagant pack house.

A possible solution would be to bring smaller redundant pack houses back into use (with the local environment health office to inspect and monitor), with produce then moving to a central distribution point, which would then satisfy both producers and supermarkets. This would avoid having vehicles running around all over the countryside.

The Co-op has been going in one direction in terms of distribution and logistics, and will resist going back to more regional distribution. Most other major supermarkets are having fewer and bigger depots. So it is difficult to envisage how any of the big supermarkets would get regional logistics right, eg putting Kent apples back into Kent stores, because you are still going to have to take apples from Kent up to a central distribution depot. But there are supermarkets that would be interested in a 'Kent Apples' type offer.

The competition

Asda started off putting local strawberries in 10 stores last year; this year this has expanded to 70 stores and they are bringing on more local suppliers of commodities -- potatoes,

strawberries etc -- into their local stores. Waitrose also has a pilot at the moment (in Tonbridge) on bringing seasonal local fresh produce into store.

The supermarkets each have different reasons to have a *local* 'hook' in their main retail corporate strategy. Asda aim to source 2% of their total UK sales locally, the time frame is unknown. Waitrose are doing it as part of their quality offer. Budgens' strategy is slightly different, about helping customers shop locally. Budgens is owned by Musgrove Group which also owns the Londis and Spar which are symbol groups, with a lot more independence at store level for managers to pick and choose what is in their range. Musgroves in Ireland targeted a significant percentage of their foodstuff products to be locally produced in Ireland – a strategy which the multiples cannot copy.

Discussion

Participants raised a number of issues:

- There are also examples from meat, with associations set up to add value, or regional cheese retailers, which can deal with the supply issue.
- Supermarkets' requirements for centralised packing has put a lot of pack houses out of business, and increased transport costs. Working with smaller pack houses would take a lot of cost out of the system.
- The pack houses are often co-operative but have not been big enough to supply the supermarkets, and farmers still end up at the bottom of the supply chain. Commodity market are getting bigger and bigger and we end up with ever fewer pack houses and abattoirs, all in particular parts of the country. We don't need fruit in the East Midlands anymore because the pack houses are in Kent. So that causes all the problems in the food systems such as food miles, loss of communities, loss of jobs, and the demise of mixed farming -- we are disconnected. The alternative is to move to a food system where food comes from the local people that produced it, e.g. a small farm of 100 acres with a bit of livestock and horticulture. The only way that small farmers can survive is by selling direct, when the farmer by-passes the conventional supply chain retails through farm shops. The farm shop becomes a cost to the farmer, who employs people to run shops, and expands the price he or she is effectively getting for the produce and the terms on which he/she is selling the produce, and therefore the farmer can afford to grow on a small scale with a mixed farm model.
- Oil production peaks probably this year or next year, and the oil price will continue to rise. The current system of supermarket sourcing is going to fall apart because it depends on low cost transport and it does not work in the world where transport costs

money. This may mean there will be a county-level distribution system with hubs not owned by supermarkets, which can sustain a degree of more mixed farming. For farmers, having a big retailer as your major outlet is dangerous. Part of a pilot project by Sustain and FLUK is to help farmers develop relationships with other potential markets apart from supermarkets, so then if something goes wrong then the whole relationship doesn't collapse. Successful relationships with alternative markets can strengthen the logistics and infrastructure, and reduce the distances that food is transported. Seasonality can be partly achieved through relationships with cooperatives overseas.

- Supermarkets have to be careful -- there is a real danger where they can trip up because the local products that are on their shelves just happen to be local, though they come from mega-farms and have not been part of a local sourcing initiative.
- The Netherfield centre is helping with producer networking and marketing to link producers with retail outlets, building up a body of local knowledge of who wants what product, and which farmers are interested in diversifying. Producers, growers, farmers are not going out of business at the moment because most of them have come up with a solution such as selling at a farmers market -- most of them are just about making a living. The Netherfield Centre is helping farmers to look at how to set up a system to take the costs out of the supply chain. It is not clear how Common Agricultural Policy reform is going to affect local farmers, but it seems that a lot of farmers will withdraw from active production.
- In terms of food retail, supermarkets have eighty-five per cent of the market, and other retailers including farmers selling direct only have fifteen per cent, so even if you focus on other retail chains, this is only a small part of the market. Tesco alone has a £25 billion per year buying power. People don't buy local because of convenience and access. When we want to visit our local farm shop after work it is closed. A regional hub must have a unique selling point -- something that it can do bigger, better or more efficiently than their competitors. The sustainability agenda will not win over the bottom line. What is good for sustainability is not necessarily good for business. The 'Race to the Top' project exposed the gap between the consumer and the citizen. What citizens do as consumers is completely different to what they think and what they desire and hope for. So there is an important role for government but there is a lack of effort there to force a solution. The education of the public on the connection between consumption and sustainability is part of that government role.
- The concept of localisation of procurement of commodities eg via regional pack houses could be implemented with the co-operation of producers and interested parties
- 'Locally produced' is the equivalent of fair trade procurement from within the UK. If the Co-op can market fair trade products successfully, it must be possible for the Co-

operative Group (Co-operative Retail) and other CRTG members to do the same with local procurement, bringing it commercially into the co-op ethos as a unique selling point, beyond the current target for 30 market-ready non-commodity products within Co-operative Group (Co-operative Retail). There are many problems facing the Co-operative Group and CRTG to make this work. The challenge is, then, how are they going to take this forward, and use this energy as a lever for change?

Participants

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