



Rubizmo

Replication and upscaling strategies



DELIVERABLE 7.2

AUTHORS:

GATE2GROWTH & IFAU

DATE : 22.03.2021



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement N° 773621

Technical References

Project Acronym	RUBIZMO
Project Title	REPLICABLE BUSINESS MODELS FOR MODERN RURAL ECONOMIES
Project Coordinator	RISE RESEARCH INSTITUTES OF SWEDEN AB
Project Duration	42 MONTHS, FROM 1 ST MAY 2018 TO 31 TH October 2021

Deliverable No.	D7.2
Dissemination level ¹	PU
Work Package	WP7 Upscaling, Replication and Exploitation
Task	TASK 7.2: Replication and upscaling strategies for innovative business models
Lead beneficiary	Gate2Growth
Contributing beneficiary(ies)	IFAU
Due date of deliverable	30 November 2020
Actual submission date	23 March 2021

¹ PU = Public

PP = Restricted to other programme participants (including the Commission Services)

RE = Restricted to a group specified by the consortium (including the Commission Services)

CO = Confidential, only for members of the consortium (including the Commission Services)

Document history

V	Date	Beneficiary	Author
1	12.10.2020	G2G	G2G & IFAU
2	15.12.2020	G2G	Gate2Growth
3.1	05.01.2021	G2G	Gate2Growth
3.2	25.01.2021	RISE	Justin Casimir & Karin Andersson



3.3	05.02	SLU	Amanda Bengtsson & Thomas Norrby
3.4	01.03	G2G	Gate2Growth

Glossary

Bio-based value chains: the bioeconomy uses biomass resources - originating directly or indirectly from plants, microorganisms, or animals - and biological knowledge. A value chain can be based on biological resources but also use biological resources along the chain to improve sustainability. Businesses in this category rely on new forms of ownership, cooperation and cross disciplinary knowledge sharing mechanisms.

Business case: a certain enterprise in its entirety and/or a specific income generating activity of a specific enterprise as a Business Case. In the case of social innovation, it may well be organised in other ways than a specific business.

Business environment is a composite of policy, rules and regulations, funding, technology, consumer values, resources, and training and education in which various actors interact in action situations. These factors are external to a business yet facilitate or hinder the development processes of businesses.

Business model: the manner by which the business enterprise attracts and organizes its resources to deliver value to customers, entices customers to pay for the value, and converts those payments to profit. The same business model can be deployed for many different business ideas.

Collateral: refers to an asset that the lender accepts as a security for a loan

Ecosystem services refer to various benefits that humans freely gain from the natural environment and from properly functioning ecosystems. Businesses in this category base their business model on connecting communities, the environment, and the economy to create diverse economic activities in rural areas. They offer leisure activities (tourism or sports), provision of goods (e.g., food, biofuel, and water), maintenance and conservation of the environment services, wildlife, and biodiversity.

Food value chain refers to businesses that arise from the application of advanced agriculture science, new technological development, advanced logistics tools to develop a new food value chains, the use of marginal land, and methods for sustainability management that take account of trade-offs within the water-energy-food nexus.

Equity: value of the shares issued by a company

Funding sources: refers to different sources (bank, friends, own funds, grant etc) that a company have access to during its lifetime.



Innovative business case: A description of an ongoing business, which has implemented a new product, process, service, or market solution. Innovation is considered something new in the specific geography or market where it has been introduced, not necessarily something entirely new to the world, but can refer to an “old” solution applied in a new context.

Market Value: is the price an asset would be worth in the marketplace , or the value that the investment community gives to a particular equity or business.¹

TRL: Technology Readiness Level - is a method for estimating the maturity of a technology.

¹ <https://www.investopedia.com/terms/m/marketvalue.asp>



Summary

This Deliverable D7.2 Replication and upscaling strategies-report (D7.2-report) is a formal RUBIZMO reporting on findings and conclusions with respect to Replication and upscaling strategies. It is a deliverable formulated in the required form and with relevant RUBIZMO project references and terminology. It is not a “user handbook” but is intended to serve as inspiration and background for subsequently developing handbooks, guidelines, scientific articles, or policy documents.

The D7.2-report is directly linked to, and builds on, D7.1 Report on key-pre-conditions and business support measures which is confidential (D7.1-report). The D7.2-report is public and therefore some chapters are very similar or even identical with the D7.1-report. Both deliverables are an outcome of task 7.1 Replication and upscaling strategies for innovative business models which builds further on findings from WP2 (screening of business cases), WP3 (socio-economic analysis) and WP4 (business environment).

The focus in this deliverable is on how **businesses can either grow (upscaling)** and how tested **business model can be used in other scenarios (replication)**. We looked into the key-pre-conditions needed for developing a successful business case and examined some of the key elements that entrepreneurial businesses located in rural areas may experience. We call these elements “pre-conditions” because they are fundamental for developing and managing a successful business.

Pre-conditions are defined as a range of internal elements in the businesses that are fundamental for developing their business model and growing their business. The four most important elements are customer needs; product and /or service; business model, and management. The business cases that form the basis for the report are described according to the principles of the Business Model Canvas (BMC) and analysed in detail in D7.1- report as it involves confidential information about specific companies. In D7.2- report we have taken the most important parts of this analysis from D7.1-report and looked at the funding structures underpinning the business cases. Further on the report delves into replication and upscaling using a concrete example from the Virtual Library.

The D7.2 -report summarizes a series of lessons learned and policy recommendations targeted at support measures for rural entrepreneurs; capacity building; funding structures and, rural development in general mentioned in D7.1 -report as well.

Disclaimer

This report reflects only the views of the authors. The European Commission and Research Executive Agency cannot be held responsible for any use which may be made of the information contained therein.



Table of Contents

TECHNICAL REFERENCES	2
DOCUMENT HISTORY	2
GLOSSARY	3
SUMMARY	5
DISCLAIMER	5
TABLE OF CONTENTS	6
1. INTRODUCTION	7
2. METHODOLOGY	8
2.1 OVERVIEW	8
2.2 USING THE BUSINESS MODEL CANVAS	9
2.3 APPROACH TO ANALYSIS OF PRE-CONDITIONS	10
2.4 FINDING RELEVANT CASES	11
2.4.1 Data collection	11
2.4.2 Selection of successful business cases	13
3 ANALYSIS OF PRE-CONDITIONS	14
3.1 FOOD SECTOR MAIN FINDINGS	14
3.2 BIO-BASED VALUE CHAINS MAIN FINDINGS	15
3.3 ECOSYSTEM SERVICES MAIN FINDINGS	17
3.4 CONCLUSION OF FINDINGS ABOUT PRE-CONDITIONS	18
4. ANALYSIS OF FINANCIAL EXTERNAL PRE-CONDITIONS	19
4.1 GENERAL FINDINGS ON FUNDING STRUCTURES	19
4.2 SECTOR-BASED FINANCIAL ANALYSIS CONCLUSIONS	20
5. REPLICATION AND UPSCALING	23
5.1 REPLICATION	23
5.1.1 Blue Lobster	24
5.2 UPSCALING	28
6. LESSONS LEARNED FROM THE PRE-CONDITION'S ANALYSIS.	33
7. CONCLUSION	35
8. REFERENCES	36



1. Introduction

The goal of the RUBIZMO project is to support business growth in the rural areas and support the European Commission's efforts to mitigate the negative effects associated with the described challenges (JRC research, 2017):

- Low growth, under-employment, poor generational renewal,
- Sub-optimal infrastructures and services,
- Territorial imbalance, social inclusion, and poverty

Rural areas in the EU represent, according to a standard definition, 91 % of the territory and 56 % of the population². Rural areas are spread geographically and nationally across all EU member states. There are regions with less than 20% of rural area in total territory, but there are also regions where rural area are much more important and their surface is more than 80% of total territory.

In the past, rural areas were mainly used for farming activities to meet the food needs of people. However, since the 1960s, more and more attention has been paid to other goals, such as: landscape protection, land protection and other activities that respect the environment and its natural resources (Paniangua and Baker 2010). Recently, development of rural areas has changed significantly because rural areas have moved from being mostly a production space to a multifunctional consumption space for leisure, recreation, working and living (Halfacree 2006, Markantoni and van Hoven 2012).

One of the most important factors for creating economic activities in rural areas appears to be entrepreneurship. **Entrepreneurship is a strong driver** for creating economic activities in rural areas and, the analysis from previous RUBIZMO deliverables has demonstrated that there are multiple ways of creating economic activities in rural areas through the valorisation of local resources.

In many rural areas across the EU, the best prospects for generating economic activities for income and jobs are closely linked to the valorisation of local resources for the local market and beyond. The importance of entrepreneurship is disputed in the study of rural development (Kitchen and Marsden 2009, Korsgaard et al. 2015, Niska et al. 2012, Müller and Korsgaard 2018).

² <https://ec.europa.eu/jrc/en/research-topic/rural-development>



In this deliverable, we will examine some of the elements that entrepreneurial businesses may experience when located in rural areas or the business is otherwise connected with rural activity. We call these elements “pre-conditions” because they are fundamental for developing and managing a successful business.

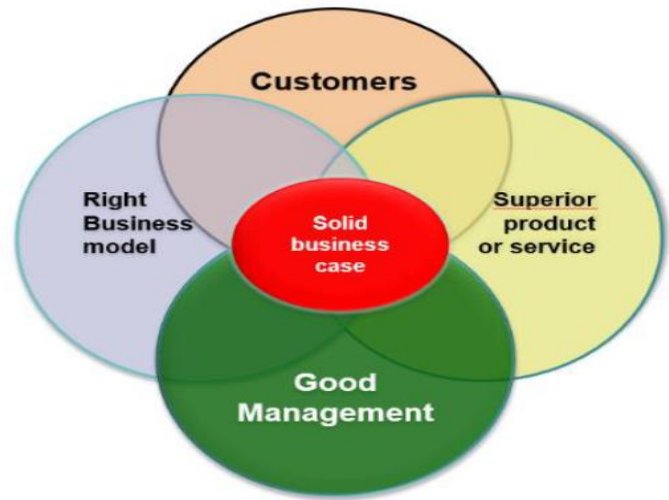


Figure 1: Pre-Conditions for a successful business

This document is the result of the work implemented in Task 7.1 of the RUBIZMO project, namely Replication and Upscaling Strategies for Innovative Business Models. It builds upon the D7.1 Report also derived from the same task and from which main conclusions and analyses will be used.

Reports elaborated in the RUBIZMO project have identified that there ARE many options for establishing and developing a successful business in rural and coastal areas. This will be further explored in the report-at-hand.

2. Methodology

2.1 Overview

This report is based on the analysis of the most significant elements of 19 successful business cases described in D7.1- report³ called pre-conditions. In this deliverable we have tried to identify and understand the diversity of pre-conditions underpinning rural entrepreneurship. The purpose is also to initiate replication and upscaling strategies for 19 new or existing business models/cases selected.

We have investigated and analyzed the pre-conditions of a collection of 19 successful business cases by using an approach based on: Business Model Canvas (BMC) analysis and description of each case; analysis of pre-conditions -based on a description and assessment of the four most significant elements in the BMC (product/service, customers, business model and management-see fig. 1; and the funding structure of the business cases from which the main conclusions will be presented in this report:

³ D7.1 Report on key pre-conditions and business support measures



2.2 Using the Business Model Canvas

The Business Model Canvas (BMC) is a simple, but effective, structure used for discussing how a business function. It is by far the most commonly used and implemented model by both private strategy consultancies and public support agencies, superseding models such as Porter's 5 forces and Mauborgne & Kim's Blue Ocean Strategy (while both models are still very popular).

The BMC was initially proposed by Alexander Osterwalder in 2005 and popularized in 2010.⁴



Figure 2: The Business Model Canvas- Illustrated for RUBIZMO

The BMC consists of 9 blocks that cover most of what to include in a proper business plan (the content of each block is mentioned below and is based largely on the book Business Model Generation, 2010)

- **Infrastructure:**
 - Key Activities: The most important activities in executing a company's value proposition.
 - Key Resources: The resources necessary to create value for the customer.
 - Partner Network: In order to optimize operations and reduce risks of a business model, organizations usually cultivate buyer-supplier.
- **Offering:**
 - Value Propositions: The collection of products and services a business offers to meet the needs of its customers.
- **Customers:**

⁴ Alexander Osterwalder and Yves Pigneur. Business Model Generation: A Handbook For Visionaries, Game Changers, And Challengers. Wiley, 2010

- Customer Segments: To build an effective business model, a company must identify which customers it tries to serve.
- Channels: A company can deliver its value proposition to its targeted customers through different channels.
- Customer Relationships: To ensure the survival and success of any business, companies must identify the type of relationship they want to create with their customer segments.
- Personal Assistance: Assistance in a form of employee-customer interaction. Such assistance is performed during sales and/or after sales.
- **Finances:**
 - Cost Structure: This describes the most important monetary consequences while operating under different business models.
 - Revenue Streams: The way a company makes income from each customer segment.

The BMC is quite an extensive framework and it provides an overview of the key elements of any company business model; however, it does not show the exact interaction between its key elements for the specific business models. In D7.1- report the BMC has served as a tool to describe the 19 most complete and innovative business cases analysed throughout the RUBIZMO project. This formed the first step in our search for the key-pre-conditions of a successful business case. Due to confidentiality, only summary of the analysis is presented in this report.

2.3 Approach to analysis of pre-conditions

Our analysis of pre-conditions was built on four elements, also known as the “**four circles**”⁵. This approach is also relevant **when explaining to investors about an investment opportunity, which is based on an innovative business idea**. Using this structure makes it easier to explain to an investor what is “**obvious**” for the entrepreneur - but unknown to the investor. In order to have a good business case, it is not enough, that there is a big market or a unique technology or obvious benefits for potential users. It all needs to be in place at the same time. This is illustrated where the four circles intersect, Figure 2.

⁵ How to attract investors, a personal guide in understanding their mindsets and requirements.



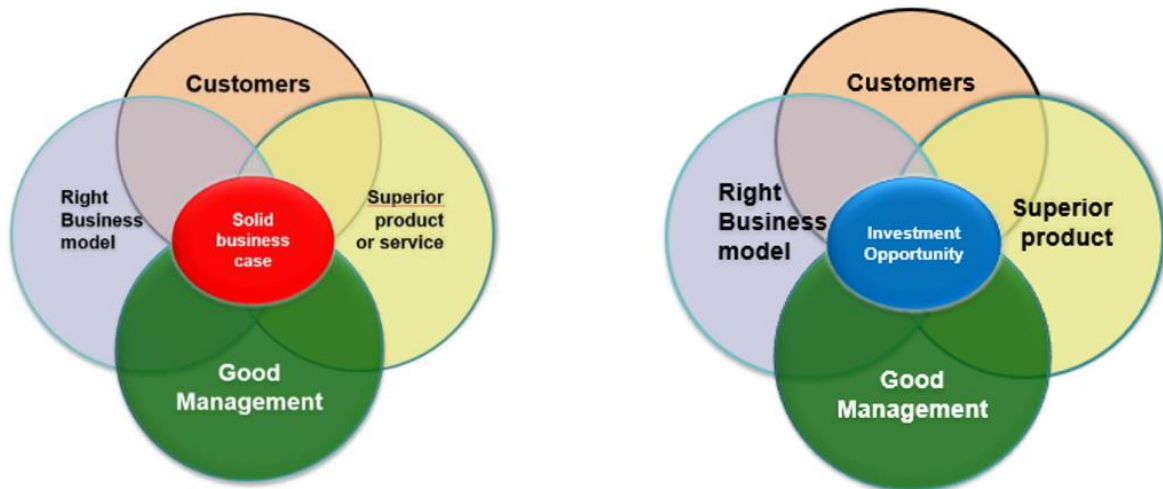


Figure 3: The four circles model (Uffe Bundgaard-Jørgensen, 2016)

Only when the four circles “overlap” you have a solid business case, which eventually could be attractive enough to attract financial investments.

The analysis of the pre-conditions includes the following elements⁶:

- Enough customers willing to pay for the product/services,
- Superiority in prices/quality/availability of products/services compared to competing solutions,
- The right business model,
- Good management and ability to convince necessary or essential funding resources.

The quality of these analytical summaries differs between rich and short description since the data underpinning the analysis varied between the business cases.

2.4 Finding relevant cases

2.4.1 Data collection

The selection of the business cases started with a desktop review on European funded projects under FP7, H2020, LIFE, EUREKA and INTERREG, as well as businesses and projects funded by national and regional programmes.

As the first selection did not deliver the intended number of business cases, a parallel process was initiated within the consortium to reach the target. Hence the RUBIZMO consortium searched directly for businesses from proven private initiatives or rural entrepreneurs using their respective networks. Those businesses were added to the database of business cases developed initially.

⁶ How to attract investors, a personal guide in understanding their mindsets and requirements, 2016.

After the desktop review, an initial contact was made by phone with representatives of the selected business cases. An interview guide was used for gathering information. This initial contact aimed to have a detailed understanding of the business, its business model, its activities, and its willingness to participate in the RUBIZMO project.

The information gathered also enabled us to identify and categorize the businesses into three key sectors: **biobased, food value chain and ecosystem services**. Moreover, as the business cases could be either sector specific or trans-sectorial, the RUBIZMO project investigated the innovations embedded in both the sector specific business models and in these trans-sectorial interactions outlined in figure 4, the RUBIZMO Matrix Approach. The three-sector and matrix approach is maintained in this Deliverable to ensure consistency with previous work in RUBIZMO. The information from the initial contact together with the data from the desktop review was used for the selection of the cases to be further studied.

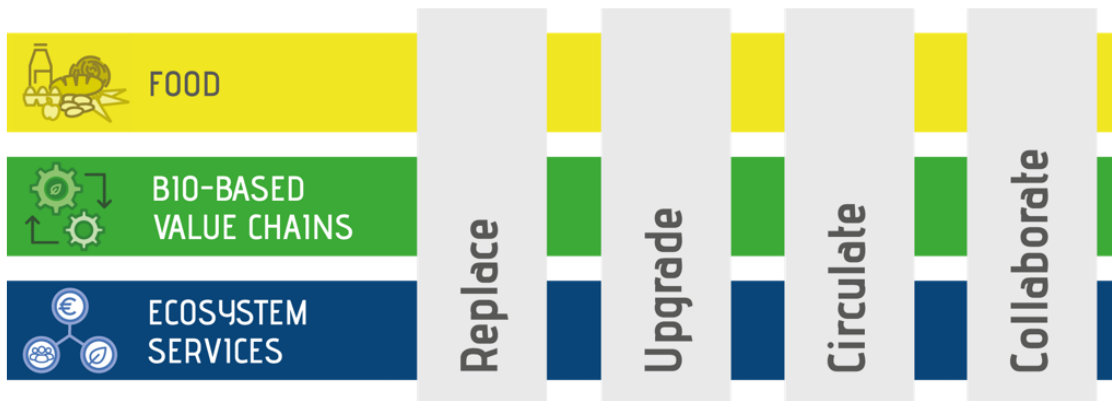


Figure 4: RUBIZMO Matrix approach

Over 140 businesses across 11 different countries were selected for the first-round interview.

The first-round interviews (Interview 1) were conducted, from January to February 2019, using a semi-structured interview guide. After this interview, the first selection of the business cases was conducted which selected 67 of the most innovative of the business cases. After this selection, a second interview (Interview 2) was conducted from June to July 2019.

During this round of interviews, specific detail information based on the business model canvas was collected. A total of 53 enterprises, out of 67 enterprises, completed the interviews. The data collections in both rounds of the interviews were conducted by all partners in their respective countries.



2.4.2 Selection of successful business cases

The selection of cases for this report builds on previous reports in RUBIZMO. Our partner from Italy- UNIBO has elaborated a report⁷ that provides an analysis of different business cases in order to identify commonalities and differences leading to the identification of distinct business models.

Our partner from Sweden SLU⁸ has also analyzed the data available, however they also used additional sources like the company web page, industry reports etc. The business cases with the most complete information have than been structured with the BMC illustration with complementary text that depicts the firm’s business model.

The process resulted in **19 full analytical summaries of the business cases that were the basis for D7.1-report⁹, (Table 1)**. 17 of the 19 business cases came from SLU’s process while the last two was identified by Gate2Growth (G2G) using their network.




Function Sector	REPLACE	UPGRADE	CIRCULATE	COLLABORATE
FOOD	EMIKO (GE) Hermetia (GE) Gårdsfisk (SE) BlueLobster (DK) Killbeggan Organic Foods (IRL)	Zorain (RO) Aarstiderne (DK)		Panier Local (FR) Coop Crowdfunding (DK)
BIO-BASED VALUE CHAINS	Ocean Rain Forest (FO)		Bio-Oils Huelva (SP) Valbiom (BE)	
ECOSYSTEM SERVICES	Järvsö resurs (SE) Coconat (GE)	DuePapaver (IT)	 Kosters trädgårdar (SE) Alp’grain (FR)	Abbeyleix Bog Project (IR) Eko Bajka (PO)

Table 1: The 19 business cases selected for the analysis in D7.1 report.

⁷ D.3.2 Report on benchmarking of business models, UNIBO, 2019

⁸ “Business model variants as opportunity space for successful rural ventures” by Per-Anders Langendahl and Richard Ferguson, SLU, 2020-04-17

⁹ D.7.1 Report on key-preconditions and business support measures (confidential report)



3 Analysis of pre-conditions

Why is it relevant to look at key-pre-conditions needed for developing a successful business case?

There are many underexploited opportunities for new business models rooted in the food sector, the bio-based value chains, and for valorisation of ecosystem services.

The potential for diversification of business models is multiplied by the magnitude of combinations that are possible thanks to technological progress, the ability to process and re-process resources and the creativity of forming new partnerships for collaboration. Therefore, having an in depth understanding behind the successful business case should enable us to come-up with the **right ingredients needed to replicate the recipe in different rural locations.**

The commercial realisation of new ideas and technologies, or exploitation of an untapped market potential, does not happen through wishful thinking, but requires careful examination of the opportunity identified. And the capacity of the business to be able to organize its resources and provide solutions all the way to the market.

The data analysis follows the sectors from the table above (table 1) specifically **food, bio-based value chains and ecosystem services.**

For each of the case analysed we started with a short summary of a case, followed by a BMC description, and ending with the 4 key-pre-conditions, however due to confidential reasons, in this report we will summarise the main finding of each sector.

3.1 Food Sector Main Findings


Function Sector	REPLACE	UPGRADE	CIRCULATE	COLLABORATE
FOOD	EMIKO (GE) Hermetia (GE) Gårdsfisk (SE) BlueLobster (DK)) Killbeggan Organic Foods (IRL)	Zorain (RO) Aarstiderne (DK)		Panier Local (FR) Coop Crowdfunding (DK)

Table 2: Companies analysed in the food sector in D7.1- report.

From the analysis of the ten cases in the food sector , the most prevalent denominators were identified as a business started by friends and or family; companies are very young up to 5 years except for (Aarstiderne and Killbeggan Organic Foods) the fact that the companies are very local. The detail analysis can

¹⁰ Circulate, Upgrade, Collaborate, replaced are the 4 pillars that we have mentioned both in the GA , fig 5 Matrix approach (part B p.11) as well as in the D 1.3 Definition of criteria for the selection of innovative business cases p. 21



be found in D7.1- report. We used all these elements to make a summary in table 3 and list the key findings.

Business case	Family business	Started by 2 friends or more	Young company (≤ 5 years)	Local company
EMIKO	X			X
Hermetia	X			
Gårdsfisk		X	X	X
Blue Lobster		X	X	X
Killbeggan Organic Foods	X			
Zorain			X	
Aarstiderne		X		X
Panier Local			X	X
Coop Crowdfunding			X	X
9 CASES	3 CASES	3 CASES	5 CASES	6 CASES

Table 3: Food Sector Summary of Concluding Observations

The key findings that stand out from the nine companies in the food sector are:

- Typically, these rural businesses are founded by people who are from the community. More often, than not, a small group of people such as friends or family.
- The people typically have connections to the local area with strong local ties.
- The companies are typically small, young corporations (≤ 5 years, except Aarstiderne and Killbeggan Organic Foods) with relatively few employees.
- The SME innovation will typically be embedded locally, and the significant local anchoring is the basis for their continued growth and success.

3.2 Bio-Based Value Chains Main Findings

Function Sector	REPLACE	UPGRADE	CIRCULATE	COLLABORATE
BIO-BASED VALUE CHAINS	Ocean Rain Forest (FO)		 Bio-Oils Huelva (SP) Valbiom (BE)	

Table 4: Companies analysed in the Bio-Based Value Chains sector



From the analysis of the three cases in the Bio-Based Value Chains sector, the most prevalent denominators were identified as capital-intensive companies, research based, access to local resources and whether or not local embeddedness plays an important role. We used all these elements to make a summary in table 4 and list the key findings. The detail analysis can be found in D7.1- report.

Case	Capital intensive	Researched based	Access to local /natural resources	Local embeddedness
Ocean Rain Forest	X	X	X	
Bio-Oils	X	X	X	
Valbiom		X		
3 CASES	Most of all	All cases	Most of all	None

Table 5: Bio-based Value Chains Sector Summary of Concluding Observations

In the bio-based value chains sector there are very different size of companies. Two of them are production companies like Ocean Rain Forest (production of macro algae) and Bio-Oils which is a large-scale bio-oil refinery.

Both companies build on many years of research and development and are developing innovative techniques.

Valbiom for example, which is a University initiative and organized as a non-profit organization supports companies in developments in bio-based sectors, e.g., non-food biomass, biofuels, and woody biomass on a membership base pricing scheme.

The key findings (from our small sample) are very different than the ones found in the food industry:

- The Bio-based value chain sector is in our sample characterized by larger companies, as the commercial exploitation tends to be quite capital intensive.
- The research which the products/technologies of the companies are based on are often done at universities or research centers as access to highly skilled specialized employees are required.
- The companies could have, but do not need to have local ties, but they do need to be located with access to the required natural resources.
- The availability of resources in rural or coastal areas is fundamental requirements for companies in the bio-based value chains.



3.3 Ecosystem Services Main Findings

Function Sector	REPLACE	UPGRADE	CIRCULATE	COLLABORATE
ECOSYSTEM SERVICES	Järvsö resurs (SE) Coconat (GE)	DuePapaver (IT)	 Kosters trädgårdar (SE) Alp'grain (FR)	Abbeyleix Bog Project (IR) Eko Bajka (PO)

Table 6: Companies analysed in the Ecosystem Services sector

From the analysis of seven cases in the Ecosystem Services sector, the most prevalent denominators were identified as family business, not for profit, and whether or not local embeddedness plays an important role. We used all these elements to make a summary in table 7 and list the key findings. The detail analysis can be found in D7.1- report.

Business case	Family business	Not for Profit	Local embeddedness
Järvsö resurs	X	X	X
Coconat			X
DuePapavery	X		X
Kosters Trädgårdar	X		X
Alp'grain		X	X
Abbeyleix Bog Project		X	X
Eco Bajka	X		
7 CASES	4 CASES	3 CASES	6 CASES

Table 7: Bio-based Value Chains Sector Summary of Concluding Observations

In this category, there are both young and old companies, and for profit and non-for-profit organizations. The predominant key findings are also different from the other two categories:

- Local embeddedness is a key criterion for the companies both in terms of location and resources as six cases out of seven are deeply local embedded.
- They demonstrate how the valorisation of local resources can be undertaken in multiple ways to benefit local communities.
- Demonstrating how local resources can be re-combined to lead to new ventures.



3.4 Conclusion of findings about pre-conditions

The cases presented above represents a large variety of businesses, from small local companies to large international companies from several industries.

The companies analysed in this chapter vary from family businesses that are locally embedded to large companies formed on many years of research and development utilizing local resources.

The common denominator appears to be the fact that despite very different business environment pre-conditions; **single or teams of entrepreneurs with a strong will, have been able to convert their ideas into a form of business activity**, in some case even into non-for-profit organizational structures.

A key observation indicates the fact that most of the companies did not start with a clear business plan or strategy for how to move forward but rather they saw a need in the market or felt things could be done in a better way. As an example, [Blue Lobster](#) from Denmark was shocked to find out that fish were being transported up to 16 days before being sold in a country surrounded by water. Their motivation was not creating a huge business but rather helping the fisherman sell fresh fish locally.

Other company like [Aarstiderne](#), had first to fail to become the successful company that it is today while others had to face legislations and different permits issues before their business became a success like [Gårdfisk](#). Many other examples and their success and challenges can be found on the RUBIZMO [Virtual Library](#).

The above reflects that it is not in the embryonic business phase that the rational business analysis plays a role, it enters later in the process, when access to the much-needed resources exceeds what is available - this also goes for analysis of needed external structural pre-conditions.

It also reflects that entrepreneurs do not start their business career by market and competitor analysis, rational consideration about “business models” or in-depth financial analysis.

The start of most businesses is a “muddling through” process, “try-it-out” combined with financial “boot strapping”.

Among the selected cases the variation, not only product and sector wise, is large but also the business strategy varies. For some of the cases, business growth was not an objective or success criterion, although continued improvement of product characteristics/services could be key to keep the business running.

For other cases **business growth** was a survival criterion, as only through growth the needed critical mass and market position could be achieved. For others business growth “for profit” was a success criterion in itself. For others business growth originally was a clear objective, which however, confronted with market and competitor conditions, became replaced by a “survival” objective.



In chapter 6, we have listed lessons learned and policy advice with regards to pre-conditions for entrepreneurship in rural areas.

4. Analysis of financial external pre-conditions

In many business cases the issue of public (grants) or private funding (loans equity) is crucial to their success and ultimately to their survival. Attracting funding often plays an important role and can create problems for entrepreneurs that may not understand the mindset of grant givers, banks, or investors.

With respect to investors, it is also often forgotten that getting investors on-board means sharing ownership. For many entrepreneurial projects and business cases in rural areas, ownership sharing is not a realistic or optimal option.

In the D4.4- Report¹¹ from WP4 the most common and relevant sources of funding have been analyzed and listed:

- **Funding via self-generated revenues**
- **Investors:** venture capital, business angels, family & friends, crowd funding, corporate investors
- **Loans:** bank loans, other credit facilities, including EU credit/guarantee facilities, private loans
- **Grants:** public (EU, national, and regional), private.

Also, the different requirements, advantages and draw backs of the funding schemes are explained and described in D4.4- Report¹². This includes the different funding schemes present in the cases interviewed in RUBIZMO as well as the 19 cases on which a more in-depth analysis has been made and from which conclusions are depicted in the following chapter.

4.1 General findings on funding structures

The general findings about the most predominant funding scheme used by the companies collected in the 2nd round of interviews and analyzed in detail in D7.1 report are the following:

Public funding, private funding and own funding was used in about half of the companies studied.

¹¹ D4.4 Report on factors determining the capacity to attract funds

¹² D4.4 Report on factors determining the capacity to attract funds



About a fifth of the studied companies had accessed other type of funding¹³ than the one mentioned above.

The high % of own funding supports the previously indicated “muddling through” and “boot strapping” funding strategy often used in the early phases of business development. However, it is difficult to draw any conclusion from these particular findings, and access to the underlying financial figures have not been available.

The most used combination of funding sources is **Public & Private funding; Public & Own funding; Private & Own funding**, and **Own funding combined with other funding**.

Because the companies are of different “age”, the data available for their funding process, is not very accurate¹⁴.

Not to also mention the fact that the target for the funding is very different. Some funding has been for real-estate acquisition or building, for which very different funding possibilities are available than for the development or operational cost. Hence, a conclusion of relevance of different funding types requires individual analysis of the purpose of the funding, and type of funding schemes available for the particular need in a particular region/country.

Because of the special nature of funding of capital goods in rural areas, where the alternative use /value of a certain asset, might be dubious, banks and other financial institutions have created special branches specializing in assessing both business funding needs and associated risks.

E.g., to base the collateral (guarantee) for a loan to a building in a remote agricultural area on “building cost”, might be a very dubious strategy, while the same building in an urban environment will most probably have a normal “market value” which justifies it as a collateral. For machinery which can be moved to another place, the “machine value” is better used as collateral.

Hence, to draw further conclusion from the “snap shot” funding analysis require a case-by-case analysis, which requires a dedicated in-depth analysis which has not been the scope of the RUBIZMO project.

4.2 Sector-based financial analysis conclusions

This section illustrates the 19 successful business cases (see table 1) from a funding perspective on a sector-base and how many types of funding schemes have been in play for the companies analyzed.

¹³ Other type of funding - is funding that the company have not given any details on and it has not been possible to characterize.

¹⁴ We have received data about different sources of funding used, but not detailed information over about how many times, the sources of funding have been used, over which period of time etc.



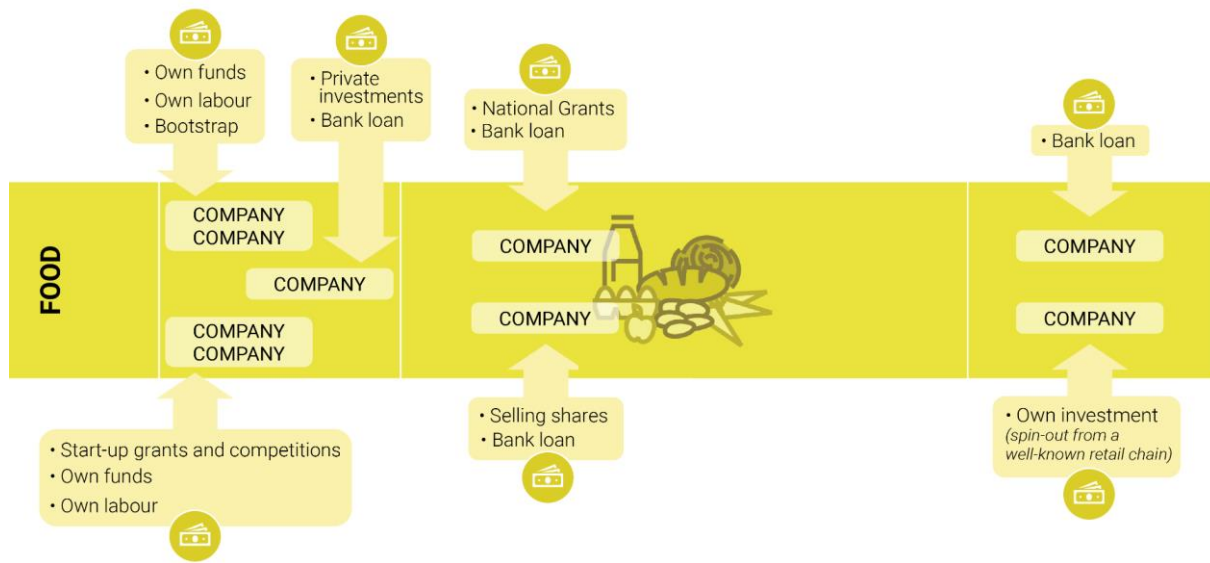


Table 8: Sources of Funding on Food sector

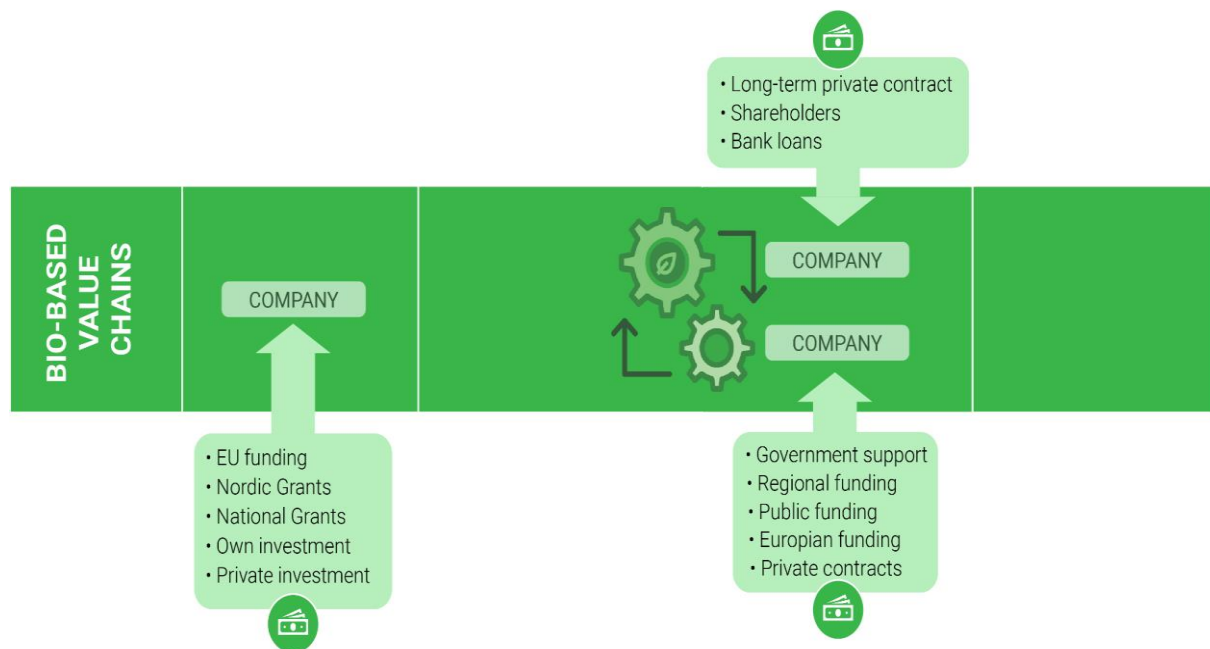


Table 9: Sources of Funding on Bio-Based Value Chains Sector



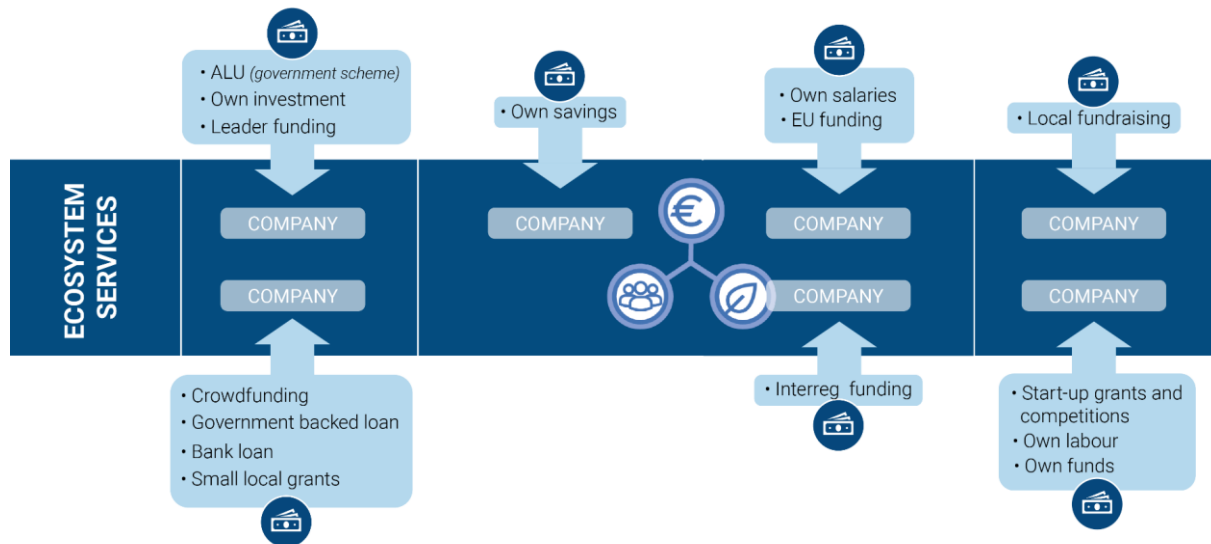


Table 10: Sources of Funding on Ecosystem Services Sector

The overview over different funding constellations presented above illustrates the fact that different companies use different funding bundling according to their needs, scope and the different available funding structures at different points in time. It can as well illustrate the ability to attract “more” investments from public and private funding by the Bio-Based Value Chains compared to Food and Ecosystem Services. This can be due to the fact that the companies in this category are better at accessing public grants as they are born or develop at universities or research centers. Have a better knowledge of the different funding schemes and their requirements; have access to highly skilled specialized employees with good track record and are able to align the company objectives and future growth to the funding requirements and be perceived as a good funding opportunity.

For the companies using only their own private funding as starting capital, it can also be an indication of a chosen strategy to rely only on organic growth and simply not use external funding. But it can as well reflect lack of knowledge and capacity on how to obtain a bank loan or attract/apply for grants and/- or investors.

However, as explained earlier it is not possible to draw any precise conclusions, as the target for the funding varies, from real estate investments to pure research activities and to cover temporary operational funding requirements. On the other hand, the figure documents that availability of many types of funding routes has been essential for the securing of the survival and growth of the cases identified.



5. Replication and Upscaling

One single business case can include a multitude of possible business models or value chains, while one type of business model can be translated into different business cases in many ways. Thus, we will try to address the full or partial replication potential of the analyzed cases or models and with respect to its relevance in different geographical areas and in other sectors as well as in relation to upscaling.

5.1 Replication

Examining business cases from other regions or countries can often lead to the appealing idea “*if they can do it*” then “*I can do it too*” in my region or country. In some cases, this is also realistic, if you make the needed adjustments to address your special local conditions. Although a case might look as easy to replicate, your local situation might vary from the local conditions for the case you want to replicate.

In practice you need to understand the special pre-conditions which formed the basis for the success of the business case.

Who were the customers, their profile, their propensity to buy and which alternative competing solutions were present in the local market of the “model case” when it all started?

There could be large differences in local conditions, in internet connectivity and internet-based communication/ordering and on-line payment possibilities. The available delivery infrastructure might also vary. The successful “business case” you want to replicate might also be successful alone because of special local value chains, which do not exist in your local environment.

To make a successful replication strategy you need to try to identify all possible important local supporting environment for the case to be replicated and compare it to your own local environment potential. If they differ, you need to find solutions to address these differences.



A structured approach to conduct this “replication” analysis could be to examine the chosen “business case” using the Business Model Canvas¹⁵ framework. When you have finalized the “business case” analysis, you should fill in all the boxes with your own case. A more practical and structured approach can be made on the [Transformation Support Tool](#)¹⁶. Subsequently you should examine potential ways to address/compensate for differences in supporting environment.



Figure 5: Business Model Canvas

In this way you would be able to make an assessment if it is realistic to tailor your replication business case to fit with your local supporting environment.

5.1.1 Blue Lobster

Blue Lobster is a successful example of a replicated business model from the Virtual Library. They have successfully managed to replicate the **Airbnb Business Model** and apply it to the fishing industry.

Case	Blue Lobster ¹⁷  BLUE LOBSTER
Innovation:	Marketplace/value chain innovation in the food section
Sector	Food
Introduction	Blue Lobster is a Danish company which has created a digital platform that connects fishermen directly with restaurants (and to a lesser extent consumers).

¹⁵ Alexander Osterwalder and Yves Pigneur. Business Model Generation: A Handbook For Visionaries, Game Changers, And Challengers. Wiley, 2010

¹⁶ Transformation Support Tool is one of the tools developed in RUBIZMO

¹⁷ <https://rubizmo.eu/virtual-library/bluelobster>



Background

In traditional fishing, a fishing boat would land the fish and sell it at local markets to consumers, restaurants, or local auction house.

In modern large-scale fishing, the fish is landed and is sold at large centralized auction houses, either directly or by intermediaries.

In very industrialized countries like Denmark, the local auction houses are more or less gone and fewer larger auctions houses has replaced them.

This was a part of the industrialization, that has happened in most food related sectors, to reduce cost and price. However, the spinoff effect has been an increase in intermediaries, each taking a share of the profit (from the fishermen) and increase the time from landing the fish to it being sold to the final consumer. Hence impacting on the freshness and quality of the product.

Blue Lobster is based out of the harbour in Skovshoved in Denmark (10km outside the capital of Copenhagen). Fish caught in Skovshoved harbour would be sold at auction 300-400 km away, before being transported back to Skovshoved and sold to restaurants.

Besides harming the revenue share of the fishermen, it also has a significant effect on the quality and freshness of the fish. A fish delivered to a restaurant in Denmark has typically been caught three to four days previously, and in some cases, it can take as long as 16 days.

Blue Lobster has enabled the fishermen to sell directly to restaurants, which means they can earn more money (keep higher share of the revenue) and sell “catch of the day” fish that is less interesting for auction houses (as they are sold in smaller quantities), but interesting for restaurants. For the restaurants they get fresher, higher quality fish.

On average it takes three hours from the fish is landed to being delivered to a restaurant. This has also meant the Blue Lobster has some local high-end restaurants as part of their clientele.



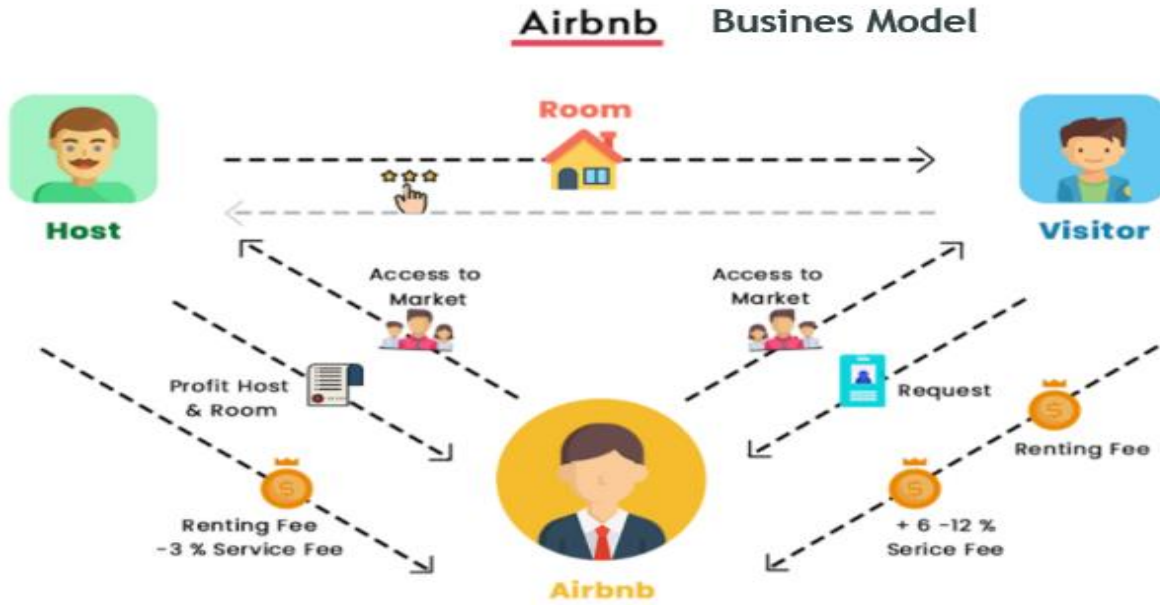


Figure 6: Airbnb Business Model¹⁸

Blue Lobster managed to apply Airbnb business model by allowing the fisherman (host in Airbnb) to set his/her own price for the fish, exactly like a host does with the price for an accommodation. The customer is in direct contact with the fisherman via the platform Blue Lobster has created (an app) and is providing delivery services for a fee. Blue Lobster Business Model is visualised in the figure 13.

Blue Lobster business model

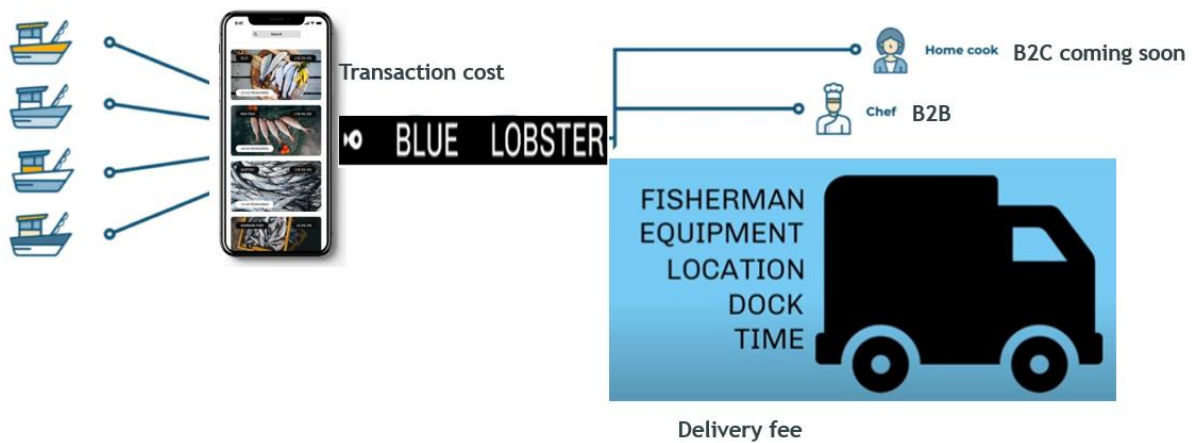


Figure 7: Blue Lobster Business Model

Now in order for Blue Lobster to replicate the business model and function, the following pre-conditions were the prerequisite for establishing this company:

¹⁸ <https://www.apurple.co/airbnb-business-model-know-how-does-airbnb-work/>



ICT: One of the most vital key-pre-condition for Blue Lobster is ICT. By using an app, the fishermen, can put the fish up for sale, while still being at sea (the costal fishing allows for normal mobile phone connection 2-4 km at sea). The restaurant can see fish available and price live and plan their evening menu accordingly.

Originally Blue Lobster collaborated with another company that offered an SMS service, where fishermen could send text messages to consumers and restaurants with available fish. However, it was a cumbersome method which was lacking the marketplace, distribution, and scalability. More modern ICT solutions, such as smartphone was a prerequisite for creating an easy to use, scalable platform.

Market access: By using modern ICT, Blue Lobster has been able to create a digital marketplace, which has replaced the traditional local auction house. Interestingly the use of modern technology, has enabled fishermen to sell locally, as they have done traditionally.

A market survey performed by Blue Lobster showed that fish has a very long and complex value chain, with the fish going through at least five intermediaries before reaching the consumer, restaurant, or fish monger.

This has a number of negative effects for the fishermen. Each intermediary increase cost, forcing the fishermen to sell the fish cheaper to keep prices down. Fewer larger intermediaries, means less market transparency and competition, again making in more difficult for fishermen influences pricing.

Finally, lower prices mean that the fishermen have been forces to reduce costs.

Local embeddedness: While the key value proposition of Blue Lobster is being able to buy fresh fish locally, the actual case is not specifically embedded in the area close to Copenhagen. It is a platform that is both very scalable and very replicable and could in theory be located anywhere. A very similar concept we find also in the UK, by a company called Pesky Fish¹⁹. Pesky Fish Business Model is to sell the fish to every buyer in the chain.

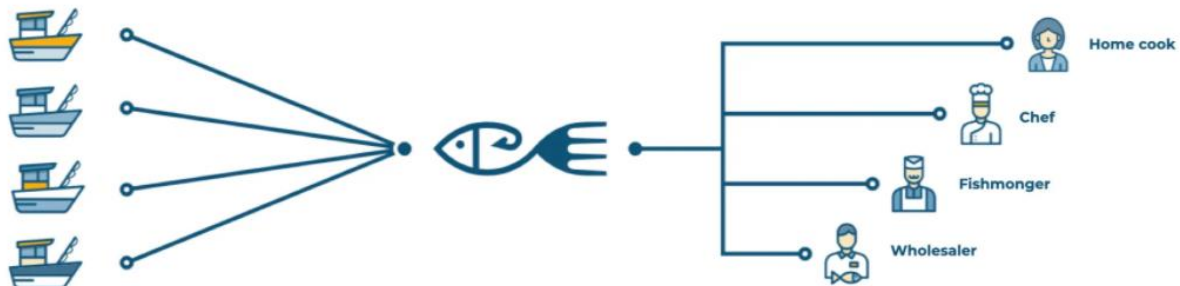


Figure 8: Pesky Fish Business Model

¹⁹ <https://peskyfish.co.uk/>



However, in comparison to Blue Lobster the scale of their business exceeds the one of Blue Lobster, nevertheless Blue Lobster could in time scale-up their business to the same level or even further. This brings us to the next subchapter about upscaling.

5.2 Upscaling

To move from an innovative small-scale business with a focus on innovation to become a large player with significant production/service offerings and sales is a challenging operation. Some of the “easy” recognizable challenges from having a focus on innovation and development is to change the team and the management focus on “sales and production”.

You need to secure adequate production facilities, develop sales and marketing functions and strategies and to attract enough funding. Also transforming the organization” from being focussed on innovation to become production and sales focused is a major management challenge, in particular if the team and the management have little experience from previous up-scaling operations.

Examples of successful companies which have managed to scale-up is for example [Aarstiderne](#) (The Seasons). They have managed to move from **production and pick up your vegetables business model** to a successful **food box delivery business model** that is replicated as we speak in Europe as well as in Denmark by many companies. Another business case is [Gårdfisk](#), a Swedish company which is specialised in Aquaculture- inland fish farm. The system implemented in the farm is based on the **recycling of nutrient rich waters and waste from fish breeding** for the production of agricultural crops. Gårdfisk has transformed their business and they now have a franchise business model where they provide guidance and support to other farms on how to **replicate** their business model.

However, upscaling is not an easy process. For most companies with a growth/upscaling aspiration it is relevant to discuss how to tackle the growth process. An easy way to structure the analysis is to follow the steps illustrated below:

The first part of the process is to reach a conclusion that a commercial product or service has finally been developed and its functionality/usefulness is well understood; you therefore need to shift focus from the development activity (only temporary) to production/delivery of service and sales.

Before taking this step, you need to be sure that your understanding is correct about the profile and real needs of the customers and your value offer and “**why they would buy your product or services**”. You also need to decide on the market segments to be addressed and your sales channels.



Next you need to compare your product/service features with competitor products or service features and competitor’s business models. You really need to understand your competitors and how your product/services compare to their products/services.

In parallel it is now time for a realistic analysis of the requirements for production and the cost associated to production alternatively adjust both product/service specification and or production processes. And most importantly you need to understand your position in the value chain and start identification of potential partners for the production process.

You need to implement a strategy for how your product/service is brought to the market and which sales and marketing channels are relevant.

You need to consider how to make the customers aware of the new product/service, and how customer relationship is established and maintained.

You also need to build a cost and revenue model to create input to the financial part of the equation:



Figure 9: Business model Canvas with focus on cost and revenue²⁰

- How the value created for the customer is converted to a revenue stream?
- Which local support/subsidy schemes can be exploited?

²⁰ <https://ftmbrandconnect.wordpress.com/category/business-model-and-the-value-proposition/>

- Which resources (and their cost) are needed to secure the sales and when?
- What are the total costs of the planned operation?
- Which other key activities are needed to achieve the business objectives?
- Which partners and partnerships are required to achieve the business objectives?

The next and difficult part of the process is to secure that the organization can move from being an Innovation/development organization to be ready to “production and sales” as the primary focus.

In general, the founder’s entrepreneurial skills dominate the first phases of the life of a newly started company. When the company begins to have customers also administrative and accounting skills are needed.

When the company enters the development stage/growth, the focus needs to be on getting the production and sales and marketing effort right, while new innovation and new products has less importance (right now), until the company enters the new phase of its lifecycle and it is needed again to prevent it from entering the decline stage of development.

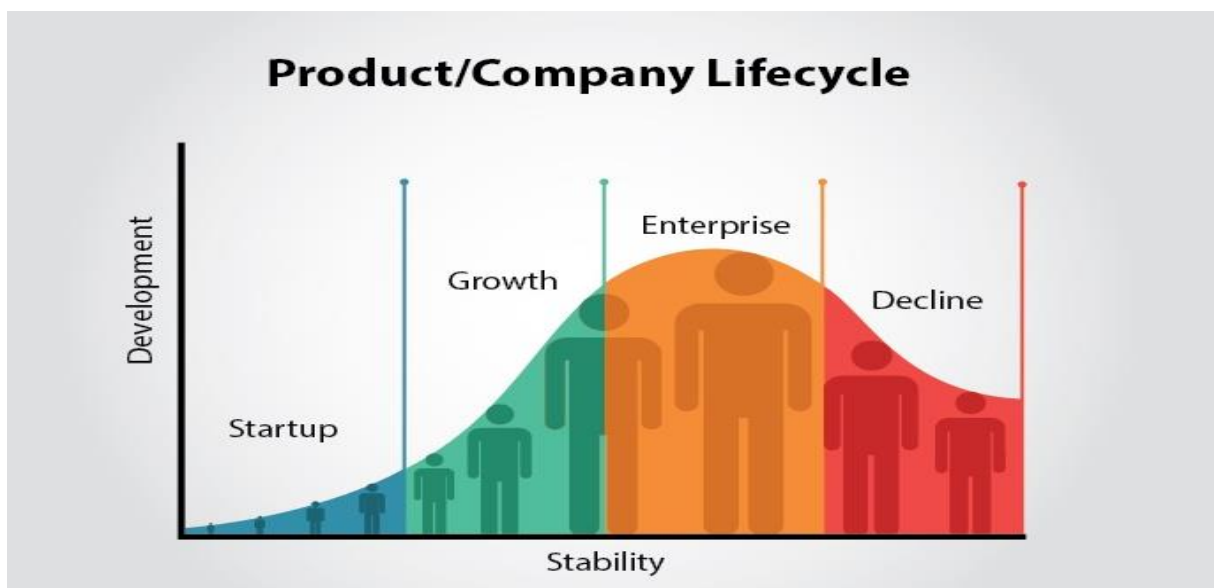


Figure 10: Company Lifecycle²¹

As a company grows so does its capital requirements.

²¹ <https://www.comakeit.com/blog/is-your-organizational-structure-aligned-with-your-product-life-cycle/>



Company funding lifecycle

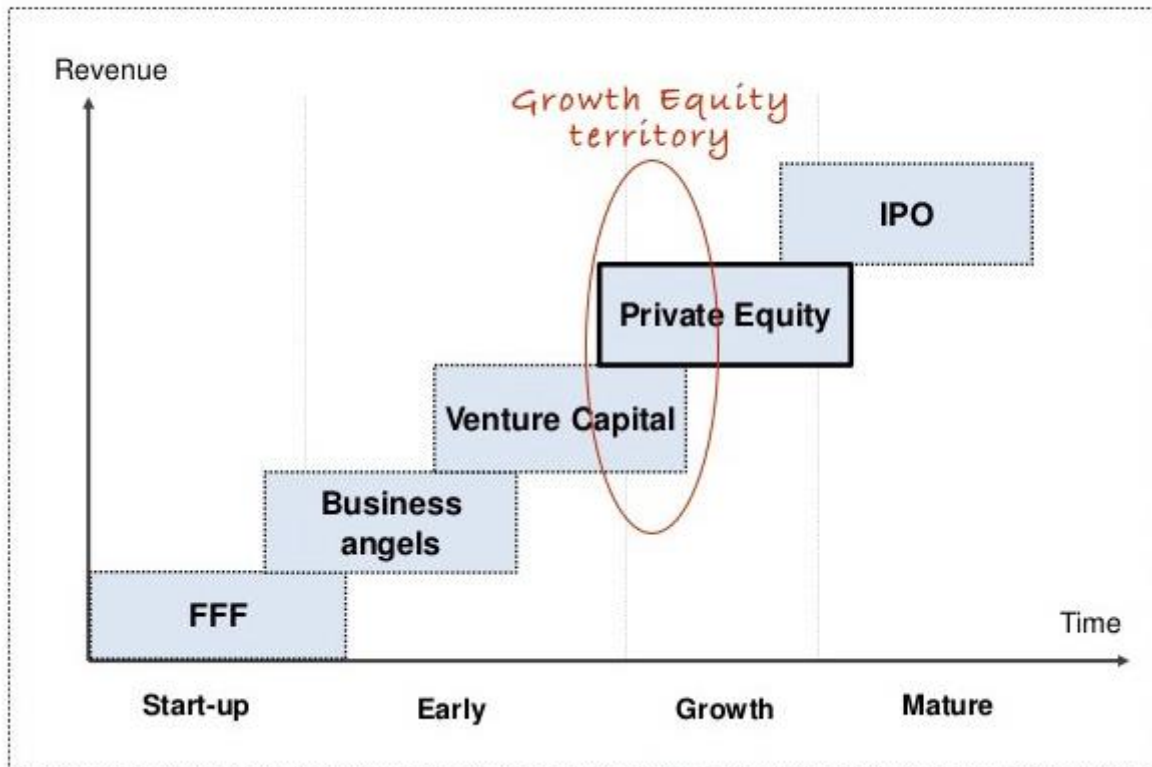


Figure 11: Company Financial Lifecycle

This is also the time where human resource qualifications are needed to secure the continued organizational structure match the needs stemming from growing of the business.

If it is foreseen that the company number of employees will grow above the 10-15 initial ones thus, the original informal structure will be difficult to maintain. In this phase the company also moves from a situation where “all know each other and all have a common language and experience” to the new situation where only part of the organization has a common memory of “how it all started” and have personal relation to the founder, while another part or the organization have no similar memory.

Also, the different management roles needed during a company lifecycle are worth mentioned as ultimately this will influence the growth or death of the company.



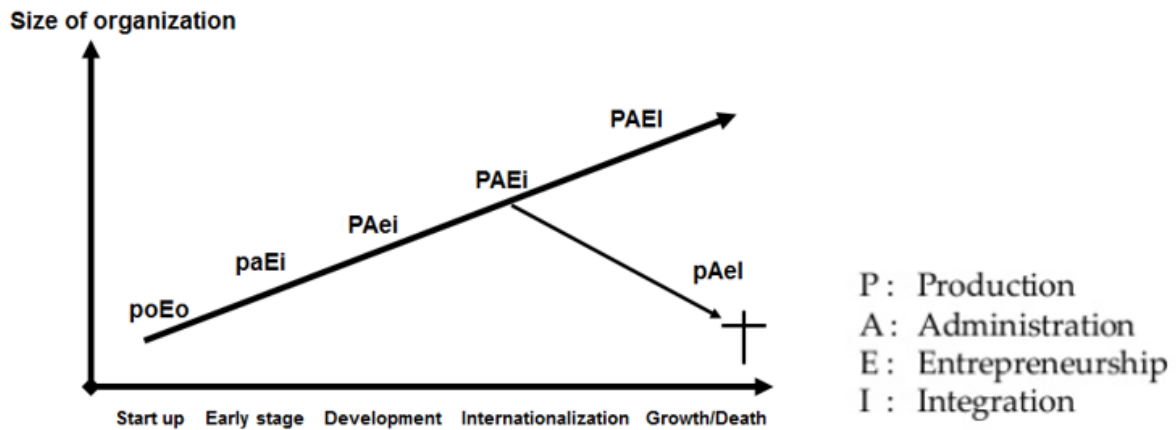


Figure 12: Different Management skills needed in a company lifecycle²².

Scale -up/Growth Challenges

To sum up: Management needs to prepare for this challenging situation, when for the first time a part of the organization is “old”, and the other part is “new”. It requires good personal skills to manage this transition. Later, as the company grows there will be many more of these flex point. At each new stage of development, an organization is faced with a unique set of challenges.

To plan for current and future employees you need to reflect at this organization transition process.

Lessons learned for all successful growth companies is they have all been in need of a solid financial analysis. This analysis will also make it possible to get a first estimate of the required funding (see fig. 11). If the financial analysis indicates that the “own funding available” is not sufficient, there is an urgent need to a strategy to get the required funding in place in order to sustain the scale -up of the company.

²² Source: Adizez, 1979 and Bundgaard-Jørgensen, 2017



6. Lessons learned from the pre-condition's analysis.

In general entrepreneurs do not start their business career by market and competitor analysis, rational consideration about “business models” or in-depth financial analysis. The start of most businesses is a “muddling through” process combined with financial “boot strapping”. This also applies to most start-ups dominated by university graduates with business degrees. In general, it is not in the embryonic business phase the rational analysis plays a role, but enters later in the process, when access to the much-needed resources exceeds what is available - this also goes for analysis of necessary external structural pre-conditions.

Some of the business cases started with an idea about a product or service which the entrepreneur/the team thought would interest potential customers and with only very vague ideas about “cost of production” or potential “selling price”. Others saw a potential business opportunity connected to convert a technical innovation into a sellable product.

In an article published by D. Clark, 2020 on *Business survival rates in European countries by length of survival*²³, he highlights the fact that almost one in five new businesses failed in their first year and less than half surviving after 5 years. Many of the successful business cases analysed in RUBIZMO are also younger than 5 years. The companies in this stage need a lot of support, especially the ones in the rural areas from coaching towards business development, training on how to deal with internal and external pre-conditions as well as knowledge on different funding sources and how to access them.

The variation among the cases examined in the RUBIZMO project is also very large, not only with respect to product and sector, but also with respect to company size and maturity. Also, the business strategies vary. For some of the cases, business growth was not an objective or success criterion, although continuous improvement of product characteristics/services has been key to continued survival. For other cases business growth was a survival criterion, as only through growth the needed critical mass and market position could be achieved. For others business growth “for profit” was a success criterion in itself. For others business growth originally was a clear objective, which however, confronted with market and competitor conditions, became replaced by a survival objective. What has been of particular interest is the replication / inspiration potential of the cases, including identifiable impact from external pre-conditions.

Combined, these observations about the large variety of business cases identified are important to bear in mind when trying to learn from this gold mine of interesting and inspiring business cases. Even with these reservations, the cases analyzed in this

²³ <https://www.statista.com/statistics/1114070/eu-business-survival-rates-by-country-2017/>



deliverable (some available on the Virtual Library) can definitely serve as an inspiration. **Important lessons** can also be learned from the business characteristics highlighted through our use of the different analytical tools. But it cannot be concluded, if another similar business idea launched under the same external pre-conditions would also survive and grow.

Below, you will find a list of learnings and ideas that may be used also for policy making at more general levels including the European Commission. The learnings and ideas are based on conclusions from this and previous reports in the RUBIZMO project and consultations with the national stakeholder panels organized as part of the project. Essentially, the learnings and ideas provided here of a general nature and must be adapted to the local or national conditions in order to really underpin rural entrepreneurship.

Rural entrepreneurship:

- Rural entrepreneurship is highly diverse and comes in all scales.
- Financial support and capacity building measures should be targeted at entrepreneurs who are using local resources or working with a local community, so the economic and social value created remains in the local area.
- Train rural entrepreneurs to become business oriented and financially savvy.
- Provide support measures (development programs, technology advice, access to knowledge partners, networks etc.) for young entrepreneurs to motivate the young people to stay in rural areas.
- Non-rural business development bodies should be better aware of the business potentials in rural areas.
- Provide support to understand and establish social enterprises as this kind of business is socially inclusive, underpins the local community and is scalable.
- Train innovation intermediaries and networks to understand the practical needs of entrepreneurs (also of small entrepreneurs).
 - For example, support to find the right ingredient can make a vast difference for a rural food business compared to support for collaboration with an academic partner.
- Provide incentives at local, regional, and larger scales to motivate entrepreneurs to learn from each other.
- Access to good internet and proper conditions for logistics is fundamental for entrepreneurship in rural areas.

Funding:

- Improving funding opportunities for entrepreneurship in rural areas and potentially, consider innovative ways of funding rural ventures, e.g., crowdfunding.
- Public funding for projects should be for at least for three years of duration with options for prolongation for one-two years - if the project is likely to turn into a self-sustaining business.



- Tax incentives could motivate private investors to invest in rural areas.
- Work with local resources and partners, also with backing from public or private investors.
- Possibility for entrepreneurs to start a business without losing subsistence public support money (e.g., social pensions and other government support measures).
- To stimulate rural entrepreneurship, public funding sources should be geared towards small businesses and startups showing probability for business growth in a short-term perspective, and demonstrating an impact on a rural community.
- Work towards a public funding system for entrepreneurs making it possible for entrepreneurs to expand their business in more regions or countries.

7. Conclusion

Entrepreneurship is a strong driver for creating economic activities in rural areas and the analysis has demonstrated that there are multiple ways of creating economic activities in rural areas through the valorisation of local resources. In many rural areas across the EU, the best prospects for generating economic activities for income and jobs are closely linked to the valorisation of local resources for the local market and beyond. Here, access to internet and good logistical conditions are fundamental.

Considering the variation between the identified and selected cases, it seems clear that although it is not possible to draw simple conclusions, the cases illustrate different patterns for creating employment and developing businesses in rural and coastal areas. Many of the cases show clear replication potentials in the hands of teams with the right entrepreneurial spirit and local knowledge. However, upscaling is a more complex process and requires not only intensive capital but also a strong management team to guide and lead the company through the transition process.

It transpires from almost all the cases that local knowledge was an important element for becoming a successful business case. Also, insight in social and cultural environments is also crucial for success.

Despite innovative business ideas, investors as well as public funding measures may perceive a rural entrepreneur's new request for resources and funding as a high-risk investment. Very often this risk assessment comes down to the investors not being from the local area, so the lack of local connection may turn out as a stumbling block complicating a match between entrepreneur and investor. This problem can be remedied by including local partners early in the process.



8. References

1. Alexander Osterwalder and Yves Pigneur, *Business Model Generation: A Handbook for Visionaries*, John Wiley & Sons, 2010
2. Bundgaard-Jørgensen Rune and Uffe, *Willingness to Take Risk*, InvestorNet-Gate2Growth monograph, 2009.
3. Daniel Kahneman, *Thinking Fast and Slow*, Penguin Books, 2011
4. How to attract investors, a personal guide in understanding their mindset and requirements. Uffe Bundgaard-Jørgensen, Pan Stanford Publishing, 2016 (Gate2Growth)
5. W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant*, Harvard Business Review Press, 2005
6. William Keer and Josh Leiner, *The consequence of Entrepreneurial Finance*, HBS Working Knowledge, Hbswk.hbs.edu, 2012
7. Kitchen and Marsden 2009, Korsgaard et al. 2015, Niska et al. 2012, Müller and Korsgaard 2018).
8. Kitchen and Marsden 2009 “Creating Sustainable Rural Development through Stimulating the Eco-economy: Beyond the Eco-economy Paradox? Sociologia Ruralis, Vol. 49, Number 3.
9. Korsgaard, Müller, and Tanvig 2015 “Rural Entrepreneurship and Entrepreneurship in the Rural: Between Place and Space”, International Journal of Entrepreneurial Behavior & Research, Bind 21, No. 1, 2015, p. 5-26.
10. Niska, Vesala, and Vesala 2012 “Peasantry and Entrepreneurship As Frames for Farming: Reflections on Farmers' Values and Agricultural Policy Discourses”, Sociologia Ruralis 52(4), p. 453-469.
11. Müller, Sabine, and Steffen Korsgaard. 2018. “Resources and Bridging: The Role of Spatial Context in Rural Entrepreneurship.” Entrepreneurship and Regional Development 30(1–2): 224–55.



12. JRC Research 2017, Rural Development, European Commission, EU Science Hub, Research Topic, Rural Development, viewed October 2020
<https://ec.europa.eu/jrc/en/research-topic/rural-development>

Other Deliverables:

D 1.1 Hot Spots for Rural Entrepreneurship

D3.2 Report on benchmarking of Business Cases and Models

D4.4 Report on Factors Determining the Capacity to Attract Funds

SLU Report: “*Business model Variants as opportunity space for successful rural ventures*” by Per-Anders Langendahl and Richard Ferguson on 2020-04-17

Websites:

<https://ec.europa.eu/jrc/en/research-topic/rural-development>

https://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Urban-rural_typology

https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/soc_background_final_en.pdf

<https://www.statista.com/statistics/1114070/eu-business-survival-rates-by-country-2017/>

<https://rubizmo.eu/business/virtual-library>

<https://www.investopedia.com/terms/m/marketvalue.asp>

