

BUILDING A BUSINESS MODEL PORTFOLIO

Case Heila Ltd

Abstract

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Abstract <p>The use of local food is increasing among consumers. There are existing B2C markets available but the B2B markets are struggling with various challenges related to the product quantity, quality and delivery options among others. For the Baltic Sea Region (BSR) countries, an ongoing project tries to discover methods and solutions to create sustainable B2B business models for local food supply chain throughout the countries.</p> <p>The purpose of the business model is to describe the business activities required to create value for the customers and revenues for the company. This thesis focused on creating multi-sided business models to the local food distributor starting its operation in B2B market. The action research was conducted and combined with an iterative project model as working method. A deductive approach was used during the research to build more accurate and sophisticated business models from the initial high-level plan. The business models were developed using the transactional data combined with discussions throughout the project phase. At the end of the research, the created models were fitted to the business model portfolio to provide a visual overview of the current situation of B2B models for the distributor.</p> <p>Comparison of the business model data was done against the recommendations created in the second phase of the BSR project. This provided additional information regarding the models, recommendations and the identification of stakeholders and their tasks towards the BSR project to use.</p>		
Keywords Local food, business model canvas, business model portfolio, B2B		

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APPREVIATIONS

BSR: Baltic Sea Region

B2C: Business to Customer

B2B: Business to Business

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1 INTRODUCTION

1.1 Business models

For a company, it is important to define its business logic and strategies. These will set the direction the company is heading and how it thinks the revenues are created on the way. Business model canvas has been created by Osterwalder to help to align business ideas and to place them into a single canvas that is shown in figure 1. The business model canvas focuses on the value proposition that is offered for the certain customer segment by a company. The canvas includes the necessarily pieces that must be completed for enabling the value proposition, it also describes the costs arising and the revenue streams. The business model canvas is a single page tool which company can use to brainstorm the innovative ideas or to map the existing business plans. Usually there is just not a single business model per company but multiple models that differ partially from others. The differentiation may occur during the customer segmentation, the value proposition offered or by the required delivery methods. (Osterwalder, Pigneur, Clark, Smith & Pijl 2010, 5-51.)

The Business Model Canvas

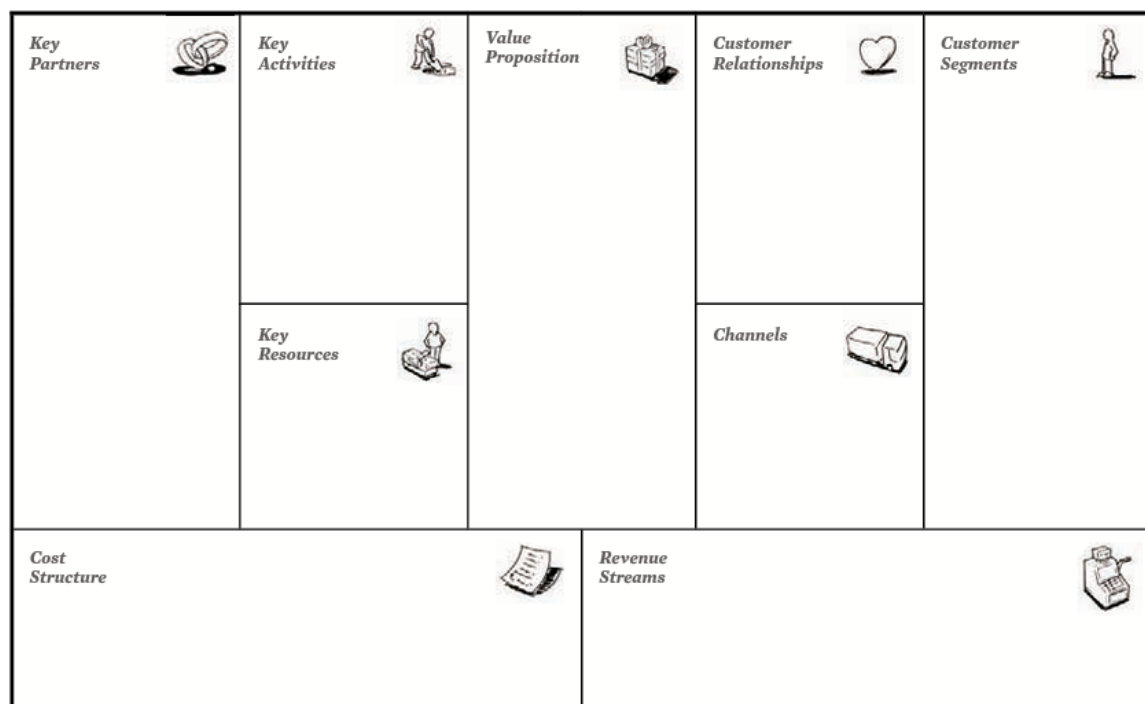


Figure 1. – Business model canvas template (Osterwalder et al. 2010, 44)

It is vital for a company to assess the business models regularly. There are models that no longer are profitable for the company and should be disrupted, there are new innovative models that will create profit but contain high risk factors. Once the profitability

and risk assessments are made for the templates, they can be placed on the business model portfolio accordingly. The business model portfolio describes visually the status of all existing business models of the company. The visual portfolio helps a company to make decisions regarding the improvement ideas or business changes.

1.2 Baltic Sea Region project

An interest towards local food has grown in the past years. Consumers are more aware of the sustainability issues related to food production and transport and this leads to the situation where the value of locally produced goods raises among the consumers. The local food is marketed to the B2C segment through various channels including the farmer's markets, social media channels and farm sales. It is in the B2B segment where the local food supply chain is still looking for the best practices. (Autio, Collins, Wahlen & Anttila 2013, 564; Gregoire, Arendt & Stronbehn 2005, 6.)

The Baltic Sea Region project has researched the production, sales and use of the local food in ten countries around the Baltic Sea region. In the phase 1 of the project, the current situation of the local food business was researched and analyzed. Simultaneously, the possible potential for the development was investigated. During the first phase of collecting and analyzing the current situation, also the four main stakeholder groups were identified. These groups are

1. Farmers / Local food producers
2. Local food distributors
3. Local food networks and
4. Local food businesses – hotels, catering business and restaurants (HoReCa)

During the second phase, the research focused more on creating recommendations for building testable business models for each of the stakeholders identified.

The phase 3 focuses on piloting, testing and re-modelling of business models. The purpose of this research is put the theoretical recommendations into practice in order to determine whether the recommendations and created business models match. The real-life business models used for the comparison have been created by a local food distributor's point of view which is expanding its business from B2C area to B2B area.

1.3 Research questions, methods and limitations

This research focuses on creating a reliable business model portfolio for Heila Ltd, which is a local food distributor located in southern Finland expanding its business from B2C to B2B segment. The research utilizes the information collected from the initial B2B business plan created in summer 2019, and the pilot phase data from the fall 2019. The pilot phase of Heila's B2B gives the realistic view towards the data in the business models and the parts that need improvements. Simultaneously, the purpose of this research is to compare the recommendations for the business models made during the BSR phase 2 and the final business models created for Heila B2B during the research. The differences will be investigated, and reasons clarified.

This thesis will provide answers to following question:

1. From business plan to business model portfolio – what are the main differences discovered during the pilot phase that were not available in the original business model?
2. From theory to action – what are the differences between business models recommended from BSR phase 2 project and the ones created during the pilot phase for B2B from the distributors point of view?

The research will be done by using the action research strategy. The researcher will actively be part of the development. The pragmatic philosophy is suitable for the research due to its nature to be supporting the actions. Most of the evaluations are based on text values and are qualitative in nature which supports the use of qualitative methodology.

Since the case company Heila acts as a distributor in B2B business, this research focuses only to discover the business models for that stakeholder group. The business models will be created to cover the B2B business in Heila, although it has existing business toward the B2C segment. That will not be part of the research.

1.4 The structure of the document

This first chapter is an introduction chapter, which introduces the business model canvas and the portfolio in overall level. It also clarifies the overall situation of the Baltic Sea Region project phases and its aim. The research questions are included into the first chapter together with a short recap of the research methods and the limitations.

The second chapter contains the theoretical part and literature findings about the business models and the business model portfolio. In third chapter, the focus is on the theoretical

framework about the local food production. Chapter 4 has the research methodology explained and the reasoning of the research choices.

The fifth chapter contains the actual research cycles and the evaluation of results. This is followed by the discussions in chapter six and the conclusions with future research recommendations are in the chapter 7. The structure is also shown in the figure 2.

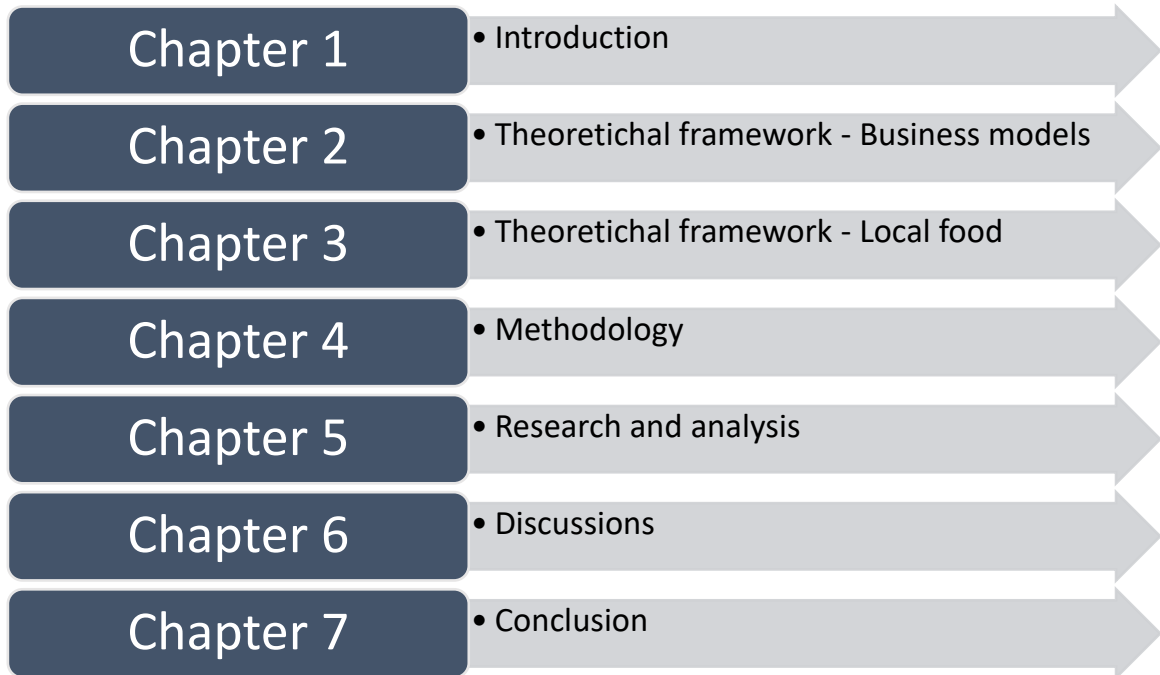


Figure 2. The thesis structure

2 BUSINESS MODELS

The term of business model is widely used within academic literature by the scholars as well as in the business world explaining the company's strategies or value. From the literature search, multiple definitions of business models can be found. Some state that business model is a tool to design the company's business logic at strategic level (Sako 2012, 23). A business model can be also seen as a plan to make money or assumptions of the profit of the company (Ovans 2015). Overall, business models are used to model the business activities, resources, customers and probably, mostly the value created for customers from which the revenue is created.

It is not just at the start-up phase of the company where the business model is used but it should be managed throughout the company's lifespan. Whilst, creating new innovations or extending the business, the changed should be reflected against the existing business model and the model updated accordingly. Changing the business models according to the changes in business has been proved to be difficult since the management may have difficulties in determining the changes needed. (Sandström & Osborne 2011, 464.)

The most comprehensive template of business model, stated by Ovans in Harvard Business Review in 2015, is the business model canvas created by Osterwalder. The business model canvas is used for this research and is explained in more detail below.

2.1 Business model canvas

In BSR project, phase 2, the business model canvas was used to determine the recommendations for creating country-specific business models. For the comparison reasons and whilst seen as the most comprehensive and suitable, the business model canvas is used also in this research. This business model canvas is world-wide used tool where a business model and its aspects can be collected to a single page (Strategyzer 2019). The model is created by a group of professionals to help businesses to analyze existing or new business models. The business model canvas contains nine building blocks that are connected to each other. These blocks are customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure. Each of these are explained in more detail in the following chapters. (Osterwalder et al. 2010, 5-15.)

The business model canvas defines the customer base for the business and the ways the business will create value for the customer and the revenue for the business. The business model is usually created while planning of starting a new business but is also

helpful when extending existing operations to new areas. (Hesso 2013, 11-13.) There are different predefined business models types, such as distributor, manufacturer and freemium. These types differ mostly on the ways of the revenue is created in each of the cases. A company can use one of these predefined types or combine two or many models that are most suitable.

Customer segments

Since the customers create the business, this block is a vital one for any business model. It defines who are the customers and to which segments they can be divided. The division is needed for example if groups have significantly different needs, or the distribution channels varies, or the revenue streams are different compared to other segments. Business model can have multiple segments but in order to succeed, the business need to decide if all the segments should be served or not in order to make profit. (Osterwalder et al. 2010, 20-21.)

Value proposition

Value proposition consists products and services, which purpose is to solve problems or satisfy needs of specific customer segment. These value propositions can be innovative or enhanced versions of existing products and services. Value proposition can be qualitative, such as new design or usability or quantitative such as price or size of capacity. The value proposition is what differentiates the company's offering from others. (Osterwalder et al. 2010, 22-25.)

Channels

The channels determine how the customer segments are receiving the information about the value proposition offered to them. The channels include the communications channel, distribution channel and sales channel. Channels are also described as customers touch points and they can be divided to five phases, awareness, evaluation, purchase, delivery and after sales. For each of these phases, a plan should be made how the customers are reached and meet. In addition to the phases, channels may be provided by a partner and they can be both direct and indirect. Following figure3 clarifies the types and phases of the channels. (Osterwalder et al. 2010, 26-27.)

Channel Types		Channel Phases					
Own	Direct						
	Sales force						
	Web sales						
Partner	Indirect	Own stores	1. Awareness How do we raise awareness about our company's products and services?	2. Evaluation How do we help customers evaluate our organization's Value Proposition?	3. Purchase How do we allow customers to purchase specific products and services?	4. Delivery How do we deliver a Value Proposition to customers?	5. After sales How do we provide post-purchase customer support?
		Partner stores					
		Wholesaler					

Figure 3. Channels (Osterwalder et al. 2010, 27)

Customer relationships

Relationships are built between the customer segments and the company. They can be categorized and vary from personal assistance to automated service and co-creation with customers. The deeper need for relationships usually arises when acquiring or retaining customers and when increasing the sales. (Osterwalder et al. 2010, 28-29.)

Revenue streams

Revenue streams are the cash company receives from the customer segments. There can be more than one revenue stream coming from a single customer segment. Revenue streams may have different type of pricing method, fixed and dynamic pricing being the main categories and the streams can come from transactional or recurring revenues. Revenues are generated from e.g. asset sales, renting fees or advertisements. (Osterwalder et al. 2010, 30-33.)

Key resources

No business can be done without the key resources. According to Osterwalder et al. (2010, 34-35), the key resources are categorized to physical, intellectual, human and financial assets. The key resources are needed to make value proposition to happen.

Key activities

The key activities are the things and actions that are required to do business. The production activities, problem solving actions or offering platforms can be described as key activities. Key activities are related to value proposition to happen, distribution channels to work, customer relationships to be maintained and revenue streams to occur. (Osterwalder et al. 2010, 36-37.)

Key partnerships

Rarely a business can thrive independently. The key partnerships consist on supplier networks and partners that help business to make their business model to work. Partnerships may be created due to different reasons, such as cost reduction, gaining resources and supplies and reducing risks. (Osterwalder et al. 2010, 37-38.)

Cost structure

The most viable costs are collected to cost structure block. It should contain the costs that come from operating the business model, such as customer relationship maintaining and value creation. Cost structures are divided to two, cost-driven and value-driven structures, whereas many of the businesses cost structure lands in between of these two. (Osterwalder et al. 2010, 39-40.)

2.2 Multi-sided business model

The multi-sided business model has become more valid after the digitalization. It is used within the digital businesses where the technical platforms as operation platform are heavily used, the examples of these are Amazon and AirBnB. With these, the other user group is dependent on the other and the platforms offers the intermedia between the groups to operate. (Parmentier & Gandia 2017, 52.)

In the business model categories, the distributor model is a multi-sided model. In this type of the model, the value created to another set of customers depend on the actions and/or goods from the other set of customers. (Rumble & Mangematin 2015, 98.) The distributor creates value to the restaurants, city food services and caterers by using the goods provided by the producers. Usually, the multi-sided business model includes the digital platform, but for the distributor point of view, the multi-sided model is still a valid model even the platform does not exist. Creating value to the restaurants, catering services and city food services is not possible without having the producers of the goods. The producers will gain the value of focusing to their main jobs, while the distributor handles the sales and marketing. (Hänninen, Smedlund & Mitronen 2018, 153-154.)

2.3 Business model implementation

Whilst the business model represents the logic of business, its existence is not enough to create revenue. The activities described in the business model need to be transferred to real-life business activities. The literature focuses clearly in vast amounts to creating business models, but the implementation part is an angle that lacks the fruitful sources.

In a study by Solaimani et al. (2017, 89), six factors were discovered that may risk the implementation of the business model. These are “uncertainty and contingencies, resource scarcity, hidden and unknown requirements, conflicting and incoherent processes and unilateral decision-making.” Since the study was related to the pharmacy, these issues may not be valid in another type of business as such, but similarities may as well be found.

Contingency and uncertainty create a situation where multiple possible scenarios need to be ready for different outcomes. This will require effort in early stages of creating the business model to identify the uncertainties in individual and partnership level. Resource scarcity may occur in personnel resources, in assets, and in capabilities. These should be validated in the key resources block in the business model canvas. When working with different stakeholders, there may be requirements that are considered to be strategic information by the stakeholders and therefore not openly shared with others. Trust and understanding among the stakeholder should be built by clear and frequent dialogues. Conflicting and incoherent processes should be prevented by a careful planning. To prevent conflicts, the effects of using and having both actions and data should be evaluated. The processes should be consistent related to the new ones and possible existing ones. Since the business model usually involves many stakeholders, everyone wants what is best option for them. The decision making in this case will be complicated and the implementation of business model may be in risk. (Solaimani et al. 2017, 87-89.)

Implementing the business model includes mapping the related processes and projects, setting deadlines and schedules, handling the legal matters and calculating the budget and financing the implementation activities (Osterwalder et al. 2010, 256-257). The final implementation should be done according to a project management plan that will be an outcome from the business model.

The project can be organized as a complete set from the beginning to the expected final outcome. This requires planning all the activities and the milestones during the project. It may be a good option if the subject area of the project is well known and the expected outcomes are clearly set. If this is the project mode with unfamiliar subject, may it cause a lot of surprises during the project and the risks are higher. The use of traditional type of project management has been reduced due to more complex and unstable circumstances that exist around the project scope (Fernandez & Fernandez 2009, 10).

An agile project management has replaced the traditional project management, especially in software development. The agile project management was first used for the product development projects but has spread since as being one of the most used project

development methods, not just with the software development but also with e.g. marketing. For the agile project management of software projects, a manifesto was created in 2001. Within the manifesto, four values, as seen in figure 4 were set to define agile. (Kraft 2018; Rigby, Sutherland & Takeuchi 2016.)

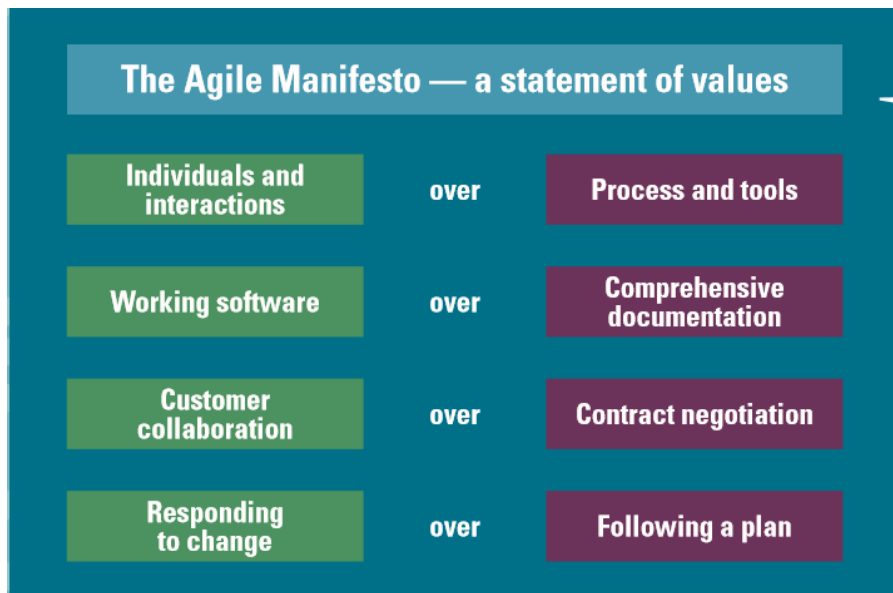


Figure 4. The Agile Manifesto (Kraft 2018, 15)

Agile development holds many benefits including the increased business value when the change or partial changes are implemented to the market earlier than in traditional project model. Agile holds also reduced amount of risks, since the development is made in iterative method, piece by piece. Therefore, if something goes wrong, the whole project is not compromised. The goals and requirements can be changed during the development if circumstances change. When the development has been divided to iterative cycles, it is easier to adapt to the changes in between the cycles. (Kraft 2018,16-17.)

Despite the fact that the literature, including the Agile Manifesto above, focuses heavily in the use of agile project management mostly in the software development and for complex problems, some articles are found where the use of agile is proposed to be used also outside the software projects. (Stare 2014, 296.)

2.4 Managing business models

The business model is created to represent a current, or near future situation of the business. But due to changes in business, also the business model requires frequent monitoring, evaluation and updating and the business model should be an up-to-date document. The management of business model is important to ensure the continuity of the business. The profitability, sustainability and possible risks must be evaluated and

possible changes to be implemented, both into the business model and into the practice. (Osterwalder et al. 2010, 252-259.)

Changes within the company itself are obviously a reason to evaluate the possible changes to the business model, but also the changes that happen on the outside environment of the company must be closely monitored. The current trends, new innovations and techniques may have an impact to some or all the blocks within the business model. These changes may affect to the overall profitability of the company. These influencers, the outside forces, can be divided into four different categories – market forces, industry forces, key trends and macroeconomic forces, as described in figure 5. It is advised that these external categories should be mapped, and business models compared against them regularly. (Osterwalder et al. 2010, 200.)

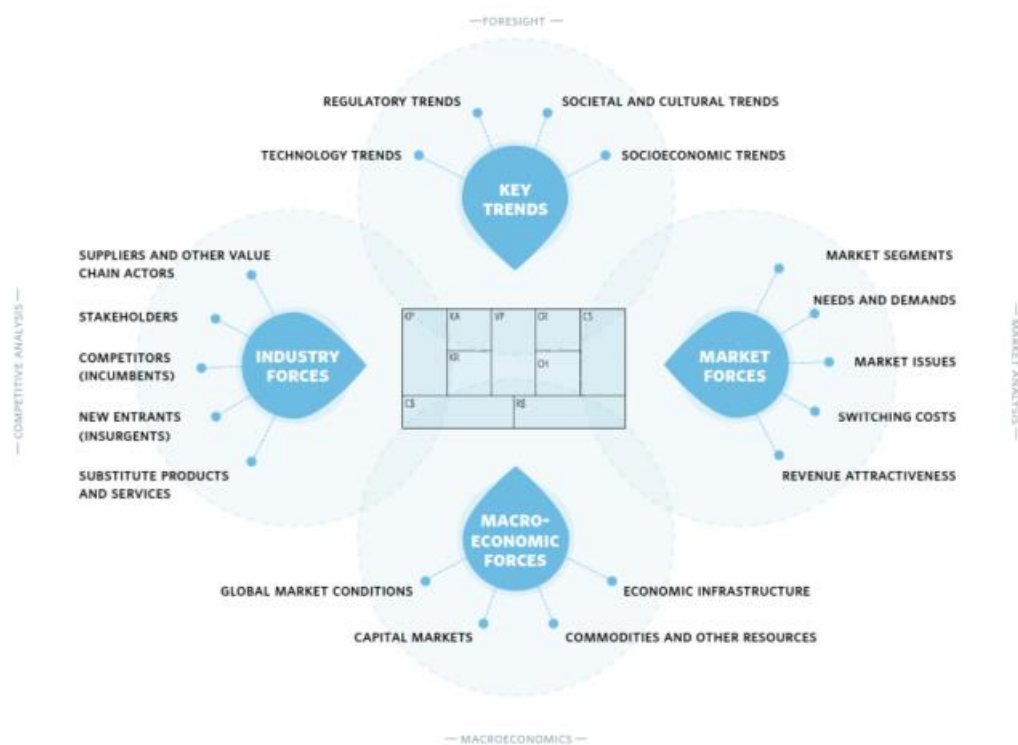


Figure 5. Key external forces that influence the business model (Osterwalder et al. 2010, 201)

The different versions of business models must be managed and the implementation of requires pre-defined steps which will ensure the transformation from one business model to another in a controlled manner. Changing or renewing business model is found to be challenging for the companies. Regardless of the greatness of the new business model, the comparison against the existing model must be executed before the implementation. It

may cause disturbances to the old model by being incompatible and therefore risk the whole business. (Sandström et al., 462-463.)

Since a company may have multiple business models, it is also crucial that outside factors are also evaluated when an innovation or a product with is implemented with its business model. The new model may be implemented as a part of the existing business or a model can have a separate business unit that will have to be created for it. This implementation ensures that the old business activities are not compromised with the implementation of a new model. The implementation choice may be either, but while implementing the model, it is important that the synergies are carefully investigated. This will save the company time, effort and resources and prevent them to re-implementing existing features. (Osterwalder et al. 2010, 200-230.)

2.5 Business model portfolio

Since business models represent the value created for the customers and the activities that enable the value creation, almost every company eventually has more than one business model. The business model diversification may occur when there is more than one way to create value or to earn revenues. The differences may arise by having different types of products for offer or different types of services to offer. The multi-sided business model is a diversified by its nature. After the business models have been differentiated, the benefits and risks of each of the models are easier to evaluate. (Aversa, Hafliger & Reza 2017, 50-52; Osterwalder & Pigneur 2017.)

These multiple types of business models generate a business model portfolio. The purpose of the portfolio is to represent the business model differences, their relation to each other and evaluation of business model sustainability. Another purpose of the business model portfolio is to include the innovative business models to the portfolio for the future decision planning. All these different models give a holistic view of the businesses state currently and its direction for the future. (Osterwalder et al. 2017.)

The overview of business model portfolio design by Osterwalder et al. (2017) is shown in figure 6. The exploit and explore parts are described in the following two subsections.

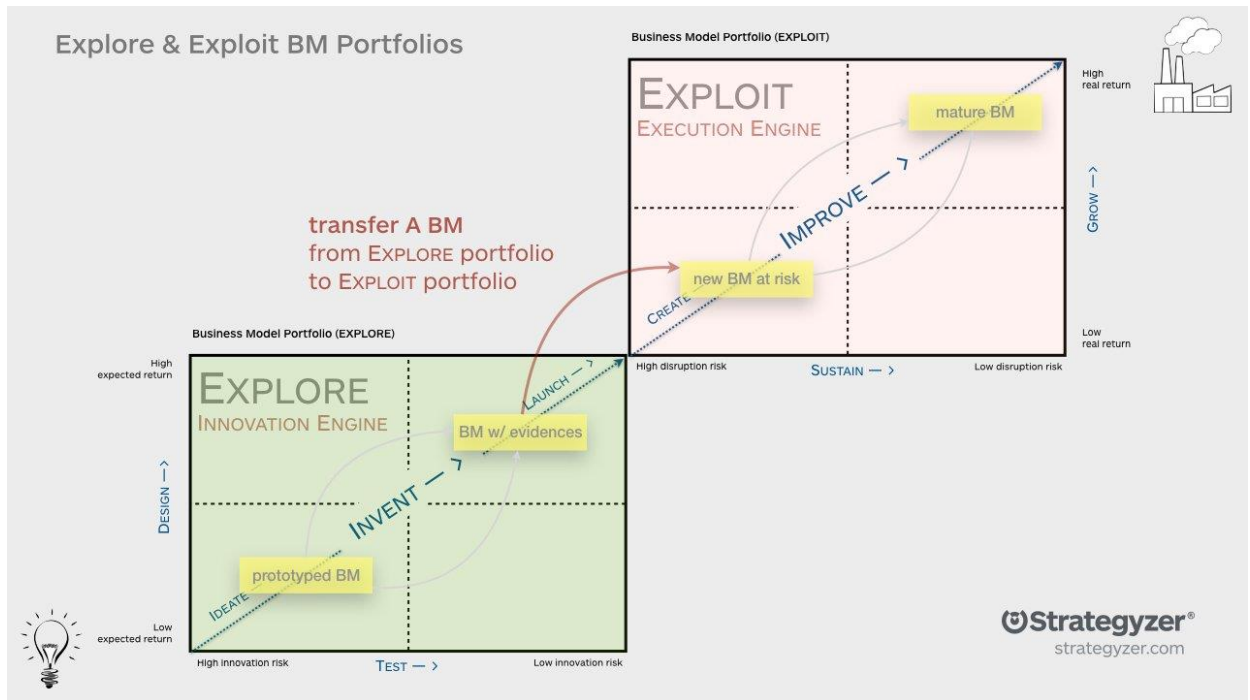


Figure 6. Business model portfolio overview (Osterwalder et al. 2017)

Existing business models

The existing business models are evaluated and added to the business model portfolio by the result of evaluation. For the existing models Osterwalder et al. propose a model that is shown in figure 7 below.

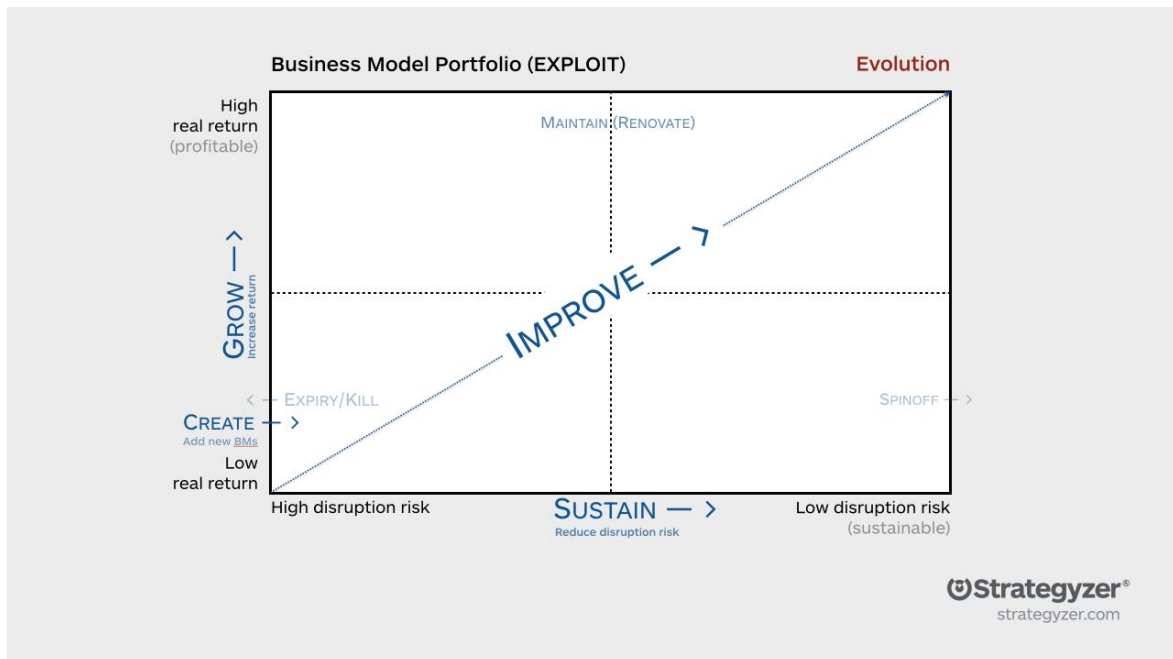


Figure 7. Business model portfolio explore part (Osterwalder et al. 2017)

The evaluation of models is based on the profitability and the sustainability / disruption risks, these are defined as the two axes of the portfolio. The lower the profitability with the business model is, the lower it will land in the portfolio. As well with the sustainability or the risk for disruption, the higher it is, the more left the business model stays. The aim is to improve the business models either by making them more profitable or less risky for disruption in order them to land on the upper right corner of the portfolio.

Innovative/ future business models

The second part of the business portfolio describes the new innovative business models. For these, the evaluation is based on the expected return of the business models, the higher the expected revenue potential is, the higher the model will be set in the portfolio. The risk is evaluated by testing the innovative ideas. The more feasible the business model is, the more right it will be set. Those that have not been tested or doesn't have evidence for sustainability will be on the left. These business models require iterative designing, piloting and testing. The purpose is to improve these models that they will land on the upper right corner of the explore portfolio part as well. Once these innovative business models are in the upper right corner, they should be validated to make a profit and can be moved to the exploit portfolio. The innovative part of the portfolio should contain multiple business models since only some will be good enough to create profit in a sustainable way. The explore part of portfolio is shown in figure 8 below.

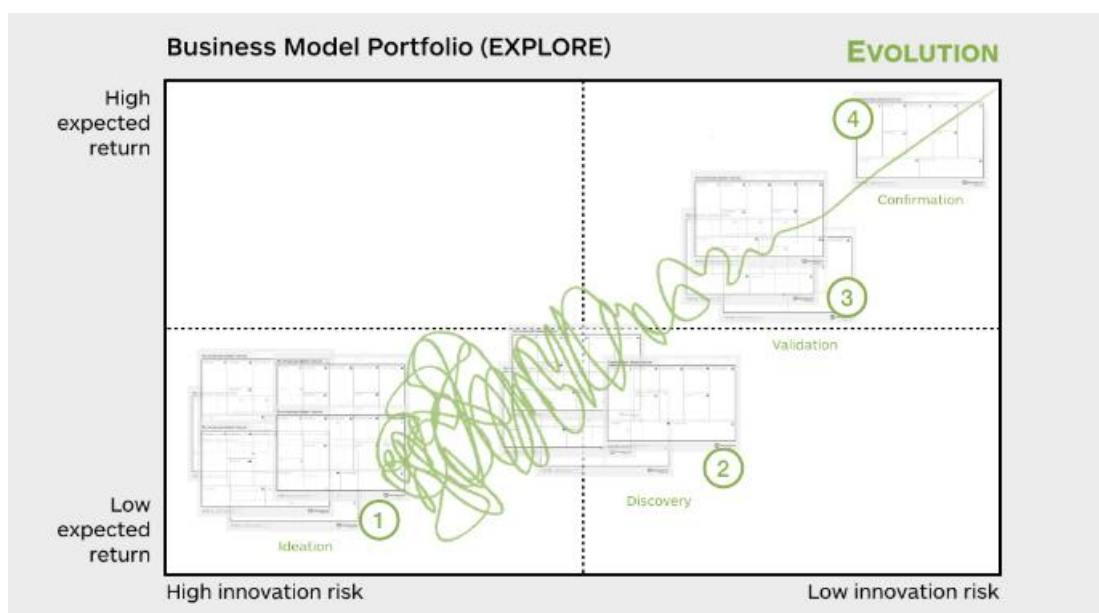


Figure 8. Business model portfolio explore part (Osterwalder et al. 2019)

2.6 Co-design and co-creation with customers

Companies tend to plan their business according to the visions the management has. The development ideas may arise during workshops or brainstorming organized within the organization with the purpose of creating something new for the customers. Some marketing research may be executed for the purpose of getting supportive or rejective feedback towards the idea. The research results provide a limited view mostly due to a structure the questionnaires are created. They mostly look for the support or rejection towards the current idea, which limits the customers capability to express the needs they truly have. The more effective way is to co-design or co-create with the customers, to identify the products or services customers truly want or need, those that give them a value that they are willing to pay for. Increasing amount of development projects are including the co-creation as part of their plans. Since the focus in the business model canvas is the value proposition, the customer perspective should matter when the business plan is created or developed. In addition to the products and services customer are interested in, changing the methods in other building blocks will be attractive to the customer. Delivery methods or communication channels may create the difference company requires to differ from the competitors. While chasing the customer perspective to creating value, the companies should be open minded and survey also those segments that currently are not the target segments. Co-creation is often used with projects where the outcome is not tightly set but the best possible option is the target value, this suits with the agile methods of iterative methods. (Jung-Joo, Jaatinen, Salmi, Mattelmäki, Smeds & Holopainen 2018; Osterwalder et al. 2010, 128-129.)

3 LOCAL FOOD SYSTEMS

3.1 From local to large-scale farming

The first signs of farming have been discovered from thousands of years ago. Farming became the foundation for the settled communities and the villages began to grow around the plantations. Food was locally produced in order to fulfil the villagers needs. New techniques and tools were discovered and invented to increase the crops produced. (Päivärinta, Solastie & Turtiainen 2013, 32-36.)

Over the years, the villages grew and became larger, simultaneously the population and the demand for the food increased. This added pressure to the food production and the number of farms increased, both in quantity and size. Industrialization of agriculture brought technology into the farming. The use of fertilizers and pesticides enabled larger crops and continuous harvesting on the same fields. The cost of small-scale farming became more expensive and due to demand of low-price food, most of the food is produced by a fewer, but larger scale farms. (Hendrickson & James 2005, 270-271; Urban 1991).

This mass production of food has caused the loss of knowledge and skills of the overall food chain among producers. The genetic diversity of the goods has been decreasing over the time. (Hendrickson et al. 2005, 278-279). The mass-produced goods often require long-distance transportation with specified packaging and temperature-controlled environment while transporting and storing. Some of the goods must be harvested as raw products and then ripened with gases at the later stage for them to be at proper ripeness when consuming them.

3.2 Attractive local food

There has been an increasing interest towards locally produced goods due to various reasons, such as environmental and ethical reasons. Local food is considered to be healthier, safer and tastier by the consumers. Locally produced food is considered to increase the regional economies and to strengthen communities (Autio et al. 2013, 564; Tellström, Gustafsson & Mossberg 2006, 140). Local food systems have brought back the knowledge and the relationships between the producers and consumers that were lost in the globalizing food systems due to increasing physical, social and metaphorical distances.

The meaning of local is not clearly defined due to its nature to be relevant to individual's social, ecological and political views. Regarding the use in a food system, the local -

sometimes referred as community or a place - is still considered to be an opposite to the global food systems. (Feagan 2009, 24-39.)

The local food system is often considered to be as a relocalization of the food systems, from the global to local. Ideally the local systems are more transparent to the consumers and the localized supply-chains brings value to the communities and the overall process has the value from the overall sustainability. (Arabska 2018, 2.)

Traditionally the local food is sold to the B2C segment that includes consumer customers in farmer's markets, farm stores and through the internet channels. The demand and interest towards local goods among B2C segment have increased over the years. The attitude towards local food is a key to increase the demand. It has been researched that also the supportive and positive attitude from the government's side has increased the overall positive attitude towards locally produced food among the consumers (Bianchi & Mortimer 2015, 2294).

The benefits of local food seem to be clear, the healthy, tasty food with a short transportation and ensured freshness. These may be true in theory, but the benefits may not be as high as thought. When local means quite often smaller producers with maybe limited knowledge about farming, it may be that the sustainability in some cases is not as high as expected. The distances of transports may be shorter from individual local producers, but the conventional producers may have more effective transportation routes and schedules with maximized use of capacity. Despite the arguments against local food sustainability, it does offer benefits stated, and simultaneously strengthen the local community. (Wassalos & Reed 2018, 1.)

3.3 Local food in B2B market

Even though the demand towards the local food exists from the consumers side, the local food producers are struggling with the continuity in demand. The size of the local food producers varies and therefore the quantity of the products is also varying. The B2B segment – the restaurants, caterers and city food services – could bring the needed security and continuity in demand for the producers.

For the B2B market the benefits come, in addition to the fresh and high-quality goods, from the brand value that the local food has. Since the local food has a high value of being healthy, safe and sustainable, the customers are willing to choose the local over the global and the possible extra cost is also justified (Contini, Romano, Boncinelli, Scozzafava & Casini 2017, 2-3). The local has also a strong value in the food tourism (Aaltojärvi, Kontukoski & Hopia 2017, 134). In some areas, the use of local food has

considered to be as a strategic option for the restaurants to grow (Paciarotti & Torregiani 2018, 1731).

However, it is less attractive to B2B market to buy locally produced goods. When the local food is mainly sold through the farmers markets and by the individual producers, it is time-consuming to search for the needed products, in necessary quality and quantity to fit to restaurants' or city food services' use. In addition, finding the steady supply of locally produced goods is challenging. On the other way around, it is also challenging to the local farmers to find the continuous market for their goods. They may lack time and knowledge to market their good in addition to focus on keeping the quality high and the quantity at the maximum level. In Baltic Sea Region project, the B2B customers' biggest challenges are the quality and quantity differences, the logistic distances and the variations in product ordering. (Rusanen 2019, 79-80; Paciarotti et al. 2018, 1731-1732.)

It has been recommended by Contini et al. (2017, 13-15) that farmers should organize themselves so that working together, they could offer reliability, consistency, and constancy of quality level to be able to fulfil the opportunity to provide local food supply for the restaurants. This kind of stakeholder has been defined as being a distributor. In the Baltic Sea Region project, a distributor is defined to be a connector between the producers and the customers in both, B2C and B2B segments. Tasks that belong to the stakeholder varies with the context but mainly the activities include purchasing the goods from the producers according to the order from the businesses, marketing the products, packing the goods, making the deliveries and storing the goods for short-time, if necessary. (Rusanen 2019, 10-11; Schmidt, Kolodinsky, DeSisto & Conte 2011, 157.)

The distributor can be defined also as a wholesaler of the local goods, similarly to the traditional wholesale business. There can be a separate wholesaler for the local food, or the goods may be handled through the regular wholesaler, as side products. This may have somewhat negative effect to the value producer will gain. It has been studied that the market-based circumstances affect more to these so-called hybrid food value chains where both, the conventional food and local food are handled side-by-side. (Bloom & Hinrichs 2011, 152-153; Schmidt et al 2011, 171-172.)

4 METHODOLOGY

According to Adams, Raeside & Khan (2014, 2) research is

“ a diligent search, studious inquiry or investigation or experimentation aimed at the discovery of new facts and findings; or broadly, it may relate to any subject of inquiry with regard to collection of information, interpretation of facts, revision of existing theories or laws in the light of new facts or practical ideas.”

In the other words, the purpose of research is to extend the information that is already known and on the other hand, to discover something new. Research is a systematic approach to find the solution to the occurring problems which may be relatively simple or complex. Depending on the level of research, different methods can be used to determine the outcome.

Research is undertaken to discover new things or to extend the current knowledge, the reasons behind may include solving problems, testing new products or methods of working, enhancing business activities and profitability etc. These are examples of research in business area, the common idea of these is that they are done with a pre-defined purpose. When the research method defines how the research is conducted, the research methodology is the scientific and philosophical aspect of every research. Through the research methodology the meaning of knowledge and the ways to create knowledge are revealed. (Adams et al 2014, 3.)

Research design

The research onion in figure 9 by Saunders & Lewis (2018) is a tool that helps to choose the research design by going through the different layers of the research onion and validating the best options for the current research and purpose.

The onion contains layers for the deciding the philosophical choice for the research, the approach type to the theory development. There is a decision layer for methodological choice, execution strategies and the time analyzes.

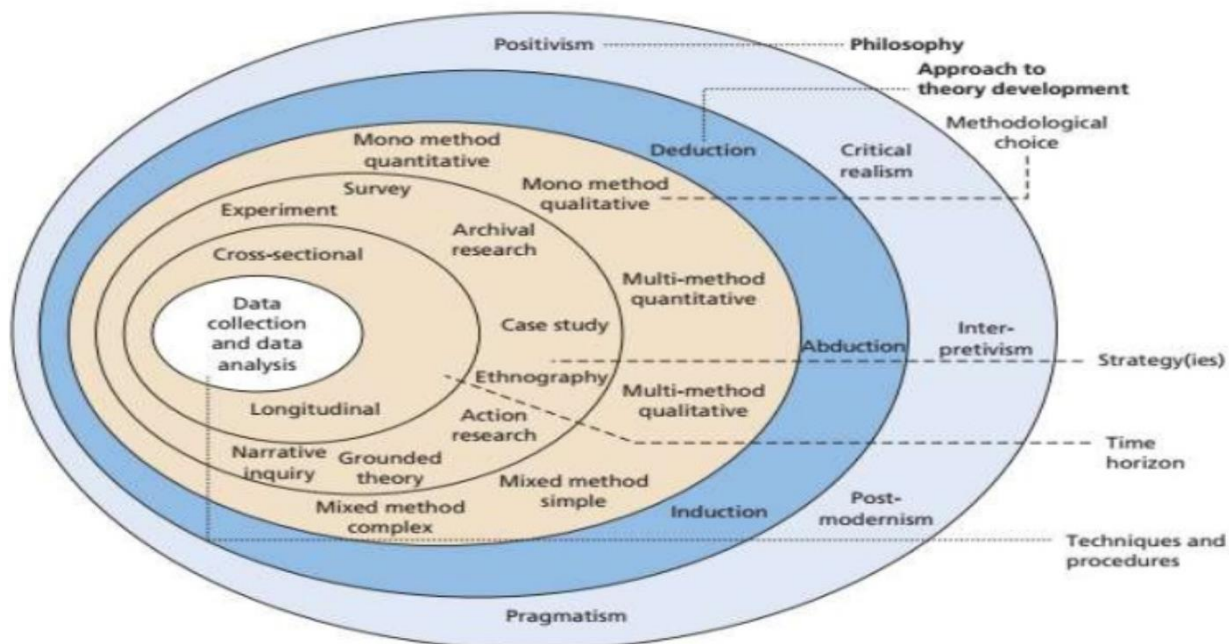


Figure 9. Research onion (Saunders et al 2018, 106 © 2015 Saunders, M; Lewis, P. & Thornhill, A.)

Research philosophies

The research philosophy “refers to a system of beliefs and assumptions about the development and nature of knowledge” (Saunders et al 2018, 106). The philosophies can be divided in five categories. Positivism tries to confirm that the subjects of the research are true or law-like ones, like the objects in science. Hypothesis are often used as a base theory and the purpose is to strengthen these hypotheses. Direct realism, that is mostly used within the science area, the idea is that the things are as they are seen. In critical realism, used in business and management research, the idea is that there are factors behind the scenes that have an influence on the things that are visible. Interpretivism focuses on the social aspects in determining what are the differences between people and how their actions and behavior have an effect to the situations. The language and power relations are the key influencer in postmodernism. The power relations are formatted within the groups and the solutions that are proposed by the ones with the power usually have the higher credibility in decision making, even though the solution is not the best one proposed. The postmodernism tries to look behind the power relation. Pragmatism focuses on the research questions and objectives and try to come up with practical solutions and ideas towards those, no matter from which way to look for the answers. (Saunders et al. 2018, 106-111.)

In this research, the philosophical choice will be the pragmatism. The research is based on the actions taken during the planning and piloting phases and the data that is gathered from those. The purpose for the research is to come up with reliable and relevant findings that supports the business of the case company and can be adopted elsewhere as well.

Theory development

Research theory development, the second layer of the research onion, can be approached in 3 different ways, deductive, inductive and abductive way. For this research, the abduction approach is used. It combines both, the narrowing deductive way and the widening inductive way. The deductive tries to aim to single conclusion of the issue, narrowing data from large amount to single theory. The inductive theory works the opposite way, it starts with single theories and then widens the understanding to general theories. The combination of these, the abduction theory is stated by Saunders et al. (2018, 113) to be the proposed theory for the business and management research.

Research strategies

The research strategies are used to ensure that the questions and objectives of the research are to be fulfilled. Even there may be a single strategy chosen for the research as a main strategy, the components from other strategies can be used. Different strategies may be also used in different parts of the research. The strategies described in the research onion are experiment, survey, archival research, case study, ethnography, action research, grounded theory and narrative inquiry. (Saunders et al. 2018 119-127.)

The primary strategy for this thesis is the action research that is sometimes called also as evaluative research. Action research means that the person doing the research is involved with the planning, executing changes and evaluation as a participant, not just an outside observer. The action research can be described as a spiral with cycles, as illustrated in figure 10 below.

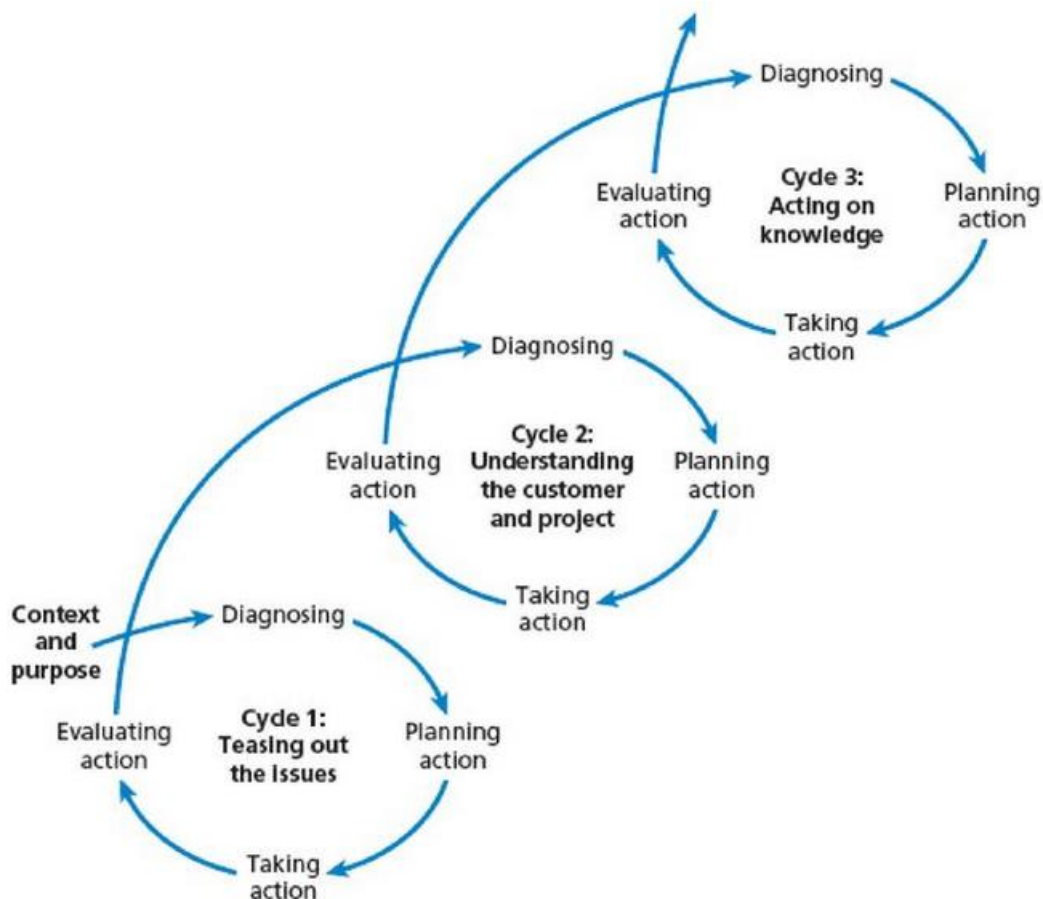


Figure 10. Action Research Spiral by Saunders et al. (2018, 123)

Action research requires time and effort to conduct but provides more practical value with the insight information obtained (Saunders et al. 2018, 122-124).

Methodological choice

The method approach is the layer “Methodological choice” in the research onion. It includes the quantitative and qualitative methods or the mix of these. The method can also be a combination of both. In this research, most of the data is based on experiments, actions and unofficial interviews and therefore the qualitative methods will be used.

To summarize, for this research, the abductive research approach is used since the purpose is to improve the initial plan and to achieve a collection of reliable business models. Since the strategic choice is the action research, learning and discovering, researching while doing and participating, the pragmatic philosophical choice fits the purpose. The research does not focus on the numbers behind but the qualitative values of the models, therefore the methodological choice is mostly qualitative.

4.1 Data collection

The primary data was collected during a 4 months period, that contained 3 cycles of action research. The primary data, collected from the B2B wholesale transactions that took place, was required to improve and manage the business. Additional data was collected by discussions with Heila's personnel in order to find out all the actions that took place during the research period. These discussions were unofficial, notes were taken during the discussions, but the discussion were not recorded. Some additional data was gathered by discussions with producers at the event held during the second cycle and at the workshop session during the third cycle. The primary data collection is described in figure 11 below.

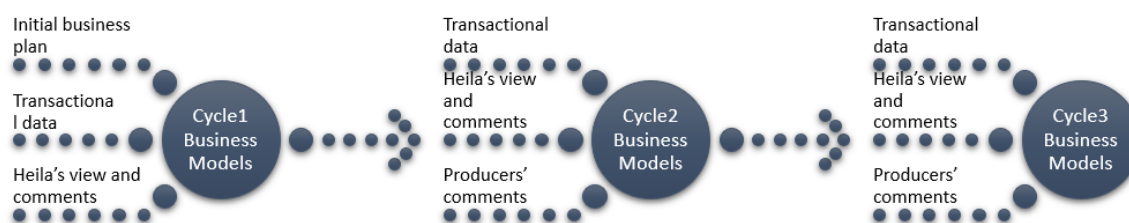


Figure 11. Data collection during the research

The secondary data was used for the comparison of the business model recommendations to the actual model. This data has been retrieved from the thesis by Rusanen (2019) where the recommendations were created from the phase two data of the Baltic Sea Region project.

5 EMPIRICAL RESEARCH AND ANALYSIS

The case research company for this thesis is Heila. Heila is a local food shop and restaurant located in southern part of Finland, Heinola. Heinola is a small town with a population slightly less than 20 000. Even though the market potential within the town itself is quite limited, one of Heila's biggest advantage is its situation right by the main highway E75. Until the summer of 2019 Heila's business based on the B2C segment. Approximately 85% of Heila's customers are visitors of Heinola or people stopping by from highway. (Heila 2019; Heinolan kaupunki 2019.)

Heila has a Heila World brand which includes is a farmer's market / local food shop that has products from more than 250 producers. All the products are from Finland, and 95 % of them can be considered as 'local', coming from a radius of 100 kilometers. The shop contains dry foods, vegetables, bakery products, dairy products, craft beers and butcher's. Within the shop, there is a shop-in-a-shop for locally produced wines. In addition to the food products, local handmade goods are also available.

Another part of the Heila World is the cafeteria and restaurant on the same premises. Since the food is made from the products available at Heila shop, everything served has a Finnish origin. Heila's own bakery produces bread, pastries, and cakes that are served at the cafeteria and restaurant. These products are also on sale at the shop.

Heila World also organizes events around the local food. Farmer's promotion events are organized throughout the year, app. once a month. The focus of these events is usually around some event or by seasonal products. The producers are invited to these to sell their goods and to market their brand. Another type of event is tasting events, a predefined tasting menu has been designed for the event and this is marketed to public and to the organizations as well.

Expansion to B2B segment

Heila's history with B2C segment has been established more than a decade ago and the business has settled to be quite stable in recent years. Expanding the business to B2B segment as a local food wholesaler was seen as a natural growth path for Heila. Since the Heila World is continuing its business with the B2C segment as previously, the decision was made from the beginning that B2B business will work as an independent business unit. Due to this decision, it was clear that the business model existing for the B2C segment will not be deliberately changed whilst starting the B2B business.

5.1 Research execution and data collection

Since Heila is a small organization, it was decided that the implementation of the business models will not follow a traditional, strict project mode with tightly set schedules. The agile project management style with iterative development cycles was chosen for this project. It fit also to the iterative method used with the action research method, this was described in the action research spiral (figure 10 in page 25). Each of the cycles contain the diagnosing, planning action, taking action and evaluating action phases.

The diagnosing phase was determined to be mostly used in the cycle 1 and for the initial set-up for the B2B wholesale business. During the other cycles, the other phases of the cycle were emphasized, and the diagnosing was the context, in the form of business model, where the previous phase ended. During these cycles, the changes and improvements took place in the business models.

In order to pilot the initial business models and the business plan created, the plan was made to start with an individual sales transaction, where the model and plan could be examined and improved with the results. The decision was made to proceed with the implementation of business model in cycles or phases that follow the logic of the action research spiral. This meant that each time that wholesale transaction took place during the cycle, the transactional data was gathered to spreadsheet and analyzed according to the business model template. The data and analyses were compared against the previous business models and the differences were noted down, the added and possible deleted features in business model were reasoned. At the end of each cycle, a new versions of business models were created

Once the business models were finalized to fit the data gathered during the cycles, the business model portfolio was created. For this, a short workshop was held where the business models were analyzed according to their profitability expectations, and simultaneously, a risk probability was assessed.

5.2 Cycle 1

5.2.1 Cycle 1 - Diagnosing

The piloting phase of Heila's business model for the wholesaler for B2B segment started in fall 2019. This phase represents the first cycle in the action research spiral, and the purpose of diagnostics at this phase is to set the context and the purpose of the business. The first version of business model was created from the initial business plan made during summer 2019. The business plan based on the existing knowledge of local food sales

business for B2C segment by Heila and the exiting knowledge of local food wholesaler business by LähiruokaAkatemia.

Appendix – I: Heila business plan

This business plan was analyzed, and the building blocks of business model canvas were filled up accordingly. Whilst creating the business model at this point, it was obvious that since Heila will act as a distributor between the producers and local business, a multi-sided business model is required. The local businesses represent the one customer segment and the producers another. Thus, two business models created at this phase and they were approved by Heila personnel.

These initial business models are shown below, figure 12 presents the model for local business, and figure 13 presents the model for producers.

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Producers – to provide products. - Logistics providers –to handle the logistics. Initially in-house/owner provided. - Financing partners – to enable the business (owners) 	<ul style="list-style-type: none"> - Customer acquisition - Marketing - Sales - Packing of goods - Logistics 	<ul style="list-style-type: none"> - Heila offers large variety of local products from multiple producers in a single place and with single delivery and invoice to B2B customers. - Heila offers information about the local food, producers and recipes 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. 	<ul style="list-style-type: none"> - Restaurants in nearby area (< 100 km) - City food services in nearby area (<100 km) - Catering services in nearby area (<100 km)
	Key Resources <ul style="list-style-type: none"> - Internal personnel to handle sales, contracts and invoicing. - Internal resource to provide offering information. - Logistics coordinator and executor. - Existing storage facilities - Local food supply chain knowledge 		Channels <ul style="list-style-type: none"> - Web application for offerings and orders - Marketing through local papers and targeted brochures/fliers and also through web pages and social media - Events 	
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> - Expenses from web shop implementation, marketing and common operating costs 		<ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) 		

Figure 12. Initial business model for local businesses

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
- Buyer network (local businesses)	- Market and sell the products by the producers - Producer visits	- For the producers Heila offers a well-known sales and marketing channel - possibility to be part of larger markets. - Give the producers a freedom to focus more on their main job.	- Personal relationships	- Producers whose products are being bought and distributed through the wholesale business
	Key Resources		Channels	
	- Heila internal staff - Storage facilities		- Visits (face-to-face)	
Cost Structure		Revenue Streams		
- Purchasing the goods		- Revenue comes from the margin between the purchasing price and selling price of the goods.		

Figure 13. Initial business model for producers

5.2.2 Cycle 1 – Planning action

For the first cycle, a plan was just to test the initial business models against a single real-life transaction to achieve more data and to be able to improve and develop the initial models. The customer relationship was built in a face-to-face meeting beforehand and due to the interest of customer, it was agreed that this kind of pilot transaction would take place.

5.2.3 Cycle 1- Taking action

In the “Taking action” -phase of the first cycle, Heila’s first B2B wholesale transaction took place in September 2019. Customer placed the final order through email and the order consisted of variety of products; dry goods, juice, fruits and prepared goods.

The data regarding the transaction was collected and documented and finally analyzed to fit to the business models. After the transaction being completed, the unofficial interview was conducted to achieve more information regarding the actions taken to fulfill the customer order. This interview gave more significant information regarding the key activities conducted. Multiple differences were found while comparing the initial models to the actual data from the transaction and interview made.

5.2.4 Cycle 1 – Evaluating the action

Even though only a single transaction took place during the cycle, a lot of useful information was gathered. Based on this information, both business models were

developed and adjusted to match the situation at the end of the first cycle. During the first cycle, the existing, strong knowledge that Heila has regarding the local food possibilities, producers and the products was an important asset. Based on the knowledge, the customer contact was created, the products were recommended to the customer and the delivery was successful.

Since the first cycle included only the single transaction, the changes were done into the business models based on the data gathered and the changes to both models are described separately below with the analysis.

Changes into the business model for local businesses

Although lot of changes were done to the business model for local businesses during the first cycle, some part remained as they were. The customer segment was a block where the customer fitted perfectly to the initial values and no changes were required to that one. Another block was the customer relationships. Personal assistance towards the customer was done by phone and email as described already in the initial version. Third category which remained the same was the key resources. All activities during the first cycle, except the delivery, were done by Heila's personnel. Resources covered also the storage space, which was used to temporarily store the goods and the knowledge which was used to sell the goods. These all were used and mentioned already in the initial model. The fourth block of the model where values remained the same than before was the key partnerships. The producers were an important partner in this multi-sided business model. The logistics were handled by the partner as agreed. Financing is organized by the owners of Heila at this point.

The rest of the blocks were changed during the business model evaluation. In the value proposition block, the customer received local products from multiple producers with just a single delivery and single invoice. Heila was able to propose products and therefore provide the product information and producer information to the customer. The additional value was that the customer was able to follow the Finnish governmental programme, where it has been stated that local governments should prefer the Finnish local and organic production, especially with the meat, eggs and milk products (Finnish Government 2019). This programme supports Heila's business plan and model and can be used in marketing towards the municipalities and city food services. The programme preferring local meat, eggs and dairy products was added to the Value proposition during this cycle, since it is valid for the city food service customer segment in the future as well.

During the analysis and evaluation of the transactional data from the first cycle, the channels were categorized to match the description in the Business model canvas theory.

According to Osterwalder et al. (2010, 27), the channels represents the touching point of the customers. These can be divided to 5 categories, including the Awareness, Evaluation, Purchase, Delivery and After sales. These categories were evaluated by the initial values in the channels block, some from the business plan and the transaction values were added. For the evaluation phase no actual values, like customer visiting the showroom took place, but since the customer was local, the brand and reputation of Heila are strong and these can be used to evaluate the Heila's capability to create value for its customers. The web application option from the initial business model was included within the brackets for those phases where it should replace at least some of the current activities defined for the category.

The revenue from the pilot transaction was created from the profit between the sales price and the purchase price. Also, a delivery fee was added. This delivery fee was not in the initial version of business model, but it will be added to the revenue streams at this point. It should cover the expenses occurring from delivering the goods in the future.

During the first cycle, the key amount of key activities increased from the initial plan. Quite a few activities relating to common operations of business came up at this point. Before starting to handle the first transaction, the initial set up for the new business unit had to be made to the system. In addition to this, the customer information needed to be updated as well as the product information including the pricing of goods. In the future, the business unit has been created but the changes are required to the system for creating and updating the customer information, adding and changing the products and pricing. This was added to the key activities block after the first cycle.

To be able to fulfill the orders, the products must be ordered from the producers and the goods stored temporarily once they arrive, both require planning beforehand and are valid continuous activity in the future as well. Initial activities contained the sales of goods, packing and logistics. In addition to these, sorting the goods and/or picking some of the goods from the shelves is one of the mostly required activity. For the delivery, creating the delivery note was an activity which was new to Heila. The invoicing was also noticed to belong to the key activities together with sales. All these activities were decided to be added to the next version of the business model, but in combined ways. Sales with invoicing as one part, sorting, picking, packing and creating delivery note as another and logistics as its own. After-sales activity, the feedback handling, is also included to activities block.

Pricing was added also, as a separate item of the activities list, since it needs to be carefully planned and it is a key for profitability. Pricing will take place at the product level

and at the customer level, therefore it must be set as a key activity at least in the beginning of business. Later, when the prices have settled and guidelines for discounts have been set, pricing may be included as a part of the product update.

Within the first cycle of the research, no surprises came up with the cost structure. In the initial version, the common operating costs were mentioned. This covers the salaries of personnel that were noted down during the first cycle. In addition to this, purchasing the goods from the producers will be considered as an item in the cost structure block. At this point, no costs occurred from the web shop implementation nor marketing. These will be valid in the future so they will stay in the business model.

Changes into the producer's business model

During the first cycle, the customer segment, customer relationships, revenue streams and key partnership blocks of the producer's business model stayed the same as in the initial version or just minor adjustments to the wording was done.

For the rest of the blocks development took place. For the value proposition, the possibility to increase producer's brand was added to the model. This will give producer's significant value, when the brand is known, the customers tend to rely on it. The channels block was also categorized, similarly to the local businesses business model. For the producer's model, channels are more linked to personal assistance, visits and events. The delivery is from the producers to Heila, simultaneously with B2C product deliveries. Therefore, the focus on this is how the goods are received at Heila.

When it comes to the key resources, the knowledge Heila has about the producers, their products and available markets is a key resource for Heila. Their experience with the B2C business helps to evaluate different scenarios that may happen with the B2B business. This knowledge has been added to key resources, the personnel and the storage facilities remain the same.

Most of the changes appeared in the key activities block. Creating producer contacts and contracts, selling the goods to local businesses, ordering them from the producers, receiving and storing the products and receiving and paying the invoice to the producer were identified as key transactions during the first cycle transaction. The missing ones were added to the developed business model with the initial value of producer visits. These are all activities that Heila must do in order to fulfil the value proposition for this customer segment.

Final block was the cost structure where the salaries were added. Since the profit clearly occur once the products are sold to end customers, also most of the costs are ideal to

insert to the local businesses business model. Even though these models have identical values, they are not duplicate, but to clarify the models, they are shown in both.

Overall evaluation

The first cycle gave clarity to both business models. Piloting and creating the models in iterative way seemed a good way to build models that give a realistic view of the situation.

5.3 Cycle 2

5.3.1 Diagnosing

The starting point of the second cycle are the improved business models from the first cycle. One for local businesses is shown in figure 14, and the one for producers in figure 15.

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Producers – to provide products. - Logistics providers –to handle the logistics. Initially in-house/owner provided. - Financing partners – to enable the business (owners) 	<ul style="list-style-type: none"> - Customer acquisition - Sales with invoicing - Marketing - Sorting, picking and packing the goods, including creating the delivery notes - Logistics - Ordering the goods from the producers, includes receiving and storing the goods. - System update (customer & product information) - Pricing - Feedback handling 	<ul style="list-style-type: none"> - Heila offers large variety of local products from multiple producers in a single place and with single delivery and invoice to B2B customers. - Heila offers information about the local food, producers and recipes - Supports the city food services to follow the governmental programme of preferring local food products. 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. 	<ul style="list-style-type: none"> - Restaurants in nearby area (<100 km) - City food services in nearby area (<100 km) - Catering services in nearby area (<100 km)
	Key Resources <ul style="list-style-type: none"> - Internal personnel to handle sales, contracts and invoicing. - Internal resource to provide offering information. - Logistics coordinator and executor. (Internal & Partner) - Existing storage facilities - Local food supply chain knowledge 		Channels <ul style="list-style-type: none"> - Awareness – radio, newspaper, brochures, social media, web pages, face-to-face, events - Evaluation – showroom, events, Heila's brand and reputation (Web application) - Purchase – phone, email, face-to-face (Web application) - Delivery – Partner (Internal Staff) - After sales - email, phone (Web application) 	
Cost Structure <ul style="list-style-type: none"> - (Expenses from web shop implementation) - Marketing - Common operating costs including the salaries and packing material - Purchase of goods (agreed prices) 		Revenue Streams <ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) - Delivery fee 		

Figure 14. Business model for local businesses after the first cycle

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
- Buyer network (local businesses)	<ul style="list-style-type: none"> - Market and sell the products - Order the products from producers - Receive and store the products - Receive and pay the invoice from the producers - Create the contact with the producers - Producer visits 	<ul style="list-style-type: none"> - For the producers Heila offers a well-known sales and marketing channel - Access to larger markets. - Give the producers a freedom to focus more on their main job. - Increase the producer's brand. 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. 	- Producers whose products are being bought and distributed through the wholesale business
	Key Resources <ul style="list-style-type: none"> - Heila internal personnel - Storage facilities - Knowledge of the producers (and their products) 		Channels <ul style="list-style-type: none"> - Awareness –face-to-face, events, visits - Evaluation – showroom, events, Heila's brand and reputation - Purchase – phone, email - Delivery – Transportation done by producers together with B2C delivery - receiving the goods by face-to-face - After sales - 	
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> - Purchasing the goods - Salaries 		<ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) when goods are sold forward 		

Figure 15. Business model for producers after the first cycle

5.3.2 Cycle 2 - Planning action

To enable the growth to B2B segment, the cycle 1 showed that internal resources are the key resources to make this happen. Therefore, the decision was made, where recruiting was initiated towards finding a person that would take over the business on B2C segment whilst the CEO of Heila would focus her time mostly to starting the B2B business in larger scale.

From the beginning of the B2B business planning, the implementation of Web shop was written down within the business plan. It has been seen as vital part of the successful business, giving the customers a new platform to see the available products and place their orders. Planning of the web shop implementation took place started during the second cycle of the action research spiral. Despite the urgency of the implementation need, it was discovered that before the implementation could take place, the existing system needs an update to the latest version.

As the pilot transaction took place during the first cycle, many issues related to processing orders to be delivered were discovered and actions were taken to create processes to cover these issues. This increased the confidence towards the successful local food wholesale business in Heila. To be successful, it is crucial to have producers behind the idea as well. To market the wholesale business to the producers, an event was planned for the producers.

To increase the awareness among the local businesses, marketing was planned also in the form of radio interview and newspaper article.

5.3.3 Cycle 2 – Taking action

Actions for the second cycle included the recruitment of new B2C business lead. This was done and after the recruitment process, the chosen new person was able to start quite fast. This left the CEO of Heila more time and energy to focus more towards the B2B business.

The planned system update was scheduled to take place in December 2019/January 2020 by the system provider in order to manage all the changes with the fiscal year changes. The web shop implementation will begin after the update is finished, in the beginning of 2020. During this cycle, no major changes or tasks were taken besides the planning and setting the future schedules.

An event was organized where the producers achieved information regarding the Heila's wholesale business plan. In addition to this, a workshop was organized during the event, where the idea of co-creation was introduced. Since there was also a representative from the local business side attending to the event, the conversation between the producers and the local business took place, and the business needs were clarified. The workshop was related to creating new products for the local business, by using the products from multiple producers, combining these and selling the prepared products instead of raw ones. Third part of the event was a presentation by Lähiruoka Akatemia about the benefits of local food wholesale to the local business. This included also some calculations of the actual benefits from the single delivery and invoice for the local businesses.

The event was set as a marketing action towards the producers. In addition, a radio interview took place and a newspaper article was published to promote and market the B2B model for local businesses.

During the second cycle, even though it was not initially planned, a sales transaction took place. The sales transaction was about specific brand of honey jars. It was a small order but at the end gave significant amount of information regarding the possibilities in the future and about a missing key element for B2B sales. The customer segmentation didn't fit the original categories, since the location was above 100km radius, so another customer segment was proposed at this point.

5.3.4 Cycle 2 – Evaluating action

Since multiple types of actions took place during the second cycle, the business models were changed according to the data gathered from all of them. Therefore, the changes were done to both models during the analysis.

For the planned actions, the recruitment went well for the B2C business unit. This increased the possibility for the CEO to focus on the development of B2B business. In the initial business plan, one of the risks identified was the lack of personnel, and during these two cycles the internal personnel have been identified to be the key resource for the B2B business activities. This recruitment supported both B2B business models.

During the second cycle, an event was held to increase the producers' knowledge about the possibilities with the B2B wholesale market through Heila. This event was defined as a marketing activity towards the producers for them to be more aware what to expect, what are the possibilities and what are the expectations from them as well.

The event included a workshop where the idea was to co-create new products for the city food services menu together. The use of vegetables over meat has been identified as more environmental healthy choice. The meat production uses significant amount of natural resources and therefore in Finland, the government has set targets to increase the use of vegetarian products in public food services in order to reduce the climate footprint in food production (Valtioneuvosto 2019, WWF 2016). The target of the workshop was to innovate a new type of vegetarian product that would be created from the locally produced ingredients, in co-operation and to be delivered to the customer as a ready-to-be-served product. During the workshop and discussions with the participants, lot of interest towards co-creation and co-operation was created. Some of the producers mentioned that this kind of co-creation could bring benefits to them. For the local businesses, co-creation could offer answer for their ideas for new or seasonal products they wish to try in their businesses, but it may be difficult for them to either produce them by themselves or to purchase these types of product from the regular markets. This co-creation defined to be a channel to create value for both, the producers and the local businesses. Thus, it was added to the channels block and the value proposition block of the models.

From Heila's perspective, the transaction during the second cycle was a small order, containing just a few honey jars. The delivery for the order was combined with the local winery's products. Since the wholesale of alcoholic beverages and spirits requires a license that has separate fees (Valvira 2019), it was more logical choice to create a partnership with the local winery, which has the existing license, at this point. The orders will be invoiced separately but the deliveries can be combined. This will still create value for the local businesses, mostly restaurants that the orders can be placed simultaneously with other products and the deliveries are combined.

As already mentioned in the 'Taking action' chapter, the customer during this cycle didn't fit any of the predefined categories due to its distance. The distance exceeded the 100-

kilometer radius that was initially specified as the main area for the local food wholesale business. Nonetheless, the customer was a small restaurant, which mission is to serve only native Finnish products, and the more local value the products have, the better it suited to the restaurant's values. A new value 'Restaurants >100km' was added to the customer segment block. It is similar to the segment 'Restaurants in nearby area (<100 km)' but the logistics will differ when the distance grows.

All the activities during the second cycle fitted into the defined values of defined key activities in the business model for local businesses. Organizing the event was part of the marketing activity. Selling the honey jars landed in customer acquisition, sales, invoicing, picking, packing, pricing and delivering. Therefore, no changes to the key activities into this business model during the second cycle.

For the producers' business model, the event was determined to be a marketing activity towards the producers. Therefore, marketing activities were added to the producer's business model. Some activities, like creating contacts with producers were redefined some, this one to create and maintain the relationships with the producer. For Heila to be able to increase the producer's brand value, Heila needs also tell the story of the producer during the B2B business. The origin of the products is a key for selling local.

Due to adding a marketing as an activity, it also means costs. This added marketing costs to the producer's business model. For local businesses business model's cost structure, no additional values were noticed during the second cycle.

At this point, it was necessary to add the system provider also to the key partnerships in local businesses' business model. Without the actions made by it, the system update and web shop implementation will not happen. For the producer, this is not applicable now since it is planned that the order towards the producers will be done by email and phone also in the future.

During the second cycle, invoicing fee was added to the honey jar order. That will be added to the business model of local businesses, since for the company, invoicing fee is considered to be pure profit.

The enhanced business models are seen in the chapter 5.4.1 Cycle 3 – Diagnosing below.

5.4 Cycle 3

5.4.1 Cycle 3 – Diagnosing

The starting point of the third and final cycle are the improved business models from the second cycle. One for local businesses is shown in figure 16, and the one for producers in figure 17.

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> Producers – to provide products. Logistics providers – to handle the logistics. Initially in-house/owner provided. Financing partners – to enable the business (owners) Viini-Pihamaa – alcohol wholesale – partner for orders and deliveries System provider 	<ul style="list-style-type: none"> Customer acquisition Sales with invoicing Marketing Sorting, picking and packing the goods, including creating the delivery notes Logistics Ordering the goods from the producers, includes receiving and storing the goods. System update (customer & product information) Pricing Feedback handling 	<ul style="list-style-type: none"> Heila offers large variety of local products from multiple producers in a single place and with single delivery and invoice to B2B customers. Heila offers information about the local food, producers and recipes Supports the city food services to follow the governmental programme of preferring local food products. Value from co-creation – new product ideas (combined, seasonal etc.). Customers ability to share the actual needs and pains. Value for customer if local alcoholic beverages could be added to same order, delivery and invoice -> Partnering with Viini-Pihamaa for this. 	<ul style="list-style-type: none"> Personal assistance by phone calls, emails and visits. Co-creation with customers 	<ul style="list-style-type: none"> Restaurants in nearby area (<100 km) Restaurants (>100 km) City food services in nearby area (<100 km) Catering services in nearby area (<100 km)
			Channels <ul style="list-style-type: none"> Awareness – newspaper, brochures, social media, web pages, face-to-face, events, radio, showroom. Evaluation – showroom, events, Heila's brand and reputation, item catalog (Web application) Purchase – phone, email, face-to-face (Web application) Delivery – Partner (Internal Staff) After sales - email, phone (Web application) 	
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> (Expenses from web shop implementation) Marketing Common operating costs including the salaries and packing material Purchase of goods (agreed prices) 		<ul style="list-style-type: none"> Revenue from the profit (sales price - purchase price) Delivery fee Invoicing fee 		

Figure 16. Business model for local businesses after the second cycle

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> Buyer network (local businesses) 	<ul style="list-style-type: none"> Market and sell the products (possible inventory update). Order the products from producers Receive and store the products Receive and pay the invoice from the producers Create and maintain relationships with the producers Producer visits Marketing towards producers Tell the producer's story 	<ul style="list-style-type: none"> For the producers Heila offers a well-known sales and marketing channel Access to larger markets. Give the producers a freedom to focus more on their main job. Increase the producer's brand. Knowledge about the co-creation possibilities 	<ul style="list-style-type: none"> Personal assistance by phone calls, emails and visits. Co-creation 	<ul style="list-style-type: none"> Producers whose products are being bought and distributed through the wholesale business
			Channels <ul style="list-style-type: none"> Awareness –face-to-face, events, visits Evaluation – showroom, events, Heila's brand and reputation Purchase – phone, email Delivery – Transportation done by producers together with B2C delivery - receiving the goods by face-to-face After sales - 	
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> Purchasing the goods Salaries Marketing costs 		<ul style="list-style-type: none"> Revenue from the profit (sales price - purchase price) when goods are sold forward 		

Figure 17. Business model for producers after the second cycle

5.4.2 Cycle 3 – Planning action

In the figure 10 where the action research spiral was introduced, the third cycle was described as “Acting on Knowledge”, for this research the base idea was that the business model was evaluated quite closely during the first 2 cycles. Therefore, the changes related to the business model are just to fine-tuning the models to reflect the business situation at the end of the third cycle.

For the third cycle, a different view for retrieving transactional data was taken during the planning phase. The Christmas was closing in and this gave Heila an opportunity to test out their business idea to create package deals. This meant designing attractive packages that include a variety of local products. The purpose for the packages was that companies can use the packages as Christmas presents or corporate gifts. The planning stage included also the design of the package for this kind of sets as well as creating them as a package deals into the system.

The main purpose of this cycle is to look ahead and build a business model portfolio that includes the business models which have been created during the research to describe the situation as is in the exploit part. The explore part will contain the business models which show the possibilities that have been recognized during the research. For the business portfolio, a short workshop is planned. The purpose of this workshop is to collect the possible risks that may affect the sustainability of the business models. Also, the profitability of business models will be assessed, so they can be placed into the correct place in the portfolio. For the exploit part, the created business model will be divided, since it is a collective model at this point. It contains different types of value propositions that will have different risk categories as well as different profitability expectations. The final business models and the business portfolio will also be translated into Finnish.

5.4.3 Cycle 3 – Taking action

In order to finalize the current version of business models, the transactional data was collected from the orders that took place during the third cycle. These included the planned transactions regarding the package deals and a small transaction including an order of berries delivered to a restaurant nearby. During the transactional data gathering, some notes were written down from the producer’s point of view of benefits of Heila’s wholesale business.

After the current business models were analyzed, they were diversified in order to divide them into separate business models. Similarities were collected, these pinpoint the most vital parts of the business models.

Once the business models were diversified, they were evaluated by risks and profitability expectations and landed into the business model portfolio.

5.4.4 Cycle 3 – Evaluating action

Transactions during the third cycle focused on creating pre-packaged goods to customers. These required planning the contents of the packaged with customers, ordering the goods and creating packages. The packing process took more time than was originally calculated, and this was something that really needs evaluating in the future when pricing the packages. These transactions didn't bring changes to the producers' business model, for the local businesses' business model, small adjustments were made to value proposition, activities, partnership and revenues. The small unplanned transaction raised a risk of handling the product transport from the producer to Heila in time. This needs to be added to the risk assessment.

Diversification, risk and profitability analysis of business models

The business model portfolio is a tool to describe the combination of business models. The business models are evaluated based on sustainability / disruption risk and the profitability expectation. For the business model portfolio purposes, these finalized business models were diversified. At this point, the producers' business model was analyzed and at this point, the decision was made that it will not be divided. Heila will provide same value proposition to all producers at this point.

The local businesses business model was divided into four different models, local restaurants, restaurants >100 km, city food services and catering business and the prepackaged deals. These all have different value propositions or delivery methods that differentiate them from others.

Heila has identified possible risks while creating the business plan. Some risks occurred during the pilot phase as well. These identified risks are:

- Capability to control the delivery costs
- Lack of success in customer acquisition
- The quantity and availability of products
- Adequate pricing

- Variety in supply
- Fulfilling the customer needs
- Lack of resources
- Fulfilling the customers schedule (products are received from the producers and delivered to end customers in time)

The differences between the diversified business models are described below in combination of risk and profitability assessment. The actual business models are included in the appendix of the thesis.

Appendix – II: diversified business models

Producers business model

The producer's business model contains just one segment and has not been divided at this point. The profitability occurs when the products are sold forward to local businesses, this is from Heila's point of view, non-profit business model. The risks occur if the local businesses don't place orders, then Heila has no purpose to order from the producer's nor create other than marketing value for them. From the Heila's perspective, the risks are quite low since the profitability is non-existent.

Local Restaurants

For local restaurants, the value is created by offering a large variety of high-quality products with one invoice and delivery. The order quantities are not necessarily high but the value of receiving quality products that can make a difference in taste is high for restaurants. The restaurants can increase their brand value when using the local products. Heila's purpose is that deliveries for these local restaurants can be organized by Heila itself or by a partnership used during the pilot phase.

The partnership with the local winery brings another value for Heila and for the local restaurants. The alcoholic beverages can be combined to the same delivery. The winery already has existing license for the wholesale of spirits and alcoholic beverages, therefore, the partnership at this point is a logical choice for both companies.

The profitability of this business model lands in the middle of the scale. The quantities are not high, but the products are high quality and number of possible customers is quite high, even in nearby area.

The risks that may arise for this business model are ensuring the product supply, lack of resources and delivery costs and timing. It is vital for this business model that the goods

delivered are first class quality every time and they are delivered in time. The customer relationships and order handling are time-consuming because the web shop functionality is not available currently. Therefore, the personnel will have to spend more time handling the orders and the relationships. These risks exist but they can still be handled and therefore the business model will be set in the middle of the portfolios risk assessment.

Restaurants >100 km

During the second cycle of the research, it was discovered that the interest towards the B2B business of Heila is not limited to nearby area. First transaction to the restaurant further away was made and a new segment was added to the business model. This differs from the nearby restaurants' model by the delivery method. During the piloting phase, the delivery was done by the partner, but if the distance grows, it is vital to discover the different delivery options available. This will not be included to this research.

For the restaurants further away, the order quantities are expected to be low and therefore the profitability expectation will be low as well. The biggest risk for these orders is related to the deliveries. The goods need to be delivered in time and within the conditions the goods require. This may be costly and require special transportation. At this point, the risk of disruption is quite high.

City food services and catering services

City food services and catering services were seen to fit into the same business model. For both, the orders are bigger, containing more products in quantity. The delivery will be handled by Heila or partner.

The profitability for this business model would be high because the quantities would be much higher compared to those in restaurants. The business model includes also high risks. Large quantities of products require steady supplier(s) for products, the products should be available year-round. There are also laws and regulations that limit the possibilities for these customers to purchase the products. The city food services are required to compete their procurements (Finlex 2016). The amount of risks is limited but the few that exists have a high effect.

Pre-packaged deals

The difference in this business model is in the increased amount of time spend whilst designing and packing the packages. The packaging materials are to be thought, perhaps designed and ordered. The products need to be packed according to customers preference, considering also the possible glassware in the packages.

Since these create value to the customers by being designed and packaged, the profitability of a single package is higher than just the individual products by themselves. With correct pricing of the packages, the profitability will be high. These packages are not that risky, they can be combined from the products available at the moment, the quantity of the packages is not usually quite reasonable and there is more than one customer segment which the packages can be sold to. The overall risks are quite low.

Business model portfolio

Based on the analysis of the business models, the following figure 18 shows the visual look of the models in the portfolio.

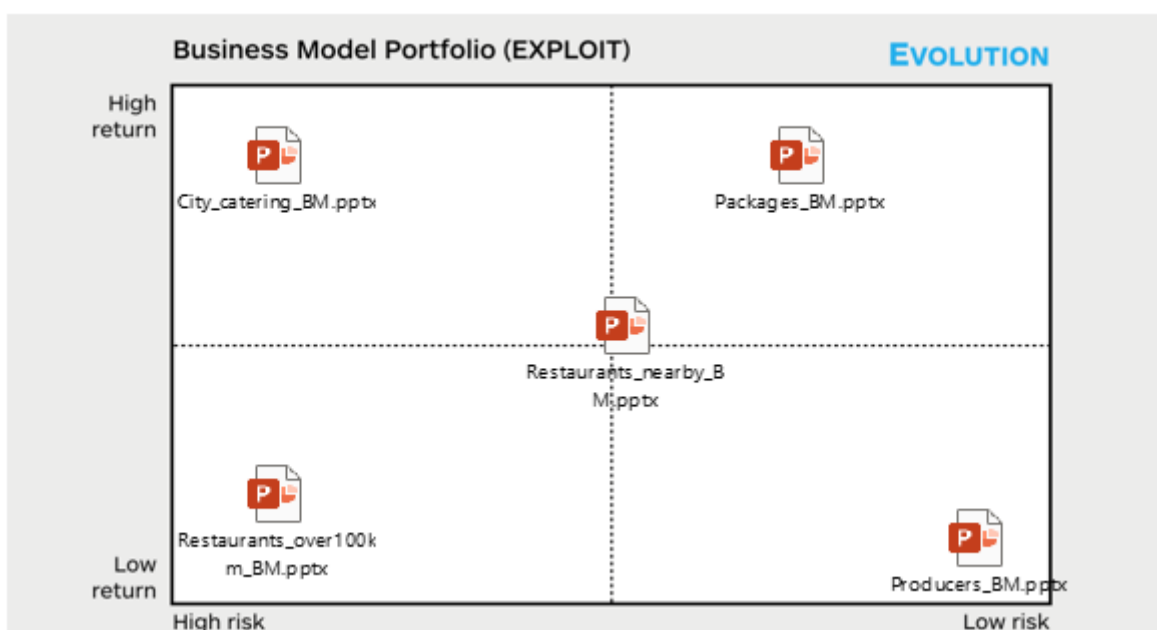


Figure 18. Business model portfolio (Exploit) (template source Osterwalder et al. 2019)

The most mature business models are in the top right corner of the business model portfolio and is the target position for all existing models.

Appendix – III: Business models with portfolio assessment

For the explore part, a few models have been created during the research. They will not be described in detail in the thesis but will be included with the portfolio evaluations as appendix of this thesis. The future business models are placed into the Explore part of the business model portfolio as shown in figure 19.

Appendix – IV: Future business models

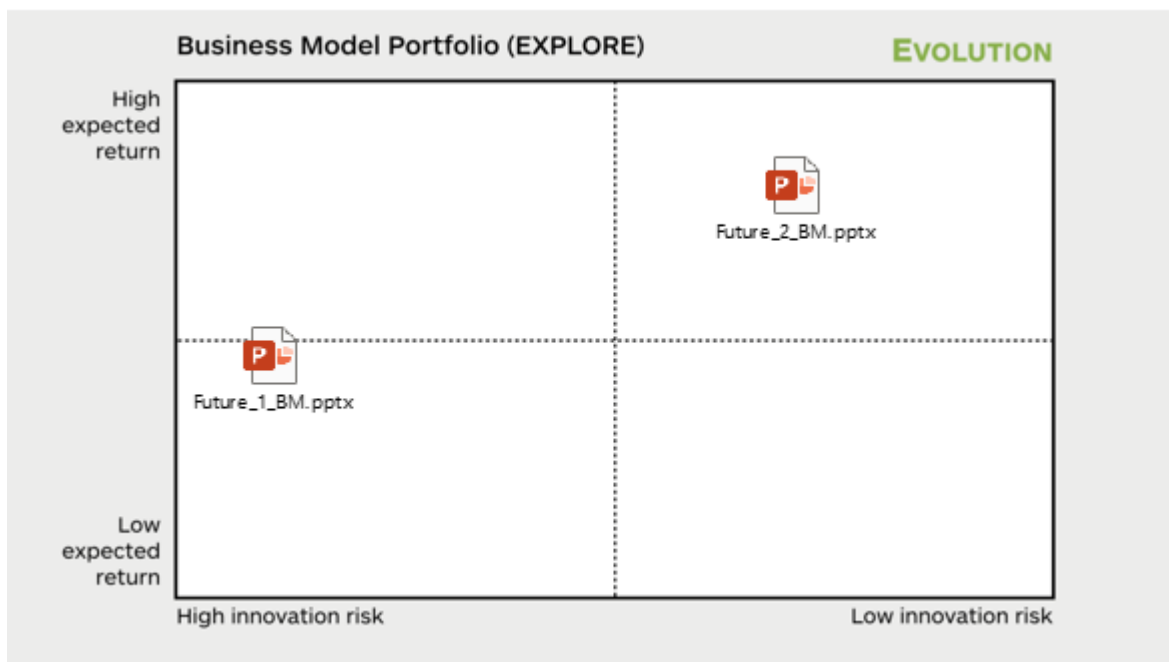


Figure 19. Business model portfolio (Exploit) (template source Osterwalder et al. 2019)

Identification of common values and improvement ideas

Previous chapters focused on the creating the business models for existing business and some for future ideas and these models were placed into the business model portfolio after the profitability and risk assessment was made.

To improve the exploit models for local business, common parts of them have been identified. By improving these, the profitability expectations should increase, and the risks decrease. During the research, some activities have already been discovered that can improve the models. Since they are improvements to current values, new business models are not created for them.

The business model canvas in figure 20 below includes all the values that the four identified business models for local businesses contain. The common values found in each of the models are bolded and the values that are valid for some of the models are in normal font.

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Producers – to provide products. - Logistics providers –to handle the logistics. Initially in-house/owner provided. - Financing partners – to enable the business (owners) - Viini-Pihamaa – alcohol wholesale – partner for orders and deliveries. - System provider - Advertising agency (Brand, logo, visual look) 	<ul style="list-style-type: none"> - Customer acquisition - Sales with invoicing - Marketing - Sorting, picking and packing the goods, including creating the delivery notes - Logistics - Ordering the goods from the producers, includes receiving and storing the goods. - System update (customer & product information) - Pricing - Feedback handling - Creating the pre-package deals (design and pack) <p>Key Resources</p> <ul style="list-style-type: none"> - Internal personnel to handle sales, contracts and invoicing. - Internal resource to provide offering information. - Logistics coordinator and executor. (Internal & Partner) - Existing premises, including the storage space, restaurant premises, shop and the kitchen/bakery premises. - Local food supply chain knowledge - A wholesale license for spirits and alcoholic beverages (partnering with Viini-Pihamaa) 	<ul style="list-style-type: none"> - Heila offers large variety of local products from multiple producers - Single delivery and invoice to B2B customers. - Heila offers information about the local food, producers and recipes - Supports the city food services to follow the governmental programme of preferring local food products. - Value from co-creation – new product ideas (combined, seasonal etc.). Customers ability to share the actual needs and pains. - Value for customer if local alcoholic beverages could be added to same order, delivery and invoice -> Partnering with Viini-Pihamaa for this. - Packages for corporate gifts, Christmas gifts etc. To provide customers a prepackage solution. 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. - Co-creation with customers <p>Channels</p> <ul style="list-style-type: none"> - Awareness – newspaper, brochures, social media, web pages, face-to-face, events, radio, showroom. - Evaluation – showroom events. Heila's brand and reputation, item catalog (Web application) - Purchase – phone, email, face-to-face (Web application) - Delivery – Partner (Internal Staff)/Outsourced - After sales - email, phone (Web application) 	<ul style="list-style-type: none"> - Restaurants in nearby area (<100 km) - Restaurants (>100 km) - City food services in nearby area (<100 km) - Catering services in nearby area (<100 km)
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> - (Expenses from web shop implementation) - Marketing - Common operating costs including the salaries and packing material - Purchase of goods (agreed prices) - Delivery costs 		<ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) - Delivery fee - Invoicing fee - Packing fees (to cover material and salary costs -> included to sales price) 		

Figure 20. Combined business model with bolded values as the common ones

Single delivery and invoice, information sharing, and co-creation are values that are common for all the models in value proposition part of the canvas. During the research cycles, a co-creation took place in an event Heila organized. The goal was to plan how to create new types of products by combining the goods from different producers, the knowledge that lays within the group and possible methods how the product can be produced and who is able to do that. The co-creation task showed that there are multiple possibilities of creating new, producing unique products together. This is a method that can create additional value to the local businesses, to the producers and to Heila and tackle the identified risk of meeting the customers' expectations.

For the channels part, the web shop implementation will be a big improvement. It will replace some of the values in the evaluation and after sales phases and hopefully all the values in purchase phase. The goal is that all the orders are placed through the web shop. For the rest of the common values in channels part, keeping the web pages up to date is an important task in today's digital world.

As well as the phone calls and emails in the channels part, the personal assistance in the customer relationship part is common to all the business models. This must be valued in the future as well. The web shop will become a digital place for customer assistance in the

future. The co-creation was already mentioned as part of the value proposition and it is a type of relationship that helps to fulfil the customers' needs.

The common key resources focus heavily on the personnel and existing premises. Since the number of available personnel is an identified risk, actions should be taken to secure the situation. Clear instructions and knowledge of the activities required should be available for all. With these assets, everyone would be able to act when needed and keep the business running. An evaluation should be made to discover the usage capacity of existing premises. It has already been identified that additional storage space is required for handling the wholesale orders. For the kitchen/bakery premises, new business model innovations could be created to fill up the possible excess capacity of these. This way the capacity could be fulfilled, and the revenue streams increased.

For the key activities, some improvements will appear after the web shop implementation. The offering is visible, and the orders are placed at the web shop and these are no longer handled by the personnel manually. Customers can also register to the web shop independently and therefore the customer acquisition may require less attention.

The logistics part is included to almost all the parts of canvas somehow. This is one of the most important parts of the whole B2B business. During the pilot phase, the deliveries were handled by a partner and with small costs. Some of the deliveries were also combined with the partner's own deliveries and this method brought synergies to both companies. For the future deliveries, the available delivery options need to be evaluated to find out the best options for the deliveries further away.

The identified improvements above could assist to reduce the known risk factors and costs, some could be used to increase revenue streams, and some are required to extend the business to new customer segments. These will also affect to the business model portfolio in a positive way, the models become more sustainable and the risk for disruption gets reduced.

For the producers' business model, a few changes have already been planned. The goods are delivered by the producers to Heila simultaneously with the B2C products, but this will have to be evaluated for the future orders. It may be more cost-efficient for all if the orders are picked up from the producers and delivered directly to the local businesses. Another addition may be to the revenue streams where a distributor fee may be added to cover the costs occurring from the web shop implementation and marketing. In the future, the producers' model could be divided to 2 business models based on the producers' size.

5.5 Secondary data from the BSR phase 2 recommendations

In the previous phase of the BSR project, recommendations were given for sustainable business models around the Baltic Sea region. The recommendations were divided into three different categories. Figure 21 contains the proposed recommendations for all three categories, from producer to local business (P -> LB), from producer to distributor to local business (P -> D -> LB) and from producer to distributor to network to distributor to local business (P -> D -> N -> D -> LB). (Rusanen 2019, 55). In this research, the focus will be in the second category, and even more in detail, from the distributor point of view.

Key Partnerships	Key Activities	Value Proposition	Customer Relationships	Channels
P → LB	P → LB	P → LB	P → LB	P → LB
Cooperation between competitors to reduce risk Partnerships between producers and local businesses Basic contract templates needed Partnerships with promoters on social media/bloggers	Quality guidelines & food safety Product differentiation & locating new markets Creating value, communicating it (marketing)	-Collaboration with competitors to meet demand -Labelling (potentially RFID) to support storytelling -Product differentiation	Contracts with long-term customers Personal assistant level relationships with phone calls as core communication channel	-Social media training as marketing tool -Newsletters -Social media influencers -Marketing research needed -Cooperation for combining delivery -Producer run distribution hubs
P → D → LB	P → D → LB	P → D → LB	P → D → LB	P → D → LB
Partnerships between producers and distributors Partnerships between distributors	Delivery value Communicating with producers and LB's	-Delivery packages that are flexible	Transactional relationships Personal assistant relationships incl; packaging and marketing of products	-Distribution hubs
P → D → N → D → LB	P → D → N → D → LB	P → D → N → D → LB	P → D → N → D → LB	P → D → N → D → LB
Networks build partnerships between producers and local businesses Network partnerships with distributors Joint ventures between producers to build network (written agreements)	Creating value, communicating it (marketing) Facilitating sales between P & LB (ordering and payment solutions via eplatform) Training for producers	-Access to buyers and suppliers -Automatic inventory counting -Resources for producers -Timesaving ordering, invoices, and payment methods for LB -Personalised profiles including saved menu lists -Offers and discounts -recipes etc	Facilitate communication via e-platform Automated ordering system Self-service e-platform Simulation PA via chatbots and customised e-platform profiles Co-creation possibilities on e-platform	-E-platform as marketing tool, ordering and communication channel -Chatbots provide customer service -Smartpost' unmanned - food delivery points
Key Resources		Customer Segments		
Potentially leasing physical assets, warehouses, machinery etc Maintaining human assets, employee skills Investing in the brand and marketing Seek funding from EU initiatives		Segmentation according to B2B and B2C Segmentation by type of local business Resources to help customer segmentation		
P → D → LB		P → D → LB		
E-powered vehicles Temperature controlled vehicles, warehouses, delivery hubs		Different packages for different customer segments: delivery schedules, temperature, controlled delivery, packaging solutions		
P → D → N → D → LB		P → D → N → D → LB		
E-platform containing background information of producers Passionate employees Seek funding from EU initiatives		Facilitate both B2C and B2B Different approach to offers aimed at buyers and suppliers		
Cost Structure		Revenue Streams		
P → LB		P → LB		
Production, rental expenses, marketing, R&D, training costs Governmental support for promoting local food, producing TV adverts Costs of social media promotion Focus on building value rather than reducing costs		Transaction revenue from B2C sales (Fixed pricing) Transaction revenue from B2B sales (Negotiations/Volume dependent) Revenue from deliveries (Customised home/business place/collection point)		
P → D → LB		P → D → LB		
Costs reduced by outsourcing delivery Investments in e-powered vehicles		Revenue from deliveries (Usage fee) Revenue from distribution hub (Usage fee/Subscription fee)		
P → D → N → D → LB		P → D → N → D → LB		
Costs reduced for producers by reducing time managing customer interactions Offer branding, packaging/labelling, advertising packages to producers Considerations re. cost of offering discounts		E-platform price regulation between producers Recurring revenue from Network service/E-platform (Subscription fee) Brokerage fee resulting from connecting buyers and sellers		

Figure 21. Three tier Business model canvas (Rusanen 2019, 77)

In order to clarify each block, they are individually described below and the values in the canvas are cited.

Customer Segment

According to the Rusanen (2019, 57), the distributors should know well their customers and possible unique requirements different customers may have with deliveries, packaging needs or pricing related issues. One of the distributors tasks is to communicate the producer's story and know the products.

- *Different packages for different customer segments: delivery schedules, temperature-controlled delivery, packaging solutions (Rusanen 2019, 57).*

Value proposition

In the phase 2 recommendations for value proposition, the packaging of the goods was emphasized together with the safe delivery of goods. The primary recommendation for value proposition was that the distributor should be able to handle different types of package and delivery needs. (Rusanen 2019, 59).

- *Delivery packages that are flexible (Rusanen 2019, 59.)*

Channels

The recommendations for channels at the distributor level were to use distribution hubs. The block had an additional explanation as follows:

'Moving towards larger LFS it can be necessary and economically favourable to outsource delivery and utilise distribution hubs. This is supported by the theoretical part of this study, where it was found to be a successful solution particularly in sparsely populated areas. In some cases, outsourcing may not be the solution if local producers are financially capable of running a distribution hub as a joint venture.' (Rusanen 2019, 61).

This recommendation is more from the producer's view than from the distributor's view. Therefore, this value will not be compared.

- *Distribution hubs (Rusanen 2019, 61).*

Customer relationships

For the customer relationships, transactional relationship is recommended for distributor. As an alternative option, personal assistant relationship was also recommended.

- *Transactional relationships*
- *Personal assistant relationships, incl; packaging and marketing of products (Rusanen 2019, 62)*

Revenue Streams

For the revenue streams, the recommendation was that they arise from the delivery fees and/or from the usage/subscription fee for producers and local business to distributor.

- *Revenue from deliveries (Usage fee)*

- *Revenue from distribution hub (Usage fee/Subscription fee) (Rusanen 2019, 64)*

Key Resources

According to the phase 2 recommendations, mostly warehouses, delivery points and vehicles were considered to be the important resources for a distributor.

- *E-powered vehicles*
- *Temperature controlled vehicles, warehouses, delivery hubs (Rusanen 2019, 66.)*

Key Activities

Recommended key activities for a distributor are delivery and communications

- *Delivery value*
- *Communicating with producers and LB's (Rusanen 2019, 67.)*

Key Partnerships

Two types of partnership were recommended, the one between the producers and distributors and another, where distributors create partnership with each other to work together.

- *Partnerships between producers and distributors*
- *Partnerships between distributors (Rusanen 2019, 69.)*

Cost Structure

According to the recommendations, distributors' costs arise using their own vehicles to deliver or can be reduced by outsourcing the delivery.

- *Cost reduced by outsourcing delivery*
- *Investments in e-powered vehicles (Rusanen 2019, 71.)*

5.6 Research questions and answers

The research questions were set in purpose to evaluate the development and maturity of the business models from the initial phase to the final models created during the research period. The second question evaluates the validity of recommendations from the phase 2 of BSR project compared to the business models developed during the research.

1. From business plan to business model portfolio – what are the main differences discovered during the pilot phase that were not available in the original business model?

The initial business plan was seven pages long document describing Heila's expansion to B2B market. This was turned into a multi-sided business model, meaning that two models were created initially, one for the producers and one for local businesses.

During the action research cycles, data was collected to both models from the transactions and discussions. The business model for local businesses was divided during the third cycle into four different models, either by the value proposition or by the delivery method. The producers' model was enhanced during the process, but it remained as a single model.

The most meaningful change in the models were that they became more accurate. In the beginning, the business was described in high-level and were missing information required to create the value proposition to the defined customer segments. At the end, the business models contain the necessary activities, resources, channels and relationships required to create the value proposition to the specified customer segments. The models also describe the costs that occur while creating the value proposition and also the revenue streams that the value proposition creates for the company.

The business model portfolio visually describes how each of the models are placed into the portfolio template according to their expected profitability and risk assessment. The portfolio contains both, exploit and explore parts for current and future business models. When the risks were listed in the original plan, the portfolio gives a visual outlook how risky each of the model is.

The initial plan was based on assumption and previous knowledge whereas the business models and business portfolio rely on the actual data. The development process from the initial business plans to the portfolio is shown in figure 22 below.

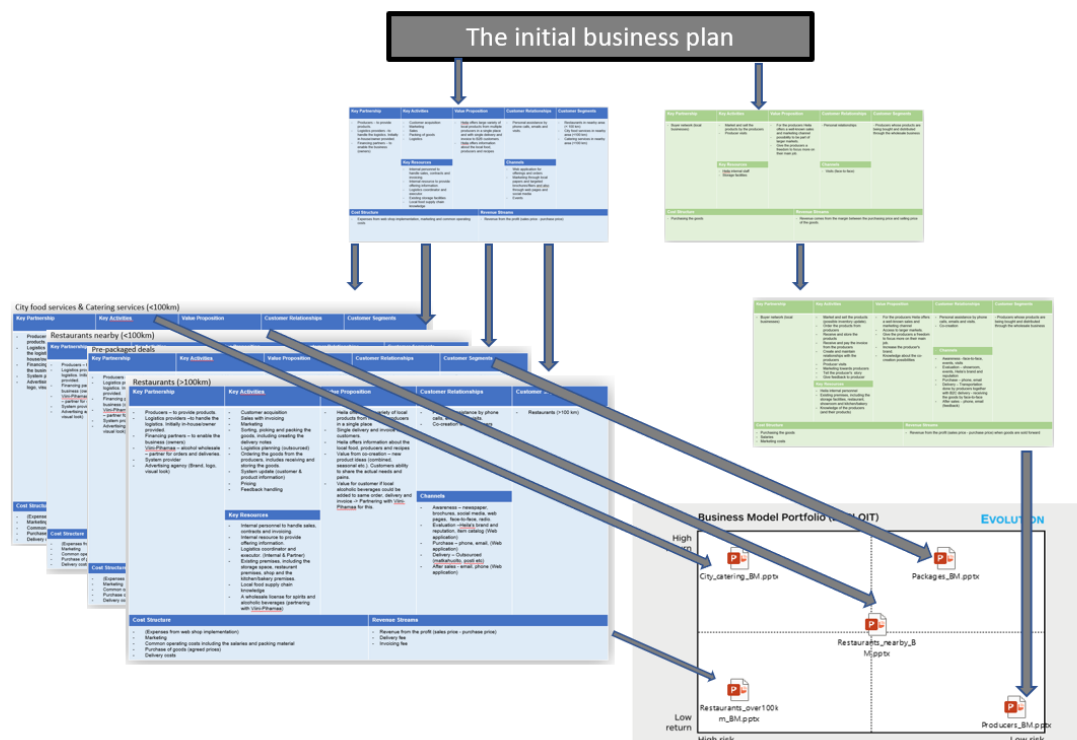


Figure 22. The development from the initial business plan to business model portfolio

The explore part of the business portfolio is not described in the figure 22, because it was not initially the target of the research. The scope was to use the data from the transactions to develop current models. The innovation ideas always have value to the companies, therefore the ideas were noted down and roughly assessed to the explore part of the portfolio, represented in figure 8, for future evaluation and use in Heila.

Appendix – V: Business model comparison excel

2. From theory to action – what are the differences between business models recommended from BSR phase 2 project and the ones created during the pilot phase for B2B from the distributors point of view?

The phase 2 of the BSR project collected a set of business model recommendations for the different stakeholders identified during the project. It became clear while going through the data from the BSR project that the role set for the distributor differ from the role Heila has taken. In the BSR project, the distributor was mostly focused on delivering the goods from the producers to local businesses and the value was received from that.

Another difference discovered was that during the previous phase of the project, all business models were considered to be direct ones, but from the beginning of this

research, the multi-sided model was required. When acting as a distributor, the business requires customers that provides the goods and customers that will buy the goods. Without the other, there is no business.

A comparison was made where the recommended values from the phase 2 of BSR project were compared to the values gathered to both, producers' and the local businesses business models.

For the customer segmentation, while Heila's segmentation was done mostly based on the value proposition, the recommendations proposed to do the segmentation based on the type of delivery needs. There was one segment in Heila's model, the restaurants over 100 km radius, that were defined as an own segment due to the delivery needs.

The recommendations for value proposition consisted just flexible delivery packages. For Heila, to act as a distributor, value is created to the producers by offering them an opportunity to access larger markets, focus on their main jobs and let Heila to sell and market their products and brand. For local businesses, single delivery was one of the main value propositions, but there were multiple others including the co-creation and supporting the cities to follow a governmental programme.

The channels recommendation could not be compared since the data could not be identified as the distributor's data from the canvas nor from the additional text.

The customer relationships were matching with the personal assistance part. This was mentioned in both, the recommendations and in Heila's models. The recommendations propose the transactional relationships, but these may be valid for Heila after the web shop implementation. For the Heila's models, co-creation was added as a customer relationship.

The revenues at the phase 2 recommendations included the delivery and usage/subscription fees. The delivery fee matches the Heila's models and the subscription/usage fee may be valid in the future. Currently, the revenue for Heila is created from the profit (sales price – agreed purchase price), delivery, invoicing and packing fees. These revenues are valid due to a different style Heila is acting as a producer.

During the research, the most valuable resource in Heila was identified to be the personnel. The identified key resources also included the existing premises, knowledge, and partners for the logistics. The phase 2 recommendations focused on the warehouses and vehicles. The warehouse was matching to the Heila's model whereas the e-powered vehicles will probably be a bio-gas vehicle for Heila in the future.

The recommendations given to key partnerships included producers and other distributors. In Heila's model, the producers were identified as the key partnerships as well as the buyers, financial partners, delivery partners, system providers and advertising partners were needed for creating the value for customers.

Cost structure in the recommendations focused on outsourcing delivery, which seemed quite odd considering the distributor's recommended value proposition and activities. Also investing to electronic vehicles was a recommended option. For Heila, the costs arise from the common operational costs including the salaries, delivery fees (for partners), marketing, purchasing of goods and the web shop implementation.

When comparing the research data with the recommendations of BSR project, the definition of a distributor differed quite a lot. In the recommendations, the distributor was mostly seen as a delivery company whereas Heila's type of acting as a distributor is completely different. Heila acts as a value adding stakeholder which means that the distributor will handle the packing, deliveries and marketing of goods and actively participate on creating connections, innovating new business ideas and value propositions that can increase the demand for the local products and increase the profit for Heila as well as for the producers. This may cause the differences in the business canvas values and the recommendations.

Appendix – VI: Business models vs recommendations comparison

6 DISCUSSIONS

By being a small company, Heila has the benefit of being flexible in their development projects. There was no unnecessary bureaucracy stopping the quick decision-making during the research. If something was not working or was missing from the initial plan, methods of working were changed, and the plan was adjusted. One of Heila's advantages was an established business with the B2C segment. The knowledge Heila has towards the local food business helped Heila to act and adjust during the pilot phase.

Whilst there were noticeable benefits of being a small company, it became clear that the initially recognized risk relating to the amount of available resources is a valid one. The resources are limited, and the business is heavily dependent on the seasonal changes as well as the holidays. Even during the pilot phase, and with additional person recruited, the risk occurred. Since the possible risk was recognized whilst creating the initial plan, the iterative method of working was a good choice to be made to avoid missing predefined deadlines. To reduce the risk in the future, clear instructions should be created together with the processes around the B2B business for the personnel to act by if required.

The transactions during the pilot phase required lot of manual work that could mostly be replaced by the web shop functionality planned. The offerings could be uploaded there simultaneously when they are updated to the cash system and the orders would be placed by the web shop instead of the phone and email among other benefits. The web shop implementation could also help with the risk of having enough personnel resources.

The active research method was suitable for this kind of project. It was about analyzing the actions done, discussions, noting down what was done or said and what could be improved. The outcome of the business models may have been quite similar even if the working mode would have been different. The research could have based on interviewing other distributors, some that are in the local food business and some that are in the conventional food business. This would have given the basic knowledge of what are the values in each of the blocks usually, but the business model could have been unsuitable for Heila. By using the action research method and iterative way of working, the models created are based on Heila's way of doing business.

The business models were created by using the PowerPoint templates, so they were easy to adjust. These models can be created with paper and post-its, they can be visible on the wall for everyone to see and understand what are the blocks that define the business. The business model portfolio can also be created by embedding the PowerPoints or Excel sheet canvases to the template, they can be adjusted when situation changes at

profitability expectations or the risk assessments. These, as well as the canvases, can also be handled by paper and post-its. The models created describe the current situation of existing or planned models. As time passes, the models need to be adjusted to fit the situation. When these adjustments are done regularly, the business models and the portfolio will stay updated and new innovations are easier to adjust into the pictures.

During the research, quite common values were added to the business models to make them more accurate. What popped up as an interesting method was the co-creation in value proposition and in channels block. The interest towards this shown from all stakeholders, the producers, Heila and the local businesses. Since Heila has the benefits of being flexible, having the existing premises and having lot of different knowledge within the personnel, this might give Heila different types of business opportunities in the future. The transactions regarding the pre-packaged gifts were one way to co-create. The packages were created by hearing the customers wishes and designing a suitable package deal to answer the wish.

This research was limited to B2B business models and functions in Heila, but since the B2C business operates partially with the same personnel, premises and stakeholders, it will be important for Heila to discover the synergies from both business units. The method of co-creating with customers may be implied also to the B2C business.

7 CONCLUSIONS

This research focused on the development of the business models for a local food distributor located in Finland, which was starting a B2B wholesale business with the pilot phase during fall 2019. Since the research was also related to the Baltic Sea Region project, some of the data was collected from the previous phase of the project. To create value for both, the case company and for the Baltic Sea Region project, the research questions were aimed for both parties.

The theoretical framework contained literature research about the business models and local food systems. The business model template in this research followed the previous phases and the business model canvas, created by Osterwalder was used. The canvas contains nine different building blocks that explains the customer segments, the value propositions targeted for them, the revenues that the value proposition creates and the other blocks that explain what is required to make this happen and with what cost.

These business models are not created as static models, but they must be developed over the time. To prepare the businesses ability to adapt to changes, the business models must be evaluated according to their profitability and disruption risks, the outside threads and possibilities. The outcome of this evaluation can be described using the business model portfolio where each of the existing models are settled after the evaluation.

The second part of the literature research focused on the local food systems in general and in the B2B markets. The usage of local food has become more attractive among consumers over the years. It is considered to be a healthy and sustainable choice. There is an existing market for the local food in B2C segment but the B2B market struggles with e.g. finding the steady supply of products throughout the year. The focus of this research was in B2B market.

The research was concluded over the period of four months. Some preparation was done during the summer 2019. The research was done as an action research, containing 3 cycles. Each of the cycles contained 4 phases, the diagnosing, planning action, taking action and evaluating the action phases. During these phases, the focus was to improve and develop the business models for the distributor by using the data from transactions and discussions. This type of iterative method was suitable since it gave freedom to use the action data to develop the models and the schedules were not tightly set, therefore the risks were reduced.

During the third cycle, the business models were finalized, and the business model portfolio created for the distributor. Also, the comparisons were made between the initial

model and the finalized ones and between the recommendations from BSR project phase 2 and the finalized ones. These comparisons were used to answer the research questions. The evaluations and answers can be found in chapter 5.6.

The main difference between the initial business plan created by the producer and the finalized models were that the plan was based on assumptions and the models were based on the actual data that is required to achieve the value proposition. For the BSR project, the comparison was more difficult, since the case company acts as a value-adding stakeholder by being actively involved with creating contacts, communicating, marketing and delivering. The BSR project distributor was identified more to just deliver the goods from producers to end customers without adding value to the relationship.

In addition to the business models and business model portfolio created during the research, some additional ideas were gathered for the case company for evaluation. The co-creation was also emphasized during the research, because it gives a possibility to fulfil the customer's needs based on the knowledge and not on speculation.

7.1 Reliability and validity

The study was based on the real-life data provided by the case company. All the transactions took place, they were recorded and analyzed. The business models are based on the actual data and the action research strategy gave more insight to the data. It is not the purpose that the models describe in very detail level the way things are done in practice. The amount of data was limited due to the time-period this pilot phase took place; therefore, the results will have a limited value as well. Further research to cover other stakeholders' views, and other countries' views is proposed in the following chapter. Combining the data would give more generalized results.

Since the research based directly on the actions taken during the pilot phase, repeating the process should bring the same results. This repeatability is a base on the reliability of the research. For this kind of research where increase knowledge changes the behavior, the circumstances should be alike to obtain the same results. With increased knowledge or different surroundings, the results would be at least partially different.

7.2 Future research recommendations

This research focused on a Finnish distributor's view of local food business models. A further study could clarify the more accurate business models for other stakeholders identified during the Baltic Sea Region project in Finland and throughout the participating

countries. These real-life models could bring the clarity to the common processes that could be improved by the knowledge collected.

During this research, the co-creation took place in a small scale, but was identified as something that would bring additional value to all stakeholders involved. The benefits from this in the local food systems should be evaluated further in another research.

For the case company Heila, there is an urgent need for a research focusing on the existing logistics solutions that are available for the food products and their special requirements. The research should also include the costs and requirements for owned vehicle and routing planning options.

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APPENDICES

Appendix – I: Heila Ltd business plan – Hidden

Appendix – II: diversified business models

Producers

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Buyer network (local businesses) 	<ul style="list-style-type: none"> - Market and sell the products (possible inventory update). - Order the products from producers - Receive and store the products - Receive and pay the invoice from the producers - Create and maintain relationships with the producers - Producer visits - Marketing towards producers - Tell the producer's story - Give feedback to producer <p>Key Resources</p> <ul style="list-style-type: none"> - Heila internal personnel - Existing premises, including the storage facilities, restaurant, showroom and kitchen/bakery - Knowledge of the producers (and their products) 	<ul style="list-style-type: none"> - For the producers Heila offers a well-known sales and marketing channel - Access to larger markets. - Give the producers a freedom to focus more on their main job. - Increase the producer's brand. - Knowledge about the co-creation possibilities 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. - Co-creation <p>Channels</p> <ul style="list-style-type: none"> - Awareness –face-to-face, events, visits - Evaluation – showroom, events, Heila's brand and reputation - Purchase – phone, email - Delivery – Transportation done by producers together with B2C delivery - receiving the goods by face-to-face - After sales – phone, email (feedback) 	<ul style="list-style-type: none"> - Producers whose products are being bought and distributed through the wholesale business
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> - Purchasing the goods - Salaries - Marketing costs 		<ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) when goods are sold forward 		

Pre-packaged deals				
Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Producers – to provide products. - Logistics providers –to handle the logistics. Initially in-house/owner provided. - Financing partners – to enable the business (owners) - Local Winery– alcohol wholesale – partner for orders and deliveries. - System provider - Advertising agency (Brand, logo, visual look) 	<ul style="list-style-type: none"> - Customer acquisition - Sales with invoicing - Marketing - Sorting, picking and packing the goods, including creating the delivery notes - Logistics - Ordering the goods from the producers, includes receiving and storing the goods. - System update (customer & product information) - Pricing - Feedback handling - Creating the pre-package deals (design and pack) <p>Key Resources</p> <ul style="list-style-type: none"> - Internal personnel to handle sales, contracts and invoicing. - Internal resource to provide offering information. - Logistics coordinator and executor. (Internal & Partner) - Existing premises, including the storage space, restaurant premises, shop and the kitchen/bakery premises. - Local food supply chain knowledge - A wholesale license for spirits and alcoholic beverages (partnering with local winery) 	<ul style="list-style-type: none"> - Single delivery and invoice to B2B customers. - Heila offers information about the local food, producers and recipes - Value for customer if local alcoholic beverages could be added to same order, delivery and invoice -> Partnering with Viini-Pihamaa for this. - Packages for corporate gifts, Christmas gifts etc. To provide customers a prepackage solution. 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. - Co-creation with customers <p>Channels</p> <ul style="list-style-type: none"> - Awareness – newspaper, brochures, social media, web pages, face-to-face, events, radio, showroom. - Evaluation – showroom, events, Heila's brand and reputation, item catalog (Web application) - Purchase – phone, email, face-to-face (Web application) - Delivery – Partner (Internal Staff) or Outsourced (Matkahuolto, posti) - After sales - email, phone (Web application) 	<ul style="list-style-type: none"> - Restaurants in nearby area (<100 km) - Restaurants (>100 km) - City food services in nearby area (<100 km)
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> - (Expenses from web shop implementation) - Marketing - Common operating costs including the salaries and packing material - Purchase of goods (agreed prices) - Delivery costs 		<ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) - Delivery fee - Invoicing fee - Packing fees (to cover material and salary costs -> included to sales price) 		

Restaurants nearby (<100km)

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Producers – to provide products. - Logistics providers –to handle the logistics. Initially in-house/owner provided. - Financing partners – to enable the business (owners) - Local Winery – alcohol wholesale – partner for orders and deliveries. - System provider - Advertising agency (Brand, logo, visual look) 	<ul style="list-style-type: none"> - Customer acquisition - Sales with invoicing - Marketing - Sorting, picking and packing the goods, including creating the delivery notes - Logistics - Ordering the goods from the producers, includes receiving and storing the goods. - System update (customer & product information) - Pricing - Feedback handling <p>Key Resources</p> <ul style="list-style-type: none"> - Internal personnel to handle sales, contracts and invoicing. - Internal resource to provide offering information. - Logistics coordinator and executor. (Internal & Partner) - Existing premises, including the storage space, restaurant premises, shop and the kitchen/bakery premises. - Local food supply chain knowledge - A wholesale license for spirits and alcoholic beverages (partnering with local winery) 	<ul style="list-style-type: none"> - Hella offers large variety of local products from multiple producers in a single place - Single delivery and invoice - Hella offers information about the local food, producers and recipes - Value from co-creation – new product ideas (combined, seasonal etc.). Customers ability to share the actual needs and pains. - Value for customer if local alcoholic beverages could be added to same order, delivery and invoice -> Partnering with Viini-Pihamaa for this. 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. - Co-creation with customers <p>Channels</p> <ul style="list-style-type: none"> - Awareness – newspaper, brochures, social media, web pages, face-to-face, events, radio, showroom. - Evaluation – showroom, events, Hella's brand and reputation, item catalog (Web application) - Purchase – phone, email, face-to-face (Web application) - Delivery – Partner (Internal Staff) - After sales - email, phone (Web application) 	<ul style="list-style-type: none"> - Restaurants in nearby area (<100 km)
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> - (Expenses from web shop implementation) - Marketing - Common operating costs including the salaries and packing material - Purchase of goods (agreed prices) - Delivery costs 		<ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) - Delivery fee - Invoicing fee 		

Restaurants (>100km)

Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Producers – to provide products. - Logistics providers –to handle the logistics. Initially in-house/owner provided. - Financing partners – to enable the business (owners) - Local Winery – alcohol wholesale – partner for orders and deliveries. - System provider - Advertising agency (Brand, logo, visual look) 	<ul style="list-style-type: none"> - Customer acquisition - Sales with invoicing - Marketing - Sorting, picking and packing the goods, including creating the delivery notes - Logistics planning (outsourced) - Ordering the goods from the producers, includes receiving and storing the goods. - System update (customer & product information) - Pricing - Feedback handling <p>Key Resources</p> <ul style="list-style-type: none"> - Internal personnel to handle sales, contracts and invoicing. - Internal resource to provide offering information. - Logistics coordinator and executor. (Internal & Partner) - Existing premises, including the storage space, restaurant premises, shop and the kitchen/bakery premises. - Local food supply chain knowledge - A wholesale license for spirits and alcoholic beverages (partnering with local winery) 	<ul style="list-style-type: none"> - Hella offers large variety of local products from multiple producers in a single place - Single delivery and invoice to B2B customers. - Hella offers information about the local food, producers and recipes - Value from co-creation – new product ideas (combined, seasonal etc.). Customers ability to share the actual needs and pains. - Value for customer if local alcoholic beverages could be added to same order, delivery and invoice -> Partnering with Viini-Pihamaa for this. 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. - Co-creation with customers <p>Channels</p> <ul style="list-style-type: none"> - Awareness – newspaper, brochures, social media, web pages, face-to-face, radio. - Evaluation –Hella's brand and reputation, item catalog (Web application) - Purchase – phone, email, (Web application) - Delivery – Outsourced (matkahuolto, posti etc) - After sales - email, phone (Web application) 	<ul style="list-style-type: none"> - Restaurants (>100 km)
Cost Structure		Revenue Streams		
<ul style="list-style-type: none"> - (Expenses from web shop implementation) - Marketing - Common operating costs including the salaries and packing material - Purchase of goods (agreed prices) - Delivery costs 		<ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) - Delivery fee - Invoicing fee 		

City food services & Catering services (<100km)				
Key Partnership	Key Activities	Value Proposition	Customer Relationships	Customer Segments
<ul style="list-style-type: none"> - Producers – to provide products. - Logistics providers –to handle the logistics. Initially in-house/owner provided. - Financing partners – to enable the business (owners) - System provider - Advertising agency (Brand, logo, visual look) 	<ul style="list-style-type: none"> - Customer acquisition - Sales with invoicing - Marketing - Sorting, picking and packing the goods, including creating the delivery notes - Logistics - Ordering the goods from the producers, includes receiving and storing the goods. - System update (customer & product information) - Pricing - Feedback handling 	<ul style="list-style-type: none"> - Heila offers large variety of local products from multiple producers in a single place - Single delivery and invoice to B2B customers. - Heila offers information about the local food, producers and recipes - Supports the city food services to follow the governmental programme of preferring local food products. - Value from co-creation – new product ideas (combined, seasonal etc.). Customers ability to share the actual needs and pains. 	<ul style="list-style-type: none"> - Personal assistance by phone calls, emails and visits. - Co-creation with customers 	<ul style="list-style-type: none"> - City food services in nearby area (<100 km) - Catering services in nearby area (<100 km)
	<p>Key Resources</p> <ul style="list-style-type: none"> - Internal personnel to handle sales, contracts and invoicing. - Internal resource to provide offering information. - Logistics coordinator and executor. (Internal & Partner) - Existing premises, including the storage space, restaurant premises, shop and the kitchen/bakery premises. - Local food supply chain knowledge 		<p>Channels</p> <ul style="list-style-type: none"> - Awareness – newspaper, brochures, social media, web pages, face-to-face, events, radio, showroom. - Evaluation – showroom, events, Heila's brand and reputation, item catalog (Web application) - Purchase – phone, email, face-to-face (Web application) - Delivery – Partner (Internal Staff) - After sales - email, phone (Web application) 	
<p>Cost Structure</p> <ul style="list-style-type: none"> - (Expenses from web shop implementation) - Marketing - Common operating costs including the salaries and packing material - Purchase of goods (agreed prices) - Delivery costs 		<p>Revenue Streams</p> <ul style="list-style-type: none"> - Revenue from the profit (sales price - purchase price) - Delivery fee - Invoicing fee 		

Appendix – III: Business models with portfolio assessment – Hidden

Appendix – IV: Future business models – Hidden

Appendix – V: Business model comparison excel – Hidden

Appendix – VI: Business models vs recommendations comparison - Hidden

Appendix – VII: Pilot phase orders – Hidden