

# Lokal mat i Norden

– resultat från forskningsprojektet "Exploring Local Food Resources in the Nordic Countries"



- Lokala råvaror och lokalt mathantverk skapar konkurrenskraft för högklassiga restauranger utanför storstadsregionerna.
- Högklassiga restauranger bidrar till höja produktkvaliteten i småskalig livsmedelsförädling
- Högklassiga restauranger bidrar till värdeskapande i lokalt mathantverk genom att utveckla och förmedla platsbundna attribut som kunder har hög betalningsvilja för.



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# Sammanfattning

Detta forskningsprojekt har undersökt betydelsen av högklassiga restauranger för landsbygdsutveckling. Näringslivet på den nordiska landsbygden präglas i växande grad av livsmedelsproduktion, rekreationsindustri och turism. Förekomsten av högklassiga restauranger och möjligheten att få en matupplevelse kopplat till besök av en viss plats är en viktig faktor för utvecklingen av turism utanför storstadsregionerna. En viktig del av en sådan matupplevelse är just dess koppling till en specifik plats med sina lokala specialiteter. Av den anledningen får det lokala och regionala köket ett allt större utrymme på gourmetrestaurangernas menyer och tillgången till lokala råvaror och småskaligt förädlade livsmedel blir i detta sammanhang en kritisk punkt för många restauranger.

Denna rapport presenterar resultaten från fallstudier av 11 högklassiga restauranger som återfinns på den nordiska landsbygden i Sverige, Finland, Norge och Island. Studien fokuserar på följande frågor:

- Hur kan högklassiga restauranger på landsbygden bidra till den lokala utvecklingen?
- Hur bör värdekedjan mellan producenter och konsumenter av högkvalitativ lokal mat förvaltas och hur kan lokala nischprodukter komma till bättre användning i detta värdeskapande?
- Hur kan nya affärsmodeller inom turism- och upplevelseindustrin, som bygger på lokalt mathantverk, utvecklas?

Resultaten från fallstudierna i den nordiska länderna visar att högklassiga restauranger på landsbygden bidrar till att utveckla både produktutbudet och produktkvaliteten inom lokala mat- och turistnäringar. Lokalproducerade råvaror av hög kvalitet ger konkurrenskraft till högklassiga restauranger utanför storstadsområdena, vilka i sin tur bidrar till att utveckla lokala kluster av olika upplevelsearrangörer. Restauranger är ofta nyckelaktörer i lokala nätverk av producenter inom både livsmedelssektorn och upplevelseindustrin och spelar därför en central roll i att förmedla lokal kultur lokala mattraditioner. Dessa restauranger har också en stor betydelse för värdeskapandet i det lokala mathantverket, dels genom att aktivt bidra till kvalitetshöjande åtgärder i produktionen, dels genom att utveckla platsbundna produktattribut som kunder har hög betalningsvilja för.

Dessa frågor är av stor relevans för utformandet av politik för att genomföra visionen om Sverige – det nya matlandet i Europa, vilken lanserades av regeringen hösten 2008. Detta är en vision om en livskraftig landsbygd med växande företag och fler jobb genom god mat och upplevelser. Målsättningen med denna politiska satsning är att fram till år 2020 så ska bl.a. antalet livsmedelsföretag öka med 20 procent, exporten av livsmedel fördubblas och turism kopplat till mat och måltid ska ge en fördubbling av antalet övernattningsnätter på landsbygden. Resultaten från forskningsprojektet om lokal mat i de nordiska länderna visar att förekomsten av högklassiga restauranger i landsbygdsregionerna är kan vara en viktig förutsättning för att nå dessa mål. Politiken bör därför både inriktas på att utveckla lokalt mathantverk och på att skapa samarbeten mellan olika aktörer inom livsmedels- och upplevelseindustrin.





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Nordic Innovation Centre

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# EXPLORE

## - EXPeriencing LOcal food REsources in the Nordic countries

- How can high quality restaurants in rural areas act as local engines for development?
- How to manage the value chain of locally produced high quality food from production to customers?
- How to develop new business models in the supply of experiences and tourism products and services with special emphasis on regional food products?



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<b>Abstract:</b> The food, experience and tourism industries have increasingly become more important as stimulus for growth and development in the economies of rural regions. High quality restaurants and food experiences are well recognized as important for tourists. Increasingly, as leading restaurants serve local products, focusing their menus on regional specialities, they need to access locally produced food of excellent quality. The report present case studies of 11 rural high quality restaurants in Finland, Iceland, Sweden and Norway. Rural high quality restaurants contribute to the upgrading of local food and experience production systems in terms of product quality and the range of products and services offered. Locally produced food form a competitive advantage for the restaurants. The restaurants contribution to wealth creation is mainly found in their contributions to the cluster of local experience producers. The restaurants in our study are all part of networks and as such they play important role for the regions they are settled in. Many local niche food producers have low or non-existing profit. The restaurants have contributed to them by showing other business model strategies than volume growth: that they can become a part of the experience industry and are able to build in profit in their produce this way. The policy should not only encourage restaurant and food producers to co-operate but to regard the whole experience production chain (galleries, shops etc). Measures assuring more training for the suppliers or more cooperation in networks between suppliers and restaurants could lead to improvement and more consistent quality of the supplies.	
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## Executive summary

### **The purpose of the project was:**

The following research questions have been addressed:

- 1) How can high quality restaurants in rural areas act as local engines for development?
- 2) How can the contribution of local niche food producers to the experience product value chain be enhanced, and what are the critical factors in this respect?
- 3) What are the critical factors regarding management of the value chain of locally produced high quality food from production to customers?
- 4) How can new business models in the supply of experiences and tourism products and services with special emphasis on regional food products be developed?

### **The study has achieved this aim by:**

- Analyzing data by applying business management theory: primary theories on business models and the experience value chain.
- A business model is the story that explains how the organization works and how the different elements of the business fit together. If a business model is a good story it requires that all characters important for the business are clearly identified and their relations with each other are clear; that the entrepreneur is able to attract the customer to her idea and is able to create a reason for turning the attraction into a behavioral pattern, i.e. buying. Both the factor side and the market side can be distinguished in the business model, and both need to work for a business model to be viable.
- The value chain is a tool to examine all the activities that a firm performs and how they interact to create a competitive advantage (Porter 1985). These activities are embedded into a larger stream of activities: the value system. The value system can be depicted as a sequential progression of the value chains of all economic actors in the system, including the end user. The value a supplier creates for its buyer is determined by the links it has to the buyer's value chain, i.e. to what degree a firm lowers the cost, or raises the performance, of an activity performed by the buyer. According to Porter (1985) a value chain has two categories of activities. On one hand are the primary activities that are the activities involved in the creation of the product and its sale, delivery, and after sale service. On the other hand there are activities supporting the primary activities or the chain as a whole. Porter identifies five generic categories of primary activities that should apply to all firms: inbound logistics, operations, outbound logistics, marketing & sales, and after sale service. Furthermore, he identifies four generic categories of supporting activities: procurement, technology development, human resource management, and firm infrastructure. These generic

categories of value chain activities have in this study been adapted to the experience value chain of high quality local restaurants.

## **Method**

In this research project a case study method is applied. We have conducted case studies in four countries; Finland, Iceland, Norway and Sweden. The case sample is rural high quality restaurants in the four countries. We have investigated 11 restaurants and interviewed the entrepreneurs/restaurateurs, and a sample of their local collaborators as well as policy makers. In total 95 personal interviews have been conducted. The method allows for thick descriptions and in-depth knowledge of the phenomenon.

## **Main results:**

Regarding the HQRs we did find that:

- The restaurants contribution to wealth creation is mainly found in their contributions to the cluster of local experience producers. The restaurants in our study are all part of networks and as such they play important role for the regions they are settled in.
- The restaurant entrepreneurs contribute to regional change (development) by institutional change or by acting as community entrepreneurs. Some even encourage others to start-up businesses producing local food.
- The restaurant entrepreneurs change the perception of the restaurant experience (e.g. expectations of what local food is) and thereby contribute to changing of mind sets. One outcome is that they change the perception of the place they have localized their business and thereby contribute to image building and pride of home town or village.
- Even though some of the restaurants are of little financial impact for their suppliers, they contribute to the development of their products and give their products credibility. This is important for the suppliers.
- We identified five critical management challenges for creating and maintaining the experience value chain. These are:
  - 1) Addressing seasonality of demand and supply
  - 2) Creating uniqueness based on location
  - 3) Building supplier infrastructure
  - 4) Assuring complementary services and experiences
  - 5) Creating or linking into mechanisms of promotion

The restaurants have addressed these challenges in a number of different ways requiring varying degree of reconfiguration based on existing conditions and the characteristics of the entrepreneurs.

- The restaurants alone have very small bargaining power with their suppliers, but there are examples of them interacting with suppliers as a group. This allows them to negotiate better deals.

Regarding the local food producers we did find that:

- Uniqueness is important for the restaurants in our study, but local food producers do not often know how to promote the uniqueness of their product.
- Being supplier to restaurants require a professionalized attitude to quality control and delivery deadlines. This is an important competence the restaurant push their suppliers on, making them better fitted for competition in other markets.
- Many local niche food producers have low or non-existing profit. The restaurants have contributed to them by showing other business model strategies than volume growth: that they can become a part of the experience industry and are able to build in profit in their produce this way.

**The following conclusions can be drawn from the result of the study:**

Although the policies in the studied four countries have some common features they are also quite different, i.e. two of the participating countries are EU-members, two are not. Giving policy recommendation valid for all Nordic countries is therefore a demanding task. We have however some policy recommendations:

- The policy should not only encourage restaurant and food producers to co-operate but to regard the whole experience production chain (galleries, shops etc). It seems that most regional policies are primarily aimed at promoting the destination. To have a broader scope will make it easier to attract guests and helps build an infrastructure of complementary services.
- Reliance on local values can be used to create a story of the place and develop the place as a destination. Thus, measures directed towards building the feeling of belongingness and pride of being a member of the community, as well as efforts directed towards creation of stories of the places can result in more joint efforts towards attracting customers, but implicitly also in increasing local competitiveness of the community. In addition one will improve the awareness of local specialties and local cooperation between the different actors.
- Some of the restaurants have brought up the issue of non-consistent quality level of the supplies. Thus, measures assuring more training for the suppliers or more cooperation in networks between suppliers and restaurants could lead to improvement and more consistent quality of the supplies.
- Training the restaurant entrepreneurs in business skills. This could be a training including knowledge on food identities and culture, experience production, experience value chains and creation of viable business models.

- Several local producers were concerned because of the low volumes and relatively high transportation costs. A solution to the problem of low volumes and high transportation costs as well as raise of the awareness could be a showcase for experience industry of the regions for instance in the capital areas. This centre should contain proper facilities for storing and selling foodstuff. The producers in the region could take advantage of common transportation and they could produce larger volumes.
- One of the concerns and challenges in HQRs is to find personnel who have skills and knowledge of handling of different raw materials and preparing of traditional food. Thus it is recommended that different characteristics and methods in preparing and using local ingredients in food production should be included in curriculum in vocational training institutes.
- To promote the food supply chain level. We have interesting examples from the case firms where policy has mattered for local cooperation (Charms of Saima, Arctic Menu, and Matur úr héraði). Such policies are important to promote innovation and variability in the local food supply chain. Important to involve large as well as small producers. Could these ideas be magnified to the Nordic level and will it be possible to establish a New Nordic Food label?
- In policy programs for experience industry and tourism more emphasis and direct measures could be allocated to the role of HQRs as part of the local service infrastructure.

### **Recommendations for continued studies:**

The role of the value-added service providers (e.g. restaurants) should be explored and studied more carefully. This kind of analysis would serve to allocate the resources efficiently and improve the competitiveness of those regions where the proper level and development of service infrastructure is included in the policy programs.

## Preface

This report summarizes findings of the Nordic project EXPLORE (EXPeriencing LOcal food RESources in the Nordic countries) which is one of 6 Nordic projects within the Nordic Innovation Centre (NICE) focus area with the aim of enhancing innovation in the Nordic food, tourism and experience industries. The Explore project and the 5 other NICE projects, are also a part of The Nordic Council of Ministers New Nordic Food program.

The EXPLORE-project is partly financed by the Nordic Innovation Centre (NICE) and partly financed by the research institutions which have carried out the research project.

The report is a joint production by the research team but some have been main responsible for the chapters and have thus a major contribution in respectively chapter. The responsible for respectively chapters are: Chapter one Roar Samuelsen, chapter two Elisabet Ljunggren, chapter three Elisabet Ljunggren, chapter four Magdalena Markowska, chapter five Rögnvaldur Sæmundsson, chapter six Markku Virtanen and Sinikka Mynttinen, chapter seven Elisabet Ljunggren, chapter eight Elisabet Ljunggren.

We would like to thank those entrepreneurs, policymakers and others who spent some of their valuable time on us, thereby contributing to the knowledge building within this research field. Further we will acknowledge our colleagues Odd Jarl Borch and Edward Huijbens who read the draft of the report and commented on it.

Bodø, Jönköping, Mikkeli and Reykjavik

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# 1. Introduction

## 1.1 Context and research questions

The food, experience and tourism industries have increasingly become more and more important as stimulus for growth and development in the economies of rural regions. High quality restaurants and food experiences are well recognized as important for tourists (Mossberg & Svensson, 2009). Increasingly, as leading restaurants serve local products, focusing their menus on regional specialities, they need to access locally produced food of excellent quality. High quality restaurants can contribute to upgrade local food and experience production systems in terms of product quality and the range of products and services offered. Locally produced food may form a competitive advantage for the restaurants offering high quality menus and Nordic chef teams have for instance had large successes in international cooking competitions using regional speciality products.

Also, rural tourism industry is currently focusing on diverse experiences generated by local environment and history including food and other cultural heritage. Places are centers for consumption, i.e., locations provide a context within which consumers compare evaluate, purchase and consume goods and services (Urry, 1995). Local heritage, like food traditions, play an important role in shaping and maintaining regional identities, as well as being an important part of the products of the experience industry. For example, Mossberg et al., (2006) show how places that are tied to specific interesting stories attract visitors and tourists, and how stories are important in the marketing of the particular places. The relationship between locations and restaurants also works the other way so that the supply of food and restaurants of a particular location can serve as an important element in the branding and marketing of places (Mossberg & Svensson, 2009; Tellström, et al, 2006). There are different ways to conceptualize the products and services of the value chain. Commonly producers and suppliers of services are small firms with scarce resources to compete in mass markets. Thus they have to develop unique competitive advantage through offering specialities and cooperating with other suppliers.

At the same time, there is a growing interest among producers to develop regional food specialities and niche food products. Niche products are offered by existing as well as new producers, including farmers integrating vertically in the value chain, regionally based food processing firms and spin-off companies from the established food industry. Niche products are offered based on agricultural as well as marine resources. While the product development initiatives have been many, several producers have faced challenges in reaching larger markets with their products and in taking out prices reflecting the value added to these special products. The high quality restaurant market may be one important outlet for regionally based high quality niche products.

In parallel to this, there is an increasing awareness of the importance and benefits of locally produced food among certain segments in the consumer markets. Consumption of short travelled food have both an environmental issue (e.g. low emissions) and for some this is an

health issue because some of the short travelled food is also regarded as healthier, i.e. some of it being organically grown.

The Nordic Council of Ministers' programme for New Nordic Food (<http://www.nordicinnovation.net/focus.cfm?id=1-4416-13>) has as its aim to "...support the development of an innovative and competitive Nordic business sector, based on the diversity of Nordic raw materials, ingredients and traditions" (ibid.). Further, one of the aims is to contribute to positive coastal and rural development through further development and increased value creation from Nordic local/regional food products and productions. Being a part of the New Nordic Food program this research project is contributing to this aim.

The main objective of this project is to contribute to the knowledge on the experience product value chain based on regional food products as valuable part of the experience product. The project focuses on the value chain from the food producers and experience producers to the high quality restaurants where the food and service "meet" and become one, integrated experience offered to the restaurant customers. Also, we would like to contribute to knowledge to reduce bottle necks in the value chain and to increase the value creation from regional food products and from tourism and experience concepts in rural areas of the Nordic countries. Four countries are studied: Finland, Iceland, Norway and Sweden.

The overall research questions have been:

- 5) How can high quality restaurants in rural areas act as local engines for development?
- 6) How can the contribution of local niche food producers to the experience product value chain be enhanced, and what are the critical factors in this respect?
- 7) What are the critical factors regarding management of the value chain of locally produced high quality food from production to customers?
- 8) How can new business models in the supply of experiences and tourism products and services with special emphasis on regional food products be developed?

By examining and comparing various local networks and systems of distribution and innovation in the participating countries, the project has identified examples of "best practices" in the Nordic food and experience industries – and in policy.

## 1.2 Relevance

The project has relevance for both the rural restaurant and tourism industry, society at large and the international research community.

### **1.2.1 Relevance for Business:**

The knowledge generated from this research project contributes to the development of value creating activities based on regional food products. It is relevant for several business sectors in the Nordic countries.

The project contributes to the regional food producing sector through its generation of knowledge on the bottlenecks in the chain from producer to end user, with a particular focus

on restaurants, tourism and experience industries. Increased knowledge in this area may help firms in the sector to reach larger and better paying markets for their products.

The project contributes to knowledge relevant to the restaurant sector through its focus on the value of regional food products in their product concepts.

The project contributes to knowledge relevant to the tourism and experience industry through its focus on the value of regional food specialities as valuable parts of experience products.

As a result, the knowledge generated contributes to new market concepts combining regional food specialities and experience products, which may create new value for the food industry as well as the tourism and experience industry.

### **1.2.2 Relevance for Society:**

When business operations increase around food, tourism and experience industries, employment are maintained and new employment is created in rural areas in the Nordic countries. In particular, regional food products as part of experience concepts in high price markets may give increased value creation in rural areas of the Nordic countries, thereby contributing to sustaining population, employment and incomes in rural areas.

In addition, appreciation of locally produced food and cultural heritage is raised. The use of locally produced food decreases the demand for transportation and storage and thus contributes to sustainable development.

### **1.2.3 Relevance for the International Research Community:**

The ambition of this project has also been to contribute to the international research knowledge on regional food product value chains and the experience economy, based on empirical studies in a Nordic context. The results have been disseminated internationally through research workshops and conferences (see chapter eight). The project also builds upon international research in relevant areas. The project partners have a large research network internationally, which have been utilized in the project.

Regional food value chains and the experience economy are two research areas for which there is a growing international research interest. There has been a growing policy trend related to encouraging value-adding activities related to regional food production in EU as well as in other European countries. Shifts in market demands in direction of more focus on high quality food, sustainable production and regional origin reinforces this development. Concurrently, the development of the experience economy has gained speed. Regional food products have increasingly been seen as an important part of the experience product value chain. This project has thus linked well into research trends as well as policy trends internationally and particularly in Europe. The knowledge gained from the project is thus relevant in an international context.

## **1.3 Organisation of the Project**

The project has been organized as a joint effort between four partners in Finland, Iceland, Norway and Sweden and with equal shares of resources allocated to each partner. Nordland Research Institute have been responsible for the project management while all four partners

have been equally responsible for conducting case studies, producing and sharing knowledge and participating in workshops and meetings.

The core of the project has consisted of the following researchers from the four participating partner institutions:

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4. Reykjavik University - Department of Business, Reykjavik, Iceland  
Dr. Rögnvaldur J. Sæmundsson (Assistant Professor) – project researcher

The project funding from Nordic Innovation Centre has been supplemented up by research funding from the four partners, in addition Jönköping International Business School has funded a PhD-student (Markowska). The PhD-student has been actively involved in the data gathering both in Sweden and in Iceland.

The main part of the organization of the research has been four workshops in which the research team met and discussed relevant themes (Mikkeli, Finland, August, 2007, Gothenburg, Sweden, May 2008, Reykjavik, October 2008, Bodø, Norway, September 2009). Moreover, frequent telephone conferences have been carried out and a common net site where exchange of documents took place has also been applied, in addition to exchange of e-mails. Also, the researchers have met at research conferences and other suitable occasions.

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<sup>1</sup> Now: Aalto University School of Economics

## 2. Research methods

The EXPLORE-project set out to be an “ordinary” research project, which implies that one decides on a research design appropriate to answer the research questions addressed. We decided to use a case study design. A case study is according to Yin (1989:23) “...an empirical inquiry that investigates a contemporary phenomenon within its real life context; when the boundaries between phenomenon and context is not clearly evident; and in which multiple sources of evidence are used”. The case study method as applied here gives possibilities of thick descriptions and in-depth knowledge of the phenomenon. In the EXPLORE-project we have defined the cases to be the 11 restaurants which we investigate, i.e. the restaurant entrepreneurs/business owners.

A suitable research context is one which allows for the variables and relationships of interest to be salient (Rowley, Behrens, & Krackhardt, 2000). Aiming at cross-national comparison the research team decided upon a certain sampling frame for the cases, however finding comparable cases in a cross national setting is a demanding task. During one of the research team’s workshops (Mikkeli, Finland, August 2007) a common sampling frame was identified. The criteria used for identifying relevant restaurants were that they (a) were considered to deliver high quality food and experiences; (b) were located outside of cities in rural locations; and (c) the menus had a local/regional profile, relying on local ingredients. It was relatively easy to identify restaurants that met criteria (b) and (c), i.e., were rural and based their market offer on their location. To some extent, what is considered high quality is subjective. In Sweden, it was relatively easy to select high quality restaurants. We relied on restaurants that were listed as top restaurants in White Guide (and also met criteria b and c). In other countries lacking such national rankings, we used subjective criteria. Also, as the financing of the project was more than one source (NICE provided almost 50% of the funding) sampling had to comply with demands from other sources’ claims on appropriate data. As the case descriptions in chapter three reveal, the sampled restaurants differ slightly albeit we believe that this provides us with an even better dataset; richer and more diverse.

The research team developed common interview guides which have been used in the data gathering process (see appendix 1) albeit also this had to be adapted to the specific empirical and national context, hence the interview guide in the appendix gives an indication only of the questions asked.

The case study approach implies that interviews are conducted not only with the entrepreneurs/owners of the restaurants but also with some of their suppliers, and with individuals representing policy organizations. As indicated in table 2.1 restaurant entrepreneurs and suppliers have been interviewed in all nations while the categories policy makers and “others” differ between the countries. This is due to the use of other data sources as well as some data obtained through other projects the researchers have worked with which is not accounted for here.

**Table 2.1 Number of interviews**

	Sweden	Finland	Iceland	Norway
Interviews at restaurants	6	3	6 (all interviewed three times)	7 (all interviewed twice except Ongajoksetra)
Interviews in the value chain e.g. Farmers Small scale food producers Experience producers	10	2 Farmers 7 Small case food producers	18 suppliers	3 Farmers 3 small scale food producers
Interviews with policy makers	3 policy makers	1 policy maker		5 policy makers
Other interviews	5 (2 with customers, 1 with expert in gourmet food, 2 with other gourmet restaurants)		17 others	

As shown in table 2.1 in total 95 interviews have been conducted. This has provided the project with a rich data set. The interviews were transcribed or in some cases reported. Further, to gain more data other data sources have been applied. Written documents of different kinds have been used; these documents are menus, brochures, policy documents, strategic plans for policy organization etc. Also, all cases have been visited; hence observations are made on place. However, when viewing the data together and doing the analysis one source of data was lacking; accounting data which would have provided us with data on profitability.

Data have to the extent possible been shared within the research team, some data are in languages which are not accessible for all, e.g. interview transcriptions in Finnish or Norwegian but summaries on all cases have been available in English for all in the research group. Also due to rules on privacy for respondents' distribution of interview transcripts have been avoided. Data analyses have been conducted jointly in the research group and separately in each work package. The research group has met regularly and has also had telephone meetings. The research group shared documents and data via mail and in a common "web room".

### 3. Presentation of cases

In this chapter we will present the cases in the EXPLORE-project. In total we have investigated 12 cases although one case, Laxbutiken in Sweden, decided to withdraw from the project due to issues which had nothing to do with the research project.

**Table 3.1 Presentation of the cases**

<b>Sweden</b>	<b>Finland</b>	<b>Iceland</b>	<b>Norway</b>
Laxbutiken – with drawn	Anttolan Hovi Manor	Friðrik V	Bios Café
Hotell Borgholm	Kenkävero	Fjöruborðið	Skagen Gaard
50 kvadrat	Tertti Manor		Stigen Vertshus
			Ongajoksetra

Table 3.1 gives a short overview of the cases. The geographical dispersion of the cases is different in each nation. In Finland the cases are found within one region, in Sweden one is at the island Gotland and one is at the island Öland. In Iceland the two cases are located in different parts of the nation. In Norway the four cases are all located in the northern part of Norway in the three northern most counties; one in Finnmark, two in Troms and one in Nordland. In the following the cases will be presented more in-depth and in chapter four and five they will be further elaborated upon.



**Figure 3.1 Map of the Nordic countries where the restaurants locations are marked.**  
Map source: <http://www.biocrawler.com/w/images/a/a7/Nordic-countries.png>

### 3.1 The Finnish cases

All three restaurants represent rural quality restaurants and they are a part of the consortium [Charms of Saimaa](#), which is a company owned by 14 representatives of tourist and restaurant industry in the Saimaa region. It has been established to enhance cooperation and marketing of tourist attractions in the heart of the Saimaa Lake district. Although, two of the restaurants locate quite close to the town of Mikkeli, their image and surroundings are very much rural. The Finnish restaurants represent a diversity of ownership. Two of the restaurants are owned by societies (Anttolan Hovi Manor and Kenkävero) and one is typical entrepreneurial family business (Tertti Manor). Two of the restaurants make some products themselves. In addition all the case restaurants use local raw materials and food in their production. Fine-dining is not the idea of any of the Finnish case restaurants. They aim at high-quality in food and service and they have a simple and easy-going style being loyal to the history and surroundings. In all cases the menus have seasonal food products. Moreover, in all cases the local food producers are essential for the restaurant business. Tertti and Kenkävero have also products of their own and in both places self-grown herbs, lettuce, and vegetables are used in the kitchen. No one of

the cases emphasizes the local culinary heritage of Savo region in their menus. Instead, traditional high-quality food with a present-day touch is emphasized.

### **3.1.1 Anttolan Hovi Manor**

Anttolan Hovi Manor is situated 25 km from the centre of Mikkeli along the main road no. 62 in the direction of Imatra. Its location is peaceful in the midst of pine trees on the shore of Lake Saimaa. Anttolan Hovi Manor, bought by Prince and Princess Demidov as a place of refuge for their family and for the Romanovs, is nowadays a hotel and gourmet restaurant of Russian cuisine. The restaurant is co-localized with the wellness-centre of Anttolanhovi. Anttolanhovi is a rehabilitation institution for people with respiratory organ illnesses and it is owned by the “Hengitysliitto Heli Association” (a non-profit national federation for heart- and lung diseases). Although Anttolanhovi restaurant has served meals from the beginning of 1978, Anttolan Hovi Manor started in 2002. It is a part of the wellness-centre, but also serves as a holiday and conference hotel, where visitors can enjoy an art exhibition, called HoviArt, as well. From the start the activities of Anttolanhovi have been based on the rehabilitation business. The patients are still the biggest group, but the owners have experienced that the business growth has come from the hotel and restaurant services. Customers, who only visit the restaurant, are mainly local people, but there are also cottage dwellers from South-Finland during summer time. There is a great proportion of regular conference customers, which is a customer group growing in number and profitability. Also they have 19 villas under construction. The main business idea of the restaurant is serving high quality food, and they have made it a specialty to serve Russian food, which is in accordance with the history of the manor. Personnel of Anttolan Hovi Manor come from Anttolanhovi restaurant in winter, when it is open only to order. In summer time there are two persons working in the restaurant of Anttolan Hovi Manor.

Internet address: [Anttolan Hovi Manor](#)

### **3.1.2 Kenkävero**

Kenkävero, a former parsonage, is located close to the centre of Mikkeli surrounded by fields on the shore of Lake Saimaa. Thus its image and surroundings are very much rural. The surroundings of the parsonage have been restored and they have a rich garden with over 500 plant species in the summer. Since 1990 they have a shop, art and craft exhibitions, in addition to the restaurant business. The restaurant started as a summer café, first, by an association of household management, “Martta Association”. Later, in 2001, an association of handicraft and industrial art, “Taito East-Finland Association”, bought the restaurant business. Both associations have long traditions in Finland. The story of Kenkävero began as these two associations together made a proposition to the town of Mikkeli to start a tourist business at the parsonage, which had been out of use for 20 years. The town accepted the suggestion and established a property company, which now owns the buildings. Hence, Kenkävero - the garden, shop and arts and crafts exhibition – and Kenkävero – the restaurant are both part of the tourist attraction and they are open throughout the year. The values of Kenkävero are shown in the restaurant business as the spirit of the parsonage, use of local producers, in-house products etc. Close cooperation with other actors of tourism in the region is perceived as the main business opportunity of Kenkävero, both the garden and the restaurant. The brand

of the parsonage plays a large role in the restaurant's image. In addition to the manager of the parsonage restaurant there are two permanent employees in the kitchen and a lot of part time employees. From the year 2001 the number of visitors has doubled now being 160 000 per year. About half of the customers in Kenkävero restaurant are local people. Customers from other parts of Finland are mainly passers-by, cottage dwellers, companies, and excursion groups. Typically they are middle class people, age 50 plus, who value traditions, reservation of old buildings, Finnish articles and esthetics.

Internet address: [www.kenkavero.fi](http://www.kenkavero.fi).

### 3.1.3 Tertti Manor

Tertti Manor was started by the owners Matti and Pepita Pylkkänen in 1978 after a transfer of the manor to the descendant. But the Manor House traditions in Tertti have been enhanced by the Pylkkänen family since 1894. Tertti Manor is located along the highway no. 5, approximately 7 km from the centre of Mikkeli in the direction of Kuopio. The main business idea is to produce experiences in accordance with the traditions of the Manor itself and the region. Although traditions are respected, the services are constantly up-dated. In 1982 accommodation service was started in a granary. A year later the servants' hall was connected to central heating system and the stable was renovated to serve as a festival hall. Lambs were kept till 1989. A few years ago a garden was established on old ruins. First, there was a small shop in one of the rooms of the manor house mainly selling self-made food products. Recently they opened a separate shop and their products are also sold by internet. A few years ago a vegetable garden was established to supply the kitchen.

Thus, starting from a restaurant business the Tertti Manor has grown into tourism and experience industry. In the beginning there were only a few customer groups per year, but nowadays they have about 30 000 visitors annually. In Tertti Manor 85 % of the regular customers come from South-Finland. Typical customers are companies, people spending holidays and local people organizing family celebrations. Customers are, typically, brought by regional events, which they attend, like St. Michel Trotting Races, the Opera Festival in Savonlinna, the St. Michel Ballet, the St. Michel Music Festival, the Art Exhibition of Salmela etc. The personnel have increased from four to eight working throughout the year plus 20 external persons in seasons. In the restaurant there are two persons responsible for the kitchen the other one being the main chef.

Internet address: [Tertti Manor](#)

## 3.2 The Icelandic cases

The two Icelandic cases are located in different parts of the country: Friðrik V is located in Akureyri in the northern part of Iceland, about 400 km from Reykjavik. Akureyri is the largest town outside the Reykjavik area with 17.000 inhabitants. Fjöruborðið is located at Stokkseyri which is in the southern part of Iceland. Stokkseyri has less than 500 inhabitants and the distance from Reykjavik is 50 km. Both restaurants have entrepreneurial teams consisting of two partners.

### 3.2.1 Friðrik V

The restaurant Friðrik V was established by Friðrik V Karlsson and Arnrun Magnúsdóttir (Friðrik's wife) in 2001, and they are the main owners and they run it. The restaurant offers modern European cooking based on local raw materials. The owner-manager (and founder) has been instrumental in creating a community of local food providers in the Akureyri area, including hotels and restaurants as well as suppliers. In 2007 the restaurant got the 2007 New Nordic Food Diploma. In 2007 Friðrik V moved into a historic building in the city centre which had been rebuilt from scratch for the restaurant. In the building there are, along with the kitchen and office area, the main dining area, a designated group dining area and a bar area. The dining and bar areas are open in the evening every day of the week. On the lower floor there is a gourmet shop that is open during the day and where lunch is also served. The cooking methods are European with connection to the Mediterranean and Scandinavia. The menu is seasonal, but small changes are made each week. The most popular menu is the set (surprise) menu. It's usually 7-8 courses, with, or without wine. This menu is changed daily depending on the availability of raw materials. All people at the same table get the same set menu but not necessary everyone in the restaurant.

The inspirations for the food come from all over. Restaurant is closed in January and the chefs go somewhere to get new ideas, mostly from abroad. Inspiration is also sought from traditional Icelandic dishes.

The experience being sought is that the guest should feel special and at home. The service is not strict and you should feel that you are visiting a friend or someone you know. Friðrik tries to visit all tables at least once during the evening to greet and tell customers something about the food.

Internet address: [www.Friðrik.v.is](http://www.Friðrik.v.is)

### 3.2.2 Fjöruborðið

Fjöruborðið was established in 1997 and the current owner-managers acquired the restaurant three years ago. Róbert Ólafsson and Jón Tryggvi Jónsson own and run the restaurant. Róbert graduated as chef from the Culinary School in Reykjavik in 1994. He has a diverse work experience in all kinds of restaurants, from American food to fine dining in Iceland, Germany and the U.S. He has run kitchens in two restaurants. Jón Tryggvi graduated as a waiter from the Culinary School in Reykjavik (1993) and hotel & restaurant school in Denmark. He has diverse work experience in Iceland, France (Paris), and the U.S. He has been hotel manager for a couple of hotels in Iceland, both in the countryside and in Reykjavik. Jón Tryggvi comes from the area around Stokkseyri.

The restaurant offers a simple menu (mostly based on langoustine) based on local raw materials. The concept behind the food can be explained as fresh, simple, and local. The experience sought of is authenticity. The menu is fixed with very few courses, mainly langoustine. The langoustine is local to the southern coast of Iceland. The restaurant has three dining spaces, each one appropriate for groups of different sized. The smallest one is for very small groups (couples or families) and the largest for large groups of tourists.

Around 40% of the customers come through travel agencies in Reykjavik or larger companies and around 60% are drop-ins or customers finding the restaurant themselves. Weekends are usually small groups of friends for a special occasion. Now more customers asking for a la carte seats, i.e. the smaller dining space.

Internet address: [www.fjorubordid.is](http://www.fjorubordid.is)

### 3.3 The Norwegian cases

The four Norwegian cases are all located in the northern part of Norway. In two of the cases the entrepreneurial teams started the business, in one case it was a family business transition and in one case the ones who runs the business do not own the business. The Norwegian cases are hallmarked by diversity albeit being quite representative for the composition in the industry.

#### 3.3.1 Bios Café

Bios Café is located in the municipality of Nordreisa, in Troms county, approximately three and a half hour ride by car from Tromsø city centre. The restaurant is located along the main road E 6 which passes through the municipality centre Storslett. The firm was established in 1966 and is an independent family business. The present owner-manager Jane Johansen is the second generation and she took over in 2000. She is educated as a chef and used to work other places in Norway before she took over the family business. The capacity of the cafe is 130-140 guests and she employs approximately 17 persons, and 50 in the high season. The restaurant has a mixture of local customers, wayfarers and tourists. Local food is an important part of the restaurants' offer, but it has not always been like this. When Jane took over the cafe she saw the potential in local produced food and started to work to have it on the menu. Jane has worked extensively to encourage local food producers to deliver food to Bios Café. By her networking efforts several local food producers have a large customer and they have also started to become more organized. The cafe is a member of the Arctic Menu ([arktisk meny](http://arktiskmeny.no)) network.

Internet address: [www.bioscafe.no](http://www.bioscafe.no).

#### 3.3.2 Ongajoksetra

Ongajoksetra is a restaurant located approximately one hour car ride from the nearest town, Alta in the northern most county in Norway; Finnmark. The place is remotely located and has an old history going back to mining activity in the 1800<sup>th</sup> century. Later it was a travel station and mountain cabin but was derelict for many years before it was rebuilt. The wildlife experience currently offered at Ongajoksetra has developed over a 10 year period. The owners Espen and Line Ottem took over Ongajoksetra in 1998. They offer a menu based on locally produced food and this is an important feature of their concept. The restaurant is only open for groups and they also offer possibilities of accommodation for small to medium-size groups (between 10 and 30 people). In addition they offer food cooking and serving in Sami tents (Lavvo) and they extend the food experience letting the customers being able to actively engage in hunting, fishing and preparing their own food. The location of the restaurant in a

spectacular landscape is also a part of this restaurants' concept. The food they serve is to a large extent different types of game (elk, grouse), fish (salmon, brown trout) berries and mushrooms which the owners hunt, fish and pick themselves.

Internet address: [Ongajoksetra](#)

### **3.3.3 Stigen Vertshus**

Stigen Vertshus is located in the municipality of Lyngen, in Troms county, approximately one and a half hour ride by car and ferry from Tromsø city centre. The restaurant is located in a spectacular alpine landscape while the building itself used to be an old-peoples home built in the 1970-ties. Kirsti and Bjørn Sollid established the guest house in 2005. The main motivation to rent the building was to acquire premises which could be used for production of local food, the guest house part “just followed with the rent of the building”. They ran a farm and wanted to produce food from the meat production at the farm as well as selling other local producers products. Stigen Vertshus has three different but closely interrelated business activities; 1) production of food products based on local meat from goat and sheep; 2) restaurant serving food made from local products seating approximately 45 guests; and 3) accommodation with 14 bedrooms. The locally produced meat and fish products form the basis for the experience of the restaurant. The restaurant is open for everyone and has an increasing number of tourist guests, notably skiing tourists in winter but the largest customer group is still locals. They have initiated networks and have worked actively locally with producers to form network and encourage more farmers to make local food. They have also joined the network Arctic Menu.

Internet address: [Stigen Vertshus](#)

### **3.3.4 Skagen Gaard**

Skagen Gaard is located in Bodø, Nordland county, approximately one hour ride by car from the city centre. The restaurant is part of the Norwegian chain of “Det virkelig gode liv” (The great life company). The chain offers joint marketing activities (i.e. brochures and web page), but the restaurants and guest houses which have joined have different owners. Skagen Gaard manor house is owned by investor Knut Kloster but the daily operations are run by Vibeke and Arne Seivåg. The Seivåg couple were born and raised in the nearby rural village Seivåg and they know the manor house well. They do to a large degree decide on the strategies of Skagen Gaard. They have worked in the restaurant industry for several years, and Arne is an educated chef, while Vibeke is educated as a waitress. The restaurant is located in a spectacular landscape in an old manor house dating back to the 17<sup>th</sup> century. This forms the base for the story – the experience of the restaurant. The restaurant is only open for groups (they can seat 40 guests) and they also offer possibilities of accommodation for small groups (8 rooms and max 16 persons). The premises also have opportunities for smaller conferences to take place. Local food is a part of the restaurants' offer but this is not a main feature of the restaurant. The main customer groups are local firms, and some of these are also perceived as regular customers.

Internet address: [Skagen Gaard](#)

### 3.4 The Swedish cases

The two Swedish cases are located at different islands, one at Gotland and one at Öland, both are well known tourist destinations. Both cases have entrepreneurial teams who have started their ventures.

#### 3.4.1 50 Kvadrat

Fredrik Malmstedt and his partner Laila Löfkvist run the restaurant “50 Kvadrat” in Visby on the island Gotland. Both of them are graduates from different culinary schools, and both have worked at different fine dining restaurants both in Sweden and abroad. They opened the restaurant in February 2005 and they have 45 seats in the dining space. They called their restaurant “50 Kvadrat” because the premise was only this big. Customers are offered good simple food, high in flavors. Since the restaurant owners rely on local seasonal products, the menu changes a few times during the year. They have a mixed customer group, during the week many business people and during the summer many tourists. The restaurant has many local farmers and niche food producers as suppliers, and have experienced that local producers have started to contact them to sell their products. The restaurant is a member of the “*Kulinariska Gotland*”, a commercial initiative of local restaurants aiming at promoting local best restaurants.

Internet address: [www.50kvadrat](http://www.50kvadrat)

#### 3.4.2 Hotell Borgholm

Hotell Borgholm is located in Borgholm on the island Öland. The restaurant is run by Owe and Karin Fransson. Owe is managing the business and Karin is the Head Chef. The restaurant has been listed in the White Guide with 81 out of 100 points and belongs to the top restaurants in Sweden. Head chef Karin Fransson has won many prizes for her cooking (e.g. Årets Werner 2007 for the best private restaurateur; Chef of the Year 2007 from the food magazine ”Allt om Mat”, Gold Medal 1997 from Academy of Culinary Arts; Leading Lady of World Cuisine in 2004 in Australia; award for the best culinary literature in Sweden 2008 from Academy for the Culinary Arts). Her cuisine is well known for the regional heritage and seasonality of ingredients used in the kitchen.

The restaurant was established in the early 1970-ties and has since then transformed from a discotheque and restaurant to fine dining restaurant that focuses on food connoisseurs. The transformation took place in the early 1990-ties when the owners realized that their business was serving two more and more separate groups of customers. Having analyzed the potential of each of the options they made the decision to turn to gourmet food and close the other business.

The main concept of the restaurant is to serve *modern Swedish cuisine with influences from all over the world*. The restaurant specializes in weekend offers for food lovers. The signature of the main chef is the local ingredients, especially herbs that she grows in her own garden.

Internet address: [Hotell Borgholm](http://HotellBorgholm)

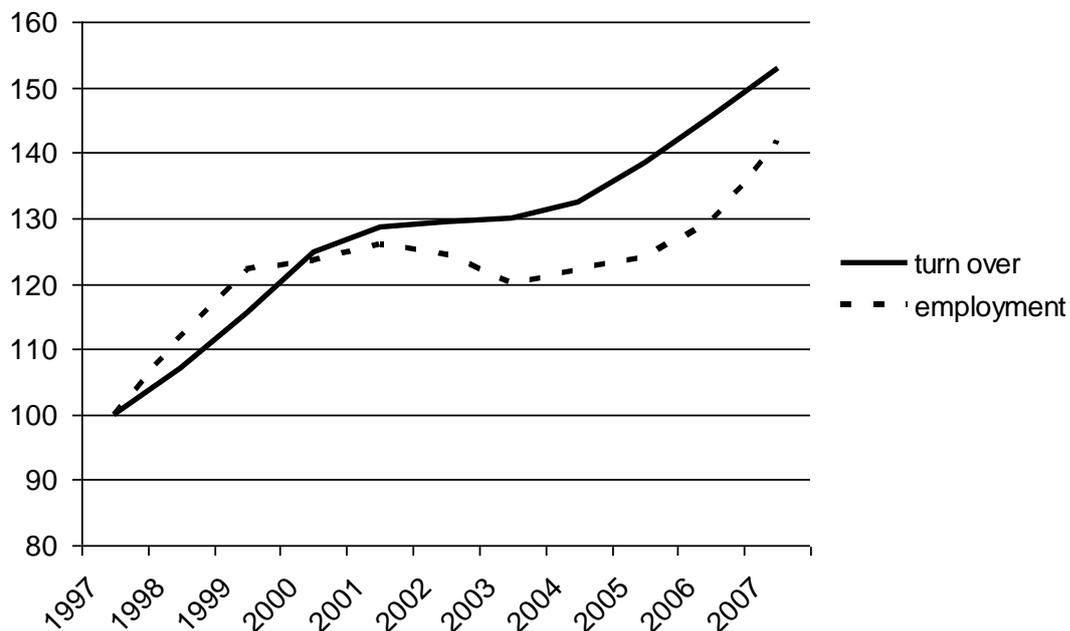
## 4. New business models

This chapter offers an overview of business models adopted by the participating restaurants. The chapter begins with a short overview of the restaurant industry. Then follows a description of the nature and functioning of business models in general, the specifics of restaurant business models, and in particular business models for rural high-quality restaurants. The role of business models can only be understood through inclusion of assumptions about how value can be created and delivered to the customer. Such a view presupposes that value chains need to be identified, if not existing - created and empowered to co-produce the desired offering, the desired experience for the customer. Thus, the business models represent outcomes of entrepreneurs' sense-making process directed towards transforming their ideas into products and services available on the market. The two key questions to answer in this chapter are: 1) what are the business models? and: 2) how do the entrepreneurs implement their ideas into value creating ventures that differ from regular restaurants? After the introduction, there is a section including descriptions of the business models utilized by all the restaurant businesses included in our study. These descriptions focus on the current business model of the restaurant. This includes formulation of the concept & offering, and value appropriation process. Due to the nature of the data collected and concerns about sensitivity of the financial data, in the following we will not discuss the revenue models to their full extent, but instead we will focus only on pricing strategies. Finally, cross-case analyses and concluding remarks are offered.

### 4.1 An overview of the restaurant industry

The restaurant sector is the largest employer in the US outside of its government and accounts for 13 million workplaces (National Restaurant Association, 2009). The industry has added over 2 million jobs in ten years and sales total \$566 billion, more than a doubling from 1990. In the EU, the sector employed more than 7.8 million people in 2004 (Eurostat, 2005) and the registered turnover was around 440 billion Euros (Eurofound, 2005) during the same year.

Also Sweden has exhibited substantial growth in the hospitality industry. Employment increased by 42 percent between the years 1997 and 2007 (see Figure 1). During the same time period, the real turnover increased by 52 percent. The figure illustrates that growth has not been linear. Rather, sales and employment grew steadily in the late 1990s, flattened soon after the millennium and has increased steadily since. The growth pattern closely reflects the development of the overall economy, which the important difference that the hospitality industry has grown substantially more rapidly than the overall economy.



**Figure 1: Turnover and employment in the hotel and restaurant sector in Sweden 1997-2007, 1997=100** Source: Sveriges hotell- och restaurangföretagare (<http://www.shr.se>)

The industry sector is characterized by low barriers to entry and exit. Accordingly, competition is intense and entry and exit rates are notably high; higher than in any other sector of the Swedish economy. Also, the sector is totally dominated by small firms. For example, in 2006 almost half, or 49 percent, of the Swedish hospitality companies had less than 5 employees (Statistics Sweden, 2007). Overall, the Swedish hospitality industry has the characteristics of any highly competitive industry with low barriers to entry and exit, viz., productivity and wages are low and the probability of bankruptcy is high, whereas the probability of growth is low.

However, the restaurant sector is highly segmented and a useful categorization is: (a) fine dining/gourmet; (b) theme/atmosphere; family/popular; and (d) convenience/fast food (Kivela, 1997). In this study we are interested in the gourmet (high quality) segment only. The competitive situation is radically different in this sector, as we elaborate in the below.

It appears that the high quality segment of the Swedish restaurant sector has grown substantially in recent years and that the quality of gourmet restaurants has also improved. For example, the number of Swedish entries into Guide Michelin has increased as has the number of restaurants with more than one star. Sweden also has an entry on the list of “The S. Pellegrino World’s 50 Best Restaurants”. There are probably two driving forces behind this positive development: (a) general upgrading of the knowledge of Swedish chefs translated into quality improvement among the top restaurants; and (b) an increasing number of Swedish consumers that are willing to the premium associated with fine dining.

#### **4.1.1 The Localized Nature of Gourmet Restaurant Competitive Advantage**

The products of high quality restaurants are consumed at the place where they are being produced, i.e., at the restaurant, which has a specific geographic location. Generally speaking, places are centers for consumption, i.e., locations provide a context within which consumers compare evaluate, purchase and consume goods and services (Urry, 1995). Therefore, there is a close connection between a high quality restaurant and its location. To a large extent, restaurateurs are aware of this fundamental relationship between their business and its location.

It is well established that gourmet restaurants offer meal experiences which speak to a wide range of consumers' senses (not only their taste for good food) including the atmosphere and ambience associated with visiting the restaurant (Auty, 1992). But the customer's value of, and propensity to pay for, a meal at a gourmet restaurant extends also beyond the actual experience at the restaurant and is influenced by the location of the restaurant and its surrounding environment.

The local nature of consumers' restaurant experience is often deliberately utilized and emphasized by restaurateurs. Meals are often made from a combination of excellent ingredients found worldwide (global) as well as those found in close proximity of the restaurants (local). Of special importance are the ingredients that are unique to the location. Restaurateurs use these local ingredients to carve out the uniqueness of their restaurants and potentially create a competitive advantage relative to other restaurants. Many restaurateurs create sophisticated narratives that tell exciting stories about the location, the restaurant and the food, thereby using the association between the restaurant and the location as an important way of branding the restaurant.

For example, the Copenhagen restaurant “noma” is consistently ranked as one of the best in the world, and is generally considered the leading Scandinavian restaurant. The name itself is an acronym for the Danish words for “Nordic Food”. The aim of the restaurant clearly emphasizes to the customer the importance of its location. The following quotation is taken from the English version of noma's website:

*“At noma, we aim to offer a personal rendition of Nordic gourmet cuisine, where typical methods of cooking, fine Nordic produce and the legacy of our common food culture are all being subjected to an innovative gastronomic approach. Carrying this line of thinking further, we view it as a challenge to play a part in bringing forth a regeneration of Nordic culinary craft, in its capacity to encompass the North Atlantic region and to brighten the world with its distinctive tastiness and special regional character.”*

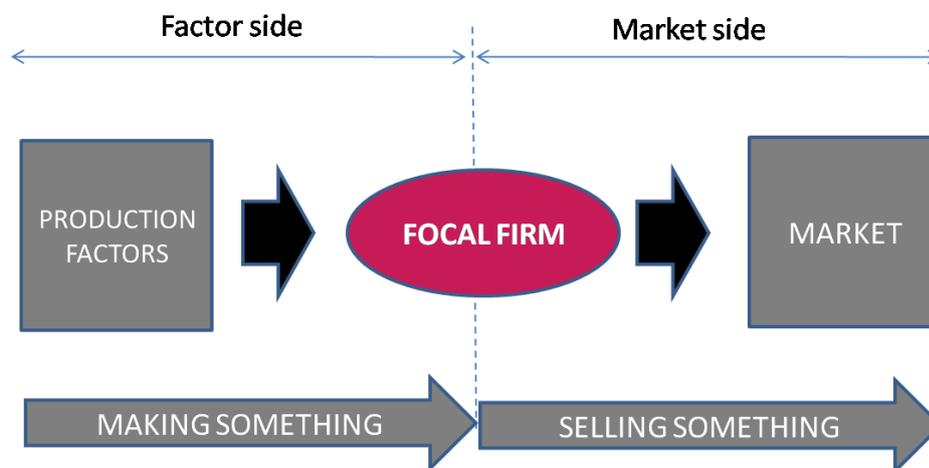
Narratives can be seen as a way to reinforce the experience from visiting a gourmet restaurant and consume their meals. Stories can also be repeated and passed on to other people and thereby be used in order to market a restaurant by word-of-mouth.

## 4.2 Defining a business model

Any organization irrespective of its age or form needs a well functioning business model in order to be successful. Several definitions of the business model concept have been proposed, a common feature being the use of synonyms regarding the structure of how a business works such as architecture, coordinated plan, representation and design (Chesbrough & Rosenbaum, 2000; Dubosson-Torbay, Osterwalder, & Pigneur, 2001; Mayo & Brown, 1999; Shafer, Smith, & Linder, 2005; Venkatraman & Henderson, 1998). This sense of structure is tied with an answer to ‘how’ the firm provides value and generates revenue (Boulton, Libert, & Samek, 2000). A description of a business model is meant to relay pertinent information regarding a business in a coherent, succinct fashion. Examples of definitions include: “The architecture for product, service and information flows...” (Timmers, 1998), “A depiction of the content, structure and governance of transactions...” (Amit & Zott, 2001), and “A coordinated plan to design strategy along three vectors: customer interaction, asset configuration and knowledge leverage” (Venkatraman et al., 1998). Essentially, therefore, a firm’s business model relates to organizational design (Zott & Amit, 2007) and has to do with how firms architecturally design how they do business.

In this study we have adopted Magretta’s definition of a business model. Magretta (2002:4) sees a business model as a story that explains how the organization works and how the different elements of the business fit together. She argues that a good story requires precisely delineated characters, plausible motivations, and a plot that turns on an insight about value. Similarly, if a business model is to be seen as a good story it requires that all characters important for the business are clearly identified and their relations with each other are clear; that the entrepreneur is able to attract the customer to her idea and is able to create a reason for turning the attraction into a behavioral pattern, i.e. buying.

As Magretta (2002) notices the process of creating a business model is like the process of writing a new story. To certain degree all new stories are variations on old themes, they all cover aspects of human interest and experience, but they differ slightly in how they do it. So are the businesses, they seem very alike from outside but their operations often differ in a number of ways. To be able to assess which business models are viable and have potential to turn the business into successful story, the business model needs to pass two tests. The plot needs to be interesting and engaging, which means that the value chain needs to make sense both on the side associated with making something and the side concerned with selling something. In that sense the factor side and the market side can be distinguished in the business model, and both need to work for a business model to be viable (see figure 4.1).



**Figure 4.1 Business model (adapted from Magretta, 2002)**

In particular, both sides are concerned with the individuals or organizations that interact with the focal firm, the kind of transactions that are taking place, the money making process and knowledge sharing and learning. For example, the “structural template” (Zott et al., 2007), the description of relations the focal firm has with its environment is important for delineating the value chain and the transactions between agents that lead to value creation. Furthermore, the nature of these transactions influences on one hand the value for the customer as well as the potential for money making for the entrepreneur. This is implicitly linked to the knowledge flows. Knowledge is often implicit in the discussions of business models. Some researchers emphasize the ability to create value for the customer and the ability to identify sources of competence in the elements of business model (for example, Morris, Schindehutte, & Allen, 2005) while others see knowledge as a resource (for example, Schweizer, 2005).

Thus, to understand the differences between various business models attention to inherent value proposition as well as to the adopted revenue models is required (Magretta, 2002). Value proposition focuses on how the value is created, i.e. the scope of the venture. Specifically, whether the firm is offering only products, or only services, or a mix of the two; and whether any kind of customization is taking place, whether there are any product/services bundles. Intertwined with the question of how the value is created is the question for whom the value is created. This means that target customers need to be identified and in the case of different customer groups value propositions may differ depending on the target group, for example different offering and different value depending whether customers are individuals or groups; or depending on whether they are local customers or visitors. The expectations of the different groups often differ and thus this requires different offering for each of them.

On the other hand, knowing who the customers are requires the venture to answer the question how it wants to position itself and thus which revenue models to adopt. To answer the basic question of how to make money the venture needs to decide how flexible the pricing should be, whether the venture intends and has capabilities to serve high or low volumes of customers and whether they will be able to achieve relatively high or low margins. Thus, the

revenue models are the core element of business models (Linder & Cantrell, 2000; Stewart & Zhao, 2000).

#### 4.3 Specifics about restaurants business models and rural restaurants business models

Restaurant businesses deliver the value to customers as a mix of a product and a service offering. In general, the basic product of a restaurant is the meal being served. However, in case of high quality restaurants a recent trend can be observed which shifts the focus from the plate/food more towards the totality of the experience that the customer is being exposed to during (and sometimes also before and after) the visit to the restaurant. For that reason, the strategic and operational aspects of the business models of high quality restaurants in general are changing. First, the meaning of the term quality is changing so that there is greater interest in the use of local ingredients and recipes rather than in the global sourcing of ingredients of the highest quality (Sonnino & Marsden, 2006). This has consequences for the operational and economic aspects of the business model. For example, it influences the costs and variety of supplies, and it also affects inbound logistics and relationships with suppliers. Second, the expansion of the value proposal to customers, extending from the actual meal to the overall experience of the restaurant visit requires restaurateurs to extend their collaborative network and collaborate with new partners, which also leads to more complex network structures.

Furthermore, entrepreneurs being aware of the necessity to create additional value that would attract the customer and make him or her buy the service have an increasing awareness that if bundling offers there is a possibility for additional value creation. Therefore many of the gourmet restaurants offer deals connected to accommodation, theater or other local attractions. In that sense the image of restaurant entrepreneurs is changing. The traditional macho image of entrepreneurs acting alone, similar to the Marlboro Man and possibly best illustrated in the restaurant sector by celebrity entrepreneurs such as Gordon Ramsey has to give way for entrepreneurs that instead surf their social networks to bundle value proposals from multiple businesses to their customers. Simply put, restaurant entrepreneurs can become more attractive for their customers by greater involvement in alliances and partnerships. This becomes even more crucial for rural restaurants, which located in distant locations are far away from big customer markets. They need to intensify their efforts in order to bring the customer to their business. Some creative restaurants are by bundling of offers trying to achieve it, others are behaving as institutional entrepreneurs trying to change and build the surrounding society to help them attract other customers while still other restaurants find ways to physically bring the customers to their place.

From a customer viewpoint, it is evident that high quality restaurants frequently innovate and renew their market offers. Innovation can be defined as the introduction into the market of technologically new or improved products (Becheikh, Landry, & Amara, 2006; OECD-Eurostat, 1997). High quality restaurant menus typically change completely at least once every year but often more frequently than so. High quality restaurants are –more or less by definition– creative and innovative places. Introducing new dishes, new ways of cooking, new ingredients and new ways to present and combine the meals are in the centre of these firms.

The innovative and creative process of continued change and ambitions to surprise the customers of the restaurants does often include the whole staff of a high quality restaurant. It is also common that gourmet restaurants are closed during a part of the year (or days in the week), which are destined for experiments.

Restaurant innovations extend far beyond modifying menus or food presentations. Restaurateurs develop and refine cooking techniques and cooking equipment or apply technologies established elsewhere in the restaurant domain, thus exhibiting classic product and process innovation behaviours. For example, Adrià Ferran at El Bulli (Spain) has developed and sells specific chemicals and equipment to other gourmet restaurants worldwide. These innovations allow chefs to produce dishes that were previously impossible. The food creations that are made possible thanks to these technological advances have received substantial attention and even featured at the latest Documenta exhibition of modern and contemporary art in Kassel, Germany.

This means that high quality restaurants must be considered as one genuine entrepreneurial sector of the economy. The firms' business activity are also characterized by a large degree of complexity. The operation of successful high quality restaurants is known for how they are able to compose new products, identify new markets and places where a top restaurant can evolve. Studies in this field shows that both internal and external conditions related to a firm are of importance with respect to its performance. On one hand access to market in terms of individuals as well as businesses with preferences for high quality meals can be assumed as a factor that explains external conditions of importance for the performance of restaurants. On the other hand, administrative management, organization of the work in the kitchen and strategic choices of how to develop the business are examples of internal conditions that have effects on performance. This means that both demand driven external as well as supply-side driven internal factors is of significance with respect to the success of a restaurant.

Although innovation in the high quality restaurant sector resembles innovation in other industries, there are also certain features that make these innovations unique from a localization viewpoint. A first unique feature of gourmet restaurant is that the knowledge used to make these restaurants innovative and unique is almost exclusively tacit and uncodified. Knowledge codifiability captures the degree to which knowledge can be encoded, even if it is not currently in a coded format (Zander & Kogut, 1995). Uncodified knowledge is implicitly acquired and cannot be fully articulated (Gopalakrishnan & Bierly, 2001). It is related to know-how and based on experience (Nonaka, 1994). It is difficult to pass this kind of knowledge on to others outside the practicing community because the terminology and basic principles associated with it are not easily understood. The transfer of uncodified knowledge often requires informal communication methods and face-to-face contact, making it very difficult to transfer the knowledge from one organization to another or from one location to another. The difficulty of codifying the knowledge of chefs has led to a master and apprentice system, where young aspiring chefs travel around to do training periods at famous restaurants. Another indication that a chef's knowledge is largely uncodifiable is that restaurant education at all levels is fundamentally practically rather than theoretically oriented. Students practice cooking rather than read about it in books. Thus, also the nature of knowledge used in restaurant innovation makes these innovations highly localized.

Second, the delivery of restaurant innovations and products is localized in time and space. That is, restaurant innovations are produced, delivered and consumed in a specific location at a specific time. The customer has to travel to the restaurant and consume the food there. To some extent, restaurant innovations share the feature of simultaneous production and consumption with many service innovations. A unique aspect of restaurants, however, is the geographic localization of the restaurant and the consumption of its products.

A third localization aspect of high quality restaurants stems from the above, namely that customers have to travel to the restaurant to consume the product. Consequently, restaurants are dependent upon the presence of auxiliary services, most notably hotels and physical infrastructure, but the access to complementary experiences, such as other forms of entertainment or recreation are also likely to be important for consumers.

#### 4.4 The cases

##### 4.3.1 Cases in Finland

The Finnish cases are all located in the rural area in the eastern Finland. Although, two of them located quite close to town of Mikkeli, their image and surroundings are very much rural. One of the cases, Tertti Manor represents family business and two are owned by an association. They are all members and partners of a marketing network, Charms of Saimaa, a company owned by 14 representatives of tourist and restaurant industry in Saimaa region. One of the cases has been recognized by Finnish Travel Quality Award 2008 for its originality and manor milieu resting on locality and national culture and for developing an internationally interesting resort.

- ***Anttolan Hovi Manor in Mikkeli***

Anttolan Hovi Manor is a part of the wellness-centre, Anttolanhoivi. It is located in the midst of pine trees on the shore of Lake Saimaa, 25 km from the centre of Mikkeli. Anttolan Hovi Manor is nowadays a hotel and gourmet restaurant of Russian cuisine some hundred meters from the wellness-centre of Anttolanhoivi. Anttolan Hovi Manor serves as a holiday and conference hotel, where a visitor may enjoy an art exhibition, called HoviArt<sup>2</sup>, as well. The restaurant business in Anttolan Hovi Manor was started in 2002. The *main concept* of the restaurant consists of *local raw materials and the tradition of the place through loyalty to Russian cuisine*. Excellent food in the peaceful and healthy place in the midst of a coniferous wood is the overall idea.

*“Food is excellent, served in a simple way, still, professionally, sociably and friendly without being tricky.”*

In Anttola Hovi Manor the main products are the Russian Princess buffet for lunch and an a la carté for evening meals in summer time. Also breakfast is served. In winter the restaurant is open only to order for conference customers. The menus are connected to the seasonal food products. The local food producers are essential for the restaurant business.

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<sup>2</sup> As a consequence of the recession the HoviArt exhibition has been closed down in the autumn of 2009.

The restaurant is a newcomer to the restaurant business, but it has already shown its innovativeness by investing in local raw materials from the beginning and at the same time following the tradition of the place through loyalty to Russian cuisine. The peaceful and close to nature surroundings with Lake Saimaa are perceived as another key opportunity, although the emphasis is changing more to conference customers and business people during winter time. Anttolanhovi has cooperation with Mikkeli Music Festivals, Mikkeli Ballet and the theatre. Customers are mainly individuals, groups and drop-ins with regular visitors including tourists, locals and business people. There is a great proportion of regular customers among conference visitors, which is a customer group growing in number and profitability.

Further, they have used Russian and Finnish experts in developing their menus. The Russian experts have been concentrating on developing the Russian cuisine and the Finnish experts have contributed in the development the local food supplies. This has been necessary as competition increases and is perceived by the restaurant to improve their opportunities as a high-quality restaurant of demanding customers, who are wealthy and quality-conscious. An example of their endeavor to reach high quality is the hiring of the highly esteemed chef Markus Maulavirta in the summer season to develop and promote the use of local food in their menus. As Anttolanhovi invests in luxury-villas, they are also assumed to increase the use of restaurant services in Anttolan Hovi Manor.

In sum, the *revenue model* comprises of the different streams of revenue that are generated by the three main activities – hotel, restaurant and the spa. Such design allows the restaurant to prosper and charge high margins while serving low to medium volumes of customers.

▪ ***Restaurant Kenkävero in Mikkeli***

Kenkävero is located near to the centre of Mikkeli but its image and surroundings are very much rural. Kenkävero is a former parsonage surrounded by fields on the shore of Lake Saimaa. Kenkävero is owned by a non-profit organization. The surroundings of the parsonage have been restored including the abundant garden with over 500 plant species in the summer. Since 1990 there have been a shop, art and craft exhibitions, as well as, restaurant business which started as a summer café, first. Nowadays the restaurant is open throughout the year. Kenkävero is a member of the Charms of Saimaa.

Instead of fine-dine, the main concept of the restaurant includes high-quality in both food and services retaining, however, a simple and easy-going style and loyalty to the history and surroundings of the parsonage. The overall idea in Kenkävero restaurant is to serve Finnish feast food, which is made of local products produced both in-house and by other local producers. The main product is the parsonage buffet, which changes 4-5 times per year. Further, there is a special buffet during feasts like Christmas, Easter, Mother's Day and the First of May. In addition, it is possible to celebrate private feasts like birthdays with a special menu. The strong attractions of Kenkävero are its rural surroundings and, at the same time, good attainability: local customers reach it easily on foot.

The main business idea of Kenkävero is to confirm the restaurant brand of old parsonage.

*“It is the parsonage... the understanding of its spirit. There are a lot of manor houses and such, in which the spirit has vanished... there are many types of manors, but in a*

*good number of them the threads are a bit missing. And of course, we have the milieu here on the shore of the Lake Saimaa, and this is in a good condition.”*

Instead of reacting to the competitors’ operations in Kenkävero they perceive themselves as trendsetters with new, fresh ideas concerning the well-kept surroundings with a garden of old useful plants, local products and products of their own. Nowadays Kenkävero and the restaurant are open throughout the year. The restaurant is understood as an indispensable part of the entity in order to serve customers properly. On the other hand, it could not make it alone without the art and craft exhibition, the garden and the shop. Finally, the brand of the parsonage plays a great role in the restaurant business. Close cooperation with other actors of tourism in the region, especially the network of Charms of Saimaa, is perceived crucial for the Kenkävero restaurant business. Also cooperation with other actors and events in the region is essential for restaurant business in Kenkävero. Customers are mainly individuals, groups and drop-ins with regular visitors including tourists, locals and business people. The customers, who previously came by busses, travel now by own cars.

The increased requirements and quality expectations of customers put demands on the development of daily activities. On one hand, it has led to systematically improved quality of all activities, on the other hand, the restaurant has responded to it by tailoring the services more and more to the customers’ needs.

The *revenue model* of Kenkävero is based on the entity comprising of the art and craft exhibition, the garden and shop, which are complemented by the high-quality services of the restaurant. The turnover of the restaurant has doubled during this decade due to the successful combination of experiences. The diversified streams of revenue allow the restaurant to earn medium margins while serving a growing number of customers.

▪ ***Restaurant Tertti Manor in Mikkeli***

Restaurant business has long traditions in Tertti Manor and the initial motivation for the start-up of restaurant stemmed from the desire to maintain the family estate. The restaurant is run by a family. The *main concept* of the restaurant is based on serving *Finnish cuisine of high standard in the authentic milieu and the unhurried atmosphere of the turn of the 20<sup>th</sup> century*.

*“We pursue to serve high-quality food retaining, however, a simple and easy-going style and loyalty to the history and surroundings of the Manor. “*

The overall idea in Tertti Manor is to serve Finnish feast food, which is made of local products produced both in-house and by other local producers. The restaurant is open daily in summer time and in December, in other times only to order. The main product is the gourmet buffet of the Manor, which changes 4-5 times per year. Further, there is a special buffet during feasts like Christmas, Easter, Mother’s Day and the First of May. In addition, it is possible to celebrate private feasts like birthdays with a special menu. Abundant breakfast is served for customers staying overnight, as nowadays, the offering includes also accommodation service in a former granary. In some cases also hunting of pheasants and cooking of the game has been arranged. The old servants’ hall has been renovated to serve as a festival hall. Further, the concept comprises a walled garden established in old ruins and a herb garden for the needs of the restaurant. A shop building with a small café is open the year round. Thus, starting from a restaurant business Tertti Manor has grown into tourism and

experience industry. The course of development has been planned, but also benchmarking and intuition play a big role in finding out new, up to date, ways of serving the customers better.

The main business opportunities are perceived in experience production in accordance with the traditions of the Manor itself and the region. Although traditions are respected, the services are at the same time in conformity with the present. Terti Manor has strengths like growing appreciation of family businesses, current location next to the highway and good awareness among local people as well as tourists and visitors. The customer focus of Terti Manor is on individuals, groups as well as drop-ins. Thus the firm has several segments which consist of locals, tourists and business people. The entrepreneurs have also created fruitful cooperation with other experience producers like the Mikkeli theatre, the Savonlinna Opera Festival, the Ballet Festival, the St. Michel trot etc. The network of Charms of Saimaa has turned out to be a valuable asset, especially, in marketing efforts. The network enables marketing of the attractive package of several targets through foreign and domestic tourist agencies.

Furthermore, inspiration has been searched for abroad and one of the most important models has been Rosendahl's trädgård in Sweden. Some of the new ideas and concepts of business stem from these trips of benchmarking to e.g. Sweden, Italy, England, Ireland and South-Africa. Having very close cooperation with some of their suppliers and customers, who have also initiated and developed ideas with them, Terti Manor can be seen as a trendsetter in Finland. The pioneering attitude of the firm is shown through establishment of an Internet shop which sells the home made products and a selection of the products from the Terti Manor Shop. The continuous development of the business concept is perceived essential, as well as, steady high-quality performance rather than surpassing oneself every now and then. Finally, it is important to keep regular customers happy. It is seen as the only sustainable means of success. In order to keep on track the entrepreneurs see it as important to go around eyes open and being quick to learn.

Their *revenue model* is based on a comprehensive idea of experience production and allows earning medium margins while serving medium volumes of customers. By combining high-quality food including in-house and local specialties with overnight stay experiences in peaceful, countryside surroundings of the Manor or visits to the walled garden, herb garden or exclusive shop the restaurant has become an attractive destination for local, national and international visitors and generated diversified revenue streams to the business. The future value capturing is based on all the current activities but more and more revenue will be expected to be generated by emerging role of e-shopping.

#### **4.3.2 Cases in Iceland**

Two cases have been selected in Iceland; one in the south of the country in Stokkseyri, the other one on the north side of the island in Akureyri. The restaurants differ a lot between themselves, they focus on different customers, they offer different experiences, but both of them build their success on local produce.

▪ **Restaurant “Friðrik V” in Akureyri**

The restaurant was created in 2001, and since the beginning the restaurant has changed its location, but remained true to its initial concept of promoting local food. The restaurant reflects its owner – Friðrik V. Karlsson. Visiting the restaurant one will inevitably learn the story of the place, the philosophy of the restaurant and the character of its owner – they are part of the concept and the experience being offered at the restaurant. The restaurant is unique in *its concept* where the delicious food is only a part of the central offering which centers around making the customer feel special and homey while dining at the restaurant.

*“We began with –a professional kitchen, homey atmosphere and then changed it [the slogan] to Icelandic local food. (...) We run a very professional kitchen, main thing is we do local materials, but we do sushi from local materials, crème Brule using local materials. Basically, it is modern restaurant using local ingredients.”*

The owner has created a unique product – dining at the VIP table – which brings certain curiosity and admiration from other guests, offers an unforgettable experience of seeing the restaurant from the kitchen and tasting a surprise menu. Furthermore, storytelling, especially with regard to the food being served is becoming a highlight of the restaurant. Apart from the restaurant the owner has created a delicatessen shop in one part of the building, where he sells some of own or local produce as well as specialties from abroad. This concept is working very well and the combination of shop and restaurant allows the owners also to use the resources in a more effective way. The new location allows the owners to arrange group servings and group events, like company gatherings, etc. The newest addition to the business is the cooking classes, especially for older people. Even though usually they do not generate direct revenues, the restaurateur is able to market his restaurant and attract new customers in an unconventional way.

The business model of this restaurant can clearly be described as innovative and versatile. The creation of bundles with offerings from other businesses, like theatre, hotel, but also with the suppliers to the restaurant in the form of trips to learn about the ingredients allows the restaurateur to expand the customer value proposition and thus attract different customer groups. The owner believes that through such actions they all can be helpful for each other but also reduce some of the costs.

The restaurant is focusing on high quality, and thus serves low volumes but to higher margins. On the other hand, other services including cooking classes or business gatherings give possibility to increase the volume, but to lower or medium margins. Due to the differences in volume served during week and on weekends the other sources and streams of revenues are helping to balance the business.

Thus, this restaurant has developed its business model that allows to deal with the variability of demand and supply as well as allows flexibility in the offering that resulting from these differences.

▪ **Restaurant “Fjöruborðið” in Stokkseyri**

The restaurant is about 70 kilometers from Reykjavik on the route to one of Icelandic sightseeing attractions. It was created in 1997, but the concept of selling local lobster was not introduced until 2000. The *main concept* is to offer Icelandic lobster in a homely rustic atmosphere.

*“The concept behind food could be explained as fresh, simple and basically local ingredients, mainly lobster served in a rustic and homey atmosphere.”*

Part of the atmosphere is created by the surrounding. Located at the seashore, the restaurant has a picturesque view, but what creates the rustic atmosphere are the fresh, simple and basically local ingredients, mainly lobster (ten tons a year), lamb fillet and beef carpaccio. This concept as well as the location in the proximity of the routes to touristic attractions around Reykjavik, results in visitors becoming the main target group. People come to the restaurant mainly to eat lobster; and thus no need to change the menu nor to add too much of other food. The conceptual focus is around lobster and on good service as well as freshness and quality of all ingredients.

Even if *the money making idea* surfaces around the pure restaurant service, the target group is different from most of the restaurants in our study. The restaurant focuses mainly on large tourist groups as their customers, hence they serve high volumes. By involving third parties in bringing the customers to the restaurant, the restaurant introduced discounts for volume, but at the same time to optimize the supplies created a fixed menu for groups. This way they are able to serve large groups but their margins remain on a medium level. However, as the restaurant also serves individual customers, the margins there are much better. By keeping simple and constant menu, the owners are able to use the economies of scale and negotiate better prices for the ingredients as well. Furthermore, new complementary services have been inspired by the activity of the restaurant (offered by other businesses). Indirectly, more customers are travelling to the destination and thus the restaurateurs are able to attract more individual customers.

Thus, this restaurant is very distinct with regard to preferred target customer and their simple rustic but high quality food, which allow the restaurant to be very profitable.

#### **4.3.3 Cases in Norway**

Four restaurants have been selected, all in Northern Norway: Bios Café, Ongajoksetra, Skagen Gaard and Stigen Vertshus. For three of them the restaurant is only one part of their business activity: three combine the restaurant with accommodation; one offers bundles with other activities, i.e. snow safari or fishing. Two of them either do or plan to sell local food as a shop within the restaurant. All four restaurants have a clear and growing interest in serving local food.

▪ **Restaurant “Bios Café” in Nordreisa, Troms county**

The restaurant was established in 1966, but the actual concept with focus on local ingredients has been in place since 2000. Keeping the characteristics and properties of a roadside restaurant with regard to food, requires that neither the place nor the food can be too exclusive. The *main concept* thus is to use local traditional dishes and traditional ways of

preparing food – rustic dining. The café serves lunch, dinners and coffee and cakes, they also take on arrangements such as weddings, anniversaries and confirmations. In the summer season they might have preordered tourist groups travelling by bus for lunches. Similarly, the "café" in the name of the restaurant is a conscious step in order to reduce the pompousness of the place due to the wide range of customers visiting the place. Furthermore, it is planning to sell own production (i.e. meat products, pesto or dressing) and other local food produces in a shop in the café and by this way extending its market. The restaurant is thus able to serve both local customers as well as passing by visitors interested in trying local traditional food.

Even if the restaurant consciously does not focus on the volume but rather the quality, the adopted *revenue model* allows it to serve high volumes of customers due to the roadside approach but probably at the expense of lower margins.

- ***Restaurant "Ongajoksetra" in Alta, Finnmark county***

The overall business concept is to offer experience of Northern Norway's wild life, both with regard to activities and food. The restaurant specializes in using local products to offer traditional homemade Finnmark food for small and medium-size parties. Additionally, accommodation is offered for the guests. More interestingly, extending the food experience to being able to actively engage in hunting, fishing and preparing their own food is enriching the offering and creating additional customer value. Furthermore, by creating bundles with other complementary businesses in the tourist industry, for example sleigh ride, snow scooter safari, off road safari and Sami culture, the business is expanding the value of the offering and thus being able to attract more and different customers. Moreover, by tailoring the offering to customers' needs the value is created and such approach enables better more flexible use of resources.

Such customized offering limits the volumes that the business is being able to serve, but enables much higher margins. Thus, by allowing only small and medium-size groups and selling them also other services, like accommodation, seminar rooms and integration sessions, the business broadens the sources of revenue and broadens the potential customer base. Also, the entrepreneurs made a conscious life style choice when taking over the premises and starting the business; they wanted to pursue their life with hunting, fishing and picking berries i.e. close to the nature and not money making per se.

- ***Restaurant "Stigen Vertshus" in Lyngen, Troms county***

The firm was established in 2005 and it consists of three lines of business: 1) production of food products from local ingredients, in particular goat and sheep meat; 2) restaurant serving food made from local products and 3) accommodation with 14 bedrooms. Even though the owners do not possess any formal culinary education, they have always been interested in food and opening of the restaurant was on one hand to serve this interest and on the other hand to help utilize own production. The restaurant was initially established to serve homemade food using local ingredients, i.e. goat and sheep meat from own farm. The main

offering of the restaurant is the rustic dining experience where focus is on serving high quality local food – both homemade as well as other local producer-made food. The simplicity and local origin are the most important aspect. The owners try to increase the customer value by cooperating with suppliers of other tourist attractions and thereby creating bundles of services for guests interested in both dining and farm tourism or sport activities, for example skiing and horse riding.

When analyzing the money making aspects of the business, the three different sources of revenue are becoming evident. By charging both for services offered, including dining and accommodation as well as for the food products being sold, the restaurant is able to diversify in its offering. However, this results in less developmental focus on each of the businesses individually (due to scarcity of owner’s time). In particular, the restaurant and the sale of food products are focused on local customers, while the accommodation is predominantly targeted towards visitors.

Thus, the business being the only one combining restaurant and food production in the region is able to create versatile customer proposition that is able to fulfill different customer needs.

- ***Restaurant “Skagen Gaard” in Bodø, Nordland county***

The core experience at Skagen Gaard is fine dining in historic surroundings, at a manor house with long history and traditions since 1624. They take only groups, minimum of ten persons for private arrangements and minimum of six persons for meetings or conferences. Accommodation is a complimentary part of the concept but is often used. The firm is part of a chain, Det virkelige gode liv (The Great Life Company), which offer some common marketing activities. Menus are developed according to seasonal availability. They prepare their own vegetables and berries on a regular basis following seasonal variations. The meals are prepared in the manor kitchen. The old historic manor house has several large and smaller spaces suitable for dining and serving. All of them with a historic atmosphere based on design, interior, cutlery, art, etc. The managers also take care of all the preparation of these spaces for historic meal experiences.

The money making concept (revenue model) is small volumes with higher margins, and quite in line with Ongajoksetra the managers also stated this to be a life style project, hence the money making aspect was less evident.

#### **4.3.4 Cases in Sweden**

Two restaurants have been selected in rural southern Sweden, both of them located in Swedish prime tourist destinations, both of them recognized by White Guide ([www.whiteguide.se](http://www.whiteguide.se)) among the very best restaurants in Sweden, both ranked among the top 20 restaurants in Sweden. One has been on the market for more than 30 years the other one was established only 4 years ago. Both focus on local food, but they serve to high degree different profile of customers.

▪ **Restaurant “50 Kvadrat” in Visby, Gotland**

The restaurant 50 Kvadrat is the best fine dining restaurant on the island. Its *main concept* is to serve *simple healthy cuisine with local ingredients*.

*“The concept was to make the restaurant look very typical Gotland and to look modern, so [we] mixed old Gotland with new modern things. [...] Everything on the plate will taste a lot. [...] As we said before we try to do as much as possible during the season from what comes from island. We cook traditional Swedish cuisine and mix things [...] in a new modern way, may be more interesting way. Also lighter, so it is not too heavy.”*

The simplicity can be recognized in many different aspects, for example the owners developed a menu with very few but remarkable dishes on it and serve simple food, food with few mostly local ingredients but very flavoursome, where the tastes are distinct and together meet beautifully. They play with the textures and tastes of the food using advanced cooking techniques, believing that customer can taste the flavours more, when there are fewer ingredients. Also, the interior is simple yet sophisticated, so that the guest can relax in the restaurant. The local surroundings create a feeling that time goes slower, that life is simpler on an island and one can enjoy him or herself forgetting about the buzz of everyday. The concept has been developed by the chefs for some time and is, in part, a result of a conscious decision to focus on the heritage of local surroundings as well as a result of a philosophy imprinted in Fredrik during his apprenticeship at one of the top gourmet restaurants in the UK. As the restaurant has been on the market only for four years some of the ideas are still being developed. The restaurateurs take efforts to embed their restaurant in the local heritage, not only by serving local food but also by furnishing the restaurant with products by local designers.

The main offering is the combination of fine dining in a casual setting which enables the guests to relax and enjoy their meal, irrespective whether it is a standard dinner, a tasting 5 or 7 course menu or a small participative cooking dinner party. By serving healthy cuisine with local produce, the restaurateurs believe that they are helping their customers to be more productive and healthy. They argue that nowadays people spend more time working intellectually than physically, so the food should be lighter. Last year they added a lunch menu to their offering as well. They have started to develop a new offering directed mostly to wine lovers who also enjoy good food. Local produces help them advertise the island and it fits well with the increased interest in food origin and traceability. Local produce has a different meaning for local customers for whom local food, local produce means also pride and employment possibilities.

The restaurant creates thus value for customers by offering them fine dining experience with healthy food in a casual setting. Furthermore, the participative cooking dinner party event delivers customers rich experiences of being able to spend an evening with friends but having great chefs cooking with you and for you. Such design, allows the restaurant to put in place a *revenue model* that is based on serving low volumes at high margins. Furthermore, the revenue stream is generated not only by sale of meals but also by sale of participative cooking experiences and catering services.

▪ **Restaurant “Hotell Borgholm” in Borgholm, Öland**

The second Swedish case is the restaurant Hotell Borgholm, a fine dining restaurant that focuses on food connoisseurs and constantly seeks innovation in food it serves. The *main concept* of the restaurant is to serve *modern Swedish cuisine with influences from all over the world*.

*“Our restaurant is a meeting place for food connoisseurs from near and far. A combination of quality, tradition and creativity characterize the meals we serve. We serve modern Swedish cuisine with influences from all over the world.”*

The restaurant specializes in weekend offers for food lovers and a majority of the clientele is visitors. The signatures of the main chef are the local ingredients, especially herbs that she grows in her own garden. Part of the experience when visiting the Hotell Borgholm, is the possibility to see the chefs coming out to the garden to pick up fresh herbs for the food being served in the evening. This gives the guests an opportunity to talk either to the owners or the chefs employed in the restaurant. By combining the exquisite food with very good overnight possibilities and interesting surroundings the restaurant has become a destination of choice for many romantic encounters and peaceful countryside weekend getaways. Recently, the restaurant started cooperating with the golf club nearby and together they offer a weekend package including both an exquisite 3 –course dinner in the restaurant and entry to the golf club.

When analyzing the value proposition it becomes evident that the restaurant’s concept and offering is closely linked to the customers’ needs and wants; it follows also market trends. Furthermore, as most of the customers are visitors coming from distant locations for exquisite food experience and weekend getaways, the availability of lodging is able to compliment the food service allowing the restaurant to achieve two often linked but at times also separate streams of revenues. The *revenue model* is based upon low volume of customers but high margins.

Thus, having the particular customer in mind, the desired value proposition of ultimate food experience has been designed to include also the complimentary lodging service; and if wished for additional activities, i.e. golf.

#### 4.5 Discussion

The two aspects of business models that have been stressed by Magretta (2002) are 1) the creation of value for customer and 2) the revenue models which indicate how the restaurants make money. In addition to customer and revenue models, a business model should include the overall direction of the firm including market positioning, interactions across organizational boundaries (stakeholders, networks and alliances) and growth opportunities which influence the competitive advantage and sustainability of the business (Morris et. al., 2005). All our case restaurants emphasize the importance of local food. The degree of the locality differs however among the restaurants, some of them define local food in a very narrow way while others see locality in broader national terms. Such differences in definition

result in different stories being created and told, but they are also partially a result of concerns with continuous access to high quality raw materials from the neighborhood.

The peripheral location of the restaurants influences not only the availability and access to raw materials but also accessibility and proximity to customer markets. While some of the restaurants clearly focus on local customers (i.e. Stigen Verthus), others create their offering predominantly for visitors (i.e. Ongajokstera, 50 Kvadrat, Hotell Borgholm). The remaining case restaurants target both local customers as well as visitors; offering both target groups the same service. In one case, Friðrik V, a more visible distinction is visible, for example the delicatessen shop and lunch are predominantly directed towards local customers, while the evening dinner service attracts more visitors.

Thus, it becomes apparent that the different offering presents different value for various customers and as such offers restaurateurs possibilities of altering the logic of their revenue streams based on the customer and the offering.

#### **4.5.1 Strategic choices**

The logic of the business is being shaped on the strategic level and then translated into everyday routines and behaviors on the operational level (Morris et al., 2005). These strategic decisions about what to offer and with whom to cooperate shape the economic situation of the venture, but also impact the economies of its partners and suppliers. The resulting network of co-operation between different actors reflects the dynamics of the regions. For example, all the Finnish restaurants are partners in the Charms of Saimaa network which promotes branding of its members through story telling. All of them experience a challenge of large number of local suppliers which especially sets certain requirements for logistics. Possibly the most remarkable difference between the entrepreneurial and association driven businesses is the organisation and learning aspects. In Tertti Manor one advantage was the effective learning dynamics which could be used to renew and reshape the organisation very flexibly. This kind of strategic agility will be extremely important in economic downturns and in a turbulent environment. Similarly, in Gotland the Kulinariska Gotland network allows the participating restaurant to create a stronger negotiating position with large suppliers, but also motivates the members to continuously develop and strengthen the business, facilitating learning among the members. A slightly different role has the Local Food network in Iceland or the Arctic Menu in Norway. These networks consist of both local restaurants, their suppliers and other business partners and help increase cooperation between these actors and increase awareness of the region. These networks facilitate learning and training possibilities for their members and hence, have more explicit influence on the regional development.

#### **4.5.2 Customer value**

Understanding what the customer wants and being able to offer this is one of the requirements of running a profitable business. Observing the recent trend and growing interest in local food and closeness to the nature, the rural high quality restaurants are building their concept on a viable indication of what is desired by customers. Furthermore, the increase in interest in authenticity strengthens the possibility for the restaurateurs to return to traditions, traditional recipes and traditional techniques of preparing and cooking food. The participating restaurants have all realized these trends and build their offering on this. However, due to different state

of infrastructure and the different customer groups they develop alternative offerings to overcome the differences.

In general, the evidence from the study identifies six groups of restaurants, based on the customer value, in our case whether they build the concept around two dimensions: the dining experience and the customer’s location (see Table 4.1). The latter allows the restaurants to distinguish between local customer and visitors; the earlier allows differentiating among fine dining, traditional dining or rustic dining, where the focus is on high quality raw materials. The traditional dining category falls between the fine dining and the rustic dining, as some of the restaurants have made conscious decision not to refer to their offering as gourmet or fine dining in order not to lose the local customers and to allow for more casual setting.

**Table 4.1 Categories of restaurants depending on prevailing customer type and dining experience**

	<i>Fine dining</i>	<i>Traditional dining</i>	<i>Rustic dining</i>
<i>Local customers</i>		Tertti Manor Anttolan Hovi Manor Kenkävero Skagen Gaard	Bios Café Stigen Verthus
<i>Visitors</i>	50 Kvadrat Friðrik V Hotell Borgholm	Tertti Manor Anttolan Hovi Manor Kenkävero Skagen Gaard	Bios Café Ongajoksetra Fjurobordid

Furthermore, from the analysis of the main concepts and inherent customer value in the offerings the restaurants can be classified depending whether they offer only dining or whether they offer also additional culinary experiences or complimentary services (see Table 4.2). As mentioned before the peripheral location of the restaurants often requires additional services to be available as well, in order to be able to attract customers. Out of the 11 cases, only one restaurant is a pure restaurant. The Fjöruborðið restaurant has a well developed and very recognizable concept and furthermore cooperates closely with travel agencies that bring the customers to the restaurant. Because the meal for such customers is one of the experiences, the restaurant does not need to make sure that there is infrastructural basis for these customers. The remaining restaurants engage in either provision of culinary enhancing experiences or in supply of other, often basic complimentary services. For example, 50 Kvadrat engages in organizing closed events of participatory cooking. During such events the restaurant is closed for other customers, so feeling of exclusivity is created and the chefs together with the group of 6-10 guests cook together the meal, sharing many tricks and tips of good cooking. The menu for the evening can be proposed by either the guests or the chefs who give suggestions prior to the evening. So, to participate in this event the customers pay admittance price that includes everything from the cooking experience, meal itself and professional serving to the exclusivity of having the restaurant for the evening for themselves. Similarly, Friðrik V offers a number of different culinary enhancers. One of the most popular ones is the VIP table and the tasting menu, where the customer does not know prior to the dish arriving to the table what will be served. The food is accompanied by the chef visiting

the guests and telling stories about the food. Another enhancing experience is the possibility to travel together with the chef to the suppliers and choose the ingredients for the meal. This gives the customer the opportunity to learn about the region and learn about the food that will be eaten. Moreover, similarly to 50 Kvadrat, Friðrik V also offers cooking classes. This service is offered mainly to two customer groups – corporate customers and senior local customers. These services are being offered by restaurants that clearly develop their concept as fine dining. None of these services has been found in restaurants that have fallen in either traditional dining or rustic dining category.

**Table 4.2 Categories of restaurants based on type of customer and service (bundle) offered**

	<i>“Pure restaurant”<sup>3</sup></i>	<i>Culinary enhancers</i>	<i>Complimentary services</i>
<i>Local customers</i>		Friðrik V	Friðrik V Stigen Verthus Bios Café Tertti Manor Anttolan Hovi Manor
<i>Visitors</i>	Fjöruborðið	50 Kvadrat Hotell Borgholm Ongajoksetra	Friðrik V Hotell Borgholm Skagen Gaard Bios Café Ongajoksetra Tertti Manor Anttolan Hovi Manor

Among these restaurants it has been much more common to see development and co-existence of other services, for example either accommodation or shop or art exhibition. The accommodation is most common in locations where the infrastructural base is not developed enough to offer the customers corresponding level of lodging service. Furthermore, as sale of products produced either in-house or nearby is very popular and acts as another possibility to attract customers to the location and to sell products that will remind about the dining experience in the place.

Thus, the restaurants develop their concept based on their values and skills and in accordance with the environment where they are located. Meaning that if some services are missing that are necessary to be able to attract customers to the restaurant and to the place, the restaurant has to engage either in developing and offering these services in-house or needs to find business partners who would be able to offer these services nearby.

However, as stressed by Magretta (2002), it is not only the customer value that influences the viability and sustainability of the business, but also well functioning revenue model that can assure that the business is bringing money to the entrepreneur is necessary.

<sup>3</sup> “Pure restaurant” means that ONLY dining is being served at this restaurant, no additional services or experiences are being offered

### **4.5.3 Value creation and appropriation**

The basic logic for making money in participating cases is to charge for services (see Table 4.3). However, as discussed before the fine dining restaurants engage additionally in creation of experiences and thus are able to charge for these experiences an admission price, i.e. 50 Kvadrat and their offer of participatory cooking evenings. On the other hand, the more traditional dining restaurants due to broader offerings engage in packaging of the deals. This enables them to sell not only the dining service but also other products/services, whether they are offered in-house (Tertti Manor or Ongajoksetra) or in cooperation with others, for example weekend golf package at Hotell Borgholm, Theatre evening at the restaurant at Friðrik V, wellness spa at Anttolan Hovi Manor or pheasant hunting at Tertti Manor.

Another way of developing additional revenues streams can be seen in sale of products. While the Finnish and Norwegian cases engage in sale of mostly own products made in-house the Icelandic Friðrik V uses his delicatessen shop as a means to attracting customers and selling gourmet products produced either by his suppliers or imported from abroad. Furthermore, the potential of leveraging supplies in both the restaurant and the shop has been emphasized by the owner as a way to make the business more cost-efficient.

Finally, the case of Fjöruborðið due to their business model has developed also discounts for high volume. Such design allows them to offer quantity discounts (around 10%) for travel agencies that act as middleman in supplying the customers to the restaurant. However, to be able to deal with large groups in an efficient way the offer means a fixed menu, which cannot be changed individually. This allows the owners not only better supply management but also medium margins.

**Table 4.3 Overview of restaurants based on money making idea**

	<b>Volume discounts</b>	<b>Pay for service</b>	<b>Pay for product</b>	<b>Bundles</b>	<b>Admission</b>
50 Kvadrat		Yes (a la carte, set menus)			Yes (participatory cooking)
Anttolan Hovi Manor		Yes (buffet, a la carte, hotel, wellness, meetings)		Yes (with hotel, wellness, meetings, art exhibition)	
Bios Café		Yes (café and a la carte)			
Friðrik V		Yes (set menus, a la carte,	Yes (in delicatessen)	Yes (with theatre, with skiing, with meeting)	Yes (tasting menu)
Hotell Borgholm		Yes (a la carte, set menus)		Yes (thematic weekends and/or golf packages)	
Kenkävero		Yes (buffet, café)			
Ongajokstera				Yes (custom-made Nordic wild life experience combined with lodging & dining)	
Skagen Gaard		Yes (dining, accommodation, meetings)		Yes (with accommodation, meetings)	
Stigen Verthus		Yes (a la carte, accommodation)	Yes (sheep and goat products)		
Tertti Manor		Yes (buffet, café, accommodation, meetings)	Yes (own products)	Yes (with accommodation, meetings)	Yes (Hunting of pheasants and cooking of the game)
Fjöruborðið	Yes (fixed menu for big groups)	Yes (a la carte)			

The participating restaurants exhibit a good mixture of ventures working with low and/or high volumes of customers visiting them. The overall amount of customers and its seasonal changes has influence on the pricing strategies of the restaurants. For example, restaurants that have constant flow of customers, e.g. Fjöruborðið have more fixed pricing strategies, while restaurants which experience varying demand for their supplies need to find more flexible pricing strategies that would enable balancing of the differing costs and revenues.

Thus, it appears that each of the 11 cases has found a concept comprising a mixture of different services that works in their given environment and allows them to continue to develop further. Moreover, the overall business model seems to be a reflection of the target customer –local versus visitor customer and their needs. Finally, the logic for charging for the offerings develops along an axis where the basic solution is to pay for service, pay for product

and as the complexity and value increases the business offer bundles and finally charge admittance prices for experiences.

#### 4.6 Summary

This chapter focused on creating an understanding of what a business model of high quality rural restaurant is and how it might differ from a business model of a regular restaurant. To answer the first question, we have adopted Magretta's (2002) definition of business models and used the framework introduced by her to describe the business models, their function and their components adopted by the participating restaurants. We have observed that the restaurants differ in how they tell the stories of their business. In particular, the evidence from our cases indicates that high quality restaurants vary in the degree of flexibility and breadth of their offering. Overall the restaurants which define their locality in more narrow sense appear to me more flexible in their offering. Furthermore, this flexibility can be experienced not only in the character of the main offering but also in appearance of complimentary services, both in form of basic services, like accommodation, as well as in form of culinary experience enhancers, i.e. visits to suppliers with possibility to learn about the products or participatory cooking, which offers the possibility to be actively involved in the preparation process. Thus, these differences distinguish rural high quality restaurants from regular restaurants.

## 5. The experience value chain

The objective of this chapter is to study the critical factors for creating and managing the value chain of a high quality rural restaurant. First, we define the key concepts used in the chapter. Second, we give an overview of the experience value chain in the case restaurants. Third, we discuss the similarities and differences across the cases and identify the main managerial challenges facing the entrepreneurs of our case restaurants.

### 5.1 Defining the Experience Value Chain

The concept of the value chain has its roots in Porter (1985). Porter defined the value chain as a tool to examine all the activities that a firm performs and how they interact to create a competitive advantage. These activities are embedded into a larger stream of activities, which Porter termed the value system. The value system can be depicted as a sequential progression of the value chains of all economic actors in the system, including the end user. The value a supplier creates for its buyer is determined by the links it has to the buyer's value chain, i.e. to what degree a firm lowers the cost, or raises the performance, of an activity performed by the buyer.

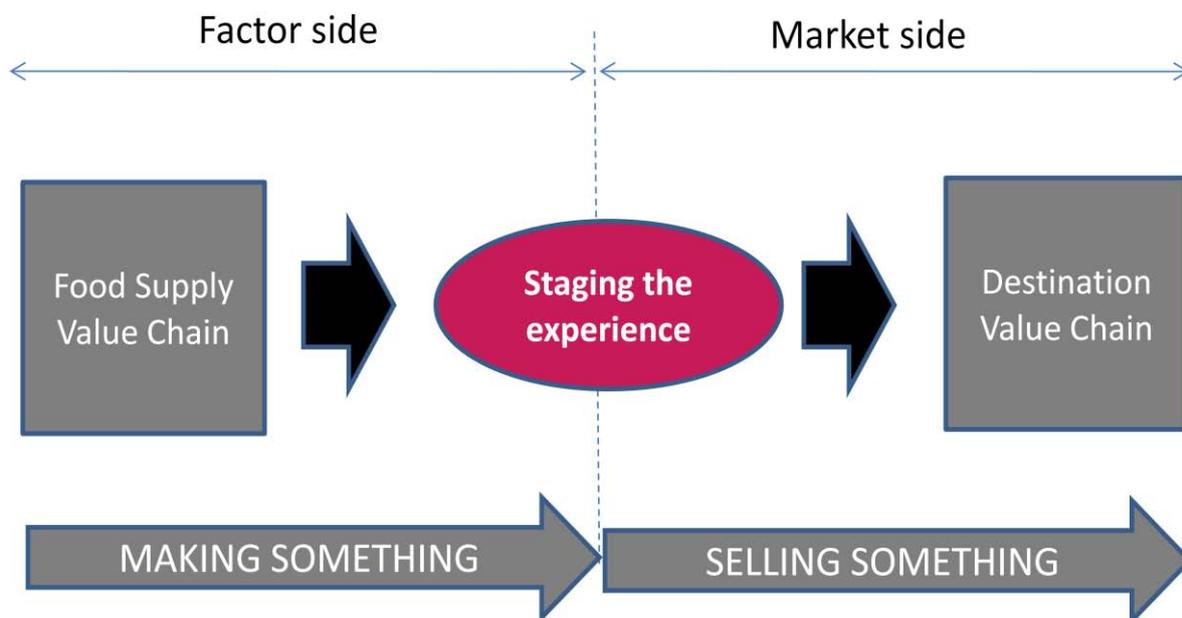
The concepts of the value chain and the value system are closely related to the current usage of the concept of the supply chain (Christopher 2005). Christopher (2005, p. 6) defines a supply chain as a “network of connected and interdependent organizations mutually and cooperatively working together to control, manage and improve the flow of materials and information from suppliers to end users.” Furthermore, he argues that supply chain management is concerned with improving competitive advantage of the supply chain as a whole through value advantage, cost advantage, or both. Through this lens the supply chain can be seen as series of value chains, i.e. as a value system, where the focus is on the competitive advantage of the system as a whole.

According to Porter (1985) a value chain has two categories of activities. On one hand are the primary activities that are the activities involved in the creation of the product and its sale, delivery, and after sale service. On the other hand there are activities supporting the primary activities or the chain as a whole. Porter identifies five generic categories of primary activities that should apply to all firms: inbound logistics, operations, outbound logistics, marketing & sales, and after sale service. Furthermore, he identifies four generic categories of supporting activities: procurement, technology development, human resource management, and firm infrastructure.

The generic categories of value chain activities suggested by Porter (1985) need to be adapted to the experience value chain of high quality local restaurants. They are appropriate for manufacturing firms, but less well suited for firms that provide services or experiences as their economic offer (Stabell and Fjeldstad 1998). Furthermore, they do not take into account the specific nature of the local restaurant and its small size. For example, restaurants seldom provide after sales service, and in small firms it is difficult to make a distinction between primary activities and supporting activities as they are usually performed by the same people.

The experience value chain of a high quality local restaurant refers to the activities that our case restaurants perform to stage experiences for their guests. Experiences are memorable events that are inherently personal (Pine and Gilmore 1998). Cooking is a central activity needed to create memorable dining experiences, but service and atmosphere also play a key role. Locality is an important source of atmosphere, as it can provide a cultural context, e.g. through the use of a space that has a historical significance, or be an authentic source of a certain ingredient or a tradition (Richards 2002). In both cases locality enables differentiation, or uniqueness, that is difficult to reproduce outside the region and therefore can become a source of competitive advantage.

In line with Magretta (2002), and to ensure continuity with the previous chapter, we define three elements of the value chain of the high quality rural restaurant (see Figure 5.1). The first and central element is the focal restaurant itself as an experience space, i.e. the activities that are most closely related to the staging of experiences. The second element is the food supply value chain where we focus on activities performed to ensure local food supplies. The third element is the destination value chain, which includes the activities performed by the restaurant to attract customers.



**Figure 5.1 The value chain of a high quality rural restaurant composed of the focal firm where the food experience is staged, the supply value chain, and the destination value chain**

The value chain in Figure 5.1 should not be understood to describe how value is built through a successive progression through supply, production and consumption. Normann and Ramírez (1998) argue that is more helpful to view value creation as an interactive relationship where

value is co-produced in value constellation rather than in sequential input-output process models where value is successively built.

Value constellations, i.e. configurations of co-production, are based on each partner's available knowledge and resources which constraints the nature of their value-creation logics. The code of an offering, i.e. what value creating activities it makes possible, has to fit the capabilities of the receiving partner (customer) so they can create more value for themselves or their customers, or the same value less costly. Thus, the offering, or more precisely, the code of the offering, has to fit with the customers' value creation logics. In our example, the offering of the local food suppliers has to fit the value creation logic of the restaurant, whose offerings, in turn, has to fit the value logic of the guest. The value logic of the guest may differ if she is a visitor looking for fine dining experiences that are uniquely local in an unexpected ways or if she is looking for fast food.

When value-creation logics change, for example if visitors become more interested in local food, business relationships and activities need to be reconfigured, leading to the development of new and existing customer relations and competencies. Reconfigurations take place at three levels (Normann and Ramírez 1998, p. 75):

1. *Level of offerings.* New competencies and reconfiguration enable the creation of products and services that were not thought of, or not feasible, before. An example would be to introduce a new restaurant within a geographical area of a different type from those that already exist.
2. *Level of organization.* New arrangements are possible, both within the firm and across firms that may lead to a dramatic change in the structure of the value system. An example is increased cooperation among suppliers to develop and promote local food produce.
3. *Level of organizing concepts in our minds.* New knowledge and new value creation logics creates a new frame of reference. Reconfiguration at this level is often the greatest constraint, but also the source of greatest opportunities. It affects the ability to interpret events meaningfully and new frames of reference may need to be established, and older one abandoned, for managers to act effectively. For example, a frame of reference has changed if a supplier, instead of looking at her produce as a homogeneous commodity, starts to invent ways to express its locality.

Reconfigurations are what entrepreneurs do. Through identifying and exploiting opportunities for new offerings, or new ways of providing existing offerings, they reconfigure existing economic organization (Shane and Venkatarman 2000). In some cases the exploitation of opportunities requires that co-producers in the value constellation they are trying to build need to change the value creation logics they have been used to. In that case entrepreneurs become institutional entrepreneurs promoting a new institution (frame of reference) that is needed to realize interests they value highly but is yet suppressed by extant logics (DiMaggio, 1988; Leca Battilana, and Boxenbaum 2008). When the institutions being replaced are integral part of a local community one could argue that the entrepreneurs are able to mobilize social resources for transforming the community, and hence community entrepreneurs would be a more appropriate label (Johannisson and Nilsson 1989).

The degree of reconfiguration required to ensure the success of a new business influences the managerial challenges associated with the creation of the value chain for that business. If no reconfiguration is required the main challenge is internal to the firm, i.e. to assemble resources, to fit the restaurant within existing value chains, and manage an operating revenue generation process that covers costs. Reconfigurations from the level of the offering to the level of organizing concepts in our minds represents increasing managerial challenges associated with the introduction of novelty. Reconfiguring that happens only at the level of the offerings signals a new type of offering, but assumes that existing value chain can adapt to that offering without any major change in organization. Reconfiguring that happens at the level of organizations includes a reconfiguration at the level of the offering, but requires changes in how the value chain is organized. Finally, reconfiguration at the level of the organizing concepts requires reconfiguration at the other two levels, but before that can happen the individuals involved have to develop a new frame of reference. This is the highest level of managerial challenge waiting the entrepreneur.

## 5.2 Description of the Case Restaurants

In the following sections we describe the experience value chains in the case restaurants for each of the four countries participating in the study. For each case we describe activities within the focal firm, the food supply value chain, and the destination value chain.

### 5.2.1 Finland – Anttolan Hovi Manor

Excellent food in the peaceful and healthy place in the midst of a coniferous wood near Lake Saimaa is the overall idea of Anttola Hovi Manor. Food is served in a simple way, still, professionally, sociably and friendly without being tricky. High quality food is produced by investing in local raw materials and at the same time following the tradition of the place through loyalty to Russian cuisine. Thus, the main products are the Russian Princess buffet for lunch and ‘a la carté for evening meals in summer time. In winter it is open only to order for conference customers. The restaurant has three dining spaces of different sizes for 110 customers, the buffet room with a fireplace and a kitchen.

*“Well, we have delicious food. We get a lot of feedback of excellent food and high quality service. We also have it peaceful here, and we won’t bring any water-skiers or snowmobiles or anything, but we want to offer the peacefulness on the shore of Lake Saimaa.”*

The menus are connected to the seasonal food products. The chefs open-mindedly use Russian and Finnish experts when developing their menus and training personnel. For example, the restaurant cooperates with a Russian luxury hotel and a well known Finnish expert on local food.

*“Markus Maulavirta is going to work as a chef in our kitchen for half a year consulting us here. It will be a continuum for this development work, because he is at the moment the most famous advocate for Finnish local, pure food stuff. He also has wide contacts with these small producers and so...”*

The local food producers are essential for the restaurant business, and Anttolan Hovi Manor works with them to improve the quality of the products.

*“We have tried to cooperate with the small producers... tried to develop and influence the quality of products we use.”*

Anttolan Hovi Manor has altogether about 30 local raw material producers and suppliers for bread, meat, mushroom, fish, berries, vegetables etc. Lately, the meat supplier has been changed for a local producer, as a national meat company could not deliver meat of good enough quality. Anttolan Hovi Manor is not located along the main road which has led to some problems with the reliability of deliveries from small producers.

*“The quality must, of course, fit our requirements and then the reliability of deliveries... it is at times difficult with small producers. But for example, when it comes to meat, a big supplier is not always a guarantee of the quality, either.”*

Anttolan Hovi Manor belongs to the Charms of Saimaa, which has been established to enhance cooperation and marketing of tourist attractions in the heart of the Saimaa Lake district. The Charms of Saimaa has started cooperation with the Swedish Petit-hotel chain.

*“Well, the point of the Charms of Saimaa was to combine resources... as there was no clear engine in the Mikkeli area. First the focus was in the tourism of this area in order to combine resources and improve the attractiveness of this area. And then it was enlarged to include also the area of Savonlinna...It was the starting point... to increase the attractiveness.”*

During the summer season customers are attracted by advertising in the national paper (Helsingin Sanomat) and television together with the local amusement park in order to reach families, too.

### **5.2.2 Finland - Kenkävero**

The overall idea in the Kenkävero restaurant is to serve Finnish feast food, which is made of local products produced both in-house and by other local producers. The main product is the parsonage gourmet buffet, which changes 4-5 times per year. Further, there is a special buffet during feasts like Christmas, Easter, Mother’s Day and the First of May. In addition, it is possible to celebrate private feasts like birthdays with a special menu. The restaurant aims at high-quality in both food and services retaining, however, with a simple and easy-going style and loyalty to the history and surroundings. The restaurant is able to accommodate 200 guests in several spaces inside and in summer time 200 more outside. Besides the kitchen it has a buffet room and a small café.

*“During the first years we used to have a la carte menu and a lunch every day, but the customers kept asking for a buffet-type lunch and... and we then came to the conclusion that we must have it one day. Now with this buffet-lunch we have increased our turnover and number of customers... it has made it possible.”*

The menus are connected to the seasonal food products from local producers. Kenkävero has also products of its own and self-grown herbs, lettuce, and vegetables are used in the kitchen. However, it has been difficult to get the chef to understand the importance to use in-house products like herbs from the garden as the restaurant workers have been used to take everything from the wholesale, one place. Apparently, it has been difficult for them to accept the arrangements related to making orders from several local entrepreneurs.

*“It has not been an easy task to get the chef to pick up herbs from the garden. It took two-three years, yes...As for us it is self-evident, I would say that the toughest effort has been to put it into practice.”*

In Kenkävero restaurant the local culinary heritage of Savo is not emphasized in its menu. Instead, traditional high-quality food with a present-day touch is pursued. The big change in the business concept took place, when they started to serve a buffet-lunch instead serving a la carte menu and everyday lunch. The main inspiration for new ideas comes by visiting fairs and following the media related to the field, as well as attending training courses.

*“We arrange and attend excursions... mainly abroad. We visit fairs and follow the media in our branch of industry and attend training courses, too. Our biggest needs are however in developing new ideas, inventing something fresh. With the Charms of Saimaa we have visited some interesting benchmarking resorts.”*

The Kenkävero restaurant uses several local food suppliers. A good example is a woman from a farm, who has baked rye bread for Kenkävero for 18 years.

*“We have had our own baker for rye bread all the time... I would say... for 18 years. In my opinion she has baked already for the ‘Martta’s’.” “She brings the bread personally to us.” “She doesn’t bake for anyone else, she doesn’t have time. We would have bought it for sale too but she can’t produce that much.”*

Confidence in availability and quality of supplies is extremely important, when selecting small, local suppliers and continuing cooperation with them. Still, there are problems with supply of fish and mutton. In Kenkävero they have dispensed the local suppliers of potatoes because of bad quality and poor availability.

*“We used to buy potatoes from the farmers, but not any more. “The reason is that... the potatoes used to be of bad quality, we couldn’t get good potatoes at all.”*

From the restaurants’ point of view the contacts with suppliers and trust in them on personal level are perceived essential. Consequently, new products are bought from existing suppliers, whenever possible rather than finding new ones. Even new kinds of products are developed together with some good suppliers.

Cooperation with other actors and events in the region is essential for promoting restaurant business in Kenkävero. Word of mouth is important, but also, advertising and direct marketing are used. Kenkävero is a member of the Charms of Saimaa, which has been

established to enhance collaboration and marketing of tourist attractions in the heart of the Saimaa Lake district.

*“We do have cooperation, anyway, with these companies, so it is really good to have a form for it. And we have already got a lot of positive publicity because of the Charms of Saimaa.”*

### **5.2.3 Finland - Tertti Manor**

Tertti Manor seeks to provide a high-quality cuisine in an easy going style and loyal to the history and the surroundings of the Manor. The main product is the gourmet buffet of the manor, which changes 4-5 times per year. Further, there is a special buffet during feasts like Christmas, Easter, Mother’s Day and the First of May and private feasts like birthdays. The restaurant serves customers on daily basis during summer time and in December, in other times only to order. There is a hall, the buffet room, five dining spaces of different sizes and the kitchen in the Manor. With the terrace open in summer time the restaurant accommodates over 100 guests.

The high quality in Tertti Manor is meant to start from the highway, which is within sight, including well kept surroundings and clear signs. The graphic image and the brand were planned by a well known Finnish graphic artist, Kari Piippo.

Tertti Manor is a family business where the owners also participate in serving the food. The owner is telling the story of Tertti Manor before dining and the chef is introducing what will be served and what are the origins of the food. The owners manage the serving in a professional manner and the experience being pursued is always unique based on the needs and desires of the customer.

*“Sensing the customer’s needs or a situation... I mean, when serving customers... it should be like with an old couple, who knows the other one’s thoughts without saying a word. Intuition is vital!”*

This requires intuition and sense of the situation, which are difficult to teach to new personnel.

*“High quality service can only be learned by experience. That’s why I very often think that a good actor would be far better than a professional waiter/waitress.”*

The quality of all activities is systematically improved for example by tailoring the services more and more to the customers’ needs. Although the wholeness is essential, small things related to food often make the difference.

*“When we get customer feedback, every piece of information is thoroughly examined immediately with the one concerned. Even if the feedback is something like ‘quite nice, but...’ it will be dug out what was there...”*

The menus are connected to the seasonal food products with inspiration coming from colleagues, restaurant cooks, and other gourmet specialists. In addition, a few customers have given valuable advice and even recipes.

*“There is this chief consul of high quality food in Finland, who was one of the first to buy our vorschmack in the market hall of Helsinki. He called us telling it was great, but the recipe had to be changed. We worked on it... and nowadays we co-operate a lot and he is a good friend, too.”*

Furthermore, they have found it very valuable to develop products of their own together with a university unit in Mikkeli, as well as, to cooperate with a well-known local researcher of herbs.

Terti Manor has products of its own and self-grown herbs, lettuce, and vegetables are picked by the chefs in the garden and used in the kitchen. However, the local food producers are essential for the restaurant business and the complex network of almost 100 local suppliers requires skills of organizing and interaction.

*“Let’s have a look at our breakfast table. There are signs there..., so that people can see the producers of all local products. It is a matter of great importance for us...although we have only five rooms to stay overnight we do it in a different way...our own way.”*

Supplies include raw materials like mushrooms, berries, potatoes, rhubarbs, plums, honey, apples, fish, meat, game, and also food products of meat, honey, bread etc. Rye bread and rye crisp are made by a small local bakery, which has got the origin of the bread used to be made at Terti Manor 100 years ago.

*” We even have a supplier of honey, who farms the bees in our lands. And then the game...partridges, wild reindeer, and pheasants come to a great extent from ourselves, also ducks... partly from suppliers, too. Cheese made in oven comes from the neighbor. And then...someone brings rhubarb, organic strawberries, plums, bullaces, which are also grown by us, four types of currants and so on...in that way they all come.”*

Some of the local producers of raw materials or food products are located so near that the procurements can be fetched by the user on the way to some other place. Others, e.g. wild fish and freshwater crab, are further away and more difficult to obtain regularly and of sufficient quality.

*“A good example is an order of 400 freshwater crabs. Everything was agreed with the supplier..., but for some unknown reason I called a day before the delivery to confirm the arrival time. So they told me that one man dropped in and the crabs were given to him... so one doesn’t need to drive anywhere... And this is not something to be compensated with an ice-cream for the company going to have a crab party. After this occasion I have thought very carefully, who will be the supplier...”*

Terti Manor has been awarded as a national travel destination and the restaurant is included in the Chaine des Rotisseurs. Their own marketing efforts include brochures and web-pages ([www.tertinkartano.fi](http://www.tertinkartano.fi)). Terti Manor also belongs to the Charms of Saimaa. They have jointly produced a brochure in several languages, co-marketing in internet which includes movie of Saimaa area, and advertising mainly in national media. The partners, who are also

competitors, give concrete support to one another by e.g. recommending each other to customers, when an opportunity comes. To attract foreign customers it is important to have a bund of high-quality destinations (14) in one district.

*“The cooperation within ‘The Charms of Saimaa’ has been great. Through it even a small scale enterprise can get an advertisement on the front page of the national newspaper. It is a network, which makes marketing more effective. And then... people genuinely take care of each other in the network of the Charms of Saimaa.”*

In addition, the Charms of Saimaa has started cooperation with the Swedish Petit-hotel chain. There is a criterion for the members in Charms of Saimaa including experience of tourism, reliability, high-quality and friendliness through the idea of faces behind the service (host and hostess running the business). The brand “Charms of Saimaa” has become well-known in a very short time and has already given a positive drive to the tourist and experience industry in the region.

#### **5.2.4 Iceland –Fjöruborðið**

Fjöruborðið is a rustic restaurant emphasizing simplicity and the quality of the local raw material, which is mainly langoustine. The restaurant has three dining spaces of different sized and a small kitchen. The three dining spaces serve different sizes of group, the smallest, and the oldest, appropriate for very small groups, and the largest one being able to accommodate over 150 guests. The restaurant was established in an old fishing village where the number of inhabitants had been shrinking for several years and all fishing and fish processing had been closed down. It provided a new economic offering in the local area and soon became popular among people in the Reykjavik area and among travel agencies that offered tours in the vicinity. The founding of the restaurant precedes the creation a number of other tourist offerings nearby, such as museums and outdoor activities, but the restaurant entrepreneurs were not actively involved in their creation.

The menu is simple and has not changed in many years. It is based on a concept of a story of the magical and nutritional effect of the langoustine living in cold weather and having a hard time. On the menu there are only two starters (langoustine soup and beef carpaccio), two main dishes (bowl of langoustine tails and lamb filet), and two types of cakes as desert.

*“People don’t come here for other reasons. This restaurant is only known for these reasons. That’s it.”*

The cooking is simple and efficient and the kitchen staff is small. The emphasis in the cooking is on consistent quality. Even if there are 3-400 guests served in a day, everybody should receive the same high quality. The service is professional, but not much is done to promote the local origin of the ingredients.

*“We can do 3-400 guests on a busy summer day. Same quality for everybody...and you still get good service, it is not a buffet. You don’t have to stand in a line or take a number. You will experience something.”*

The restaurant has few suppliers that provide regular delivery. Large suppliers along the south coast provide langoustine and potatoes, but vegetables are provided by smaller suppliers in

the vicinity. Quality control, especially of the langoustine is important as it is the main ingredient and needs to be handled with care.

About 40% of the guests come through relationship with travel agencies and companies, and 60% come off the street. The restaurant has a strong word of mouth reputation among people in the Reykjavik area and people who have summer houses in the area. The restaurant is conveniently located by a popular tourist trail, but does not actively contribute to the promotion of the location.

### **5.2.5 Iceland - Friðrik V**

Friðrik V is a modern fine dining restaurant with a strong emphasis on local ingredients and culture. When the restaurant was established there were other fine dining restaurants in the area, but none of them were explicitly promoting local food. Currently the restaurant is located in a historic building in the city centre which has been renovated for the restaurant. In the building there are, along with the kitchen and office area, the main dining area, a designated group dining area and a bar area. The dining and bar areas are open in the evening every day of the week. On the lower floor there is a gourmet shop that is open during the day and where lunch is also served.

The experience being sought is that the guest should feel special and at home. The service is not strict, you should feel that you are visiting a friend or someone you know, and the food experience should be a pleasant surprise. Friðrik tries to visit all tables at least once during the evening to greet and tell customers stories about the food and its origins:

*“From my side, we are trying to make you feel special. At the same time you should feel homey, we do not have strict service, staff is smiling, you should feel like visiting a friend or a somebody you know. We have one mission in the kitchen: the customer should get more than what he is expecting in terms of how you experience it. We have this 5 course menu but often it is 8 and all the small things. We try to do all the small things that do not necessarily cost money but it makes you feel special, that is what you remember. Now it is easier, because I can arrive at the table and say this is that. That’s a strong experience for some people.”*

The most popular dinner at the restaurant is a five course set menu. The set menu allows the chefs to use whatever raw material that is available that day. Often they decide on the details of the set menu in the afternoon, and they might even vary the set menu during the same night. The emphasis on novelty and experimentation fits both with Friðrik’s professional philosophy and the cyclical, and sometimes very short, availability of local material.

*“Because the thing I worry most is that the kitchen is copying itself, we should always be doing new things. But then in the second and third year we got a lot of questions why don’t you have this and that on the menu, because I had it when I was here last time, bla bla bla. We don’t want to do it. We always want to change the menu. We do it 4 times a year totally, so it is a seasonal menu, but we do small changes on a weekly basis usually. For example we took out*

*the reindeer steak last Saturday and we put on horse. We did not have enough, we needed for December.”*

When menus are created the core idea is the use of local material in a professional manner. The cooking methods are European with connection to the Mediterranean and Scandinavia. The chefs have weekly meeting to work on the menus. They get inspiration from the previous work, participation in competitions, visiting chefs and their own visits as chefs. Furthermore, the restaurant closes every January when all staff travels abroad in search of new ideas and inspiration.

Another source of inspiration are old Icelandic traditions. Friðrik has been looking at old Icelandic cooking books, followed a society which collects information about Icelandic food and cooking, and, during cooking classes for the elderly, he has been querying his students about old dishes and cooking traditions. As a result traditional dishes and cooking techniques become mixed with more modern approaches.

Uniqueness is one of the key elements of the gastronomic experience that is created in the restaurant. This means that Friðrik and his chef seek to process and prepare raw materials themselves.

*“...we are just a gastronomic place that does everything from scratch irrespective if it is pasta or assorted chocolates and we have the technology and tools and skills to do it, but we also want you to say “I am experiencing something that I don’t get anywhere else and that we have been able to do to date. But this has nothing to do with us using only the most expensive raw material, we are using all the raw material that we get and we don’t want to throw anything away, and related to the herbs, we dry the herbs and the herb mixture is used on the game, and the sticks are used for smoking...”*

Some of this preparation has to be done long in advance and in many cases requires close cooperation with suppliers, such as in the case of the preparation of dried ham, smoked lamb, preparation of herb mixes, etc.

The restaurant has more than 200 suppliers, where over 100 suppliers have supplied one item only once. Meat, fish, dairy products, and beverages are obtained from relatively large local producers in close proximity. Vegetables, some seafood, berries, ice cream, game (including salmon and trout), herbs, etc. are obtained through a large network of small suppliers, most of them from the Eyjafjörður region.

Friðrik is very active in encouraging and supporting his suppliers. In many cases he has helped to develop and promote their products, and to improve quality control routines. He has been instrumental in increasing cooperation among suppliers and other service provider in the area. This has resulted in a special organization for promoting local food in the Eyjafjörður region (Matur úr héraði - [www.localfood.is](http://www.localfood.is)).

*„Friðrik was the one to push this [Matur úr héraði] forward at that point, he was the one who provided the spark, was the entrepreneur and I think this is, what should I say, his Slow Food...Yes, Friðrik is actually the only one to have a real drive and visions for these things.“ (Supplier)*

The local food organization has recently launched a label that the member companies can use for a particular product or a dish based on local food. A special committee has to authorize the use of the label, but there is no special quality assurance related to its use. Friðrik uses the label to mark his restaurant as local, but it is not yet widely used by the approximately 30 companies that are a part of the organization. Many of these companies are suppliers to Friðrik, but others are competing restaurants.

Traditional advertising, e.g. in the newspaper and tourist brochures, is used to promote the restaurant. Additionally, the restaurant is known to local hotel and store employees, who recommend it to their visitors, and has got some national and international recognition and prizes. However, the primary means of marketing the restaurant has been through advocacy for the slow food philosophy, local food, cooperation among local tourist providers, and promotion of the Akureyri destination. This has been achieved through the initiation and organization of various events, tireless communication with local companies and individuals, media appearances, and publication. All this has made Friðrik a well known public figure, both locally and nationally.

*„Well, one can almost say that he needs, and he has taken the role, to represent this [local food] to the outside, he has of course become a brand...he is an icon, he is, that's what it is, and, I mean, it matters a lot, he has just become well known.“ (Supplier)*

Furthermore, Friðrik offers cooking classes and runs a gourmet shop that, while generating revenues, help promote the restaurant.

### **5.2.6 Norway – Bios Café**

Bios Café is a roadside restaurant by the E6, the main road through Norway, and Storslett is a common place to take a break. The experience offered at Bios Café has developed over a 40-year period, gradually focusing on using more local suppliers and products. The core of the experience is local food of high quality that should appeal to the everyday customer.

*“It is challenging to satisfy customers whose age ranges from five to eighty years, but we are located on a small place and need to serve all types of customers...As a chef I would like to skip serving chips but as long as the customers expect it we have to do it, but now we also serve better salads and we make the hamburgers ourselves.”*

The food is served in a restaurant facility without any outstanding experiential features, but should be inviting to both wayfaring and local guests. The menu changes at least once a year, sometimes more often, following new developments in products, shifting supply and periods of experimentation. The employees participate in the development of the menus. The dishes and food is served either through self-serving at the counter or through plain table service in a single, but large dining space. From time to time they do tell the stories about the food, the ingredients and the local traditions but not on a regular basis, more as an add-on on demand. But in written material such as menus and bills/posters they do tell the story of the local food and they contextualize this by connecting this to the well known national park Reisa which is situated in the region and that is well known for its wild life.

The creation of the experience value chain at Bios Café has created a demand for high quality supply from local producers and has been a stimulus for improvements and rising standards.

*“As an example on how we develop local food I can tell you that we started making bread with olives and then realized that it wasn’t particularly local so we now bake bread with carrots.”*

While the products and services have not changed much, nor the organization of the supplier networks, Bios Café has reconfigured the frame of reference of the suppliers with regards to uniqueness and quality of the local supply that become important ingredients in popular dishes at the restaurant. One of the suppliers tells:

*“I sell all my ecological old Norse Sheep to Jane, it’s a good market for this kind of meat, others have asked me to buy the meat, but Jane asked me first and I have sold all my production to Bios the last 4-5 years. I want to sell my production locally if possible.”*

Concerns over food supply have for years revolved around building a stable network of local suppliers throughout the region, in particular with regard to slaughtering, cheese production, ecological sheep (old Norse) and herbs. The supplier of reindeer meat is more distant because of the slaughtering system. The owner and her employees’ picks berries, mushrooms and herbs, the employees get paid for their deliverables. The owner has always maintained a sharp focus on controlling the quality of the local suppliers and their supplies, and has helped them develop their produce.

The main methods of sales and marketing are through advertising in local and regional newspapers, word of mouth and advocacy. A good reputation for high quality, inexpensive and traditional food had been established over the years.

*“It easier for me to work on product development who took over an established and well managed café compared to newcomers (entrepreneurs) who have to start on scratch.”*

In addition, participation in the network Arctic Menu (Arctic Menu promotes cafes and restaurants in northern Norway using local food produce, see chpt. 6.2.3.2) implies a certain degree of profiling through the efforts of the network. The café has also received a national price “Ganefart” in 2006 for their use of local produce. The price is awarded to the roadside café serving the best food.

### **5.2.7 Norway – Ongajoksetra**

The food experience at Ongajoksetra is a part of an overall experience of being invited as guests to the wildlife lifestyle of the owners and their staff. The place is remotely located and has an old history going back to mining activity in the 18<sup>th</sup> century. Later it was a travel station and a mountain cabin then it was derelict for many years. The wildlife experience currently offered at Ongajoksetra has developed over a 10 year period. The owners bought the place in 1998, without any prior experience in running a wildlife experience business. However, it was an opportunity to realize a dream of an alternative lifestyle: living in or close to wild nature and living of what nature has to offer – having a group of guests while doing

so. Staff is trained from time to time through courses, mostly taking place at Ongajoksetra, focusing on e.g. wine, food preparation and storytelling.

There is no systematic approach to menu development. According to the concept, there is no set menu as such. The menu for each group visit is prepared based on a combination of what is available and what the guests want. The buildings at Ongajoksetra, both the exterior and interior, have an explicit rustic style. The serving takes place in the main room in the main building where visual experience of the place, together with its old history, creates a special atmosphere. Also food is prepared and served in a Sami tipi tent (a lavvo). Storytelling as part of the serving is increasingly used as a means to enhance the total experience. Occasionally the guests are participating in the wild life activities.

Despite being remote the location in itself does not pose serious logistic challenges. However, a constant problem was the quality of what was available from the suppliers. Several – but not all – of the local and regional suppliers did not really understand the importance of high quality and the demands being made by Ongajoksetra. Thus, lately the firm has become increasingly self-reliant with regard to the core raw material, like meat, fish, berries and mushrooms. The owners now mostly provide this through their own hunting, fishing and picking.

*“We want our guests to have a taste of Finnmark, and hunting, picking berries and fishing is part of living in Finnmark.”*

The old history of the place and its remote location in the wilderness is an important part of how the place is branded. The main methods of sales and marketing are through advertising in local and regional newspapers, word of mouth and advocacy, also from repeat customers. They also approach customers by an electronic news letter four times a year.

### **5.2.8 Norway – Skagen Gaard**

The core experience at Skagen Gaard is fine dining in historic surroundings, in the manor house with long history and traditions since 1624. They take only groups, minimum of ten persons for private arrangements and minimum of six persons for meetings or conferences. Accommodation is a complimentary part of the concept but is often used. The firm is part of a national chain, Det virkelig gode liv (The Great Life Company), with eleven other similar, but at the same time distinctly different, places, mostly traditional places with a history.

The couple that manages the place is trained and experienced as a chef and a waitress respectively.

*“We did take this job because we wanted to live this kind of life; life in a slower pace, and to be able to offer something of high quality.”*

Menus are developed according to seasonal availability. They prepare their own vegetables and berries on a regular basis following seasonal variations. The meals are prepared in the manor house kitchen. The old historic manor has several large and smaller spaces suitable for dining and serving. All of them with a historic atmosphere based on design, interior, cutlery, art, etc. The managers also take care of all the preparation of these spaces for historic meal experiences. The manor house has a long history and storytelling in connection with serving food is part of the concept.

Skagen Gaard has some local suppliers but mainly buy food from larger whole sale dealers. They have tried to extend their network of local suppliers and slowly progress on this task.

*“We have been in contact with several local producers of food, from some we buy, others not. It can be that their ability to deliver is too unstable.”*

Skagen Gaard sometimes experience that their volume is too small:

*We see these fine Hereford cattle grazing on the neighboring fields, and we tried to buy the meat, but our volume is too small, but we finally managed to share one carcass with the local hotel. But to get it to the abattoir and back again...It was a lot of trouble. I don't think we will do it again.*

The mansion has quite a large garden of which the managers see a potential to grow own vegetables, potatoes and some berries, but they still have not exploited this possibility.

*“We have planned to do more with the garden, to grow vegetables and potatoes.”*

The old history and authenticity is an important part of the image that is communicated in the marketing. The main market channel is through the mother company, Det virkelig gode liv (The Great Life Company). Word of mouth and repeat customers are also important contributions to marketing and sustaining sales at Skagen Gaard.

### **5.2.9 Norway - Stigen Vertshus**

Stigen Vertshus is a rustic restaurant in a remote area. The founding owners were sheep farmers (at present they have let their farm premises), and they are interested in developing the meat production both as a restaurant supply and as local food produce.

*“When we opened the restaurant we became overwhelmed by the response by the local population, we had enough to do by cooking and serving in the restaurant and haven't had time to develop our own local produce. But we believe that in the long run it is the local food produce that will be profitable...We want to further develop our cured meat sausage of goat meat, not only the food part but also package design and we want to apply for a specialty brand (spesialitetsmerking) attached to it.”*

The chefs are not professional but they are a member of the Arctic Menu which offers training. The dishes and food is served as plain table service in a single, medium size dining space. The owners can do storytelling about the food, the ingredients and local traditions from time to time, when the mood is right. But it is not provided on a regular basis and not by all employees.

Stigen Vertshus have established long lasting relations with Lyngen Lamb and this network of suppliers have been willing to develop and improve their production and delivery routines. The founding owners of Stigen Vertshus have also been working actively with establishing Lyngen Lam a network of sheep farmers in their region. From other whole sale dealers they have weekly deliveries of supply of all sorts and this function well and they get what they need, i.e. there are no problems with logistics. Local fishers deliver directly at the door. From time to time there have been some problems in getting Lyngen lamb from the regional

slaughterhouse. These problems arise from quality problems in the slaughter process. Quality control throughout the business is a high priority, both in the lodging part, the restaurant, the kitchen and not least the ingredients and the food itself.

The ambitions of Stigen Vertshus and their demand for high quality products from Lyngen Lamb has been a stimulus for improvements of food products and the level of service in the restaurant. Furthermore, the case of Stigen Vertshus have shown both local people, including the suppliers, that it is possible to establish a high quality rustic-style restaurant in a small rural place. One of the suppliers tells:

*“We need to get proper production facilities, you know there a lot of regulations when you produce food, and they [the Sollids] asked us to join their facilities; that way we can share the investment costs.”*

They attract customers by their home page, word of mouth, being part of a destination developing the ski tourism, being located by a ferry landing (i.e. travelers have to stop when waiting for the ferry), hence they express:

*“We haven’t had time to do marketing, we just have had to work in the restaurant, but we have plans. Mostly people come because they’ve heard of us from others. But our main focus will be on the food produce; the restaurant and the accommodation - it feels like they take the time from what we want to do.”*

#### **5.2.10 Sweden – 50 Kvadrat**

The restaurant 50 Kvadrat is a fine dining restaurant located on the Gotland island. The menu is seasonal. The experience space itself is an old building, and care has been taken to have the interior of the restaurant reflect the locality of the restaurant.

*“We didn’t really know what walls we had, but when we realised we were really happy, because that is something that you really can’t build. Well, you can build it, but we got it for free and it is from 10<sup>th</sup> century. [...] The concept was to make the restaurant look very typical Gotland and to look modern, so [we] mixed old Gotland with new modern things. So, that was the idea from the beginning, but we did not have the money from the beginning so we had to keep all the chairs and everything. Everything has been changed in steps. Now all the furniture comes from the company G.A.D. from the island. And the floor we have is also from Gotland. So a lot of these things are made here on the island.”*

Origins of the ingredients are stated in the menu and presented to the guest when dishes are served. The service is professional. As a traditional fine dining restaurant food is prepared from scratch using advanced cooking techniques. The chefs maintain a high level of expertise through participation in competitions, training and visits abroad.

*“And there are a lot of other people, especially since I started in the Culinary team in 2005. That brings a lot of inspiration as well and really nice good friends. Some of them I knew before, some I did not know.”*

The chefs work with suppliers and help them develop new offerings for the restaurant. Cross branding is done with a local meat producer. Logistics are simple as distances are short and batches small.

*“I think we buy many local things, and more and more of local producers are coming here to show us what they have and I think many local producers want their things to be on our menu, so with more and more producers we have been in closer relationships with them. They know what we want and we know more of what they have and still there are many producers on the island having amazing things that we hopefully don’t know about yet. Everyday someone is coming, like there are many small producers having things, there is a restaurant in Copenhagen called noma and the owner is buying a lot of things from the island, i.e. carrots. The flavours of the carrots and the potatoes are amazing and we are really happy to be based on the island. There is a big supplier called Ryftes they have a lot of vegetables.”*

The creation of the experience value chain at 50 Kvadrat has not required a large degree of reconfiguration of the regional value system for food production. When 50 Kvadrat was founded there were several high quality restaurants in Gotland supplied by local producers. Suppliers were already aware of the importance of locality and the restaurants’ search for uniqueness. While the chefs at 50 Kvadrat have helped suppliers develop new types of supplies, they have not had a large impact on the organization of the value system or the mental models of customers or suppliers.

Various activities are used to promote the restaurants. The restaurant is a part of a network of the, supposedly, eight best restaurants on Gotland – Kulinariska Gotland. Together the restaurants promote the Gotland destination, e.g. through a brochure and a webpage with short description of each of the restaurants and their owners. The restaurant does not do much traditional advertising, but relies on word of mouth and is represented in prominent restaurant guides. The restaurant receives some attention through Fredrik’s membership of the Culinary Team Sweden.

### **5.2.11 Sweden - Hotell Borgholm**

Hotell Borgholm is a fine dining restaurant located on the Öland island. The restaurant is well established; it has been on the market for more than 30 years. The serving is professional, but the origin of the food is not stressed to a large degree, only origin of local greens is stressed by the head chef and co-owner.

The restaurant cooperates with about 20 suppliers, 8 of them are local, the remaining are national suppliers from the mainland, both big and small ones. The small suppliers experience problems with delivering good enough quality and quantity of required ingredients. Thus, as the entrepreneurs care a lot for the quality of raw materials they buy most of it on the mainland Sweden. However, during summer they purchase vegetables from local suppliers. The restaurant has also a number of single case suppliers from whom they buy only once in order to add something special to the menu.

*“Good quality of ingredients is really important for us. Many small local suppliers are not able to consistently deliver good enough quality and quantity of ingredients; therefore we cooperate with big mainland suppliers who do not have such problems.”*

The head chef is proud and well known for growing her own herbs and other vegetables, but since the majority of the ingredients come from mainland Sweden and not from the island, the origin of the remaining elements of the food are not emphasized as local.

The restaurant and its master chef – Karin Fransson – is often featured in both local and national media for her innovative cooking and use of herbs. The restaurant cooperates with the local Tourist Office in Öland and is advertised on its homepage. Additionally, the restaurant buys traditional advertisement in national daily newspapers, e.g. Aftonbladet. As the restaurant is also selling bundles of services together with the golf club, they also use this media to advertise their venture. Many of its customers are returning customers, who have been coming to the restaurant for years.

*“The customers are people interested in good food and they are accustomed to fine dining. They are mostly couples. About 50 – 60% of the customers are regular customers visiting the restaurant about 1- 3 times a year. The customers visit the restaurant mostly for pleasure or to celebrate different occasions. Therefore, the restaurant and hotel specializes in weekend gourmet offers.”*

The head chef runs a radio show on cooking, she has published a number of cook books all with reference to the locality and the restaurant itself, and this attract some customers. The restaurant, located in 2<sup>nd</sup> prime tourist location in Sweden, experiences a magnitude of customers during summer (it is the only high quality restaurant in the town).

### 5.3 Discussion

In Table 5.1 we have summarized the description from the previous section to provide a basis for our discussion and cross-case comparison.

**Table 5.1 Summary description of cases in relation to the experience value chain**

<b>Restaurant</b>	<b>Staging the food experience</b>	<b>Food supply value chain</b>	<b>Destination value chain</b>
Antolan Hovi Manor	Russian food traditions Seasonal menu Intermediate cooking techniques Casual, but professional service Historic building Advanced training	Inexperienced suppliers Medium number of local suppliers Large: meat Small: fish, bread, vegetables, fruits Little interaction with suppliers	Intermediate local mechanisms for promotion Some access to basic complementary services Own advertisements during summer Cooperation with organizers of events/exhibitions Belongs to Charms of Saimaa
Kenkävero	Seasonal menu Intermediate cooking techniques Casual, but professional service Historic building Own garden Traditional training	Inexperienced suppliers Few local suppliers Small: bread, fish, vegetables, fruits Little interaction with suppliers	Intermediate local mechanisms for promotion Some access to basic complementary services Own advertisements Cooperation with organizers of events/exhibitions Belongs to Charms of Saimaa
Terti Manor	Seasonal menu and some customized Intermediate cooking techniques Casual, but professional service Historic building Own garden Traditional training	Inexperienced suppliers Many local suppliers Small: meat, fish, game, herbs, fruits, bread Development of suppliers Cooperation with local university	Intermediate local mechanisms for promotion Some access to basic complementary services Own advertisements Cooperation with organizers of events/exhibitions Belongs to Charms of Saimaa
Fjöruborðið	Fixed menu Basic cooking techniques Multiple dining spaces Casual, but professional service Little training	Inexperienced suppliers Few local suppliers Large: Langoustine, potatoes Small: Vegetables Little interaction with suppliers	Nonexistent local mechanisms for promotion Some access to basic complementary services Own advertisements Travel agencies
Friðrik V	Seasonal menus with additional variety Advanced cooking techniques Development of cooking techniques Multiple dining spaces Casual, but professional service Storytelling Artwork Historic building Cutting edge training	Inexperienced suppliers Many local suppliers Large: Meat, fish, dairy, vegetables, beverages Small: Vegetables, fish, berries and herbs, ice cream, beer, game Development and promotion of suppliers Initiation of supplier networks	Primitive local mechanisms for promotion Good access to basic complementary services Own advertisements Media appearances Promotion of destination with other service providers Advocacy for local food Guides and recognitions

Restaurant	Staging the food experience	Food supply value chain	Destination value chain
Bios Café	Seasonal menus Basic cooking techniques Self-service Traditional training	Inexperienced suppliers Medium number of local suppliers Small: Meat	Primitive local mechanisms for promotion Limited access to basic complementary services Own advertisements Belongs to Arctic Menu Advocacy for local food
Ongajoksetra	Seasonal and customized menus Intermediate cooking techniques Casual, but professional service Historic building Hunting and fishing	Inexperienced suppliers Own hunting and fishing Few local suppliers Little interaction with suppliers	Primitive local mechanisms for promotion Limited access to basic complementary services Own advertisements Tourist firms
Skagen Gaard	Customized menus Casual, but professional service Multiple dining spaces Historic building Storytelling Little training	Inexperienced suppliers Own garden Few local suppliers Little interaction with suppliers	Not using local mechanisms for promotion Some access to basic complementary services Mother company
Stigen Vertshus	Fixed menu with small changes Basic cooking techniques Casual service Traditional training	Inexperienced suppliers Large: meat Small: fish, meat, cheese, vegetables Close interaction with lamb producers	Primitive local mechanisms for promotion Limited access to basic complementary services Own advertisements Belongs to Arctic Menu and Visit Tromsø Travel agencies Local farms market
50 Kvadrat	Seasonal menus with additional variety Advanced cooking techniques Professional service Historic building Local furniture Cutting edge training	Experienced suppliers Medium number of local suppliers Large: Meat, dairy Small: Vegetables, fish, fruits and berries Development and promotion of suppliers	Advanced mechanisms for promotion Good access to basic complementary services Own advertisements Belongs to Kulinariska Gotland Guides Cross branding Culinary team Sweden
Hotell Borgholm	Seasonal menus with themes Advanced cooking techniques Professional service Historic building. Own garden Advanced training	Inexperienced suppliers Few local suppliers Small: vegetables, fish, herbs and fruits Little interaction with suppliers	Primitive local mechanisms for promotion Some access to basic complementary services Own advertisements Media. Guides Cook books

### 5.3.1 Staging the food experience

Most of the restaurants offer seasonal menus, i.e. menus that reflect the season, both in terms of customs and the availability of raw materials. There are two exceptions to that which are Fjöruborðið, which offers the same fixed menu during the whole year, and Stigen Vertshus, which is focused on the promotion of the Lyngen lamb. Furthermore, the fine dining restaurants (Friðrik V, 50 Kvadrat, and Hotell Borgholm) offer more variety in their set menus, especially Friðrik V, where the variation in menus is taken to the extreme.

The restaurants differ widely in the cooking techniques they use to stage their dining experiences. They range from basic techniques at Stigen Vertshus, which does not have a professional chef, and the simple and efficient techniques at Fjöruborðið, to the highly advanced techniques used at the fine dining restaurants. The advanced techniques provide means to enhance the uniqueness of the restaurant by preparing the basic components of their dishes directly from the raw material, rarely using intermediary cooking products. In some cases, such as in Friðrik V, this leads the chefs to be involved in experimental work on the development of new processes, such as smoking meat or mixing herbs, but in most cases the chefs participate in cutting edge training through culinary competitions and interaction with other chefs. The level of training in the restaurants seems to be dependent on the degree of variability of the menus, where the restaurants with the lowest degree of variability are least like provide advanced or cutting edge training.

Most of the restaurant use professional waiters to serve their customers. The service is casual in most cases, i.e. the emphasis is on a relaxed atmosphere where the guest should feel at home. Most of the restaurants stress the locality of the food during the meal, but they do so it in different ways. Some of them make notice on the menu, or on the buffet table, but only a few of them use storytelling, or narratives. The storytelling is centered on the locality of the food, the history of the people that have prepared it, and, if appropriate, how the dish is linked to local food traditions. Of the case restaurants the storytelling is probably playing the largest role at Friðrik V, where it is an expected part of the dining experience and guests may be disappointed if the owner, Friðrik V. Karlsson, does not appear at the table to tell stories about the courses and their origins.

Narratives can be seen as a way to reinforce the experience from visiting a gourmet restaurant and consume their meals. Stories can also be repeated and passed on to other people and thereby be used in order to market a restaurant by word-of-mouth. Gourmet restaurants are, however, not solely dependent on creating their own narratives but can piggy-back on existing narratives tied to their specific locations. In other words, these restaurants can tap into the existing “place-myths” (Urry, 1995) associated with the locations where they operate and adapt their menus and restaurant designs to fit the local myths. The importance of narratives has become widely recognized during the past years in studies of how places attract tourists and other visitors. For example, Mossberg et al. (2006), show how places that are tied to specific interesting stories attract visitors and tourists, and how stories are important in the marketing of the particular places. The relationship between locations and restaurants also works the other way so that the supply of food and restaurants of a particular location can serve as an important element in the branding and marketing of places (Tellström, et al,

2006). Such narratives are central in the marketing in food tourism, which has been credited as one of the fastest growing segments in the tourism industry. An example of how individual restaurants can serve to generate tourism would be how the restaurant The Fat Duck located in Bray, Berkshire, outside of London, has attracted visitors and the establishment of other restaurants, developing into something of a regional food and restaurant center.

The restaurants differ to what degree the dining space itself supports the local identity of the restaurant. In the case of Bios Café, Stigen Vertshus, and perhaps Fjöruborðið, little is done to connect the dining space to the local region. In the other cases the restaurant is located in a building that has a specific historical link to the region. In addition, some of the restaurant, such as 50 Kvadrat and Friðrik V, emphasize local designers and artists through the use of local furniture and artwork. Others, such as Kenkävero, Tertti Manor and Hotell Borgholm, use a local garden as means to express the locality of the food.

### **5.3.2 The food supply value chain**

When the case restaurants started to emphasize local food most of the regional food supply value chain consisted of suppliers that had little or no experience of serving high quality restaurants. In only one of the cases, 50 Kvadrat, did the suppliers have a prior experience from serving these customers.

The size and the composition of the local food supply vary considerably among the restaurants. Fjöruborðið, Hotell Borgholm, and Ongajoksetra, have very few local suppliers. In the case of Fjöruborðið the main reason is the simplicity of their menu, but for Hotell Borgholm and Ongajoksetra the reason is that the chefs are not happy with the availability and quality of local suppliers. Friðrik V and Tertti Manor have a large number of local suppliers, many of which are very small. In a number of cases, e.g. Friðrik V and 50 Kvadrat, some of the local suppliers are fairly large firms, at least locally. In most cases these firms are meat producers, fish processing firms or dairy firms. The small producers may be specialized meat producers, e.g. producing Norse sheep or goats, hunters, individual fishermen, pickers of berries and herbs, micro-brewers, or vegetable farmers.

The case restaurants seem to split into two equally sized groups when it comes to interaction with suppliers. About half of the case firms (Fjöruborðið, Skagen Gaard, Hotell Borgholm, Antolan Hovi Manor, Kenkävaro, Ongajoksetra) maintains a business relationship with their suppliers, but are not much involved in their development or promotion. The other half is, however, heavily involved in such activities. In that case the restaurants encourage their suppliers to develop new products and in many cases help them doing so and to promote the products in the market in one way or the other. Having a high quality restaurant using their products creates legitimacy as it signals quality. The case of Friðrik V is notable in this regard as the owner has been instrumental in increasing the cooperation among local suppliers through the creation of a local food network involving both suppliers and other restaurants in the area. Also in the Bios café case the owner has worked in a similar way.

The level of interaction with the suppliers depends on the need of the restaurant, the existence of experienced food supply chain, and how successful the restaurant owners have been in mobilizing suppliers. When menus are fixed, as it is at Fjöruborðið, there is not much need for extensive interaction with suppliers. The quality of the raw material is important, but there is

little need for development. When the requirements for variety and uniqueness are high, as is in the case of Friðrik V, the ability of suppliers to innovate is very important. If the local food supply chain is used to serve restaurants that have such requirements, as in the case of 50 Kvadrat, they are likely to be able to accommodate this need for another new restaurant. However, if the local supply chain is not used to these requirements, as in most of the cases, the entrepreneur needs to mobilize and educate them. In the case of 50 Kvadrat there already existed similar restaurants. The restaurants differ widely to what degree they have been able to do so. For example, in the case of Ongajoksetra the owners have not been able to obtain raw material of sufficient quality from the suppliers. Their reaction is to do the hunting and fishing themselves. Similarly, Hotell Borgholm has only a limited supply from Öland, but depends on national suppliers in Sweden. In other cases, such as Bios Café, Stigen Vertshus, Friðrik V, and Tertti Manor, the owners have been able to foster and develop a substantial network of local suppliers that help the restaurants to develop their food offerings. In the case of Friðrik V this has been done by creating a formal organization for suppliers and service provider and the promotion of a label that marks food supply and food offerings as being based on local ingredients or traditions.

### **5.3.3 Destination value chain**

For most of the restaurants there existed a primitive or intermediate mechanism for promoting the destination when they started to offer local food. Only in Gotland was there advanced mechanisms in place at that point that even included a consortium of high quality restaurants. However, the restaurants differ widely when it comes to access to basic complementary services for their guests, such as accommodation and leisure. In a number of cases, e.g. Bios Café, Ongajoksetra, and Stigen Vertshus there is a limited access to complementary services, primarily because these destinations are in the countryside. Others, such as Tertti Manor, Kenkävero, Antolan Hovi Manor, Vid Fjöruborðið and Skagen Gaard are in the countryside but not too far away from the provider of such services. For Friðrik V, 50 Kvadrat, and Hotell Borgholm these services are within a walking distance. The availability of complimentary services is therefore directly related to how rural it is.

All of the restaurants use traditional advertisements to promote the restaurants. These advertisements appear in local, regional or national media outlets including newspapers, magazines, radio, and Internet. However, the restaurants have different opportunities, and use different methods, for marketing themselves as a part of a destination they share with other service providers.

The traditional way is to work through travel agencies who are selling packages for visitors. This is the prime method for attracting customers at Fjöruborðið, Antolan Hovi Manor, Kenkävero, Tertti Manor, Ongajoksetra, and Stigen Vertshus. In the three Finish cases these packages are often related to cultural events in the area, e.g. annual ballet and music performances. In one case, Skagen Gaard, the Great Life Company links it to a handful of similar destinations across Norway and thereby acts as a travel agency.

One way to link to the destination is through the participation in a network of local service providers. All of the Finish case restaurants belong to the Charms of Saimaa which is an organization promoting tourism in the Lake Saimaa district. Bios Café and Stigen Vertshus

are a part of Arctic Menu which is an organization promoting food from northern Norway, and 50 Kvadrat belongs to Kulinariska Gotland, which is an organization of the fine dining restaurants. In the case of Friðrik V many service promote the destination together, e.g. through advertisements, but only under the name of the destination Akureyri, not as a named network. Generally, the restaurant owners have not taken an active role in initiating, building and promoting these networks. Two important exceptions are the case of Friðrik V and Bios Café where their owners have taken a very active role.

Another way to promote the destination and the restaurant is through advocacy for local food. This advocacy is performed in many different ways, e.g. through participation in events, lecturing, radio programs, cook books, cooking classes and educational programs, but this primarily promotes the owner/chef as a public person that is linked to local food in general, and the destination and the restaurant in particular. The prime example of such an advocate for local food is Friðrik V. Karlsson at Friðrik V. He has initiated and organized various events, communicated tirelessly with local companies and individuals, had his own cooking program in radio, and published a book. In all official appearances he wears his cooking dress as a signature and has become a well known public figure, both locally and nationally. Other examples include the head chef at Hotell Borgholm and the owner of Bios Café who is actively involved in the Confederation of Norwegian Business and Industry.

A method of promotion that is only used by the fine dining restaurants is listing in culinary guides. In Sweden the White Guide evaluates and ranks all fine dining restaurants in Sweden. There is no equivalence in Norway and Iceland, but Friðrik V has been ranked in travel guides and guides for slow food enthusiasts.

#### **5.3.4 Managerial Challenges**

From our data analysis we have identified five managerial challenges as being most critical for creating and maintaining the experience value chain in high quality restaurants. These challenges are interlinked, meaning that the entrepreneurs have to balance one with the other.

##### *1) Addressing seasonality of demand and supply*

In the Nordic countries there are large seasonal differences when it comes to climate and light. Hence, spring, summers, and autumns tend to be short and winters are long. As a consequence, in addition to the uneven tourist seasons, the growing season is short leading to large variations in the supply of fresh local ingredients such as vegetables, fruits and berries.

The case restaurants address this seasonality in a number of different ways. Most of them have seasonal menus or customized menus that reflect the availability of supply and the traditions of the area. In many cases these traditions are related to traditional methods for storing foods during the winter period, such as smoking. Some go to the extreme and are able to become very flexible and opportunistic offering a set menu that may change during one night depending on the availability of raw materials and the number of customers being served. Still, others go to the other extreme and provide a very simple and robust menu that they offer all year long.

*II) Creating uniqueness based on location*

An important challenge for the restaurant owners is to nurture a uniqueness that is based on location but can attract customers and create a competitive advantage. In some of the restaurants this is done through the food itself and attention to food traditions, but in other cases this is done through the experience space by locating the restaurant in a historic building or use local design and artwork to signal the connection to the local community. These effects can be further enhanced through storytelling during the meal, where the host tells the story of the place, the food, and the people who have prepared the food. The strongest effect is obtained by combining the uniqueness of place, culture, and food ingredients, and to communicate it through the use of all five senses.

*III) Building the supplier infrastructure*

In all of the cases, except one, the food supply value chain has, in the beginning, little or no experience from serving high quality restaurants. This is challenging for the restaurants because they may not be able to deliver raw material of sufficient quality, they may be unable or unwilling to customize their offerings to the restaurants to provide the uniqueness that the restaurants seek, and they may be reluctant to experiment and generate interesting variety in their supply. All of the restaurants require high quality from their suppliers hence this is the number one challenge: to work with the suppliers to ensure the quality. Furthermore, many of the restaurants, most notably the fine dining restaurants, are interested in the uniqueness including the ability to generate variation. The latter is probable to require much more interaction with the suppliers as one aims to change their frame of reference. In our cases we see that this may require a tireless advocacy of local food and changes in how suppliers cooperate with one another, even suppliers that are competitors.

At the onset of this project it was believed that logistics was a major obstacle for building a local food supply chain. During the interviews it became apparent that logistics were not a major problem for the restaurants. Most of the local suppliers were in close vicinity able to get frequent deliveries of small batches. Only in a limited number of cases were logistics considered a problem, but they tended to pertain to non-local suppliers.

*IV) Assuring complementary services and experiences*

Where access to complementary services is limited the restaurant owners have to provide them themselves. While this can be challenging as it tends to require substantial investment in facilities, it is a necessary requirement. Without it they would not be able to attract customers. Restaurants established in close vicinity of complementary services are not required to provide these services and can instead focus on the food experience and how it can be made more valuable through experience enhancing activities. In only one case does the restaurant itself in isolation lead to the development of complementary services by others. Instead complementary services established by others to draw upon the popularity seem to require a basic infrastructure.

*V) Creating or linking into mechanisms of promotion*

It goes without saying that the most critical challenge of a new business is to attract customers. Mechanisms that promote the destination, such as networks of service providers,

helps to bring out the specific characteristics of the location and is likely to attract people that are interested in the uniqueness of the destination, including food. In most of these cases these mechanisms already exist in some form and have been further developed during the life of the restaurants. Very few of the restaurants owners have been directly involved in initiating and leading these networks. Instead these activities are the consequence of conscious policy by local and national governments.

#### 5.4 Summary

This chapter focused on the experience value chain of the restaurants and the managerial challenges associated with its creation and maintenance. We built on our definition of a business model in the previous chapter to divide the experience value chain into the staging of experiences in the focal firm, the local food supply value chain, and the destination value chain. We described the value chain in each of the case firms and discussed its similarities and differences. Based on these discussions we identified five critical management challenges for creating and maintaining the experience value chain. These are:

- 1) Addressing seasonality of demand and supply
- 2) Creating uniqueness based on location
- 3) Building supplier infrastructure
- 4) Assuring complementary services and experiences
- 5) Creating or linking into mechanisms of promotion

The restaurants have addressed these challenges in a number of different ways requiring varying degree of reconfiguration based on existing conditions and the characteristics of the entrepreneurs.

## 6. Current Nordic policies associated with high quality rural restaurants

### 6.1 Introduction

In the Nordic countries no specific direct rural or regional policy measures exist to foster high quality rural restaurants (HQRs). But HQRs are closely connected to tourism and to the experience and food industries, which are target sectors in many regional policy programs. Hence, several policy instruments may directly or indirectly have an impact on the value chain and performance of HQR. Thus, in this policy chapter we are referring to different overlapping policies which have an impact on the activities of HQRs, too.

In order to highlight the importance of the tourism and experience industries, where HQRs form a part of the service infrastructure of the region, we would like to point out that for example in Sweden the turnover of tourism and experience industry has been constantly increasing. Tourist consumption in Sweden has increased by almost 30% since 2000. The export value (tourism by foreigners) has increased by almost 100% in the same period. Eating out accounts for fifteen per cent of total turnover within the tourism sector, equaling approximately 35 billion SEK. The results of a survey commissioned by the Swedish Government shows that about 75 per cent of respondents considered a culinary experience in the countryside to be a reason in itself to visit a certain destination ([www.sweden.gov.se](http://www.sweden.gov.se)).

The rural and regional policies that might affect the restaurants we have studied are quite diverse in the countries involved in the study. Policies where some kind of connection with HQRs can be identified include, for instance, economic policy, regional and rural policy, innovation policy and tourism policy. All these policies may contain development programs on different clusters and / or branches of industry that might be of relevance to HQR. A large number of public agencies and other local actors are engaged with these different policies and development programs. From the perspective of our study the main interest lies on those rural policies that promote usage of local food and services and promote such cultures and events that foster the development of HQRs.

### 6.2 Positioning of value chain of HQR's in the policy context

#### 6.2.1 Finland

##### **Policy makers and supporting structure**

An OECD evaluation review published in April 2009 stated that Finland has developed a unique way of making rural policy. The special strength is the long-term cross-sectoral working method where public, private and third sector stakeholders are involved. The cross-sectoral collaboration demands consensual efforts of the actors. The Government has appointed a Rural Policy Committee (RPC) to promote well-being in the countryside ([www.ruralpolicy.fi/en/](http://www.ruralpolicy.fi/en/)). The RPC which works within the Ministry of Agriculture and

Forestry has an activator role in rural policy collaboration. Committee focuses the national level rural policy but it has regional and local partners. The Committee has theme groups in tourism, food and culture all policies that are connected to rural restaurants. From the perspective of HQRs Food Finland (<http://www.tkk.utu.fi/extkk/ruokasuomi/>) theme group is important since its task is to promote Finnish culinary art. Several other projects which promote Finnish food have been introduced, too. Food from Finland (3F) web site (<http://www.foodfromfinland.com/>) is dedicated to Finnish food and food culture. The site serves both business visitors and media.

The major authorities in rural policy in the Etelä-Savo region are the rural department of Employment and Economic Development Centre of Etelä-Savo (TE-keskus) and The Regional Council of Etelä-Savo. Further the higher education intuitions in the Mikkeli University Consortium; especially the Ruralia Institute of Helsinki University, MTT Agrifood Research Finland, and Mikkeli University of Applied Sciences are important stakeholders. These actors together with industrial policy experts in towns and municipalities including development companies are all actively involved in the formulation of policies.

The Etelä-Savo region has introduced a Rural Development Program (RDP) for the years 2007 – 2013. The RDP emphasizes the importance of versatile business activities in the development of rural areas. Services in rural areas are seen as important but the only aspects connected with restaurants are farm tourism and food industry. The program states that only sustainable versatile business will make a decent level of income and well-being in rural areas. The Regional Council of Etelä-Savo together with the rural department of TE-keskus has developed a profile in tourism industry. Tourism is one of the strategic prioritised areas where the purpose is to be branded as the Saimaa Lake area. The region is a host for festivals which produces customer potential for HQRs. The problem is seasonality since most of the festivals take place during summer time (for example Savonlinna Opera Festival, Mikkeli Music Festival). In the RDP it is noticed that local food is a prerequisite for the attraction of farm tourism in the area.

### **Best practice examples: Charms of Saimaa and Etelä-Savo region**

The origins of the Charms of Saimaa (<http://www.saimaancharmantit.fi/>) network are found in two network projects (Verkostoveto projects) where the entrepreneurs from Etelä-Savo Regions have been participating. The three Finnish case firms all belong to the chain and are owners in a limited-liability company Saimaan Charmantit Oy. It was established at the end of 2006 to enhance cooperation and marketing of tourist attractions in the heart of the Saimaa Lake district. The ownership of Saimaan Charmantit Oy is distributed among 14 firms and 3 tourism promotion organisations. Currently Saimaan Charmantit Oy includes the following firms: Anttolan Hovi Manor, Brewery-Restaurant Huvila, Butiken på Landet, Hotel Ruusuhovi, Kenkavero, Lomamokkila, NEXT Hotel Satulinna, Ollinmaki Wine Farm, Rapio Mill, S/S Heinavesi, S/S Paul Wahl, S/S Punkaharju, Sahanlahti, Tertti Manor, and Tynkkylän Lomaniemi.

These small experience producers have developed a chain where they take advantage of Finland's pure nature manifested both in a fresh and delicate cuisine and in creating other

experiences based on genuine culture and the landscape of the region. The chain serves as the service infrastructure for high class music and art as well as nature experiences.

The special feature of the member firms in the Charms of Saimaa is that they use narratives in their marketing and communication. Every member of the chain has its own story and personality. Even if they cooperate with each other and local event organizers they are also competitors. Charms of Saimaa may be considered as a special business model: The members have jointly produced a brochure in several languages, co-marketing in internet and national advertising. Moreover, they have ordered an EU leveraged video ([www.saimaancharmantit.fi/video/en/](http://www.saimaancharmantit.fi/video/en/)) of the Saimaa Lake area characteristics. This video is presented in Finnair international flights.

The partners give concrete support to one another by e.g. recommending each other to customers, when an opportunity comes. Further, to attract foreign customers it is important to have a bundle of high-quality destinations (14) in one district. The brand “Charms of Saimaa” has become well-known in a short time and has already given a positive drive to the tourist and experience industry in the region. In addition, the Charms of Saimaa has started cooperation with the Swedish Petit-hotel chain and in 2008 the Anttolan Hovi Manor and Terti Manor were a part of the Swedish Petit –hotel chain.

Although two of our case restaurants are located quite close to Mikkeli their image and surroundings are very much rural. They have a long history as rural restaurants but all of them have been recognized as and they have successfully exploited new opportunities as the environment has changed.

From the perspective of regional policy and strategy Charms of Saimaa has been a forerunner and is a best practice example. It has chosen an image and identity fitting the image and strategy of the Etelä-Savo region which revised its image and symbols in 2009 and became the Saimaa County.

## **6.2.2 Iceland**

### **Policy makers and supporting structure**

In Iceland policy decisions related to HQRs are made at two levels: at the national level and the municipality level. However, the government and the municipalities cooperate through a regional support structure that operates across many municipalities. The country is divided in eight regions. At the national level, the policies that relate to the regional development and tourism are crafted at the Ministry of Industry. These policies mainly affect the destination value chain. Policies relating to the supply value chain are crafted at the Ministry of Fishing and Agriculture, who is responsible for fishing, farming and food safety. Finally, the Ministry of Justice and Human Rights is responsible for specific legislation on restaurants. At the municipality level policies relevant to HQRs are crafted by the municipality councils.

The support structure implementing policies that relate to HQRs operates at three levels: the national level, the regional level, and the municipality level. At the state levels the main organizations implementing policies related to the destination value chain are the Institute of Regional Development (Byggðastofnun) and the Icelandic Tourist Board (Ferðamálastofa), both under the auspices of the Ministry of Industry. The Institute of Regional Development is responsible for implementing regional policies. This agency develops and monitors four year

regional plans aiming to strengthen rural areas. Furthermore, the agency provides financial support with the objective to strengthen industrial development, innovation and quality of life in the rural areas. The Icelandic Tourist Board is responsible for the implementation of tourism affairs. Main responsibilities include issuing licenses and monitoring of tourism related operations, the implementation of tourism policies, and the promotion of Iceland as a destination. The main organization implementing policies related to the supply value chain is the Icelandic Food and Veterinary Association. The association is responsible for food safety controls, veterinary services, and other services related to organic production, plant protection, meat classification, animal welfare etc.

At the regional level the main organizations related to the destination value chain are Business Development Agencies (Atvinnuþróunarfélög) and Tourist Associations (Ferðamálasamtök). Business Development Agencies provide assistance and guidance for establishing and running businesses within the region, including, but not limited to, help with marketing, product development, and financing. The Business Development Agencies receive funding from the Institute of Regional Development and cooperates both with the institute and individual municipalities. The Tourism Associations are grass-root organizations providing a venue for cooperation within each region. Their key activities have been to promote the region through the publication of marketing material, including websites, and participation in tourist fairs. The associations, in cooperation with other actors, are involved with regional information centers and regional marketing offices. The associations are partly financed through the Icelandic Tourist Board. The main organizations related to the supply value chain at the regional level are the Health Authorities (Heilbrigðiseftirlit) that work on behalf of the Icelandic Food and Veterinary Association as well as regional veterinaries.

At the municipality level the local government may assign individual liaison officers to promote and assist with businesses development or to help promote the municipality as a destination. These officers usually cooperate with the regional Business Development Agencies and the Tourist Associations. Two policy programs have been implemented that are very closely related to the promotion of HQRs. One is the creation of public-private regional growth agreements, the other is a program encouraging farmers to develop and sell their own produce.

Since 2004 the Institute of Regional Development and the Ministry of Industry have implemented their specific regional policies through growth agreements. The agreements are plans for innovation within a specific type of activities within a specific region. They are based on public-private partnerships with the aim to build vibrant clusters through both competition and cooperation.

Another important policy program to encourage farmers to develop local own produce is the Straight From the Farm (Bein frá býli) organization. The project was initiated in 2004 but the organization was formally started in 2008. The organization is composed of farmers that produce, or intend to produce, own food products that they sell on their own, not through the traditional distribution channels (the farmers' cooperatives).

### **Best practice examples: The Eyjafjörður area and The Suðurland region**

The case restaurant Friðrik V is located in the Eyjafjordur area which is a sub-region within the larger North East region. It has its own Development Agency, the Eyjafjordur Development Agency (Atvinnuþróunarfélag Eyjafjarðar). In 2007 the Marketing Office of Akureyri (Markaðsstofa Akureyrar/Akureyrarstofa) was established. It acts as the cultural-, marketing-, and tourism agency of the city of Akureyri with the aim of promoting Akureyri, both as a tourism destination and as a place to live or run a company. It runs the website [www.visitakureyri.is](http://www.visitakureyri.is). The Tourism Marketing Office (Markaðsstofa ferðamála) was established in 2003 and serves the northern part of the country (both the North West and the North East region).

The national government, local government and local companies created a growth agreement for the Eyjafjordur area for the period 2003-2007. The agreement specified a funding structure and a strategy/policy for developing the region. At the core of the agreement was the idea of cluster building. The focus was to build on existing strengths by further develop clusters within the four focus areas of health, education and research, tourism, and food. The emphasis of the tourism cluster was, among other things to promote Akureyri as a destination and coordinate local marketing efforts. One of the emphasis of the food cluster was to create a harmonized strategy for job creation and development. The Akureyri University and the Eyjafjordur Development Agency were responsible for implementing the growth agreement. While the growth agreement did not specifically address HQR it provided early seeds for the cooperation between Friðrik V and its suppliers, which eventually led to the establishment of the Food from the region (Matur úr héraði) association. Friðrik Karlsson had an important role in mixing the two clusters, i.e. promoting Akureyri as a destination for food tourism. The growth agreement was renewed for the period 2008-2010, but instead of dedicated clusters people and firms in the area could apply for funding of specific projects aimed at strengthening the area.

The other case restaurant Fjöruborðið is located in the Suðurland region. Suðurland Development Agency (Atvinnuþróunarfélag suðurlands) provides general advice and business support, not specifically to tourism or restaurants. As in other regions there exists a regional tourism association (Ferðamálasamtök suðurlands), which has representatives in the municipalities. The regional marketing office (Markaðsstofa Suðurlands - [www.south.is](http://www.south.is)) has been in the making since 1999, but is only recently up and running.

A growth agreement was established for the Suðurland region for the period 2007-2010. It was based on cluster building and tourism and food and fisheries were included as clusters. Specific emphasis was made on local food in 2008 following a conference on the issue and subsequently more cooperation was promoted among companies that want to promote local food.

### 6.2.3 Norway

#### Policy makers and supporting structure

This is by no means a comprehensive overview as the policy field is extremely diverse. As a starting point we would like to mention the three different levels in Norwegian governmental structures which are basic to understand how the policy apparatus is organized: The municipality level (local), the county level (regional) the ministries and underlying bodies (national level). These levels have different tasks in carrying out policies and also different means to implement policies, on the other hand some co-ordination and inter-management is also present. Hence we have chosen to touch into the regional development policies which consist of among others; policies towards the agricultural industry, the experience industry and policies promoting innovation and entrepreneurship. The agricultural sector in Norway is hallmarked by an increasing demand on efficient production and preparing for less subsidies and more international competition, hence the policy implemented has been trying to support more innovation and entrepreneurship among farmers and support business initiatives making farms having a more diversified income system, than only rely on the farm income and subsidies. On the other hand the experience industry has been quite neglected when it comes to policies and have not received much attention, except for the latest years when research programs and larger policy programs have been implemented and the sector regarded as increasingly more important for the Norwegian economy.

In Norway the travel and tourism constitute 3.3 percent of GNP and employs 6 percent of all employed; 138 000 man labour years (<http://www.ssb.no/reiseliv/>). An estimate of tourist consumption in Norway gives an amount of 108 billion NOK. This includes hotels, restaurants, transport, clothing, sports etc (Auno & Sørensen, 2009). In the period 2004 to 2008 this amount has increased by 30 percent. The largest part of the travel industry in Norway is constituted by hotels and restaurants; their part of the total production in 2008 was 34 percent. Looking at the production divided in counties, the travel industry is largest in the three northern most counties in Norway; Nordland, Troms and Finnmark where it constitutes 6 percent of the total production (Auno & Sørensen, 2009).

The most extensive governmental body to support the entrepreneurship and innovation policy is Innovation Norway (IN). IN's aim is to “promote profitable business development in the entire nation, and to promote the regions’ industrial possibilities by innovation, internationalization and profiling.” It is a nationwide organization, with regional offices collaborating with the county administrations. Seven ministries allocate financial means to Innovation Norway and to some extent to the 18 county administrations with the aim of supporting business development and regional development. IN are due to EES-regulations not allowed to support service industries such as restaurants per se, but they can support establishing and operation of networks and knowledge accumulation for these kinds of service businesses. IN has a set of larger programs which are relevant for the industries of current interest and for the Norwegian cases in this study. We will present the two most relevant programs here: The Value Creation Program for Food: VSP-Mat (VSP Food) and Value Creation through Regional Innovation Systems (VRI).

**VSP-Food**<sup>4</sup> is a development program started in 2001 and going on until 2010. The aim is to add value to primary producers of food, to the processing industry and to contribute to the restructuring of the agricultural sector by innovation and product diversity. The target groups are farmers, i.e. primary producers delivering raw material to the high volume part of the the food industry and primary producers delivering raw material to food specialty producers and niche food producers. Also food processing businesses and travel businesses such as different types of restaurants (cafes, cafeterias, tea rooms, fine dining etc) and trade firms and whole sale dealers are in the target group. It has been a means in the ongoing work with restructuring of the Norwegian farm sector and a policy to encourage farmers to start niche production of food. In the period 2001-2007 577.3 mill NOK was granted for projects in VSP-Food. The projects are mainly within marketing and sales (e.g. market tests, market segmentation and marketing activities for firms, industries or regions), market oriented product development, competence and business development (for instance restructuring of firms and knowledge improvement in firms). One evaluation of VSP-Food shows that the program has contributed to a larger diversity of food products in Norway, although the profitability for niche food producers is still questionable (Kjuus et al. 2009).

**The VRI-program** (Value Creation through Regional Innovation Systems) is an ongoing (2006-2010) national program aiming to promote innovation, knowledge development and value creation by regional co-operation and strengthen R&D in and for the regions ([www.VRI.fakta-ark](http://www.VRI.fakta-ark) – own translation). The national program is divided in 15 regions and each region has chosen 2-3 industries to promote. The VRI projects relevant for our cases is the VRI on food in Finnmark and VRI-travel in Troms and VRI on experienced based travel industry in Nordland. These projects aim at getting firms together in networks to define knowledge gaps, to co-operate and to innovate. Also to get the two other parts of the triple helix (R&D-institutions and governmental support bodies) to contribute to this.

### **Best practice examples: Arctic Menu and Nordland County as a culinary experience**

As mentioned above the travel industry is important for the three northern most counties in Norway. One relevant example on co-operation at the regional level is Arctic Menu. Arctic Menu is a formalized network of restaurants and cafés in the three northern most counties in Norway which work to promote development of food products in the service sector i.e. to get their member businesses to serve local food and to use arctic Norwegian ingredients in their cooking. Altogether 45 restaurants/cafes in northern-Norway belong to the network of Arctic Menu. They arrange courses and competitions for chefs, waiters and managers for their member businesses. Further, they organize meetings for their members to enable them to develop menus using local raw materials. Currently they emphasize storytelling as a part of the food experience. The network is hosted and managed by the Confederation of Norwegian Business and Industry (NHO). Two of our cases (restaurants) are part of the network.

In Nordland County we find another example on a development project towards food producing and service businesses. It is a project called “Nordland - a culinary experience” and it aims at developing a food strategy and initiatives to develop small scale and local food

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<sup>4</sup> This section is based on information from Kjuus et al. 2009

production. The purpose is to get more actors to co-operate whether they are from the agricultural sector, marine sector, cultural heritage or travel industry. The initiative to this project was made by the county governor's office for agricultural matters (FMLA) and the county administration. The co-operation across sectors is interesting and shows how the experience part of the traveling industry might encourage different sectors to co-operate.

#### **6.2.4 Sweden**

##### **Policy makers and supporting structure**

The food industry is the fourth largest employer in rural areas and it provides jobs for about 56 000 people in Sweden. The industry is highly fragmented with only 630 firms employing ten or more people and 40 per cent of all firms being sole proprietors without employees. The rural and regional policies have been instrumental to rural development and change in Sweden. A dedicated food strategy was introduced in Sweden in 2007 with the aim of strengthening competitiveness of the food industry, simplifying the venture creation procedures, contributing to the entire value chain, and to the regional development. The Government envisions Sweden as the next leading culinary nation and in this strategy sees possibilities for stimulating development in rural areas. Local and regional cuisines and food culture are increasingly attracting visitors both from within Sweden as well as from abroad. Capitalizing on this trend new food experiences are emerging. However, their competitiveness and sustainability is in part dependent on the existing value chains. Thus through the introduction of the Food Strategy, efforts are being undertaken to support the food experience producers as well as their suppliers and the existing sales channels.

The ministry of agriculture is working within the framework of a Rural Development Program which is part of the common EU Agricultural Policy. It promotes positive development in rural areas. The program aims to strengthen employment and growth in rural areas and to make use of natural and cultural values. The Government outlines the strategic focus and the county administrations break down (dissect) the general guidelines into specific goals and actions that will help achieve the goals in their region or county. In Sweden's national strategy, and resulting from the program for rural development, one is applying both top down as well as bottom up approach. The top down approach in form of Rural Development Program (RDP) is difficult to pursue effectively as each region exhibits different characteristics and thus there are many discrepancies in both what the regions possess and what they need. Therefore, the bottom up approach is being stressed as more effective, giving space for local and regional initiatives.

There is also a national Tourism Policy. Interestingly, restaurants in general and high quality restaurants in particular are not explicitly mentioned in the Tourism Policy. To the extent the national policy touch the topic, it relates to local food production and rural tourism. Thus, it becomes evident that policy makers are aware of the importance of both the rural location as an arena of value creation as well as that local produce and in particular regional food has potential to generate value. However, the restaurant as a medium of capturing the value has not yet been recognized on the policy level.

The goal of the Swedish rural policy is sustainable economic, environmental and social development in rural areas. The goal includes sustainable food production, employment in rural areas, taking account of regional conditions and sustainable growth. The rural development programme introduced in 2007 includes initiatives for regional development, for example measures aimed at promoting competitiveness, entrepreneurship, growth and innovation in agricultural and forestry companies, the the food industry and in small businesses in rural areas.

**Best practice example: Kulinariska Gotland**

An example of a regional Swedish policy is Kulinariska Gotland ([www.kulinariskagotland.com](http://www.kulinariskagotland.com)), a network of the eight best restaurants on Gotland. All of the members are featured in the food connoisseurs' bible "The White Guide", a guide to the 500 best restaurants in Sweden. The network was created in 2000 as an initiative by the local government, assisted by ALMI Företagspartner AB, a state-owned consultancy that promotes the development of competitive small and medium-sized businesses. Kulinarsiska Gotland received financing from European Union funds that were available during the initial three years of the activity. Currently, it is being financed by the members only, with no involvement and no help from the local government.

The idea for the network arose from observations of and feedback from food festivals that had taken place on Gotland in late 1990-ties. The local policy makers realized that the food festivals could serve as a vehicle to economic growth, but that more people, both local inhabitants and outside visitors, had to be attracted to the location for this to happen. Furthermore, the idea behind was not only to focus on increasing the number of customers but primarily on creating cooperation between the different actors active on the island and increasing their competitiveness. An implicit goal was to increase the level of infrastructural services on the island and create a widely recognizable brand of local food from Gotland.

The management team in charge of organizing the event initially had no criteria for determining who could become a member of Kulinariska Gotland. However, with the appearance of the White Guide in 2005, the decision about eligibility became based on inclusion in the guide. Inclusion in Kulinariska Gotland is a two-step process. If a restaurant has appeared in the White Guide a particular year it can apply for a membership. The restaurant needs to reappear following year in the guide to be able to become a full member. Only 2 out of the 8 restaurants were members from the beginning, the remaining restaurants were either started at a later point of time, like 50 Kvadrat in 2005 or became eligible first after being included in the Guide. The eighth and most recent member was added in 2008. Because of the selectivity, membership in Kulinariska Gotland brings prestige to the participating restaurants.

The members engage in a number of different activities such as First Sunday in Advent (Första Advent), Christmas Food Market, The early vegetables dinner (Primören Middag) that intend to increase customer awareness of the quality of local food and to show the variety of the food and different restaurants. For example, during the culinary event in early May (Primören Middag), the eight restaurants cooperate and prepare a dinner with an eight-course

menu, one course being prepared by each restaurant. The menu is served at a nearby castle. There are 1 250 seats available at the dinner, each costing SEK 2 000. Despite the price, the event is usually sold out in two to three days.

The members of the network also engage in joint marketing actions, buying a whole page in Gotland Guide (300.000 exemplars) where they advertise themselves as part of the Kulinariska Gotland. They work to make the Gotlandsflyg airplane company carrying their advertisements on the route Stockholm Bromma-Visby in 2010. Gotland has no explicit policy or actions directed towards restaurants. Restaurants are covered either under experiences or under food production.

### 6.3 The role of HQR's in the service infrastructure in Nordic Countries

#### **6.3.1. Finland**

In the Etelä-Savo region service infrastructure has not been systematically developed but some special projects have been launched to foster the experience industry and networking. Regional authorities have promoted networking to increase the tourism activity in the region. Pilot programs have been established and some successful outcomes of these projects have been identified. The Charms of Saimaa network, Järvi Suomen Sydän (The Heart of Lake Finland) and Saimaa Seal Team are examples of networking projects which have been supported.

From the perspective of the strategy of Etelä-Savo region the role of HQR is important since the image of the region will be based on the landscape, purity and lake Saimaa. Ecological issues including the promotion of the demand for local food will be emphasized. The infrastructure for experience services where HQRs are an essential part of the value chain should be developed to create a proper base for the implementation of the strategy.

There are no special activities to foster HQRs but the region is well known because of the world class events: the Savonlinna Opera Festival, the Mikkeli Music Festival and St. Michel Trotting Races. One objective of the region is to improve the facilities of leisure time living and these events serve the purpose well. When asked about the significance and impact of the rural restaurants in the region county secretary Jukka Ollikainen said that the volume of the rural restaurants is sufficient. However, the seasonality is a challenge since only some of these restaurants are open all year. In spite of this high quality rural restaurants may have a huge impact on the image of the region. For instance, decisions to organize international meetings may be dependent on the service infrastructure of the location where the meeting will take place. In this respect both Terti Manor House and Anttolanhovi are well known in different ministries. It is important to communicate the characteristics of the region to potential users of the services, and regional authorities may contribute to it. It would however be beneficial to create systematic marketing activities to support the development of the businesses in the region.

From the regional perspective the required resources to improve the operational environment or infrastructure to be able to develop a further cooperation and networking in the experience industry is dependent on the characteristics of the region. In Finland such national or regional

policies, initiatives and programs that benefit the position of HQR in the service infrastructure for example include:

- The development program of tourism in the Etelä-Savo region 2007 – 2013
- Local food supplies and food services supporting tourism (EU funded project)
- First-class food supplies from ecological county 2008 – 2012
- Landmarks Program 2010 – 2013/14, Rural areas as a resource for society (SITRA)
- Sapuska - International business from food supplies 2008 – 2012 (TEKES)

All these initiatives and programs are indirectly affecting the role of HQRs. As county secretary Jukka Ollikainen says: *“Similar infrastructure for tourism and experience industry cannot be built in every corner of the country.”* Consequently the decision to establish HQR is mainly an entrepreneurial effort and should not be directly depended on the decisions of the society. But the regions should recognize the importance of HQRs as part of their attraction and service infrastructure.

### **6.3.2 Iceland**

As stated above the public authorities and local companies created a growth agreement for the Eyjafjörður and Suðurland area. In Eyjafjörður the agreement was made for the period 2003-2007 and in Suðurland for the period 2007-2010. These agreements specified a funding structure and strategy/policy for developing the regions. The focus of these agreements is especially tourism and food and fisheries. HQRs were not directly at the focus of the agreements but especially in Eyjafjörður it served as the platform for Friðrik Karlsson to build his networks and act as a promoter in food tourism.

National level policies have not been very influential for the development of the case restaurants. The growth agreement made for the Eyjafjörður area triggered increased cooperation among tourism providers which resulted in increased cross-promotion of the area as a tourist destination. Friðrik V was an important participant in these activities and benefitted from them. Additionally, the growth agreement increased cooperation among food suppliers and created a local network promoting local food, among other things through establishing a label. Regional policies in the Suðurland region have had minimal impact on the development of Fjöruborðið, and only recently have there been policies that can influence HQRs in general.

### **6.3.3 Norway**

Innovation Norway and the County governor’s agricultural office (FMLA) have been active in Norway both in Finnmark and Nordland in order to mobilize and create networks for actors in the value chain. The promotion activities are originally allocated to primary producers but lately service providers such as restaurants and cafes and other experience producers have become target groups too. It has been a growing awareness of the importance of presenting local food through local (high quality) restaurants and the food and HQRs roles in tourism. Innovation Norway has identified that these actors (HQR) contribute to the development of new products. In Norway a successful project in Nord-Trøndelag county; the “Gyldne omvei” (The golden detour) has inspired others. This project made farmers, local food producers and

producers of handicraft products co-operate and to promote travellers by car to take a „golden detour“ by deviating from the main road E6 to visit these producers. PR-material is distributed and road signs make the detour visible. Now they try to develop this kind of offering in Finnmark as well.

In Finnmark a cross-national border network and cooperation with Finnish tourism entrepreneurs has been established. The purpose of this cross-border cooperation is to create a larger diversity of experiences and offer more accommodation possibilities. In the border area they found that in Finnish Lapland they offer accommodation but have few other experiences whereas in the Finnmark side of the board the situation is the opposite; few accommodation possibilities but many experience activities. The co-operation aims to take advantage of this and exploits the opportunities.

In Nordland a common initiative of FMLA and the county administration called “Nordland - a culinary experience” aims at developing a food strategy and initiatives to develop small scale and local food production. The purpose is to get more actors to cooperate whether they are agricultural, marine, cultural heritage or travel businesses.

National and regional initiatives and networks to promote development of experience and food production in Norway include:

- The government's initiative on tourism (Valuable experiences)
- VSP- for reindeer production
- VSP for food
- VSP for sea food/marine production
- On the yard (Inn på tunet). Green care and service production at farms
- Green travel industry
- Arena travel (Arena reiseliv), four arenas are set up in Norway by IN
- KONVEKST – digital tools for the experience industry
- NCE – center culinary of expertise in Rogaland
- The Norwegian research council's research programs on food and marine resources.

Our respondents emphasized the shift in focus from the primary producers, and promoting /supporting them to start this kind of production, to a focus on other parts of the value chain, for example on restaurants and actors in the travel and experience industry – as well as promoting co-operation between these stakeholders. The view is that for instance HQRs will contribute to the value added for the producers and identity building in local communities.

#### **6.3.4 Sweden**

In both Swedish case areas (Gotland and Öland) restaurants are seen as an integral part of the infrastructure. Öland, which is rather reactive than proactive in different measures, experienced recently an adverse trend of visitors. This made them aware that they need to increase the infrastructural base on the island if they want to be able to attract people in the

future. Restaurants are seen as a part of the infrastructure but at the time of the interviews no actions were planned or clear ideas presented. Their recently increased interest stems more from the fact that less people are visiting Öland in the last few years than as a sign of forward thinking.

Gotland seems to be very pro-active in its policy measures. They think that HQRs are necessary for developing a destination and attracting people both to come and visit and to live there. Vibrant local businesses, including restaurants are necessary to be able to achieve local economic growth. As in the other Nordic case areas, there is no explicit policy covering existence and development of rural high quality restaurants (top-down) in Sweden either. But importance of complementary services and food production are discussed in a number of bills. The bottom up approach in the more active communes is directed towards increasing competitiveness and cooperation, creation of clusters and not explicitly helping individual businesses. National and regional initiatives and networks to promote food production in Sweden include among others:

- Eldrimner, with Smaklust - food tasting fair in Stockholm
- Goda Gotland, including Produkt Gotland, Matön Gotland, Kulinariska Gotland, Gotland Deli, Tre Glas och Gotlandsgården.
- Ölands skördefest (Harvest feast)

#### 6.4 Comparison of the case areas and promotion projects in Nordic Countries

Comparison of different Nordic Countries and the selected case areas reveals that the policies connected to HQRs are quite similar. In all the countries in the study no direct efforts to support HQRs as a part of the infrastructure have been introduced. The main measures in the policies are connected with fostering of networking and collaboration between local food producers, restaurants and other experience producers (e.g. event organisers).

National level policies have not been very influential for the development of the case restaurants but they may have generated indirect effects which have a remarkable impact on the attractiveness of the region. The interviews revealed that HQR contribute to value added for the producers and identity building in local communities in all the countries. In Finland the brands of the well known events, restaurants and Charms of Saimaa chain have attracted international meetings organised by different ministries to the area. In Iceland the growth agreement made for the Eyjafjordur area triggered increased cooperation among tourism providers which resulted in increased cross-promotion of the area as a tourist destination. The case restaurant Friðrik V was an important participant in these activities and benefitted from them. In Norway it was suggested that HQRs create identity and self-consciousness for the local population. In Sweden, all the eight members of the network “Kulinariska Gotland” are featured in the food connoisseurs’ bible “The White Guide” which is a guide of the 500 best restaurants in Sweden.

In addition to customers the food producers and other experience industries attach great value added to local HQRs. Even if the ordered volumes may be low the exposure of their brands in the premises of HQRs gives them reputation and credit. In Finland several food producers referred to the image factor. In Iceland the growth agreement increased cooperation among food suppliers and created a local network promoting local food, among other things through establishing a label. The potential of HQRs in development of new products and menus was emphasized in Norway i.e. in the Arctic Menu. The “Kulinariska Gotland” network intends to increase customer awareness of the quality of local food. For example together they produce an eight-course menu, one course per restaurant and serve it in the Visby Castle for 1 025 guests and the tickets are easily sold out, usually within 3 days.

Previous studies emphasize the importance of social capital for rural entrepreneurship (Frazier and Niehm, 2004; Lyons, 2002; Rønning, Ljunggren and Wiklund, 2010). Popovich and Buss (1990) highlight the role of different kind of networks although they do not use the concept of social capital. Building of social capital is necessary for all the businesses and could be used as a tool for local development policy (Nahapiet & Ghoshal, 1998; Virtanen, 2007; Rønning and Ljunggren, forthcoming). In our case regions the policy measures which seem to have had a clear impact on the activities of HQR’s are quite often the projects which encourage collaboration and networking and thus build social capital. Saimaan Charmantit Oy is an example of the outcome of two networking projects where cooperation between participants led to establishment of a marketing arena where the firms involved became the founders of the company. The Norwegian Arctic Menu is also an example of the impact of co-operation and businesses networking. The implication of this is that in the networking project the administrative personnel of the project should encourage the entrepreneurs to take advantage of business practices and their peers’ advices (Fischer and Reuber, 2003) and in the long run the administrative project workers should obviate themselves.

To gather market information it is important to have contacts outside the region, while for local collaboration it is essential to maintain good relations with local actors. Frazier and Niehm (2004) found that rural retailers try to reduce local competition by avoiding selling same products as other companies nearby. Thus fruitful cooperation and networks could be established even if the participants are competitors within the same branch. However, it should be noticed that the commitment of the members is essential. Miller and Besser (2000) have studied the commitment of small business managers to community values. They found that commitment varies significantly and it also impact the selected strategies. The most committed SMEs were typically operating in services, retail or construction. This indicates that companies depending more on local customer base are also most committed to local values and development. In the case of HQRs this commitment could be shown by intensive linkages with local producers and event organizers within the whole value chain of the experience industries.

## 6.5 Summary

In this chapter we have dealt with the policies that promote high quality rural restaurants as well as the impact of HQRs on local development. There exists no policy that would have

direct impact on HQRs in any of the Nordic countries involved in the study. The policies that have an indirect influence on the HQRs include economic policy, innovation policy, rural and regional policies, and tourism policy. These policies are carried on at the national, regional and municipality level. Even if tourism policy is introduced in all the areas and about three fourth of the tourists consider culinary experiences one of the main reasons why they visit an area, no signs of a direct promotion of this kind of service infrastructure was found.

However, the regional cases show that in all the countries some promotion efforts supporting HQR activities have been introduced. These efforts include 1) promotion and development of networking and building of social capital (Finland, Norway, and Sweden), 2) creation of growth agreements (Iceland), and 3) development and innovation programs (Norway). The most important contribution of the HQRs to their communities are by their image and reputation as for example decisions of the venue of meetings and conferences may be based on the service infrastructure of the location. When analyzing the impacts of policies we emphasize that successful building of social capital and networks are dependent on the enthusiasm and commitment of the actors. Entrepreneurs are willing to listen and take advices from their peers. Thus the focus in evaluation of the activities should be on outcomes of private actions and community entrepreneurship instead of monetary inputs and efforts in public promotion projects.

## 7. Conclusions, policy recommendations and suggestions for further research

### 7.1 Conclusions

This study has explored research issues on the business models and value chains related to rural high quality restaurants in four Nordic countries. The restaurants obviously rely on primary production; farming and fishing as well as other natural food resources (e.g. berries and mushrooms), thus this part of the value chain as well as experience producers co-located with the restaurants who are or might be part of the restaurants offers are crucial for their business models.

Regarding the HQRs we did find that:

- To be able to understand the restaurants contribution to wealth creation one has to see the restaurants as part of clusters of experience producers. As discussed in the chapter on business models, the entrepreneurs perceive their restaurants in broader context. They are aware that their success often is dependent on the existence of complementary services, for example accommodation. The entrepreneurs realize that where the infrastructure exist, creation of memorable personal experiences becomes vital for attracting customers and for differentiation from other businesses. The restaurants in our study are all part of networks and as such they play important role for the regions they are settled in.
- The restaurant entrepreneurs contribute to regional change (development) by institutional change or by acting as community entrepreneurs. For instance they actively contribute to building local business networks and thereby change mind sets (“Is this possible here?”). The restaurant entrepreneurs encourage others to start-up businesses producing local food. They also make changes of the perception of the restaurant experience (e.g. expectations of what local food is) and thereby contribute to changing of mind sets. One outcome is that they change the perception of the place they have localized their business and thereby contribute to image building and pride of home town or village. Even though some of the restaurants are of little financial impact for their suppliers, they contribute to the development of their products and give their products credibility. And this is important for the suppliers.
- We identified five critical management challenges for creating and maintaining the experience value chain. These are:
  - 1) Addressing seasonality of demand and supply
  - 2) Creating uniqueness based on location
  - 3) Building supplier infrastructure
  - 4) Assuring complementary services and experiences
  - 5) Creating or linking into mechanisms of promotion

The restaurants have addressed these challenges in a number of different ways requiring varying degree of reconfiguration based on existing conditions and the characteristics of the entrepreneurs.

- The restaurants as such have very small bargaining power with their suppliers, but as emphasized by restaurants from Kulinäriska Gotland if they interact with suppliers as a group, their power increases, allowing them to negotiate better deals, improve their economical situation

Regarding the producers of food we did find that:

- Uniqueness is important for the restaurants in our study, but local food producers do not often know how to promote the uniqueness of their product.
- Being supplier to restaurants require a professionalized attitude to quality control and delivery deadlines. This is an important competence the restaurant push their suppliers on, making them better fitted for competition in other markets.
- Many of the local niche food producers have low or non-existing profit. This is because their volumes are small; one way (business model) to increase their profit is to control their value chain, i.e. raw materials, production and distribution. Some of the entrepreneurs have showed alternative growth strategies for local food producers: they do not necessarily need to expand their volume of production but to get people to their production site (usually the farm). This implies that they to a larger extent become a part of the experience industry and are able to build in profit in their product this way.

## 7.2 Policy recommendations

As shown in chapter six, although the policies in the studied four countries have some common features they are also quite different, i.e. two of the participating countries are EU-members, two are not. Giving policy recommendation valid for all Nordic countries is therefore a demanding task. We will however like to address some issue which might be feasible in the context of promoting rural businesses serving food.

- The policy should not only encourage restaurant and food producers to co-operate but to view the whole experience production chain (galleries, shops etc). It seems that most regional policies are primarily aimed at promoting the destination. To have a broader scope will make it easier to attract guests and helps build an infrastructure of complementary services.
- Reliance on local values can be used to create a story of the place and develop the place as a destination. These stories are often what attract customers. Thus, measures directed towards building the feeling of belongingness and pride of being a member of the community, as well as efforts directed towards creation of stories of the places can result in more joint efforts towards attracting customers, but implicitly also in increasing local competitiveness of the community. In addition one will improve the awareness of local specialties and local cooperation between the different actors.

- Some of the restaurants have brought up the issue of non-consistent quality level of the supplies as one of the limitations. Improving this situation would result in HQRs using more local materials/supplies thus giving more money back to the region. Thus, measures assuring more training for the suppliers or more cooperation in networks between suppliers & restaurants could lead to improvement and more consistent quality of the supplies.
- One can also train the restaurant entrepreneurs. There is currently a lack of specific business training for chef or restaurant entrepreneurs. This could be a training including knowledge on food identities and culture, experience production, experience value chains and creation of viable business models.
- Several local producers were concerned because of the low volumes and relatively high transportation costs. They were satisfied with the cooperation with HQRs since it contributed to their image as high quality suppliers. A solution to the problem of low volumes and high transportation costs as well as raise of the awareness could be a showcase for experience industry of the regions for instance in the capital area. The Regional Councils could take an initiative and establish a “Centre for Region NN” nearby the main railway station and/or airport where the supply of the region would be widely introduced and demonstrated. This centre should contain proper facilities for storing and selling foodstuff. The producers in the region could take advantage of common transportation and they could produce larger volumes. Event organizers could benefit from improved consciousness and HQRs would get larger customer base when the amounts of participants in different events would increase.
- One of the concerns and challenges in HQRs is to find such personnel who have skills and knowledge of handling of different raw materials and preparing of traditional food. Thus it is recommended that different characteristics and methods in preparing and using local ingredients in food production should be included in curriculum in vocational training institutes.
- One can further promote the food supply chain level. We have interesting examples from the case firms where policy has mattered for local cooperation (Charms of Saima, Arctic Menu, and Matur úr héraði). Such policies are important to promote innovation and variability in the local food supply chain. Important to involve large as well as small producers. Could these ideas be magnified to the Nordic level and will it be possible to establish a New Nordic Food label?
- In policy programs for experience industry and tourism more emphasis and direct measures could be allocated to the role of HQRs as part of the local service infrastructure.

### 7.3 Suggestions for future research

In this chapter we will briefly address issues which were not embraced in our initial research proposal but have been raised during the research project and that could be further addressed.

### **7.3.1 Discourses on New Nordic Food: the elite vs. everyday people**

The strong focus the New Nordic Food project has on chefs, high quality restaurants and gourmet food exclude or shadow the issue of how Nordic and locally produced food can be of relevance to the “normal” Nordic citizen. Those of us who eat at cafés, make dinners at home in a hurry and cannot afford expensive specialty products. One of the examples on how this could be addressed is exemplified by the case Bios Café which is “the everyday people’s café”, but still tries to use locally produces. How can these “every day cafes” be supported to use more local food? What kind of challenges does one need to address to make e.g. Swedish lunch restaurants adapt their menus and serve “local pizzas”?

### **7.3.2 A unique Norwegian issue? – Abattoirs for large scale production only?**

One issue which was raised in several interviews in the Norwegian cases was the production of meat especially the Norwegian abattoir structure. Several of our informants had strong opinions about this and expressed hope for mobile abattoirs to be put in production. One of the questions raised was how the abattoirs could be organized to be able to deliver smaller quantities of special cut meat, i.e. how small scale and niche food production demands can be met by and industry built for large scale production?

### **7.3.3 A unique Norwegian policy issue? – Predators and livestock on pasture**

The production of sheep meet and goat milk is heavily reliant on use of outfields for grazing. This contributes to the maintenance of the cultivated landscape which is perceived to be important for several reasons; Firstly, the cultural landscape in itself is of value, secondly it contributes to the biodiversity, thirdly it is a utilization of scares resources in a country where mountains and rocks are domination the landscape, fourthly it is recognized as important both for residents and tourist (i.e. the work in the Geirangerfjord area to maintain the cultivated landscape). In addition, the outfields with their diversity of grass, herbs etc provide an ecologic feeding of the livestock which seems to give special attributes to the quality and taste of the meat produced (see research project [Arctic mutton](#))

The sheep livestock is let on these pastures in early summer and is collected during early autumn. This makes them especially vulnerable for predators such as wolf, bear, lynx and glutton (aka wolverine) which are protected species in Norway. The conflict between farmers and environmentalist is quite hot. One of our informants who produce sheep meat of the old Norse sheep type told that he had lost 60% of his lambs and 14 % of his grown-up sheep on outfield grazing in 2008. This is an economic loss but also to no less degree psychological stress for farmers, and numbers from that particular municipality showed an increasingly number of sheep farmers who closed down. For goat milk production the problem is smaller as the (grown up) goats have to be milked and therefore are kept in the stables during night. Albeit this a topic addressed in public debates and in research this is a problem which need to be further elaborated upon.

### **7.3.4 The service infrastructure for local culinary experiences**

The role of the value-added service providers (e.g. restaurants) should be explored and studied more carefully. This kind of analysis would serve to allocate the resources efficiently and improve the competitiveness of those regions where the proper level and development of service infrastructure is included in the policy programs.

## 8. Further readings

At the EXPLORE-project has been interwoven in other projects at the participating research institutions more written material is produced. This material which is related to the project might be of interest for readers who finding the EXPLORE-project relevant. Underneath is a list of research papers, book chapters and scientific journal articles which are a part of the EXPLORE-project and of which some of the results and conclusions this report is based on. The authors will happily share their research so please do not hesitate to contact either of them.

1. Markku Virtanen: book chapter in Porrassalmi: *Local Cuisine as an Engine of Tourism in Etelä-Savo Region*
2. Magdalena Markowska presented a paper in the Fifth Workshop on Social Capital and Development Trends in the Swedish and Japanese Countryside, Jönköping, 18-21 August 2008. *Learning from networks: What to learn and from whom during the entrepreneurial process.*
3. Magdalena Markowska presented a paper that at the 6<sup>th</sup> AGSE International Entrepreneurship Research Exchange, February 3-6, 2009 Adelaide, Australia: *Cookbook or improvisational cooking: How and from whom to learn what is essential during the entrepreneurship process? A case of rural gourmet restaurant*
4. Markowska, M. Saemundsson, R. & Wiklund, J. (forthcoming) Contextualising Business Model Development in Nordic Rural Gourmet Restaurants, in (eds) Alsos, G.A., Carter, S., Ljunggren, E. & Welter, F. *The Handbook of Research on Entrepreneurship in Agriculture and Rural Development*. Cheltenham UK: Edward Elgar
5. Rønning, L., Ljunggren, E. & Wiklund, J. (2010) The community entrepreneur as a facilitator of local economic development. In C. Karlsson, B. Johansson & R.R. Stough (eds.) *Entrepreneurship and development – Local processes and global patterns* Cheltenham UK: Edward Elgar
6. Rønning, L. & Ljunggren, E. (2007) Community Entrepreneurship: Building Entrepreneurship-facilitating Social Capital. .
7. Roar Samuelsen Producers and consumers in the experience economy: What territorial shapes? Paper presented at *Regional Studies Association Research Network Workshop*, Neuchâtel, Swiss, 3<sup>rd</sup> – 4<sup>th</sup> December 2009

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## Appendix

### Appendix 1 Guiding interview guide restaurants

#### Interview Guide – Explore

##### 1) INTERVIEWEE'S BACKGROUND

Can you please introduce yourself and your role/position in the company?

- How long have you been working here?
- Has your role changed over the time?

Can you tell more about your educational and work related background in relation to the restaurant?

- Have you had any previous experience with running a business yourself?
  - Erfaring fra restaurant/hotel/reiseliv
- Have any of your family members or people you know well had a business before?
- What is your connection to the area/region?

##### 2) HISTORY

Can you tell us the story of the restaurant

- Why was it established? Av hvem?
- What was the concept? Er konseptet utviklet mye?
- What was the motivation?
- Why did you decide to start/buy/join the company?
- Kapasitet – hvor mange gjester?

How and why did you decide to start the business in this location?

- What were the main reasons? Resources? Business contacts? Family? Other?

##### 3) ORGANISATION AND PERSONNEL

- What kind of organisation do you have?
- Who are the owners of the business?
- How many people are in the payroll? Hvem gjør hva?
- Er noen fra familien involvert i driften/arbeider betalt/ubetalt?
- Omsetning?

#### 4) FOOD

How would you describe the cuisine/food you serve?

- Is there an overall idea behind the cuisine/food?
- Where does the inspiration come from?
- What type of experience do you expect to create for your customers?
- Who and how makes decisions about menu?
- How often is the menu changed and why? Seasonal dependence?
- Any major changes over time? Why?

#### 5) INTERNAL AND EXTERNAL SOCIAL RELATIONS

Who are your customers?

- Average age
- Reason – business, pleasure, celebration, tourism?
- One-off customer or returning customer?
- What is your customers looking for?
- How do you attract customers?
- Any major changes over time? Why?
- Hvordan får kundene vite om dere? Hva er de viktigste markedskanalen(e)?

Who are your main suppliers?

- How do you choose supplier? What is important in this choice?
- Do you try to build long term relations with suppliers or do you prefer to change suppliers often? Why? Samarbeidsstrategi? Hva er det viktigste dere samarbeider om?
- What is the role of the local suppliers and actors in your business?
- If you use local suppliers have you had any problems in using their products and services? What kind of problems?
- Have you identified any transportation or logistic problems when dealing with local suppliers?
- Any major changes over time? Why?

Cooperation and networking

- How are you connected with other organisations in the experience industry?
  - Other restaurants and hotels
  - Cultural events
  - Local and national authorities within your branch of industry
- How does your own organization contribute to cooperation in the experience industry networks?
- What kind of other organizations/ persons are or should be included in these networks?
- What are the barriers to successful local networking in the experience industry?

Are there any other external actors apart from customers and suppliers that you consider important for your business? Private or public?

- What is their role for success of your business?
- Who are your competitors?
- Where are they located?
- Have you started/entered any business alliance?
- What was the idea behind this?
- Why exactly this partner or business?
- Have you created yourself a further new business?
- Mattilsyn, kommunen

Food fairs or exhibitions

- Do you attend food fairs or exhibitions?
- Do you exhibit during such events?
- How do you choose what to attend?
- What is the main reason behind attending such events?
- How often do you go?

#### 6) DINING SPACE

Can you describe how you work in the dining section on a typical day?

- How many tables/seats do you have?
- Who is in charge of table setting?
- How many people are involved in serving customer?
- What is the role of chefs?
- What is special or unique about your location/ interior/atmosphere/service?
- Any major changes over time? Why?

Can you choose one customer you have served yesterday and describe who and how has handled the customer from when the person entered your restaurant to the moment the person left the restaurant?

- In time – how much time did the serving take?
- Is it one person responsible for greeting and serving the customer?
- Any major changes over time? Why?

Quality

- How do you take care of the high quality of your products and services?
- How do you measure the quality?
- How do you define a high quality restaurant?

### 7) BACK OFFICE

How do you run your business on a day to day basis - apart from preparing and serving the food?

- What are the routines?
- Who is dealing with day to day business in your restaurant and hoe is this done?
- Do you experience any problems with supplies (bottlenecks)?
- How do you deal with customer contacts (table bookings)? Who books? How long in advance?
- Any major changes over time? Why?

How do you do planning (for further development)?

- How do you plan further development of the restaurant?
- What are your future plans for the development of the business and organisation?
- How and when to plan marketing actions?
- If you were to hire cooking personnel, what would you look for?
- Any major changes over time? Why?
- What are you objectives concerning the size of your business?
  - turnover
  - the amount of personnel
  - investments
  - networks
- How are you going to develop the competence and skills in your business?

### 8) CHANGES IN THE ENVIRONMENT

- What are the most remarkable changes in your environment that have affected your business?
- How have you adapted to these changes in the environment?
- Have you introduced any kind of strategic or operational changes in your activities?
- What kind of opportunities does exist in combining the food experiences with tourism and cultural businesses?

### 9) GROWTH

- How has the business developed in terms of:
  - employee turnover
  - sales numbers
  - profits
- What has caused or influenced these changes? Why?
- Was all planned?
- Are annual report or similar available?

10) FINAL

- So, how did you feel about starting/buying/running the business?
- Did anybody help you or influence you in making this decision?
- Is there anything else you would like to add which we have not asked about?

**Appendix 2 Overview of Business Models in participating restaurants**

**Table 10-1 Overview of Business Models in participating restaurants**

CASE	CUSTOMERS	CUSTOMER VALUE	HOW TO MAKE MONEY?	REVENUE MODELS
50 Kvadrat	<ul style="list-style-type: none"> <li>▪ Visitors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fine dining</li> <li>▪ Other services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for service</li> <li>▪ Pay for admittance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low volume</li> <li>▪ High margin</li> </ul>
Anttolan Hovi Manor	<ul style="list-style-type: none"> <li>▪ Visitors/Locals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Traditional dining</li> <li>▪ Hotel</li> <li>▪ Wellness</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for service</li> <li>▪ Packages (customized)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Medium volume</li> <li>▪ Medium margin</li> </ul>
BIOS Café	<ul style="list-style-type: none"> <li>▪ Locals/Visitors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rustic dining</li> <li>▪ Product sales</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for service</li> <li>▪ Pay for products</li> </ul>	<ul style="list-style-type: none"> <li>▪ High volume</li> <li>▪ Low margin</li> </ul>
Friðrik V	<ul style="list-style-type: none"> <li>▪ Visitors/Locals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fine dining</li> <li>▪ Other services</li> <li>▪ Product Sales</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for service</li> <li>▪ Pay for admittance</li> <li>▪ Pay for products</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low volume</li> <li>▪ High margin</li> </ul>
Hotell Borgholm	<ul style="list-style-type: none"> <li>▪ Visitors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fine dining</li> <li>▪ Accommodation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for services</li> <li>▪ Packages</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low volume</li> <li>▪ High margin</li> </ul>
Kenkävero	<ul style="list-style-type: none"> <li>▪ Visitors/Locals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Traditional dining</li> <li>▪ Product sales</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for services</li> <li>▪ Pay for product</li> </ul>	<ul style="list-style-type: none"> <li>▪ Medium volume</li> <li>▪ Medium margin</li> </ul>
Ongajokstera	<ul style="list-style-type: none"> <li>▪ Visitors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rustic dining</li> </ul>	<ul style="list-style-type: none"> <li>▪ Custom-made packages</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low volume</li> <li>▪ High margin</li> </ul>
Skagen Gaard	<ul style="list-style-type: none"> <li>▪ Locals/Visitors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Traditional dining</li> <li>▪ Accommodation</li> <li>▪ Other services</li> </ul>	<ul style="list-style-type: none"> <li>▪ Custom-made packages</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low volume</li> <li>▪ High margin</li> </ul>
Stigen Verthus	<ul style="list-style-type: none"> <li>▪ Locals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rustic dining</li> <li>▪ Accommodation</li> <li>▪ Product sales</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for service</li> <li>▪ Pay for product</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low volume</li> <li>▪ Medium margin</li> </ul>
Tertti Manor	<ul style="list-style-type: none"> <li>▪ Vistors/Locals</li> </ul>	<ul style="list-style-type: none"> <li>▪ Traditional dining</li> <li>▪ Accommodation</li> <li>▪ Product sales</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for service</li> <li>▪ Pay for product</li> </ul>	<ul style="list-style-type: none"> <li>▪ Medium volume</li> <li>▪ Medium to high margin</li> </ul>
Vid Vid Fjöruborðið	<ul style="list-style-type: none"> <li>▪ Visitors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rustic dining</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pay for service</li> <li>▪ Volume discounts &amp; fixed menu</li> </ul>	<ul style="list-style-type: none"> <li>▪ High volume</li> <li>▪ Medium margin</li> </ul>





norden

Nordic Innovation Centre

## Nordic Innovation Centre

The Nordic Innovation Centre initiates and finances activities that enhance innovation collaboration and develop and maintain a smoothly functioning market in the Nordic region.

The Centre works primarily with small and medium-sized companies (SMEs) in the Nordic countries. Other important partners are those most closely involved with innovation and market surveillance, such as industrial organisations and interest groups, research institutions and public authorities.

The Nordic Innovation Centre is an institution under the Nordic Council of Ministers. Its secretariat is in Oslo.

For more information: [www.nordicinnovation.net](http://www.nordicinnovation.net)



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