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# FOOD SECTOR

## L'HORT A PROP

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2020-2021
@SOM_Mataró

# Part One

*La Carbassa* is a community-supported agriculture (CSA) group that buys directly from local farmers. Its members don't have enough time to organize all their orders, and the farmers can't offer personalized deliveries to each and every one of their customers. "L'hort a prop" has allowed them to centralize the distribution of their products and get them to each member's home with efficient delivery that saves time and emissions.

# The Idea

# Development

## Need

Centralize the logistics for delivering local organic products in order to save trips and time:

- For agricultural producers.
- For the stores and establishments that offer local organic products.
- For consumers who want to access these products individually or as part of a group but who lack the time to do so or prefer to find it all in one place.
- For the city, minimizing commercial traffic and pollution.

## Who needs this?

3 GROUPS. This service is aimed primarily at:

A. Agricultural producers who have to distribute their products to different points of sale at specific hours along commercial routes that are too complex for a producer their size, but who do not want to have to depend on middlemen.

B. Stores that offer a range of organic, local products all in one place.

C. Consumers from CSAs or similar groups with a centralized collection point and the possibility of home delivery.

## Idea

“L’hort a prop” is a gathering place for producers and consumers that makes it easier to distribute local, organic farm products.

We want everyone to have access to more ethical, local, organic food.

We are a wholesale and retail distributer that brings the farm to you with home delivery.

We distribute directly to stores, cooperatives and CSOs while minimizing CO2 emissions.

Depending on the results of the needs assessment, “L’hort a prop” may expand distribution to local kitchens (schools, retirement homes...)

1 World Enabled - (PDF) The Inclusion Imperative: Towards Disability-Inclusive and Accessible Urban Development
2 WHO – World Report on Disability
3 UN – Ageing
4 The term *one-stop shop* refers to a business that offers a range of products or services all in one place.

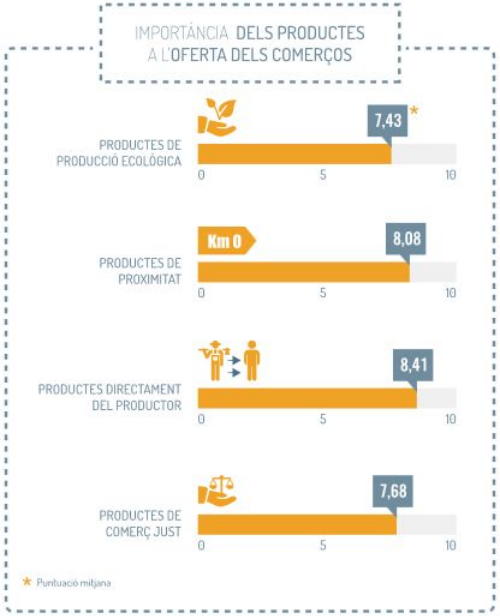
# Trends

## Trend A

You can feel it in the street, and a number of studies have shown a growth in the consumption of **organic** (bio, eco...), local and fair-trade products, what we might call **"conscientious consumption"**. Some ways of measuring this are the Baròmetre de Percepció i Consum dels Productes Ecològics (Government of Catalonia, 2015) or El Sector Ecológico En España (EcoLogical, 2018). In our region, there's also Hàbits de Consum i Compra del Maresme (Barcelona Provincial Council, 2019), which shows the increasing importance given to stores stocking this sort of products. The COVID-19 emergency was a tough test for **local products**, and they seem to have passed it with flying colours (this will have to be confirmed by the final figures from this period).

## Trend B

In keeping with the latest report on consumer habits in the Maresme region (and the wider Province of Barcelona), **54.60% of local purchases were made over the internet**. This trend is expected to rise according to the study Anàlisi del Comerç Electrònic des de la perspectiva del comerç de proximitat (Pimec 2018). Still, purchases of fresh food break with this trend. For some time now, producers and consumer groups have worked with online purchasing (using everything from simple spreadsheets to more complex programs or online stores).

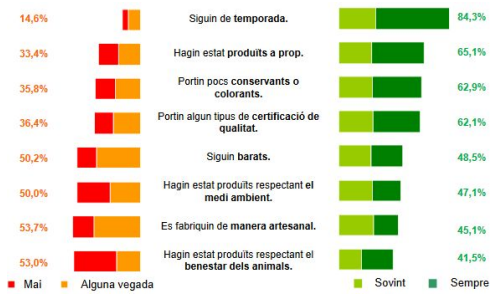



## Trend C

There has been a significant growth in **home delivery**, driven largely by online purchases, with the appearance of specialized companies (Glovo, Deliveroo, Mensakas...). According to figures published by specialized consulting firm Kantar Media, it has increased by 130% during the COVID-19 emergency. For some time now, supermarkets, takeout businesses and restaurants been forming alliances with home delivery.

## Trend D

There has been a noticeable trend, especially in large **cities, to make urban centres more liveable.** Health and welfare are improved by **reducing emissions, saving more space for pedestrians, and changing mobility and driving habits.** Law 16/2017 on climate change in Catalonia seeks to reduce the emissions of greenhouse gasses and favour the transition towards a carbon-neutral economy in keeping with the Kyoto Protocol and the Paris Agreement, two global commitments **against climate change**.



# Representation of Trends

These trends are represented by a number of cooperatives from the social and solidarity economy that can serve as sources of inspiration:

Mengem Bages and Mengem Garrigues: networks of producers for the joint distribution of local organic products.

Xarxa Agroecològica de Menjadors Escolars de Catalunya (XAMEC): an organization that promotes best practice and transparency in the food sector and encourages a shift towards organic food in school cafeterias.

Quèviure: a cooperative that groups producers and consumers together and serves as a wholesale distributer of responsible products.


EcoMaresme: a cooperative of farmers from the Baix Maresme region that prioritizes farm-to-table sales that skip the middle man.

Katuma: born to meet the needs of CSAs and small local producers who want to face the future together through digital cooperativism.

Xarxa de Pagesos Agroecològics de Catalunya: a network that defends farmers' autonomy with direct, dignified, fair sales and consumer solidarity.

# Conceptualization of the idea

## What?

"L'hort a prop" wants to be a logistics hub in Mataró that distributes the produce of local farmers and other socially responsible products. We provide the space and the transportation needed to make deliveries to homes and businesses easier.

Depending on the results of the needs assessment, which we plan to complete before designing a solution, we are considering **different phases for the project**:

a) Distribution to groups and CSAs that already buy directly from producers.
b) Distribution to stores and businesses.
c) Distribution to individuals.

**(Potential) differential values**:

- The social and cooperative value of the project.
- We guarantee a fair price (no middleman, no labour exploitation).
- We conserve the quality of products.
- We reduce emissions and contribute to the fight against climate change.
- We maintain the connection between producers and consumers and encourage knowledge of products: "connection between seller and buyer."

## How?

We expect that the project will receive municipal recognition for its role in making local producers more accessible and for minimizing the impact of emissions and motor vehicles in the delivery process. As a result, we hope the administration will provide assistance in launching the project, and that it will provide a space for receiving and storing products.

The positioning of the project will depend on the needs assessment and the size of different installations by sub-segment (product/price).

The optimization of product delivery routes will be key to the sustainability of the business idea.

Some key indicators are:

- **CAC** (client acquisition cost).
- **Avg. operation/service** (average value of each "operation").
- **Avg. fill time** (average time needed to fulfil demand)
- Recommendation.

## For whom?

The implementation of "L'hort a prop" can start in sectors where a regular exchange already exists (A and B). The sub-segments we choose to prioritize in C and D will depend on the needs assessment. This will depend on the urgency of the need, the type of solution required, and the resources needed to fulfil it.

**A.** **AGRICULTURAL PRODUCERS**: producers from Maresme and surrounding regions. In particular, those that prioritize direct sale and avoid middlemen. Initially, those that already have commercial ties to existing CSAs.

**B.** **CSAs:** existing groups that buy directly from producers.

**C.** **STORES AND BUSINESSES:** establishments that sell organic, local, fair-trade products. In particular, specialized stores, restaurants, takeout, etc.

**D.** **INDIVIDUALS:** people who buy or would like to buy directly from producers, but who are not members of a CSA or cooperative.

# Simplified layout of the business model

## Key alliances

- Local organic producers (and sub-categories).
- Existing CSOs and co-ops.
- Organizations promoting food sovereignty and responsible consumption.
- Organizations promoting local commerce.
- Associations defending the rights of bicycle messengers.
- Organizations promoting sustainable mobility and urban quality of life.
- Mataró City Council.
- A supplier of delivery vehicles.
- Entities dedicated to online sales of produce (Quèviure, Katuma...)

## Key activities

- Promoting the service among customer segments.
- Storage and refrigeration.
- Managing purchases.
- Boxing, preparing baskets.
- Planning routes.
- Distribution.

## Key resources

- Staff to receive, store and box products and manage orders.
- Staff to plan routes and distribute products (drivers, bicycle messengers).
- Infrastructure: warehouse, refrigerators, shelving, boxes/baskets, computer and printer, vehicles (electric, adapted bicycles), website.

## Value proposal

- Receive and distribute products from local organic producers ✔ CSA groups.
- Receive and distribute products from local organic producers ✔ businesses, restaurants and stores.
- Receive and distribute products ✔ from local organic producers to private homes.
- Promote local producers and reinforce food sovereignty. ✔ Promote quality of life in our city.

## Relationship with clients

- Build community.
- Manage trust between producers and customers.
- Earn customer loyalty with our delivery service.
- Discounts by volume.
- Visits and gatherings at farms.

## Channels

- Logistics: warehouse + delivery.
- Website/platform bringing together producers and products.

## Customer segments

- **Existing CSA groups** that buy directly from local organic producers.
- **Businesses and stores** offering organic, local, fair-trade products (specialized stores, restaurants, takeout, etc.). In the future, public cafeterias at schools or senior homes.
- **Private individuals**. Here, we can place the emphasis on mobility issues.
- **Local organic producers** without distribution infrastructure that sell directly to consumers.

## Cost structure

- Monthly wages = €5,000 (1,500 + 500 *2 + 750 + 250*1)
- Office/warehouse (min. 200m2) = initially, municipal cession.
- Utilities (light, water) =
- Depreciation of fixed assets/year

## Revenue model

- Maintenance fees from local producers (monthly).
- Fees from businesses, stores, CSAs for trips (monthly).
- Fees for home delivery from private individuals (per trip).
- Advisory services (included in the maintenance fee).

✔ Depreciation of delivery vehicles
- Website and maintenance
- Cleaning and disinfection
- Parking, other local fees.

✔ Dependent on the validation of the needs of this segment of recipients

✔ Dependent on the validation of the service/solution

Conceptualization of the idea

# Pre-feasibility of the idea

## Cost structure
(key activities, key resources, key alliances and channels)

| INITIAL INVESTMENT | | | |
|---|---|---|---|
| Social capital | 3.000 € | Internal financing | 3.000 € |
| Infrastructure, tools & transportation | 21.150 € | External financing | 21.150 € |

| PILOT PHASE[1] | | CONTINUITY PHASE | |
|---|---|---|---|
| **Items** | **Costs** | **Items** | **Costs** |
| Generated by the activity[2] | **150 €** | Generated by the activity[2] | **160 €** |
| Salaries | 2.000 € | Salaries[3] | 5.000 € |
| Maintenance | 50 € | Maintenance | 50 € |
| Tax management, job safety... | 290 € | Tax management, job safety... | 290 € |
| Website, brand, communication | 90 € | Website, brand, communications | 50 € |
| Other supplies | 70 € | Other supplies | 70 € |
| Insurance, fees | 55 € | Insurance, fees | 55 € |
| Depreciation | 325 € | Depreciation | 325 € |
| **Phase total (monthly)** | **3.030 €** | **Phase total (monthly)** | **6.000 €** |

1 In the pilot phase, we are considering minimum living costs (salaries at 50%)
2 If there is activity, we will focus on variable expenses. We have taken into account the electricity that powers our transportation and refrigeration systems, as well as the office supplies needed to prepare delivery notes.
3 In the continuity phase, we expect salaries to be at 100%. Other costs will vary little as compared to the initial phase. We have not taken into account financial expenses resulting from external funding.
4 In order to calculate the cost of the service, we have only included the cost of delivery (services A and B). Service C is, in fact, a fixed maintenance fee.

## Revenue model
(market sizing and fees for services)

| Dimensioning: | Individuals | |
|---|---|---|
| TAM (total possible volume within our area of activity) | 128.265 | > Mataró[1] |
| SAM (serviceable volume with the model and resources at our disposal) | 25.000 | |
| SOM | 9.000 | > 36% of SAM |

| Approximate rates: | Euros |
|---|---|
| Delivery to stores, restaurants, groups (multiple "baskets" at once) | 2,50 € |
| Personalized delivery (groups/CSAs and individuals) | 5,00 € |
| Maintenance fee (fixed monthly) | 10,00 € |

| Income/month (SOM >> continuity phase)[2] | % SOM | Euros |
|---|---|---|
| Delivery to group (approx. 3 days a week) | 21% | 4.800 € |
| Personalized delivery (approx. once a week) | 2% | 950 € |
| Maintenance fee (producers only) | 0,33% | 300 € |
| **Total income** | | **6.050 €** |

1 Population of Mataró (2019). Source: Idescat
2 Monthly income of the activity in the continuity phase which involves delivery to 20 businesses and restaurants, 6 CSAs/co-ops, 40 individuals and 2 schools in addition to fees from 30 producers.

# Point of balance (monthly)

Scenario for the point of balance under the following conditions:

- Product/service: sale to groups, restaurants, businesses, schools.
- The price of sale included under “Price (per unit)” corresponds with the distribution fee per basket.
- Costs are variable depending on the energy costs of distribution (electricity) and refrigerated storage, plus purchase of office materials for delivery notes and bills.

We will calculate the **point of balance** to determine how many product or service units need to be sold in order to cover costs, and to see if this volume of units is feasible with the resources at our disposal. The **formula** for calculating the point of balance is:

PE = CF / (PVunit - CVunit)

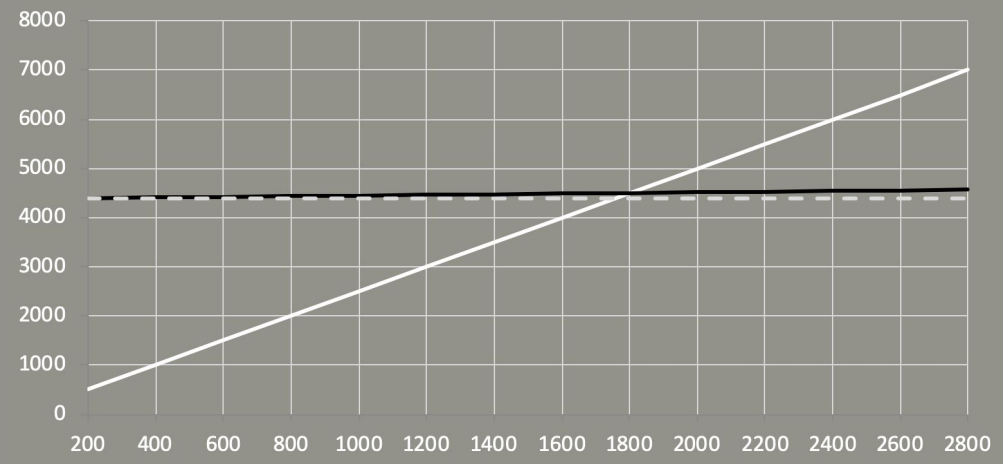
Variable costs

Revenue from sales

Fixed expenses

| | |
|---|---|
| **Turnover target:** | 4.800 € |
| **Fixed costs:** | 4.380 € |

| | |
|---|---|
| **Price (per unit):** | 2,5 € |
| **Variable cost (unit):** | 0,07 € |
| **Point of balance (units):** | 1.800 |



## Scenario for reaching viability

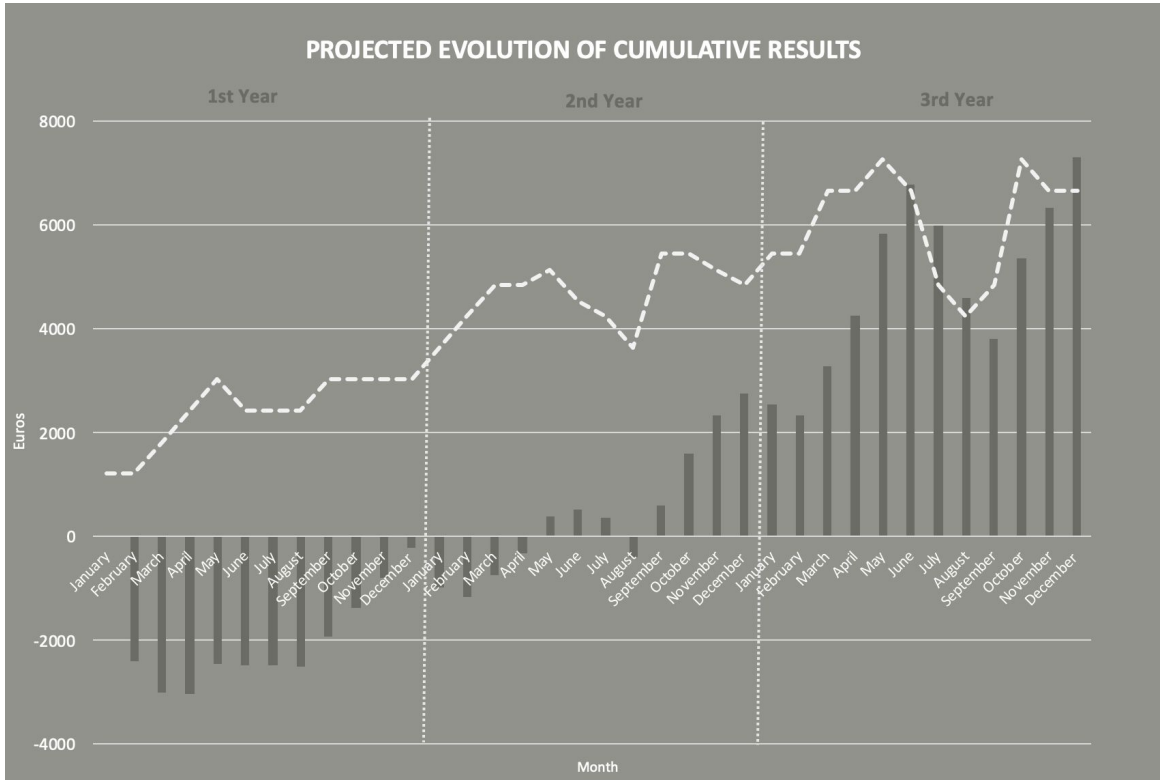
Planned scenario:

- **The first year**, salaries at 50% for 2 full work days. The goal is to establish the project and get it up and running.
- **The second year**, the goal is to increase the number of customers and delivery. ½ work day will be added, with 75% salaries for all.
- **The third year**, the goal is to reach viability. All expenses for the year should be covered. The project is viable.

 This scenario does not take into account covering initial investments. It seeks to show the gross results of the activity (EBIDTA).

The **formula** for calculating the point of balance is:

- The first year, an average of 40% of the sales target.
- The second year, an average of 75% of the sales target.
- The third year, we will reach 100% of the sales target.



# Validation of the Idea

## Part Two

# Validate needs with those that have them

Phase description: in all new products, before designing a possible solution for the detected need, it is a good idea to validate the needs themselves with those that have them. Therefore, in this phase, we need to (a) list the needs we think need to be addressed, and (b) check those needs with the people we believe have them.

## Hypothesis of needs:

A. Segment of producers

- Most of all, local producers want to sell directly to final customers or small, specialized stores and restaurants. They have a hard time distributing their products:
  - Too little time
  - Inadequate vehicles
  - Difficulty planning and optimizing routes
  - Difficulty with home deliveries

B. Segment of final consumers

- Not enough time to organize baskets
- Inadequate storage and basket-preparation spaces
- Too little time to purchase all products at markets (retail and bulk) or directly from farms
- Desire to maintain direct connection with producers

## Actions or strategies:

☑ Empathy exercise (focus on need):

In empathy exercises, we "put ourselves in the shoes" of the end users. We live their experiences first-hand in order to better understand their needs.

- Directly experience CSA activities: planning, reception, organizing baskets...
- Accompany producers as they follow delivery routes, plan orders...

☐ Stroll through online forums

This "stroll" through online forums can help us validate or even discover customer needs.

☑ Interviews with individual clients

The goal of these interviews is to validate each of the needs of the end users (list of hypothetical needs).

- Review the list of hypothetical needs with each interviewee. 10-15 interviews.

☑ Agent interviews

These fulfil the same purpose as the interviews with customers. However, in this case, they involve end users of the service or product.

- Review the list of hypothetical needs with each interviewee. 10-15 interviews.

# Validation of product or service/solution

Phase description: in all new products, before designing a possible solution for the detected need, it is a good idea to validate the needs themselves with those that have them. Therefore, in this phase, we need to (a) list the needs we think need to be addressed, and (b) check those needs with the people we believe have them.

## Product hypothesis

### A. Segment of producers

- Often, they lack adequate storage spaces.
- They need to plan and optimize delivery routes.
- They need more staff, or have to neglect important farm work in order to deliver products.
- They are willing to pay a fee (fixed + variable) for this service. This will allow them to adjust the price of their products.
- They cannot offer home deliveries.

### B. Segment of final consumers

- Often, CSAs lack adequate storage and distribution spaces.
- Not all members have time to prepare baskets (often a source of conflict in CSAs).
- Restaurants and specialized stores would like to buy directly from producers, but they lack the time and have to centralize purchases in other spaces.
- Individual consumers would like to maintain their connections with producers, buy directly from them and have their baskets delivered to them at home.
- All consumers are willing to pay a delivery fee: this reduces the expenses for the producer, which allows them to adjust their prices.

## Actions or strategies:

### ✔ Solution interviews

Solution interviews are an opportunity to validate the intended purposes of the service or product (list of functionalities) with the end users..

- 1-on-1 interviews on functionalities with potential users, together with an online or physical prototype.

### ✔ Solution interviews with agents

These serve the same purpose as customer interviews. However, in this case, the interviews are with the agents that interact with the final users of the service or product.

- 1-on-1 and group interviews with agents on functionalities for potential clients, together with an online or physical prototype.

### ✔ Online prototype

Online prototypes allow us to show the service or product to the customer. The objective is not to have a finished product, but to show customers some basic functionalities to get an idea of their impression and possible suggestions for improvement.

1. Mock-up of the website (layout and functionalities)
2. Web template with ecommerce and catalogue functionalities

### ✔ Physical prototype

**Physical** prototypes allow us to show the service or product to the customer. The objective is not to have a finished product, but to show customers some basic functionalities and get an idea of their impression and possible suggestions for improvement.

- Brand mock-up

# Validation of numbers

## Validation of numbers

Phase description: in this phase, we will confirm the information or hypotheses related to our economic and financial plan (fixed costs, variables, prices, margins) in the two dimensions related to our project (internal and external).

### A. Internal dimension

- We will review the principal fixed and variable costs for the product.
- We will confirm the margins applied to the products or services offered by analysing those used in the sector.
- We will ensure that the price of our products and services covers costs related to logistics, storage, distribution and/or commercialization.

### B. External dimension

- We will confirm our costs based on customers' perceptions and, in particular, on direct and similar competition from the sector.
- We will take into account the distinctive aspects of direct sale: direct customer service, the absence of middlemen, and the positive impacts on the environment, our health and the atmosphere in our city.

## Actions or strategies

Below are a series of action and tools to pursue in this phase.

### A. Internal dimension

✔ Review of fixed costs, variables

We will review fixed costs using information from the sector's main agents. We can also download economic-financial reports (for example, this balance sheet) from companies from the sector that could provide additional details on costs and margins.

✔ Review of prices

In this case, we will use a price analysis based on a collection of our fixed costs, variables and the margins of our products or services.

### B. External dimension:

✔ Comparative table of related entities

This comparative table will help us to collect and analyse the prices charged by the competition (direct or similar), to distinguish between those with high, medium and low prices, and to determine average fees in the market. This tool can also help us to collect and analyse other aspects of the competition such as the communication they use (brand, language, tone, etc.), the contact channels they use, etc.

✔ Customer perception

It is also a good idea to see the perceptions our potential customers have of our products and services.

Interviews with potential users of our services using the data obtained from the comparison with the competition in order to gauge their impression.

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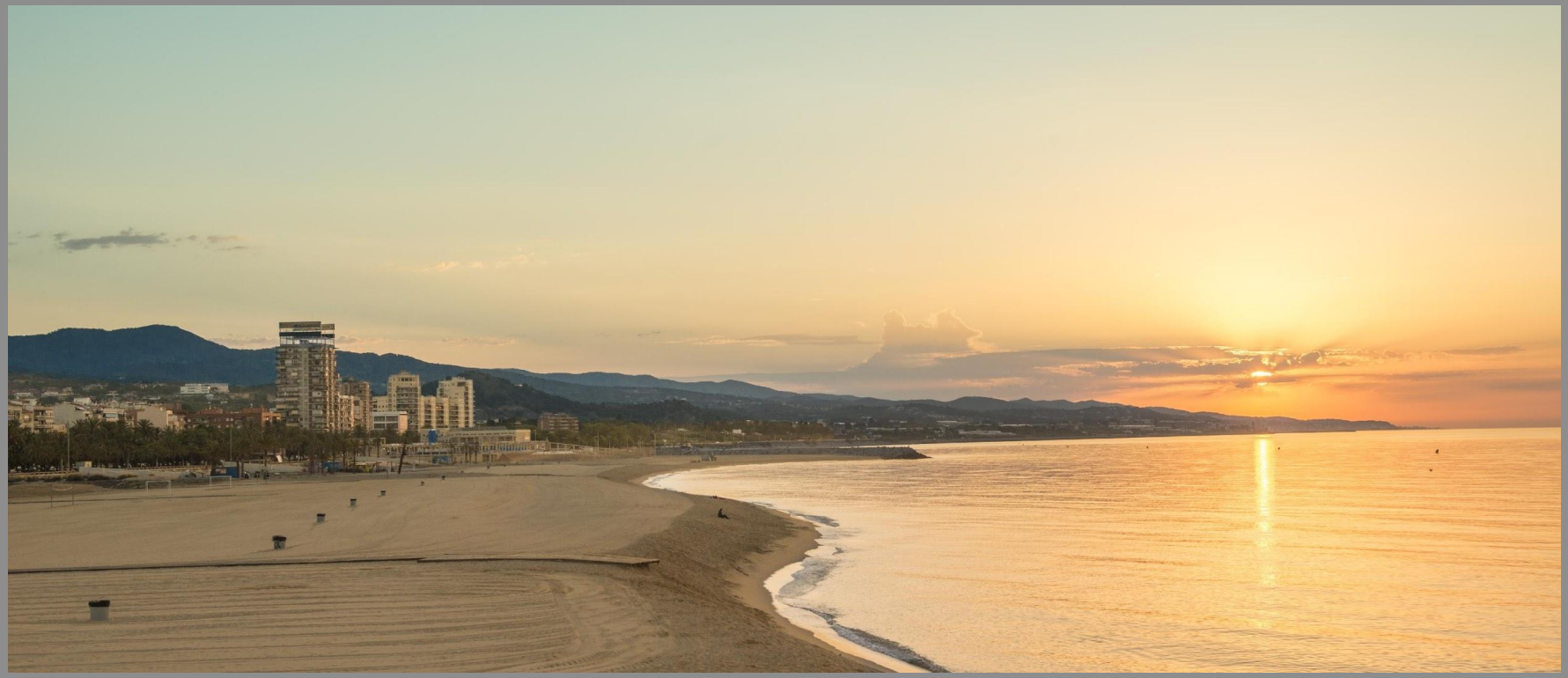
# Thanks!



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