



# Master's degree thesis

**LOG950 Logistics**

**The importance of integrated relations and effective  
SCM for small local food producers**

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Number of pages including this page: 64

Molde, 23.05.2016



**Molde University College**  
Specialized University in Logistics

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## **Preface**

First of all, I would like to express my greatest gratitude to my supervisor, professor Per Engelseth. During the entire process, which started back in the early parts of October 2015, my supervisor has been utterly helpful in terms of finding a suitable company for the case study, developing of interview guides and teaching the most important interviewing technics, providing constructive suggestions and advice, and for taking his time to answer any questions that I had, both by mail and by several face-to-face conversations. Further I would like to express my gratitude towards Horsgaard & Co and their CEO Kjell Rune Kirkeland that allowed me to conduct a case study with the company, and for always being very open in terms answering any request that I had, and helping me to get in contact with the major customer, supplier and logistical providers of the company. Finally I would like to show my appreciation to all interview objects that answered my request and took their time to answer my questions.

This master thesis is the final assignment of my master degree in the science of logistics at Molde University College. The work with this thesis has been challenging, educational and rewarding. I feel that I have learned a lot and gained experiences during my studies that I will have use for in the future.

Kristiansund, May 2016

Sandvik, Marius

## **Abstract**

Local food is becoming more and more popular in Western and European countries, which creates the possibility for small local food producers to compete with the big food chains when it comes to developing, handling and distribution of certain types of products. Since quality and freshness is something that is very essential when dealing with food it is not difficult to understand that if a small local food producer is aiming to be appreciated as a serious competitor to the big food chains, quality in their products is essential. The overall main objective of this research is to look into how relations and effective supply chain management can contribute to the creation of such quality products and therefore the success of small local food producers.

In order to investigate the main research question the researcher will do a qualitative case study with the Molde based small local fish and seafood producer Horsgaard & Co. The primary data for the study will be obtained from interviews and observations conducted with Horsgaard & Co, and interviews from Horsgaard & Co.'s main customers, suppliers and logistical provider. The secondary data will be derived from relevant literature that emphasizes both the local food aspect of the study and the logistical aspect.

The findings found when comparing the primary data from the case study and the secondary data found in the literature are that the importance of effective supply chain management for small local food producers is essential for the success of the company in terms of delivering quality products. In order to have the ability to simplify the management of the supply chain to create the possibility for effective supply chain management, it is of great importance for the small local food producers to create good long-term relationships with their customer, suppliers and logistical providers. Shorter supply chains with fewer actors involved, actors that has developed close collaborative relationships based on trust and commitment, will diminish the possibility for obstacles and problems occurring in the supply chain, and therefore contribute greatly to the success for local food producers.

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## **1.0 Introduction**

In this chapter the theme, reasons for why this theme was selected and the main research question for the study will be presented.

### ***1.1 Theme and background***

The theme for the study is small local food producers and their relations and supply chain management structure and strategies. If we go back, before the big food chains and food stores became the most used suppliers for people's everyday food, it was normal in many cities that you could find several different small food stores. These stores were normally specialized in different types of food, and therefore were not in direct competition. After the introduction of the big food chains with supermarkets that could include all sorts of products, it has become more convenient for people to do all of their food shopping in one place e.g. at the supermarket, instead of seeking out small local stores which only produce and sell one type of product.

The shift that was introduced by the big food chains forced many local food producers out of business, but those that managed to remain has in the recent years experienced an increase in demand for their products since today local food has become quite popular in many European countries. The reasons for the increased demand for local food products can be several, and some of them will be looked upon later in the study. Even though there is an increase in demand for local food products this does not necessarily mean that people has decided not to do their food shopping in the supermarkets and in the big food chain stores. People still appreciates the convenience that the supermarkets that big chain stores provide, but the consumers have become more and more aware of what type of products they want. This creates the possibility for the small local food producers to sell their products to the bigger stores and to work as their main supplier for a set product assortment. But what is it that makes some types of local food products more desirable for the consumer, and creates the possibility for small local food producers to compete with their much bigger competitors? Also, what are the most important aspects that the local

food producers needs to pay attention to in order to be able to compete with the bigger food chains? In a quest to find an answer, the researcher will specify a research question that emphasizes these themes, investigate literature and conduct a case study with the small local food producer Horsgaard & Co. Horsgaard & Co are located in Molde, Norway, and produce and distribute fish and seafood.

## ***1.2 Research Question***

When developing and defining the main research question for the study there are a couple of interesting themes that strikes the researchers interest. Before diving into the literature it will be interesting to try to understand why some of these small local food producers are capable of competing and in some cases winning over their much bigger competitors with some of their products. It is quite clear that these small companies can't compete with the big chains in marketing of their products, since many of the big food chains have television commercials many times a day. They can't compete in terms of availability, since it is normal that many big food chains are located in the same area. However, if one looks at the quality of the product and services provided, the small local food producers are more than capable of competing with the big food chains. In order to obtain quality products and to provide superior service there are two major aspects that need to be addressed. These aspects are the relations between the local food producers and their customers and suppliers, and the management of the supply chain of the small local food producers. Therefore the main research for this study will be to investigate the importance of good and strong relations and how effective management of the supply chain can help the small local food producers to compete and experience success in their market. This creates the following main research question:

- **How can integrated relations together with effective supply chain management contribute to the success of small local food producers?**

## **2.0 Literature review**

This part of the study will look into the theoretical aspects of importance in terms of finding an answer to the main research question for the thesis. The literature will be divided into two major sections. The first section, 2.1, will look into theoretical literature concerning local food, while the second section, 2.2, will provide relevant literature concerning the logistical aspect of the study.

### **2.1 Local Food**

The meaning of section 2.1 is to look into, and to investigate the concept of “local food”. Different local food definitions will be addressed and the researcher will define local food for the purpose of this case study. Furthermore this section will contain literature concerning the current demand for local food and investigate for what reasons people choose to buy local food. Since this is a case study concerning the local fish and seafood company Horsgaard & Co, fish and seafood as local food will also be addressed, and so too will possible barriers and reasons to why some people decide not to buy local food.

#### **2.1.1 Local Food Definition:**

Local food is widely discussed and this has created several different definitions. To be able to understand and to define local food for the purpose of this study, different definitions will be addressed and looked upon. Questions regarding how a product is determined to be local food and what types of parameters and requirements a product must satisfy to be recognized as local food will also be addressed.

The concept of “*local food*” is highly debated and discussed among scholars, but today there is no clear-cut definition of what local food really is. This however does not mean that there are no definitions on local food, on the contrary, there are many such definitions.

“Although there is no clear, distinct definition, there is no lack of definitions of local food, which presents a problem for both consumer and companies” (Lang, Stanton, and Qu 2014). The range and variations of the definition of local food will often vary depending on whom you ask. One local fisherman can have a different definition and vision on how he sees local food than what his customer has, and the definition between different customers can, and will also vary a lot. Even though scholars quite heavily use the term local they cannot agree on the definition of the term. “Despite the growing use of the term “local” in academic and civic discourse, there is no consensus on a precise definition” (King et al. 2010). The lack of a definition has also been touched upon by Martinez et al (2010) in their paper *Local Food Systems, Concepts, Impact and Issues*.

There are no general accepted definitions of local food. Though local has a geographic connotation, there is no consensus on a definition in term of the distance between production and consumption. Definitions related to geographic distances between production and sales vary by regions, companies, consumers and local food market (Martinez et al. 2010).

Even though there is a vast variety of different definitions in the interest of local food, most seem to establish that there is a geographical delimited area in which food is produced, distributed and sold to end consumer. “The general meaning of local food refers to food produced close to consumer” (Engelseth 2015).

The delimited area that determines the term local can however, and will often vary depending on whom you approach to give the definition. There could also be a big difference in what the state and the common people see as local food. Although the geographical delimited area will vary depending on whom you ask and what their occupations are, some scholars have however tried to state the geographical distance within where local food is produced and sold. “According to the 2008 Farm Act, a product can be marketed as locally or regional produced if its end point purchase is within 400 miles from its origin” (Martinez et al. 2010).

The 2008 Farm Act considers the US market and the delimited area that they present is quite big, especially if you consider Norwegian local food producers and retailers, but also on an American scale. Many retailers and consumers in the Norwegian local food market

will definitely see this definition as too big in scale for their business. Therefore this definition of the delimited area should be looked upon with the same kind of eyes and mindset as the many of the local food definitions. “There is no consensus on a definition of local or local food systems in term of the geographic distance between production and consumption ” (Martinez et al. 2010).

Another way that some scholars use to describe and determine the definitions on local food has to do with how the products are being handled, and how the production process for the products are, so that they can determine the final products to be local food, together with set geographical locations.

Local food is a reflexive concept associated with all activities related to the method of food production and distribution constrained by geographical measurers and sociocultural emotions (Engelseth 2015).

This is also touched upon by King et al (2010) in their paper, *Comparing the Structure, Size and Performance of Local and Mainstream Food Supply Chains* where they state that “Many consumers also link production practices, cultural values distribution range to their concept of local food” (King et al. 2010).

For the purpose of this study local food will be determined to be food that is produced, distributed and sold to end consumer inside a pre-defined delimited area. Since this study is a case study for Horsgaard & Co, the delimited area for local food is defined by Horsgaard & Co CEO Kjell Rune Kirkeland to be “food that is produced and sold inside an area of one to two hours” and this will be addressed in more detail later on in the study, in chapter 4 under section 4.1.2, *Products*.

### **2.1.2 Local Food demand**

Having looked into the definitions of local food in the previous section of this chapter, and having determined what local food is for the purpose of this study, in this section the current demand for local food products will be addressed in terms of how the popularity

and demand for local food is. Also in this section the reasons for why some people choose to buy local food in smaller businesses and in some cases pay more money for the product instead of food produced for and sold by the bigger supermarkets and food chains, will be addressed.

In recent history the demand and interest for locally produced food has been growing and evolving. “Support for the local food movement as an alternative food system has been emerging in many countries around the world ” (Arsil et al. 2014). The authors of the article *Exploring consumer motivations towards buying local fresh food products* also provide advantages that are present when dealing with local food, both for the producers and the consumer.

For the producer, the social advantages are the contribution of supplying basic need and food for their community. For consumer, it is the knowledge of the authenticity and origin of the foods (Arsil et al. 2014).

The statement made by Arsil, et al. (2014) is firmly backed up and more specified for this study by the authors of the paper *Products strategies for growth in niche food firms*, Kvam, Magnus and Stræte (2014), that state that “During the last 20-30 years, local food production has become a growing industry in Northern Europa” (Kvam, Magnus, and Stræte 2014), however it was not before the 1990s that the local food movement was paid attention to in Norway.

Since the 1990`s, however, government initiatives have contributed to the establishment of 900-1000 local food businesses, i.e. firms with less than ten employees. These firms are dispersed over the country and they are often family firms or private limited company owned by locals (Kvam, Magnus, and Stræte 2014).

When recognizing that the demand of local food has been rapidly growing in recent years, some questions that should be investigated is why people choose to buy local food from smaller retailers instead of using the bigger food chains. Small local food producers often have higher prices for their products compared to the big food chains, and they are also a bit more *difficult* to find, i.e. they are only located in one place and/ or only distribute their

products too a few places that are located fairly close. There can be several reasons for the phenomenon regarding why consumers choose to buy their products from small local food producers instead of using the supermarkets and the big chain food stores. One of the strongest of these reasons often have strong relations to the quality of the product that are produced and sold by the smaller local food producers.

Clearly, they do it because the mainstream foods and particularly supermarkets cannot deliver the expected food qualities that are increasingly sought by the consumer (ARSAN 2013).

“The factors can be food quality, cost, lifestyle and supporting local economic growth” (Arsil et al. 2014). Establishing that local food producers on most occasions have higher prices for their products compared with those found in the supermarkets and in the big food chains, forces the local food producers to have a strong focus on quality.

The perception of high standards of freshness and taste (particularly for fresh fruits and vegetables) as well as authenticity (by not being associated with mass production) and knowing the source, or provenance, of the product (Pearson et al. 2011).

Quality in the product is very essential for small local food producers. The term quality, alongside the strong focus that the small local food producers have to enforce on producing quality does however not only refer to quality in the end products. It is essential to have quality in all processes and interactions between the small local food producers and their consumers. This aspect is something that most of the bigger food chains and supermarkets does not emphasize too much on, and could be a key reason to why people choose to buy local food.

Support for local food producers and the advantages of having direct contact them is, indeed a viable part of the larger picture of why people want to buy and pay extra for local food (ARSAN 2013).

Local food producers must often spend more of their time than the major supermarkets and the bigger food chains trying to build bridges with their consumers, bridge building that

over time can create an identity for that specific environment. “The popularity of organic and local foods reflects more than basic needs, they are an expression of identity and worldviews” (Nie and Zepeda 2011). Often is the case that local food producers benefits from having been around for several years, with a staff that is known by their customers and the environment, and this helps to create good relations between the producer and the customer.” Getting to know your local producers gives you a stronger sense of place, relationship, trust and pride within you community” (USU 2012). The decision of buying local food at a local food producer can also provide several benefits on different levels both for the consumer, the local food producer and the society.

The potential benefits of supporting local food networks, instead of buying food which has been sourced from all over the world, are many and may be considered the environmental, social, economic and health perspectives (Pearson et al. 2011).

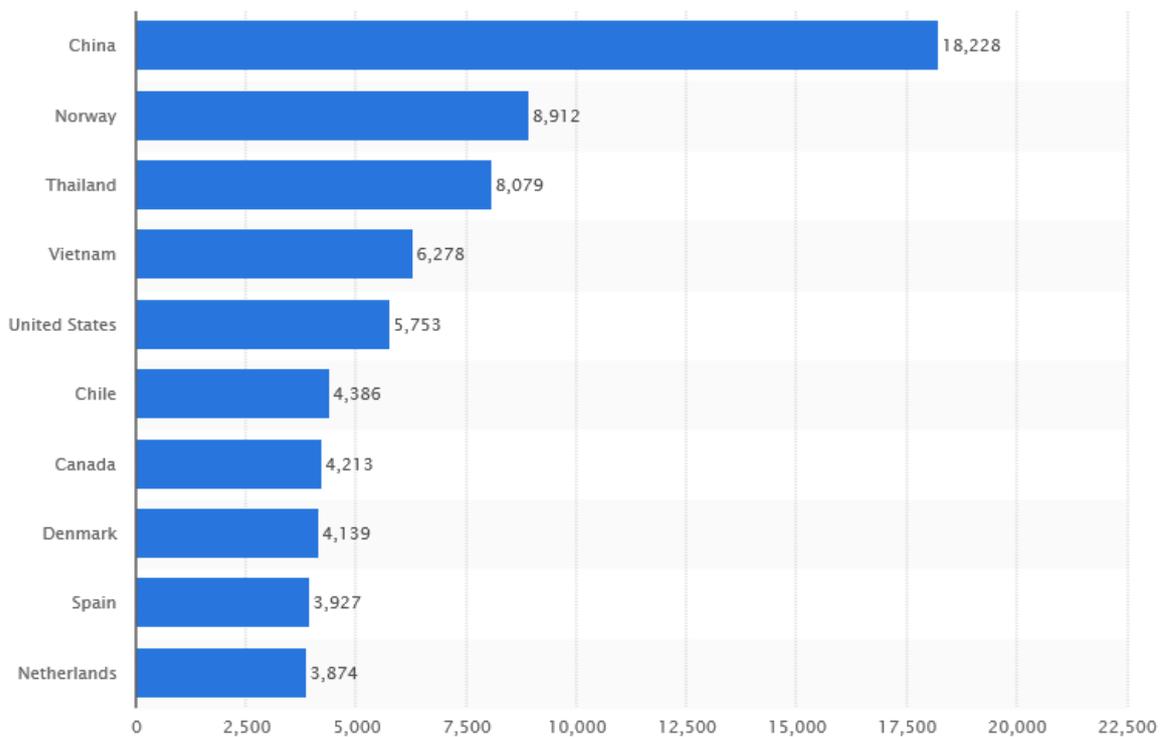
### **2.1.3 Seafood as local food**

Since Horsgaard & Co operates and deals with fresh seafood as their main product it will be useful to look into the demand and accessibility of seafood as local food. The history of seafood in Norway, alongside reasons to why the demand and popularity has become as it is today will also be investigated in this section.

Food consumption behavior, like any complex human behavior, will be influenced by many interrelating factor, like physical properties of the food, (flavor, texture, odour), characteristics of the individual (personality, preferences, attitude, perceptions, knowledge) or characteristics with the environment (availability, season, situation, culture) (Olsen 2001).

The statement made by Olsen (2001) simply means that, we as consumers of food are influenced by many different aspects when deciding what we like to eat. One major characteristic that is stated is the environment. The environmental aspects as regards to culture and availability are very vital reason for why some countries or a region uses more of one particular product than other countries and regions. From the early beginnings

seafood has always been a vital part of Norwegian food history, primarily since the availability of seafood is very good in the Norwegian coast. Fish and seafood was historically something that was seen as an “*easy and cheap*” way of getting food on the table, as it was common for many to fish the fish themselves. Fish and seafood has always been one of Norway’s biggest export goods and some in Norway regard fish as the “silver of the ocean”. Although Norway is as small country in terms of population, the country has a big coastline with great accessibility of fish. This together with the vast experience and knowledge that the Norwegian fisherman has gathered trough many years have made Norway one of the biggest fish and seafood exporting countries in the world. In 2012 Norway was second only to China when looking into which countries that exported most seafood.



**Figure 1:** “Top 10 exporting countries of fish and fishery products in 2012 (in million U.S dollar)”(TSP 2012)

“Norway exported seafood worth NOK 21.3 billion in Q1 2016. An increase of 22 per cent or NOK 8.3 billion compared with Q1 2015” (NSC 2016). This shows Norway to be one of the major seafood exporting actors. There are some regulations regarding Norwegian seafood export. “To export fish and fish products from Norway, the exporter must be registered with the Norwegian Seafood Council AS” (NSC 2016).

In recent history government regulations, the growth of the Norwegian economy and a more hectic schedule for most people has made it less and less normal for common people to fish their own food, and fishing has become more of a hobby than a way to provide the family with food. Although people normally don't fish their own fish anymore, fish and seafood is still used as a popular everyday family dinner, and as more luxuries meals in restaurants through the whole of Norway.

The consumption of fish and other seafood products in Norway is different from many other countries in that the consumption is high, the proportion of lean fish consumed is high and, and the population eat more fish in form of cold cuts and spread since several meals per day consists of open/faced sandwiches (VKM 2006).

The demand and consumption of fish and seafood is not high in Norway only because of the country's history. The last couple of years the consumption has been increasing due to other impacts as well. "Over the past several years there have been an increased demand for seafood at the consumer level" (Myrland et al. 2000). The reasons for why the demand is increasing is stated by the authors to be

This may, in part, be a consequence of the perception that fresh seafood tastes good and contributes to good health, giving rise to greater willingness to prepare it at home (Myrland et al. 2000).

The reasons stated by the authors concerning that fish and seafood is a good and easy way of eating healthy is a reasonable consumption to why the demand of fish and seafood is increasing. "Fish is a high protein, low fat food that provides a range of health benefits" (EDF 2016). It is further stated that "White-fleshed fish in particular, is lower in fat than any other source of animal protein and oily fish are high in omega-3 fatty acids, or the "good" fats" (EDF 2016).

In some northern European and Scandinavian countries, the health aspect that is associated with fish and seafood has been a vital part of the inhabitant's historical protein intakes." In Nordic countries like Iceland and Norway fish and seafood used to be the main protein source, especially in rural areas" (Themistoklis et al. 2010).

#### **2.1.4 Possible problems and barriers concerning local food**

It is reasonable for this study to also look into literature that empathizes possible barriers and problems that can arise when dealing with local food as the main product for a company. Having previously look at why people buy local food it will be important to also investigate why some people choose not to buy local food, and instead use the products provided by the supermarkets and bigger food chains.

Having already established that the price of buying local food normally is higher than products produced for the supermarket because of their quality in section 2.1.2, this will off course be one possible reason and obstacle to why some people make the decision not to purchase local food. Simply that some consumers can't afford to buy it, or that the consumer do not want to pay the extra amount of money that is required. "Higher costs as some local food products are more expensive than their mass produced equivalents" (Pearson et al. 2011) .

Another reason that can contribute to people not wanting to buy local food is location and availability. Local food producers, i.e. Horsgaard & Co, are normally located in only one place, a different place then where the big supermarkets operate. This creates a possible obstacle and a reason for why some consumers that are on a hectic schedule don't bother to buy local food since they have the ability to go to the supermarkets and get everything that they need there, and therefore save a lot of time. This means that instead of having to buy something here, and something there at local food producers, the consumer can go to the supermarkets or to the stores of big food chains that are a lot more accessible and get everything they need at one place.

Local food may be more difficult for consumers to find than mainstream food due to seasonal constrains, limited accessibility or limited awareness of farmers markets accessibility (Martinez et al. 2010).

The statement from Martinez et al. (2010), is backed up by the authors Pearson, et al. (2011), as they also emphasize this as a possible obstacle to why some people decide not to buy local food. The authors also state that availability restrictions for local food are not only due to locations, but also to seasonality in terms of getting the products.

Restricted availability which may add to the time associated with food shopping due to the inconvenience in getting to local food outlets. Further, for certain products, the seasonality of local production also contributes to limiting availability (Pearson et al. 2011).

Small local food producers does not in most circumstances have too much money to use in form of advertising and promotion of their products, especially compared to their bigger competitors that advertise for their products in the newspaper, at the World Wide Web or with commercials on the television daily. This can lead to an obstacle in terms of getting the “*word out*” about their products, especially in search for new consumers that has newly moved into the city in which the local food producer is located. “The lack of information on what and where to buy, as a result of limited promotion” (Pearson et al. 2011).

Both Person et al. (2011) and Martinez, et al. (2010) discussed seasonality and environmental happenings as possible barriers that can affect consumer demand and availability of the product. Looking at fish and seafood as the local food product, seasonality can be a barrier in the way that some products are more popular in certain parts of the year. When looking at Norway where this study is conducted, and looking mostly into fish as the product, the demand of fish and seafood are quit high throughout the year (Some fish products are off course more popular than other at certain parts of the year e.g. around Christmas, but this doesn't affect the overall demand for fish and seafood that much).

Environmental happenings can alter the availability for fish and seafood products however, and be a pretty big, if not the biggest obstacle and barrier for the fish industry. No one can control the environment, and when nature decides to create storms and bad weather the availability of fish decreases rapidly for a period.

In section 2.1.2 *Local food demand*, reasons to why people choose to buy local food at local food producers was addressed, and one of the main reasons to why people decide to do so is because of the quality that local food producers managed to have in their product.

Clearly, they do it because the mainstream foods and particularly supermarkets cannot deliver the expected food qualities that are increasingly sought by the consumer (ARSAN 2013).

Therefore it is very important for local food producers to maintain the high quality in their product, and should they not manage to do so it will create a great barrier for them. The local food producers that deal with fish need to be able to react and deliver quickly so that their product can maintain the freshness that makes consumers buy their products.

Fish quality may be affected by many factor related to the environment (e.g., catching ground and season), fishing practices, storage conditions or handling, including bleeding and gutting procedures (García et al. 2015).

The ability for small companies like Horsgaard & Co to control this aspect concerning the handling of the product is very vital, in order to not create a quality barrier that could be hard to overcome.

## ***2.2 Logistical Aspects***

Having previously looked into definitions, demand, reasons why people buy and possible barriers and problems concerning local food and local food producers, the attention will now shift into the logistical aspect of the study. Here supply chain management will be defined, how supply chain management is conducted for food supply chains, and if these types of food supply chains differ from other types of supply chains. This section will also look into what type of focus the smaller businesses should have in terms of supply chain management and the effective impact that buyer/supplier / and buyer/customer relations can have in the supply chain.

### 2.2.1 Supply chain Management definition

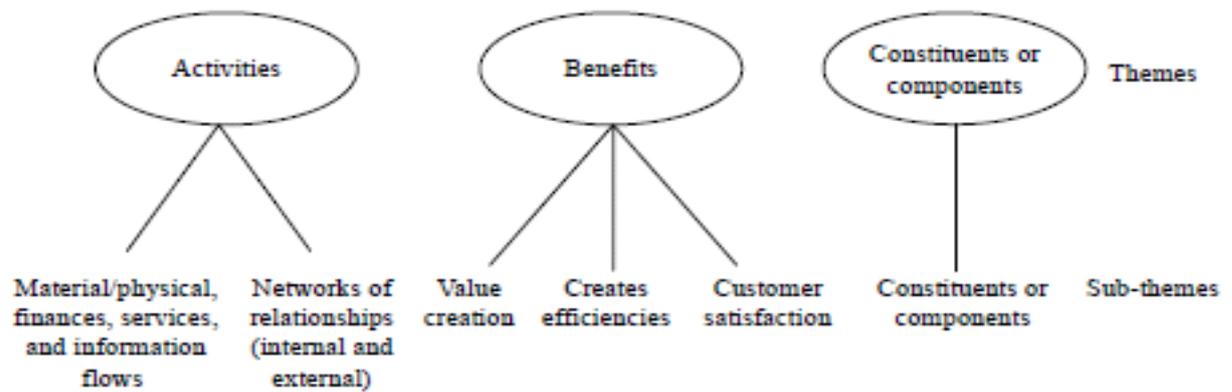
Although most researchers and scholars have an idea and a general agreed understanding of what supply chain management is, there are several different definitions of supply chain management in literature. The authors James and Stefanie that wrote the article *Developing a consensus definition of supply chain management a qualitative study* in 2009 addressed this aspect.

Much confusion has occurred amongst researchers during the past two decades by the many supply chain management (SCM) definitions that have been proposed in the literature (James and Stefanie 2009).

During the research of their study James and Stefanie looked into 173 different definitions of supply chain management found in literature, and the authors found three major themes that reoccurred: activities, benefits and constituents/components. Each of the themes defined by James and Stefanie (2009) also had their own sub/themes, these sub-themes where

- material/physical, services, finances and information flow
- network of relationships (both internal and external)
- value creation
- creates efficiencies
- customer satisfaction
- constituents or component parts

When all the reoccurring themes and sub/themes were gathered the authors created at figure to show their connections.



**Figure 2** “Major themes and sub/themes of a consensus SCM definition”(James and Stefanie 2009)

In their study that was based on the 173 supply chain management definitions, the reoccurring themes and sub-themes were all included in their definition of supply chain management.

The management of a network of relationships within a firm and between interdependent organizations and business units consisting of material suppliers, purchasing, production facilities, logistics, marketing and related systems that facilitates the forward and reverse flow of materials, services, finances and information of the original producer to final customer with the benefits of adding value, maximizing profitability through efficiencies, and achieving customer satisfaction (James and Stefanie 2009).

Having now defined what supply chain management is, and what aspects that are involved with supply chain management, the attention of the researcher will now be to identify why supply chain management is of importance for a company. As mentioned in the definition above, SCM is the management of the network in ways of adding value to the finale products, maximizing the profitability and achieving customer satisfaction as

Supply chain management can improve the performance of a firm by integrating key business processes from end user through suppliers and vendors by providing products, services and information that adds value to the customer (Jayaram, Dixit, and Motwani 2014).

## **2.2.2 Supply Chain Management in smaller and small local food business**

To understand how supply chain management works in smaller businesses and small local food business, it will be important to look into literature that emphasizes supply chain management in smaller businesses. Having in the previous section defined and established what supply chain management is and how effective supply chain management can contribute to the growth of a business, the attention will now be switched to look into what is important regarding supply chain management in smaller businesses.

“The recognition of the supply chain as a key and vital area, both in the public and private sector, has focused attention on its effectiveness” (Michael 2003). The author further states that “In a number of organizations, cost-effective supply chains is a matter of survival as purchased good and services account for up to 80 per cent of sales revenue”(Michael 2003). The statement made by Michael (2003) focuses on that in order for any company, no matter their size, to achieve success and a market share, they have to have a strong focus on the efficiency of their supply chain. There is not a lot of literature that emphasizes how supply chain management is conducted in smaller businesses as most of the written literature focuses on larger companies “ There is a dearth of literature around SMEs (small and medium-sized enterprises) and supply chain management within them” (Michael 2003). One of the reasons to why there is not much literature on the supply chain management in smaller businesses could be an effect of how the situations are in the smaller businesses. Many small businesses has uneducated people, in terms of supply chain management, working with supply chain management tasks for the company due to costs. “Small companies naturally has less money to invest in supply chain management and software” (Kokemuller 2016), this would then lead to situations where “company managers often multitask and include SCM within their roles” (Kokemuller 2016).

When looking into the differences between the supply chain management in big businesses and the supply chain management for small businesses one would probably assume that most of the benefits would fall to the bigger businesses. This however would not be fact according to professor Neil Kokemuller, he states that smaller businesses because of their smaller scope of their supply chain, has less supply chain partners to manage which would lead to a greater possibility of efficient management.

In concerns of supply chain management in local food and food supply chains, the management must be very flexible and have the ability to adapt quickly and to modify strategies to changes in demand, since this is something that can happen quickly. This should be taken into serious account, especially for small local food producers that don't have the same amount of customers, and in most cases are very dependent on those that they have. "The food industry is a very dynamic industry with constant changes in customer demands" (Beske, Land, and Seuring 2013). "This calls for the ability to quickly adapt strategies and reconfigure resources, exactly requirements" (Beske, Land, and Seuring 2013). Flexibility is defined as "The ability to change or react with little penalty in time, effort or cost performance" (Swafford, Ghosh, and Murthy 2006). Since there is a need for quick reaction and flexibility, most local food producers should have food supply chains that have the ability to be very agile, which again should make the local food producer to be a agile company. "An agile enterprise is fast moving, adaptable and robust business" (Swafford, Ghosh, and Murthy 2006). Agile business is defined by the authors as "Capable of rapid adaption in response to unexpected and unpredicted changes and events, market opportunities and customer requirements" (Swafford, Ghosh, and Murthy 2006).

### **2.2.3 Food supply chains**

The meaning of this section is to look upon food supply chains since this is a case study that looks into the local food producer Horsgaard & Co. The food supply chain will be studied and investigated in terms of what food supply chains are, what a food supply chains consists of and how these supply chains differs from other supply chains.

First, having previously looked into and defined supply chain management, it would be appropriate to define the supply chain before looking into and comparing food supply chains to other supply chains. "The supply chain is the network created amongst different companies producing, handling and/or distributing a specific product" (Investopedia2016). Easily explained this means the processes and steps for all the involved parties that contribute to the journey of a product from a supplier and all the way to the end consumer.

When looking on a food supply chain and a normal supply chain, they are quite different. “Food supply chains are distinct from other supply chains” (Yu and Nagurney 2013), the authors further state that

The fundamental difference between food supply chains and other supply chains is the continues and significant change in the quality of food products throughout the entire supply chain until final consumption (Yu and Nagurney 2013).

This difference is especially present for supply chains concerning products that have a short life cycle in terms of freshness, e.g. fish and seafood. “Clearly, many consumers prefer the freshest product at a fair price” (Yu and Nagurney 2013). Another distinct and important difference to notice between the food supply chains and the other mainstream supply chains immediately appears when looking at the structure of the two chains. “Supply chain structure refers to the configuration of processes, participants and product flow as a product moves from producer to consumer” (King et al. 2010). The difference in the structure is stated to be

It is commonly perceived that, in contrast to mainstream supply chains, local food supply chains convey detailed information about where, when and by whom products are produced. Local food supply chains are further assumed to operate with relatively few segments, linked by trading partners relationships characterized by high degree of trust and information sharing (King et al. 2010).

The size of the supply chain is another way where food supply chains differs from more traditional supply chains, but there are also differences between different sets of food chains depending on if the products are produced locally or not. Many food supply chains can be as complex as the more traditional supply chains, but local food supply chains however does not have to be. This is mainly because of the products that are passed through the local food supply chains. Here, again, quality comes in focus. If one is to have a complex and long supply chain, the duration of the process of passing the products from producer to end consumer could in many cases ruin or destroy the product. Therefore some food supply chains, especially those that deal with local food, are shorter and less complex compared to supply chains that deal with products that has a longer life cycle. Some

scholars like Ilbery and Maye (2005) also define local food supply chains as SFSC, meaning Short Food Supply Chains.

Meaning of food in SFSCs	Meaning of production-distribution system in SFSCs
<p>“fresh”, “diverse”,  “organic”, “slow”,  “quality”, “seasonal”,  “traditional”, “local”,  “regional”, “taste”,  “delicious”, “food heritage”,  “cultural identity”, “fair”,  “sustainable”</p>	<p>“small scale”, “short”,  “traditional”, “local”,  “environmentally  sustainable”, “embedded”,  “fair”, “transparency”,  “traceability”, “corporate  social responsibility”, “local  economy”, “lower  emissions”, “rural-urban  linkages”, “self-esteem”  “social acknowledgement”,  “prestige of food  producers”, “sustainability”</p>

**Figure 3:** “Meaning attributed to SFSCs” FoodLinks (2013)

The authors Ilbery and Maye (2005) states that there are three different types of food supply chains, or SFSC (Short Food Supply Chains), concerning local and alternative food, and these being:

- *Face-to-face*, where consumers buy a product from producer/processor on a face-to-face basis.
- *Spatially proximate*, where products are sold through local outlets in the area and consumer are immediately aware of tis local nature.
- *Spatially extended*, where products are sold to consumer that are located outside the local area, and who may have no or little knowledge of that area. Here, they key is to use product labeling and imagery to transfer information about the production process and the area to the consumer.

Further the authors state that,

In all cases, the key characteristic is that foods reach final consumer having been transmitted through a supply chain “embedded” with value-laden information concerning the mode of production, provenance and distinctive quality assets of the product (Ilbery and Maye 2005).

For most supply chains there is a great interest in the ability to be able to design robust supply chains and to reduce supply chain vulnerability. The ability to have the skills and to know practices to do this especially important for food supply chains.

This, (the ability to reduce supply chain vulnerability and design robust supply chains), holds especially for food supply chains as these chains have specific characteristics that increase its vulnerability, such as seasonality in supply and demand and limited shelf-life of products (Vlajic, van der Vorst, and Haijema 2011).

As mentioned it is very important for food supply chains to be robust because of the types of products that are going through the chains. “In supply chain literature robustness is mainly considered as the ability to continue to function well in the event of a disruption” (Vlajic, van der Vorst, and Haijema 2011). Normally most food products have short life cycles, especially fresh food products like fish, and this creates a stronger focus on the robustness of these chains, compared to those of normal supply chains, since the products will be destroyed and/or not usable after only a couple of days. In their paper the authors, Vlajic, van der Vorst, and Haijema (2011), create a framework for enabling the design of a robust supply chain that consists of the following elements:

- 1: description of the supply chain scenario, and the identification of KPIs,
- 2: the identification of and characteristics of unexpected events and disturbances of in processes that impact the performance robustness,
- 3: the assessment of performance robustness,
- 4: the identification of sources of vulnerability,

- 5: the identification of appropriate redesign of principles and strategies.

In many food supply chains the lean approach has been seen on as appropriate tool.

Lean production, which originates from the Toyota production system, is one of the initiatives that many major businesses all around the world have been trying to adopt in order to remain competitive in the increasingly global market (Zarei, Fakhrzad, and Jamali Paghaleh 2011).

“By implementing the lean concept, food companies can increase customer value through cost reduction or through provision of additional value-enhanced services” (Zarei, Fakhrzad, and Jamali Paghaleh 2011).

In their paper the authors Georgiadis, Vlachos, and Iakovou (2005) defines possible problems and barriers that needs to be met for food supply chains. One of the problems/barriers in food supply chains stated by the authors is product perishability for the buyer (quality, safety, quantity of supply) that can create

uncertainty for the seller in locating a buyer, as perishable products must be moved promptly to the marketplace to avoid *deterioration*, (worse quality), leaving sellers unable to store the products awaiting favorable market conditions (Georgiadis, Vlachos, and Iakovou 2005).

Proper storage facilities are another issue that is of importance when designing the supply chain for food products, both during the transportation of the products through the chain and when arriving at certain locations. This is of importance because of the great concern of having the ability to maintain the quality that is expected of the product.

Food products usually exhibit high *seasonality* in raw materials availability and in end-product demand, and therefore they need efficiently designed storage facilities to ensure their quality (Georgiadis, Vlachos, and Iakovou 2005).

## 2.2.4 Integrated relations

Integrated relations will be studied and looked upon in this section in terms of how integrated supplier and customer relationships can contribute to the growth of an enterprise. Furthermore the importance of good adapted and integrated relationships and how to best manage them will be addressed.

The degree of importance for focusing not only on the materialistic and economical flow in the supply chain, but also on the more social relations between the companies in the chain is very high. “Great many firm begin to build cooperation relationships with other firms via supply chain” (Su et al. 2008). “Supply chain management is more than making sure all the different links in your network are operating the right way” (Achilles 2014). The article further implies that having a strong focus on relation is very vital for any business. “Relationships play a central role in supply chains and if organizations don’t get them right, they feel the ramifications all the way from supplier to customer” (Achilles 2014). These ramification are also addressed by Windahl and Lakemond (2006) whom argues that

a narrow approach to relationships, buyer-seller in particular, can lead to a dead end if the context of the value network is not taken into account, especially since customer are often not aware of their future needs.

Therefore companies must have

focus on the value-creating system where different actors (suppliers. Business partner, allies, customers) work together to co-produce value; roles and relationships need to be reconfigured in order to create value in new forms, and dynamic fit between competencies and customer becomes crucial (Windahl and Lakemond 2006).

To engage in close relations with the end customer of the product is of high importance in supply chain management since satisfied end customer is the one thing all companies, no matter their industry and size, is always trying to achieve. Although creation of relations towards the customer is of high importance, it is of equal importance to create the relations between the company and their supplier.

From the organization management perspective, most firms tend to develop close relationships with main supplier. Especially for key components, sole or dual supplier relationships have become the norm rather than an exception (Su et al. 2008).

Integrated relationships brings with it affects that can help the further growth for all companies involved in form of “relationship quality on satisfaction, loyalty and performance, as well as the antecedents (openness, friendship, etc.) of relationship quality” (Su et al. 2008). Relationships can occur in different forms with different durations.

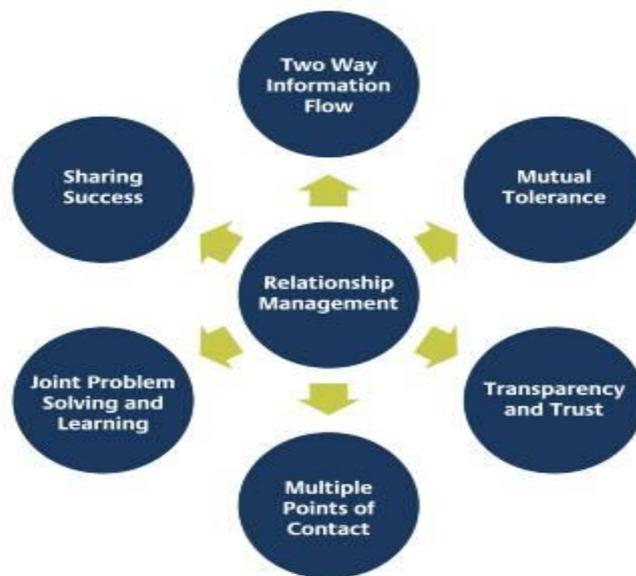
The process of interactions includes short-term exchanges and long-term relationships behaviors. Long-term relationships behaviors are essential for maintaining long-term cooperation, and supply chain relationships tends to be considered as long-term relationships (Su et al. 2008).

The ability to obtain long-term relationships can be very important, since the creation of long-term relationships helps to diminish the degree of uncertainty in the supply chain. “One of the most significant uncertainties in supply chain comes from behavioral uncertainty, which includes opportunism and bounded rationality” (Su et al. 2008), and the authors further stresses that the formations of close long-term relationships is an effective mean to reduce uncertainty in the supply chain. In literature there are several types of relationships observed and categorized. BIFM (2015) describes the following types of relationship:

- *Transactional*: Is based on the exchange of services or products within a prescribed timescale for an agreed price.
- *Contractual*: Very similar to a transactional approach but is a relationship which is built around delivering the terms of the contract.

- *Value added:* Is usually adopted by suppliers when they move to a retention strategy and therefore develop customized solutions to meet the customers' needs.
- *Collaborative:* Can be described as close working relationships, which delivers value and benefit to the parts involved.
- *Partnership:* Have many similarities to collaborative, in that the parties derive mutually beneficial value from the relationship.

To be able to maintain and manage relationships is very vital. Especially for smaller businesses that don't have too many relationships and therefore are very dependent on the few that they have. Figure 4 contains key components for businesses to enable the management of their relations.



**Figure 4:** “Key components of good relationship management BIFM” (2015)

Much relationship theory emphasizes a lot on the importance of commitment and trust, and that these two factors need to exist for a relationship in the supply chain to be profitable. “Trust is the confidence both parties in the relationship have that the other party won't do something harmful or risky,” and “commitment involves a long- term desire to maintain a valued relationship” (Mack 2012). If companies are able to develop relationships based on commitment and trust they will have a great advantage when it comes to maintaining their

relationship in the future. “The result of relationships based on commitment and trust are cooperative behaviors that allow both parties to fulfill their needs” (Mack2012).

When studying the literature it became clear for the researcher that it would be wise to create additional research question that would enable the answering of the main research question for the study. The additional research question that was created based on findings in the literature is listed below.

- **ARQ1: How is today's demand for local food products, and what are the main reasons for the demand?**
- **ARQ2: Does the supply chain for small local food producers differ from the supply chain of other products? In that case, how do they differ?**
- **ARQ3: What is important in concerns of supply chain management for local food producers and small companies?**
- **ARQ4: To what degree is it important for local food producers to possess the ability to obtain and maintain good relations in their supply chain?**

### **3.0 Method:**

The purpose of this chapter is to give the reader an insight in how the research process was conducted.

Methodology is a procedure to obtain and process relevant information in search of finding answers to a pre defined research problem.

Method describes the rationale for the application of specific procedures or techniques used to identify, select and analyze information applied to understand the research problem, thereby, allowing the reader to critically evaluate a study's overall validity and reliability (USC 2004).

In this chapter the researcher will explain and describe the different steps that was conducted in the study in search for finding an answers to the main research question.

### **3.1 Research design**

Research design is defined as “a detailed outline of how an investigation will take place” (BD 2016). There are several types of research design used for different studies and some studies use combinations of different research designs. To be able to find answers to the research questions defined in the previous chapter and the main research question, the research of the study were determined to be conducted in terms of a qualitative case study for the local food producers Horsgaard & Co AS.

#### **3.1.1 Case study**

There are several definitions and explanations to describe what a case study is, but (Zuckner 2009) defines a case study as

A systematic inquiry into an event or a set of related events which aims to describe and explain the phenomenon of interest. The unit of analysis can vary from an individual to an organization (Zuckner 2009).

Another definition can be found in the article *Case research in operation management*

A case study is a history of past or current phenomenon, drawn from multiple sources of evidence. It can include data from direct observations and systematic interviewing as well as public and private archives. In fact, any fact relevant to the stream of events describing the phenomenon is potential datum in a case study (Voss, Tsikriktsis, and Frohlich 2002).

“Case study as a research method is often indexed in most undergraduate research textbooks as neither qualitative or quantitative” (Zuckner 2009). During this case study concerning Horsgaard & Co, the unit of analysis will be the business relations in

Horsgaard & Cos supply network, their relationships with their suppliers and customer. The case study will be conducted as an emergent design. Emergent design is defined as

An evaluation approach that begins with loose participatory framework, which is utilized to define the roles and interactions for those involved, but not to prescribe the evaluation process as a whole (Christie, Montrosse, and Klein 2005).

Furthermore in research based on emergent design “goals and tasks transforms, understand and perception of a project evolves”(Christie, Montrosse, and Klein 2005). Case studies are normally suited best in answering questions regarding how something happens instead of why it happens.

### **3.1.2 Qualitative research**

As mentioned the research will be conducted as a qualitative case study. “ A researcher that selects a qualitative research method collects open-ended, emerging data that is then used to develop themes” (Campbell 2014). Cases studies are well suited when performing qualitative research.

Five strategies have been identified as qualitative research methods. They include ethnographies, grounded theory, case studies, phenomenological research and narrative research (Campbell 2014).

(HRA 2016) states that qualitative studies can take several forms such as:

- Focus groups
- In-depth interviews
- Semi structured interviews
- Observations

Out of the four forms stated above three was used heavily during the research. It was decided that the researcher would perform several semi-structured interviews with the

CEO at Horsgaard & Co Kjell Rune Kirkeland and structured and in-depth interviews with Horsgaard & Cos major suppliers, customers and logistical provider. Observations was done by observing the way Horsgaard & Co.'s CEO Kjell Rune Kirkeland interacted with both his customers and suppliers and also by participating during one of Horsgaard & Co.'s deliveries to their customer Eurest AS at Ormen Lange.

### ***3.2 Interviewing process***

There was conducted several semi- structured interviews with Horsgaard and their CEO Kjell Rune Kirkeland. Kjell Rune Kirkeland and Horsgaard & Co were always very open and always took time to answer any request for interviews from the researcher. Therefore it was chosen to do semi-structured interviews instead of structured and in-depth interviews with the company. The researcher created an interview guide which contained several themes and sub themes that was found to be of relevant importance. The interview guide was then sent by e-mail to Horsgaard & Co some days before the interview took place, to make the interview object aware of what type of themes that was wanted answered. By providing a semi-structured interview guide with themes and sub themes for the interviews gave the interview object the ability to speak very freely, which was good in terms of creating a good dialog with the company.

In terms of the four major suppliers, customers and logistical suppliers it was performed structured interviews via the telephone. A structured interview guide was developed by the researcher, one for the suppliers, one for the customers and one for the logistical provider, and sent to the interview objects a couple of days before the phone call took place. This was done so that the interview objects could prepare their answers and thus making the interview process much easier both for the researcher and the interview objects. All the wanted interview objects responded positively to the interview request made by the researcher, which made it easier for the researcher to get the wanted data and information from all of the major suppliers, customers and logistical providers of Horsgaard & Co.

### **3.3 Secondary data**

The literature of relevance in this study was split in two major parts. One of the sections contains literature concerning local food. In this section literature of local food will be investigated in term of local food definitions, local food demand, seafood as local food and possible barriers in local food. The main reason for investigating literature concerning these types of segments is for the importance that this literature has in terms of giving the researcher the ability to fully understand how local food is perceived.

The other section concerning the literature was addressed to the logistical aspects of the study. Here literature concerning theories about supply chain management, supply chain management in smaller businesses and local food businesses, food supply chains, and the importance of integrated relations will be investigated and addressed. The main reasons for investigating such aspects is so that the researcher can get a better understanding of the logistical aspects and therefore making it easier to look into the main research question for the study.

The researcher used the relevant literature both before and during the study, and always assessed the relevance of the literature. When preparing to give a conclusion to the main research question the researcher will compare findings found in the literature to findings found in the physical case study that was performed with the small local food producer Horsgaard & Co.

### **4.0 Case study**

Having already looked into the theoretical aspects of relevance for the study, the theme will now be switched into the more practical part. It was decided to perform a case study with the small fish and seafood producer Horsgaard & Co in order to better investigate and find an answer to the main research problem. Therefore the meaning of chapter 4 will be to first introduce the company in terms of their history, how they are today and their products, and then the company's customers, suppliers and logistical relations will be addressed. Finally the four major suppliers, customers and logistical providers of

Horsgaard & Co will be examined in terms of their relations, products and services towards Horsgaard & Co.

## 4.1 Horsgaard & Co history



**Picture 1:** *Horsgaard & Co in 1967*

Horsgaard & Co AS is a small fresh fish company located in Molde city center. The company was officially established late back in 1932 by the two brothers, Torstein and Ivar Horsgaard. Although the company was established in 1932, the founders to-be had already started selling newly caught fish from their boats at the dock in Molde a couple of years before. At the time of the official opening the company was located at “Kjøllagerluken”. At that point the company had their kitchens in boathouses where they produced and sold their fish. In the late 1950s the company moved away from their original location and into the store that they operate from today. Molde Kommune built the building in which their store is located today for the sole purpose of being a fish store so that different fish distributors would be located at the same place. During the early history of the company there were several different part owners, and for a time the company was named Horsgaard and Røe, but after some years the Røe family decided to move out of the business.

The Kirkeland family approached the Horsgaard family in the late 1950s looking for the possibility if the Horsgaards would be interested in selling their share of the company. None of the two Horsgaard brothers that originally started the company had any children,

so when they were moving towards retirement it gave the Kirkeland family an opportunity to buy the entire company. In the late 1970s the Kirkeland family bought the Horsgaard family out of the business and continued the operations of the production and delivering of fish in the company, and they decided to keep the name.

Today's CEO, Kjell Rune Kirkeland, is a third generation of the Kirkeland to work for the company. Earlier the company was bigger in terms of how many people that were employed in the company, which reached its height in the 1960s and 1970s. It was not common for food stores to have fresh food counters of their own at that time, so Horsgaard & Co used to do all the treatment and packaging of the merchandise. During this period it was as many as 9 people working only in the kitchen at the company. Horsgaard & Co were first and foremost selling their products to food stores located around Molde, but for a short period they also sold some products to England.

## ***4.2 Horsgaard today***

Some years ago Horsgaard had to make a tough decision regarding the company's future. They had to decide either to compete with the bigger food stores or to move into cooperation with them. The company decided to work with the big food stores and to become their supplier, instead of fighting them for the market share. This is the main reason why the company today has fewer employees than in its earlier years. Today there are only 8 employees working at Horsgaard & Co AS. Most of these employees are located in the fish store of the company. Although the company previously, during a brief period, sold fish all the way to England, the company now sells mainly to supermarkets and food stores that are located fairly close. They also use to provide catering for hotels and different events. Most of the income for the company is results of their supplier business with their big customers, but Horsgaard have also continued in their old tradition of operating with a fresh fish counter and selling fresh fish directly to customers that comes and visits their store. This type of sale however only contributes to about 15% of Horsgaards profitability.

The company sees their catchment to be inside Romsdalen and Nordmøre and they seek to get a strong foothold inside this area. Therefore this is the area in which most of Horsgaard & Co's customers are located and where they do most of their sales. Most of their customers are, as stated, located fairly close to Molde, but in recent years Horsgaard & Co have received more and more offers to deliver fish in the area around Trondheim and Oppdal.



**Picture 2:** *Today's CEO Kjell Rune Kirkeland at their fresh fish counter.*

#### 4.2.1 Products

In terms of local food, as mentioned in chapter 2, section 2.1, there is no clear-cut definitions for the term, but it is determined by many to be food that are produced inside a preset geographical area. Kjell Rune Kirkeland at Horsgaard & Co define local food as *fish that has been produced inside an area that is equal to one to two hours from where their store is located*. This means that the delimited area for this case study defines local food to be produced and processed inside a two-hour radius. This means that fish that the company receives from areas such as far away as Tustna, Kristiansund, Aukra, Oterøya and Averøya are determined by Horsgaard & Co to be local food. Most of the products that the company buys from their suppliers are products that are produced by suppliers that are located even closer to Horsgaard & Co. 50% of the products that Horsgaard sell are fresh fish, 5 % are fish food (creates the possibility to get rid of wastage), and 10 % shellfish, while the remaining percentages are processing products like smoked fish, salted fish and so on.

In terms of the products that the company sell from their in-shop fresh fish counter, the company sells some niche products that people would not find in normal supermarkets and food stores. These types of niche products could be lutefish, pollockbief, fresh halibut and different types of fish food for barbeques in the summer. Quality in their product is very important for Horsgaard & Co and they only sell products that meet their strict quality measures. CEO Kjell Rune Kirkeland states that he emphasizes to his employees *That if you find a product in the fresh fish counter that you would not buy your selves, it should be removed and not put on for sale.* This strict concern about the quality that Horsgaard & Co operates with is something that their suppliers are quite aware of and therefore they seldom receive products that don't meet their quality demands. Their good quality measures is also one of the reasons that Horsgaard & Co the last couple of years have managed to expand their business to places outside Molde and Romsdal to places like Oppdal and Trondheim.

Since there are some uncertainties in terms of availability of their product, Kjell Rune Kirkeland, CEO of Horsgaard & Co states that when concerning orders, past sales, seasons and *"gut feelings"* based on many years of experience determines the volumes that are ordered each day. Horsgaard & Co sends out orders often at a small scale. The orders are sent to their suppliers early each day, and at times when there is little fish to be obtained the same order list is sent to several different suppliers. The products are normally picked up and delivered at night / early morning the next day. This means that Horsgaard & Co receives fresh merchandise every day. A couple of years ago Horsgaard & Co tried to save up some transportation costs by only ordering products every other day, but this created too much wastage and loss in profit. In times when Horsgaard & Co orders more than they can sell, they create fish food to get rid of the wastage. This helps Horsgaard & Co to get rid of the wastage in an economical fashion, instead of just losing money. The possibility to make money of their wastage is quite important for a company of the scale of Horsgaard & Co. Horsgaard & Co produce several products at a small scale, instead of just putting the product away as the larger companies would, so that they can offer it to their consumers and customers. Most of the distribution of their products to their customers is also done in small-scale volume.

The biggest problem that Horsgaard & Co experience in their day-to-day operations is stated by Kjell Rune Kirkeland to be the availability and durability of the product. Fish as a product cannot always be obtained in the wanted volume due to environmental causes. Because of the high frequency and small order volumes, Horsgaard & Co gets a very quick responsiveness to uncertainties and changes that can occur in the demand of their products. Because of their quick responsiveness, Horsgaard & Co does not face too big concerns and problems regarding this element. Regarding the durability concern, the quickness in handling of the product before it is delivered to their customer is very important to Horsgaard & Co. Since Horsgaard & Co are fighting against bigger chains for the market share, they put a lot of their attention in quality of their products. Since their main product is fish or seafood, freshness in the product is very vital. Therefore Horsgaard & Co has to be able to handle and deliver the products to their customer quickly and more effectively than some of their competitors. Good supplier relations are a main key in this regard.

Regarding the pricing of the products, the prices are normally preset. Regarding the chains, the prices are adjusted if some big changes in demand occur, but normally the pricing lists stays the same. The last couple of years the price of fish has increased.

#### **4.2.2 Customer relations**

Primarily, as touched upon above, most of Horsgaard & Co.'s main customers are located inside their catchment, and around Trondheim and Oppdall. The company also sporadically receives orders from customers in Bergen and Tromsø. In terms of customers that are located outside their catchment, Horsgaard & Co normally delivers shellfish products. In regards of the logistical aspect of dealing with their customer, Horsgaard & Co receives the orders by mail, and then sends a mail to check with their suppliers for the availability of the wanted product. After engaging with their supplier, Kjell Rune Kirkeland at Horsgaard & Co always calls back to the customers to confirm what they can or in some cases cannot deliver (in these cases Horsgaard Co offers replacement products instead). The CEO, Kjell Rune Kirkeland, is the person at the company that is responsible

for the management of customer orders, and he states that he is always trying to find some sort of question or advice that he can ask and give his customers, for example how they want the products packed. The reason for this is to be able to get to know the customer and their usual demand of products to such a point that Horsgaard & Co normally knows what each customer wants. This is done to simplify the work that Horsgaard & Co does with their own suppliers, since they know how much their customer normally orders, but it also done so that Kjell Rune Kirkeland gets to create vital relations with the people that he interacts with.

As marketing channels are concerned, Horsgaard & Co previously used channels like the local newspaper to inform their customer about their products, with about 12-15 ads a year. The last couple of years however they have switched away from this type of advertising and now only advertise by using Facebook, which also creates a dialog with their customer. Dialog with their customers, not only via Facebook and the Internet but also face-to-face or via the telephone and e-mail is very important to Horsgaard & Co. Dialogs and interactions creates possibilities and enables Horsgaard & Co.'s goal of always trying to achieve customer satisfaction and in getting in touch with their customers, but also helps to keep the company on their toes in terms of the market.

Some of Horsgaard & Co.'s biggest and most notable customers are Coop Mega Molde, Coop Mega Oppdal, Eurest AS, Eurospar Hjelseth. More about these customers will be touched upon in detail in section 4.3, *Horsgaards & Co.'s customers*. Horsgaard & Co also delivers some of their niche products to a gourmet retailer named Smak og Behag that previously was a part of Oppdal Spekemat and Lerøy Trondheim. In the case of Lerøy Trondheim, Horsgaard & Co delivers products that Lerøy Trondheim can order inside their own network but that the company has decided not to do. Instead Lerøy Trondheim has decided to use Horsgaard & Co as their supplier for these products because of the duration of product arrival when using their own network is simply too long. When using their own network they get the merchandise after five days and in a volume that is too big which again leads to a lot of waste and loss of money for the company. When using Horsgaard & Co they get their products after only one day and at the exact volume that they wish. In order to be able to distribute fresh products to the companies that are located somewhat far away from their base in Molde, Horsgaard & Co has their employees packaging the products at night so that they can be sent early next morning.

### 4.2.3 Supplier relations

Horsgaard states that the quality of the product that they receive from their suppliers is “alfa and omega”, and that they base most of their selection of their suppliers on this criteria. The company operates with four main suppliers that are located fairly close to Molde. There are close relations between Horsgaard & Co and their main suppliers, and all of the suppliers that they use today have been with the company for several years. A good and strong relationship with their suppliers is very important for Horsgaard & Co because of the frequent interactions that they have with them. Kjell Rune Kirkeland is the person that is responsible for the interactions and handles the ordering of the merchandise from their suppliers. He states that he always strives to create a dialog via telephone instead of just using e-mail with his suppliers, much in the same way as he does with his customers. This is done so that the relationship becomes stronger and that the two parties can get to know each other better in terms of what products that the suppliers can deliver, and what types of products and at what quantities that Horsgaard & Co need.

Horsgaard & Co receives products from their main suppliers each day, and each of their suppliers will normally deliver to the same time each week. Horsgaard & Co have managed to create deals with their four major suppliers that gives them the opportunity to receive an adapted packaging of the products that they order in such a small volume and quantity that Horsgaard & Co feels comfortable with. This adapted and predefined packaging gives Horsgaard a better opportunity juggle their products more flexible and efficient since e.g. to deal with a 100 cases that only consists of 3kg fish is much easier than dealing with 30 cases with 10kg fish.

The possibility to use local suppliers is very vital to Horsgaard & Co. The company emphasizes the importance of quality in their product in terms of the possibility of keeping the product fresh. In regards to the logistical aspect of handling the product that Horsgaard & Co receive from their suppliers, Horsgaard & Co have centralized product arrivals by having all of the products sent daily to only on terminal, Shenker Molde. For the products that are going out to supermarkets and food stores that are located close to Molde,

Horsgaard & Co have chosen to perform the transportation of the products themselves. In those cases they receive the products from Shenker early in the morning, and then take over the handling and delivering of the products. This is normally done at 07:00, 10:00 and 14:00 each day. For products that are going out of the district, like Kristiansund, Sunndal and Averøya, the products are delivered at the Shenker terminal and then Shenker and Bring perform the transportation out to the customers. In the case of Oppdal and Trondheim, where transportation of products are done every second day, Horsgaard & Co perform the handling and packaging of the product at the Shenker terminal and then Shenker takes over the transportation of the products. The four main suppliers for Horsgaard are Vikenco AS, Strømsholm, O.Skarsbø and Kongshaug Krabbe. More details about these suppliers will be touched more upon in section 4.4 *Horsgaard & Co.'s main suppliers*, and more details concerning Shenker and the transportation will be touched upon in section 4.5 *Logistical providers*

### ***4.3 Horsgaard & Co.'s main customers***

As mentioned in section 4.2.2, Horsgaard & Co has four major customers. These customers are Coop Mega Molde, Coop Mega Oppdal, Eurest AS and Eurospar Hjelseth. In this section these four customers will be studied in terms of their history with Horsgaard, and what type of products that they order from the company, and in terms of the logistical aspects regarding how much and how often they buy products and how the products that they buy are being handled.

#### **4.3.1 Coop Mega Oppdal**

Located in Oppdal city center, Coop Mega Oppdal have been using Horsgaard as their main supplier for fresh fish since 2013. When Coop Mega Oppdal were getting to know about Horsgaard & Co and the quality in their products they were interested to sign

Horsgaard & Co on as their fresh fish supplier. There was one major obstacle however, the big chains normally has a strict set of purchasing agreements, and the local chefs are forced to use these set of agreement when purchasing their raw products even though small companies like Horsgaard & Co can provide better quality to a more reasonable price. After some debate Coop Mega Oppdal were allowed break out of their chain agreement that were set by their company, and started using Horsgaard & Co instead. Coop Mega Oppdal normally orders all sorts of filet, cod, smoked cod, salmon, smoked salmon, trout, monkfish and clipfish.

The company usually sends out orders by mail to Horsgaard & Co in the morning, around 10:00, three times a week and receives the products at the same evening/night. When the products arrive with transportation from Shenker Molde they are carefully handled by Coop Mega Oppdals employees and put in the shops cooling room where they are inspected and counted. Early the next morning the products are being put out for sale in the shops fresh fish counter.

#### **4.3.2 Eurospar Skjevik Hjelseth**

Eurospar Skjevik Hjelseth is a grocery shop located at Hjelseth, approximately a 20-minute drive east from Molde city center. They have been doing business with Horsgaard & Co since early 2007 when they were looking for a new main supplier for their fresh fish assortment and choose to use Horsgaard & Co because of their quality in the products they deliver, the level of service and due to close proximity.

Eurospar Skjevik Hjelseth orders their entire fresh fish assortment from Horsgaard & Co, including shellfish and fish food. They send out orders by mail in the mornings one to two times a week and receive the products early the next morning by transportation provided by Horsgaard & Co. When the products arrive Eurospars employees handle them according to set regulations and routines and put in the shops fresh fish counter.

### **4.3.3 Eurest AS**

Eurest AS is a part of the Compass Group and provides catering to different business and arrangements. When Eurest AS was selected to do the catering for Shell Nyhamna Ormen Lange located at Aukra they decided to use Horsgaard as their fresh fish supplier. They started doing business with Horsgaard & Co in 2012 because of their quality and the level of service that Horsgaard & Co provides, and have since only had good experiences regarding the company and Horsgaard & Co.'s products have become very popular by the workers and employees at Ormen Lange.

Eurest AS orders fresh filet products, shrimps and crab, and a normal order is around 100-200 kilogram. Eurest AS orders three deliveries each week (Monday, Wednesday and Friday), and the order is sent by mail on Monday the week before. The products arrive at Ormen Lange around 10:00 and 12:00 and after they are loaded of Horsgaard & Co.'s truck they are taken out of the packaging and put into Eurest AS own packaging and put in for cooling.

### **4.3.4 Coop Mega Molde**

Coop Mega Molde is a grocery shop located in Molde City center and is one of Horsgaard & Co.'s oldest customers. The relationship between the two companies stretches back for more than 30 years, to 1985. Coop Mega Molde first and foremost started using Horsgaard & Co because of their close proximity but has continued the relationship because of the high quality in their products and the great service that they provide.

Coop Mega Molde order their entire fresh fish assortment, according to what type of fresh fish products that Coop chain sells, from Horsgaard & Co. They send their orders by mail to Horsgaard & Co every single day although it can happen, especially in the summer, that some of the products get sold out quickly, and in such circumstances it has happened that Coop Mega Molde has sent out as much as three orders the same day. The orders are normally sent at the evenings and the products arrive the same night.

## **4.4 Horsgaard & Co.'s main suppliers**

Horsgaard & Co has as mentioned in section 4.2.3 four major suppliers; these four suppliers are O.Skarsbø AS, Strømsholm Fiskeindustri, Vikenco AS and Kongshaug Krabbe. In this section the four main suppliers will be studied to find out about their history dealing with Horsgaard & Co, the logistical aspects regarding which types of products that they provide to Horsgaard & Co, and how Horsgaard & Co get their products. It will also be looked into how the way of communication between Horsgaard & Co and their suppliers works regarding orders and how often these orders are sent in order to identify how the relations between Horsgaard & Co and their suppliers are viewed from their suppliers standpoint.

### **4.4.1 O.Skarsbø AS**

O.Skarsbø AS is located at Harøysundet, Fræna and was established in 1919. Today the company engages in fish and shellfish export. The company started their relationship with Horsgaard & Co when the Kirkeland family got involved in the late 1970s and there has been a close and fruitful relationship ever since. The company delivers whole fish, filet variants like pollock, haddock, monkfish, halibut and plaice together with clipfish. The size of the orders delivered to Horsgaard & Co can vary a lot, from 100-600kg, and the orders are received at the morning, one to two times a week

After the O.Skarsbø AS receive the orders from Horsgaard & Co the orders are put into the maritech system used by the company, where O.Sarsbø create an order and check if they have what Horsgaard & Co wants available and then they send an confirmation back to Horsgaard & Co before the products are sent for packing. If O. Skarsbø doesn't have the wanted products, or if they don't have it in the wanted volume, they try to send it as soon as they have obtained it. Schenker Molde picks up the products between 16:00 and 18:00 each day and does the transportation of the products from Fræna to Molde.

#### **4.4.2 Strømsholm Fiskeindustri**

Strømshold Fiskeindustri is located at Tustna and was established in 1906. The company engages in fish farming and has had dealings with Horsgaard & Co since 1990. The company delivers many types of products to Horsgaard & Co and some of them are fresh fish, almost all types of fish filet, salted fish and smoked fish. The order size that they company normally delivers to Horsgaard & Co can vary a lot, with a range from 100 to 700 kg, but a normal standard order is around 250-300 kg. Strømsholm receive orders from Horsgaard & Co every day, and it can vary from one to ten orders each day. There is also a big variation in terms of when the orders arrive, as this can vary from 08:00 in the morning to 02:00 at night. The orders are sent via phone calls, which help to create a running dialog between Horsgaard & Co and Strømsholm.

After Strømsholm receives the order from Horsgaard & Co, the order is processed and registered in their system, and sent for packing. If Strømsholm can't deliver what Horsgaard & Co wants the companies interact in a dialog concerning the possibility for Strømsholm to send different products instead. The products are picked up at Tustna by the transportation company Bring and delivered in Molde at the Shenker terminal around 16:00 and 17:00 the same day.

#### **4.4.3 Vikenco AS**

Vikenco AS is located at Aukra and was established in 1973. The company has been doing business with Horsgaard & Co since the start of the establishment, although there was a small stop in the relationship between the years 1989 and 1990. Vikenco AS is seafood suppliers as well as they are engaged in fish farming. The company delivers redfish, trout, salmon, trout filet and salmon filet to Horsgaard & Co. The size of the orders they receive from Horsgaard & Co can vary from 50-500kg and they normally receive the orders in the morning, four to five times a week.

After Vikenco AS receives the order from Horsgaard & Co they use their maritech system to create an order, which is then checked up against what they have available, and then the products are sent for packing. If Vikenco AS don't have the wanted product or volume

they call Horsgaard & Co to explain this, and normally these products can be picked up the following day. The products are picked up by Shenker and transported to Molde where they arrive at the afternoon or evening the same day.

#### **4.4.4 Kongshaug Krabbe**

Kongshaug Krabbe is located at Smøla and was established back in 1994, and the company has been doing business with Horsgaard & Co since 2004. Kongshaug Krabbe is engaged in production and distribution of crab. To Horsgaard & Co, Kongshaug Krabbe delivers such products as crab shell, crab claws and boiled whole crab. They receive orders from Horsgaard & Co three times a week during season and one to two times a week during the winter, and the orders are normally received in the morning.

When Kongshaug Krabbe receive an order from Horsgaard & Co they write the order up on a blackboard and after production ends around midday the products are sent for packing. The products are then pick up by Bring and transported to Molde and the Shenker terminal where they arrive around 16:00 and 17:00 the same day.

#### ***4.5 Horsgaard & Co.'s logistical provider***

Horsgaard & Co perform much of the transportation of products to customers that are located inside their close district, but uses Shenker Molde as their main transportation partner in regards of product transportation to customers that are not located close to Molde, places such as Oppdal and Trondheim. They also use Bring to perform the transportation of products to some of their smaller customers that are located in places like Åndalsnes, Finnøya and Kristiansund.

### **4.5.1 Shenker Molde**

Shenker Molde is located just outside Molde city center and has been used as the main transportation partner and 3PL (third-party logistical provider) for Horsgaard & Co since 2013. The relationship has been fruitful for both parties, but in the scale of things Horsgaard & Co is a quit small customer for Shenker AS. Since Horsgaard & Co uses Shenker Molde as their main terminal, products from Horsgaard & Co.'s suppliers arrive each day, and on arrival the products are handled and stored by the personnel on the terminal. Shenker performs two routes of transportation for Horsgaard & Co. The first of these routes is from the Shenker Molde terminal to Horsgaard & Co, where Shenker delivers the products that Horsgaard & Co themselves can perform the transportation of. This transportation is done at 05:45 in the morning every day. The second route where Shenker Molde provides the transportation for Horsgaard & Co is to Horsgaard & Co.'s customers in Oppdal and Trondheim. This transportation route is done three times each week and Shenkers trucks normally departure from their terminal in Molde around 19:00. Since the products that are transported are fresh fish products, all the transportation that Shenker performs are done by the usage of cooling trucks. The volume of the products that Shenker provide the transport for can vary a lot, but normally the products that Shenker transport to Horsgaard & Co has an average around 300kg and for the transport to Oppdal and Trondheim the volume averages around 100kg. Although the volume of the transport can vary, Horsgaard & Co has an agreement of a fixed price for each transport done by Shenker.

### ***4.6 Horsgaard & Co.'s own means of transportation***

As mentioned earlier Horsgaard & Co performs much of the transport of their products to their customers themselves. In section 4.5.1, "Shenker Molde", it was mentioned that Shenker performs that transportation of the products from the Shenker terminal to Horsgaard & Co.'s location in Molde city center and to customer that are not located close to Molde.

After the products arrive, Horsgaard & Co takes over the responsibility and handling of the products and loads them on their own truck. Horsgaard & Co operates with one cooling truck as their main transportation vehicle for the transportation and delivering of the products. Kjell Inge Kirkeland (father of today's CEO Kjell Rune Kirkeland) is the person at Horsgaard & Co that is responsible for the transportation. There are several reasons to why Horsgaard & Co chooses to perform much of the transportation themselves instead of using an external transportation company. One of the reasons for this is the high cost that a 3PL would force upon the company. As they are a small company, Horsgaard & Co does not have the luxury of using an external transportation company that would have taken a lot of money to perform transportation to locations that Horsgaard & Co can do themselves without too much difficulties.



**Picture 3:** *Kjell Inge Kirkeland delivering products at Ormen Lange*

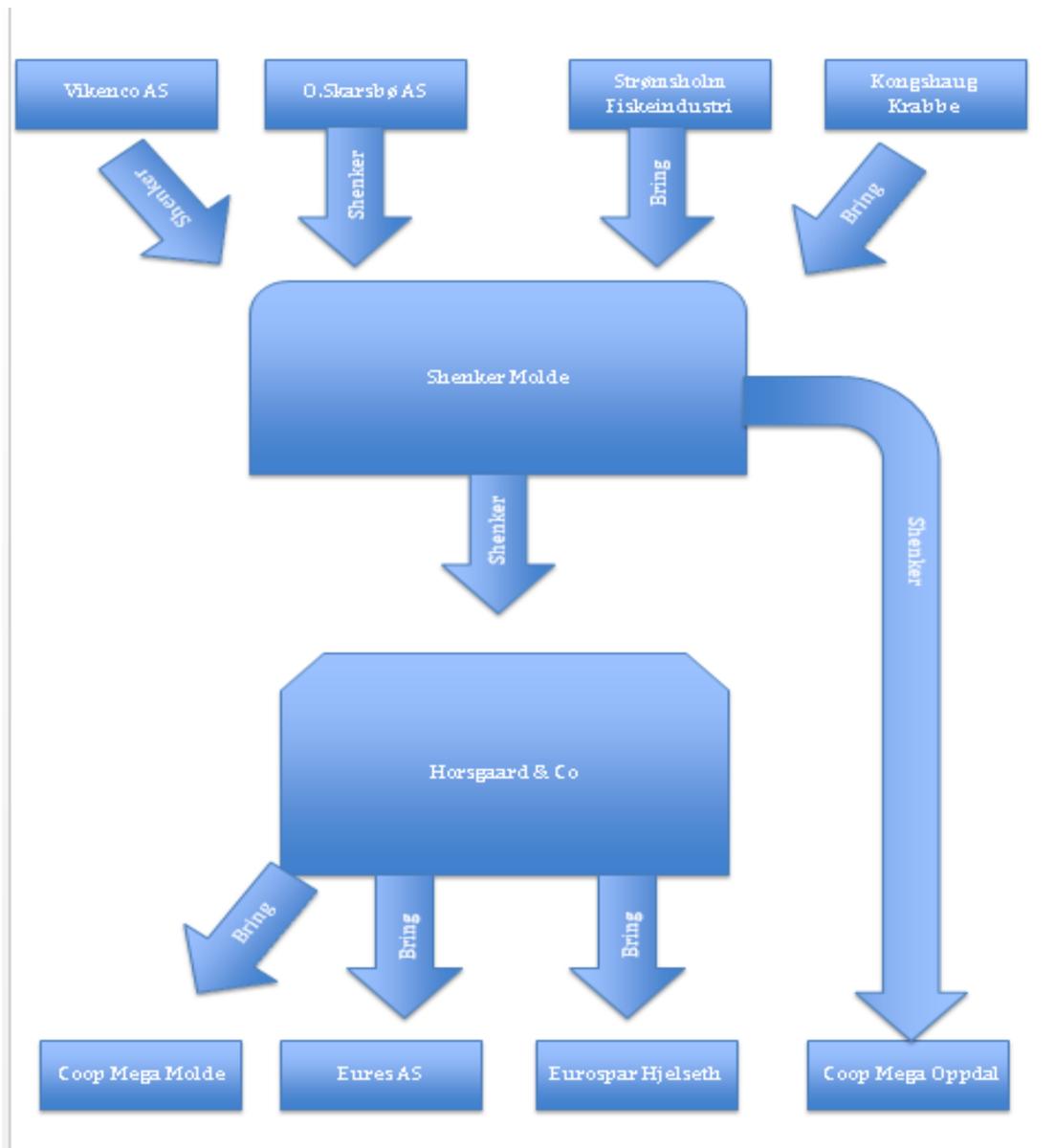
As the reason regarding cost seems somewhat forced on the company because of their size, Horsgaard & Co states that there is another main reason why they choose to perform much of their own transportation of products. By performing the transportation themselves it enhances the possibility for Horsgaard & Co to create interactions and relations with their customers. Having the same person showing up to their customers and deliver the products each day is something that Horsgaard & Co sees as an asset that the bigger chains don't bother to employ. Where the bigger chains uses external transportation companies to do much of the transportation and deliveries in a way that Kjell Inge Kirkeland describes to be very *"unsocial"*, where the driver normally just unloads the products and then quickly leaves. Kjell Inge Kirkeland on the other hand prefers to use a different approach when he

delivers the products to Horsgaard & Co.'s customers. He uses an approach in which he unloads the products and then takes the time, not more than a couple of minutes, to talk to the kitchen chiefs to see if they received what they wanted. He is interested to see if they received their order in the wanted volume and so on, and to explain why they didn't receive what they ordered or why Horsgaard & Co had to do some modifications to the order. This, states Kjell Inge Kirkeland, helps to develop stronger relations with their customers, relations that Horsgaard & Co previously have gain on in the past. In some cases it has happened that the kitchen chiefs of one of their customers has got a new job at different firm or location, and then has remembered Horsgaard & Co both for the service that they provided and also for the human relations that they have developed with them. This has lead to a desire to continue the working relationship with Horgaard & Co.

Since Horsgaard & Co chooses to perform some of the transportation themselves they also have the possibility to obtain a much greater degree of flexibility in terms of responsiveness to their customers, and this is a vital part in order to be able to create and obtain the level of service that Horsgaard & Co strives to deliver. Instead of having to go through an external party, an operation that would have taken much longer time and to a much higher cost, Horsgaard & Co has the ability to respond much quicker to unexpected changes in the demand from their customers. Kjell Inge Kirkeland explains that it has happened more than once that he has received a phone call from a customer that has been in dire need of products and therefore in need of quick service. In these types of situations Kjell Inge Kirkeland states that he always does his best to deliver and to help the customer, no matter the time of day.

The transportation of the products that Horsgaard & Co perform themselves is normally done three times a day at 07:00, 10:00 and 14:00 and the transportation routes is to customers that are located fairly close to Molde, like Coop Mega Molde, Eurest AS at Ormen Lange and Eurospar Hjelseth.

#### 4.7 Illustration of the supply chain of Horsgaard & Co with their major suppliers and customers



**Figure 5:** The short-food-supply chain of Horsgaard & Co

## 5.0 Analysis

In the following chapter the researcher will analyze and discuss the findings found in the previous chapter that was based on the interviews and observations that was done with Horsgaard & Co and their customers, suppliers and logistical providers. The purpose of this analysis and discussion is to get close to a final answer to the main research question:

- **How can integrated relations together with effective supply chain management contribute to the success of small local food producers?**

To be able to get within reach of answering the main research problem it will first be appropriate to look into the additional research questions and to discuss relevant literature and the findings in the case study towards them.

- **ARQ1: How is today's demand for local food products, and what are the main reasons for the demand?**
- **ARQ2: Does the supply chain for small local food producers differ from the supply chain of other products? In that case, how do they differ?**
- **ARQ3: What is important in concerns of supply chain management for local food producers and small companies?**
- **ARQ4: To what degree is it important for local food producers to possess the ability to obtain and maintain good relations in their supply chain?**

### 5.1 Local food demand

The first additional research question looks into local food and the current demand and reasons for this demand: **How is today's demand for local food products, and what are the main reasons for the demand?** The reasons for having this additional research question in the study is to look into the how the demand for local food products have changed through the years, if local food is something that is desirable in the market and what is it that makes customers choose these products. This additional research question

makes it easier for the researcher to understand local food products and how the local food market works.

Local food is a complex terms. In both literature and among scholar there is no clear- cut definition and agreement in regards to what the term means. Even though there is no distinct definition Engelseth (2015) states the local food generally is food that is produced close to the end consumer and that all activities regarding the procedure and distribution of the products should be paid attention to when determine if a product is locally produced or not. Today the demand and interest for locally produced products is growing. Arsil et al. (2014) states that the trend is seen in many countries around the world. Given that demand is growing on a world basis does not grant that this is the case in Norway. Although local food products (fish and seafood, sheep cheese etc.), have been used frequently in Norway for many years the authors Kvam, Magnus, and Stræte (2014) state that it was not before the early 1990s that the governments started to pay attention to the local food movement. Some small local food producers, like Horsgaard & Co, that has been around for much longer then the 1990s also feel the growth in recent demand for local food. The demand is not necessarily seen in their outlet shops, but in the demand and requests from their more notable customers like the bigger food stores (Coop Mega Molde, Eurospar Hjelset, Coop Mega Oppdal etc.), and catering companies (Eurest AS) as the end customers at these companies buy and express more gratitude towards locally produced products.

There could be several reasons for why the demand is growing. The most important factor however to why people choose to buy local food is that people like and appreciate the products. However as (Olsen 2001) explains there are many different factors that influence peoples food consumption behavior. According to Arsil et al. (2014) and Pearson et al. (2011) factors like quality in the product (taste, freshness etc.), lifestyle and authenticity are some of the most important factors to why people choose to buy local food products instead of products produced by the bigger food chains. In terms of small local food producers that have been around for some time and are well known in the community, Nie and Zepeda (2011) states that factors like identity are a key reason to why people choose their products instead of other options found in the supermarkets.

## 5.2 Differences in the supply chain

The second additional research question looks into the supply chain of local food producers compared to other supply chains: **Does the supply chain for small local food producers differ from the supply chain of other products? In that case, how do they differ?** The reasons for having this additional research question is so that the researcher can investigate how food supply chains act and what are a food supply chains main characteristics. When comparing local food supply chain to supply chains of other product the researcher will emphasize that other products will be products that has a much longer life cycle then the life cycle of local food. It will be of relevant importance for the researcher to know how a food supply chains behave in order to look into the management of such supply chains.

A supply chain is a network created between difference companies with the purpose of producing, handling and distributing of a product. The products that are passed through the chain are vital in concerns of how the supply chain is structured. The structure of a supply chain is explained by King et al. (2010) to be the configuration of processes, participation and the production flow in the chain According to the authors Yu and Nagurney (2013) the structure of food supply chains are different then supply chains of other products. They state that the main difference is that in food supply chains the products that passed through the chain experience a significant change in product quality. While many food supply chains can be as complex and long as that of supply chains of other products, the local food supply chain in most cases cannot. For many local food producers quality in their products is their main competitive advantage towards the bigger food chains and supermarkets. This leads to many scholar, like Ilbery and Maye (2005) , to dub the local food supply chain SFSC (Short Food Supply Chains). Constructing supply chains with less duration in product handling and distribution is a key for local food producers. According to King et al. (2010) local food producers operates with fewer segments in their supply chains, and with a strong emphasize on good relationships and trust towards their trading partners.

When comparing the findings found by the researcher in the literature to the findings found by performing the case study at Horsgaard & Co it is clear that local food producers operates with smaller, shorter and less complex supply chains compared to the supply

chains of other products, but also the supply chains of their competitors in the food market. Ilbery and Maye (2005) state that there are three different types of local food supply chains: Face-to-face (*consumers buy products from producer on a face-to face basis*), spatially proximate (*products sold through local outlets in the area and consumers are immediately aware of its local nature*) and spatially extended (*products sold to consumers that are located outside the local area, and who may have no or little knowledge of that area*). Ilbery and Maye (2005) wrote their article *Food supply chains and sustainability: evidence from specialist food producers in the Scottish/English borders* in 2005 and the researcher of this study will argue, based on the findings in the case study done by Horsgaard & Co, that today there are possibilities that local food producers choose a combinations of these three.

### 5.3 SCM for local food producers

The third additional research question looks into important issues concerning supply chain management for local food producers and small companies: **What is important in concerns of supply chain management for local food producers and small companies?** By having this additional research question it provides the researcher the possibility to look into the how small companies and local food producers manage their supply chains. The researcher will investigate in what way supply chain management is govern and controlled by such companies and what issues are important in the management of their supply chains.

Supply chain management is a term that has been around for many years, and although many has an understanding of the meaning of supply chain management James and Stefanie (2009) argued that there is no clear cut definition to supply chain management. In short their definition states that supply chain management is the management of the supply chain network in ways of adding value to the final product.

When searching for literature concerning supply chain management in small companies the researcher did not find too much literature that emphasized this scenario. Michael (2003) states that there is dearth in the literature concerning supply chain management in SME's (small and medium sized enterprises). Kokemuller (2016) argues that one of the

reasons for this has to do with the costs that supply chain management brings with it and that often the CEO of the small companies are the one responsible for the companies supply chain managements actions. When looking into the findings found in the case study the researcher will argue that the statements made by Kokemuller (2016) is quite accurate. The CEO of Horsgaard & Co is the person at the company that is responsible for all of the supply chain management actions of the company.

There is however some literature that looks into the management of supply chains in the local food industry. According to Beske, Land, and Seuring (2013) the food industry is very dynamic, which calls for local food producers to possess the ability of quick responsiveness and flexibility towards both their customers and suppliers. This, the ability of managing the supply chain to be agile and flexible, is of great importance for small local food producers. Since small local food producers don't have the ability to compete with the bigger chains in many different aspects, the management of their supply chain in concerns of agility and flexibility is an aspect that should be paid serious attention too. The service degree and handling of uncertainties in the market is something that small local food producers, because of the size of their supply chain, can handle better than their competitors.

## 5.4 Importance of integrated relations

The fourth and final additional research question will look into the importance of obtaining and maintaining relations for local food producers: **To what degree is it important for local food producers to possess the ability to obtain and maintain good relations in their supply chains?** The reason for having this additional research question is to shed light on how good integrated relations can contribute to the effectiveness of supply chain management for small local food producers.

A company's ability to focus on building bridges to the other companies in the supply chains is of high importance, in ways of creating social bounds and not only be bound by the materialistic flow of products. Su et al. (2008) argues that the supply chain is a perfect place in which such bounds can be created. According to Achilles (2014) the ramifications of not being able to build good and steady relationships can be quite sever. Su et al.(2008)

states that one of the most frequent uncertainties in the supply chain comes from behavioral uncertainty. Uncertainty is something that one does not want in the supply chain, and therefore to build good integrated relations based on long-term relationship is a good mean to avoid these uncertainties and are therefore very important, especially for small local food producers. BIFM (2015) described five types of relationships that can occur in the supply chain: Transactional, contractual, value added, collaborative and partnership. Out of those five types of relationships, the researcher will claim that based on the case study performed, collaborative relationships are the most common form of relationships for small local food producers.

The ability to create good relations is one thing, but it is also very important to maintain those relations. It's already established that small local food producers have smaller and shorter supply chains than supply chains of other products, and therefore these types of companies don't have too many main suppliers. This makes it very crucial for such companies to obtain and make the already established relationships prosper. Under the research the researcher found two reoccurring themes both based on literature and the interviews with Horsgaard & Co and their main customers, suppliers and logistical providers. Trust and commitment. Mack (2012) states that relationships that are based on trust and commitment have a greater opportunity to maintain their relations since both are cooperative behaviors. Meaning that these types of relationships will have the committed companies working together to fulfill their needs. Figure 4 BIFM (2015) provides a set of good key components for companies to manage and maintain their relations. Much of relationship building is not done via the telephone or e-mail, but with interactions with your relationship partners on a physical face-to-face basis. This, the ability to develop relations via physical interactions with customers and suppliers, is something that is not emphasized too much by the bigger chain stores since they normally use 3PL to perform the transport and handling of their products.

## 6.0 Conclusion

In a way to find an answer to the main research question: **How can integrated relations together with effective supply chain management contribute to the success of small local food producers?** the researcher decided to create additional research questions. It was then decided to perform interviews with Horsgaard & Co and their four major suppliers, customers and logistical providers together with an investigation of relevant literature.

Horsgaard & Co defines local food as “fish that has been produced inside an area that is equal to one or two hours from where their store is located”. As learned by reviewing local food literature, one of the most important concerns for local food producers is the ability to have quality products. As mentioned in **ARQ1** it is often the quality difference in the products of local food producers compared to the big chain stores that is the reason to why people chose to buy local food. Quality in local food products can be associated with freshness and taste. Therefore much of the focus for local food producers is put on reassuring that the supply chains don't create obstacles for product quality. One counteract against the possibility of the supply chain being an obstacle for product quality is seen when looking on the supply chain structure of local food producers. **ARQ 2** look into differences in supply chains and the researcher can state based on the reviewed literature and the case findings that normally the supply chains for local food products are shorter and less complex than other supply chains. Shorter supply chains with less actors involved diminishes the duration time for the product in the supply chain and therefore the possibility for barriers and obstacles to occur. Therefore the management of these chains is an important aspect that local food producers must pay attention to. As stated in **ARQ3**, it is normal in many small businesses that there are not people employed solely with supply chain management assignments. Often the CEO of the business performs these sorts of tasks.

To better able the reassurance of quality in their products, it would be important for local food producers to create close long-term relationships with their suppliers. Based on the findings in the literature the researcher can state that by obtaining long-term relationships

based on trust and mutual commitment between the involved actors the management of the supply chain will become much easier. In **ARQ4** the researcher looked into the importance of obtaining and maintaining integrated relations. By reflecting on the findings in the literature and in the case study the researcher will state that when two parties are involved in a collaborative relationship where they are working closely together and have a good understanding of what the other party desires, both parties will have the ability to prosper from the relationship. The ability to obtain and maintain such personal relationships with both suppliers and customers is something that can be a lot easier for small companies to accomplish than their bigger competitors. Also it's much more important for the smaller companies. As often stated in literature concerning local food, the ability to deliver good services, together with product quality, are the two main reasons for success and the two main competitive advantages that these types of companies have. For smaller companies that don't have a lot of employees, and that has the same people dealing with the company's suppliers and customers on a daily basis, enables the creation of a social and personal commitments, and these types of relations is stated by Horsgaard & Co as one of the most important criteria in terms of their survival.

This study was conducted within an area in which there is a lack of literature. Although there are quite much literature on local food, and local food producers, and SCM and the importance of relations in businesses, there is not much literature that looks into how important these relations are for small local food producers. The researcher will state, based on the findings in this study, that the ability to obtain good relations in the supply chain together with effective SCM for small local food producers should be the single most important aspects in their business strategy. The company Horsgaard & Co and other companies in the same environment can use the findings found in this study to better understand their situation and what concerns that they need to pay attention to.

This study looked into a single company that has managed to obtain and maintain their relations, and then used literature to derive at the conclusion. For further research a quantitative study can be conducted. This quantitative study can look into several different companies that have, and have not managed maintain their relations with their suppliers and customers. By doing a quantitative assessment of several different companies it would be possible to see clearly how much these relations are worth in time and money.

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