HealthyGrowth
From niche to volume with integrity and trust

FULL CASE STUDY REPORT Biohof Achleitner - Austria





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Most local organic market chains have inherent problems in moving from niche to volume, and mainstream large-scale market chains have inherent difficulties in securing and advancing organic values. The project "Healthy Growth: from niche to volume with integrity and trust" investigated a range of successful mid-scale organic value chains in order to learn how they are able to combine volume and values, and to use this knowledge to support the further development of organic businesses, networks and initiatives. Research teams from ten European countries contributed with 20 case studies. More information and documentation can be found at: www.healthygrowth.eu

1 Introduction

Biohof Achleitner is located in the fertile Eferding basin along the Danube in Upper Austria. The business has grown significantly in the last 15 to 20 years and is a good example of the growth potential of organic farming through diversification into several business branches and cooperation with other farms. In 1986 Mr. Achleitner and his wife took over the 20 hectare vegetable farm from his parents. In 1990 they converted fully to organic farming. Today, apart from their own agricultural production (farming of vegetables and grain) they also run an



Graphic 1: Geographical Location of the headquarter-office and main operating area

organic wholesale, an organic restaurant ('Kulinarium') and attached to it a small shop ('Frischmarkt') for vegetables, fruits, bread, wine, cheese, cosmetics and a variety of other products. Moreover, since 1998 they also started delivering organic products to households, which is currently the largest box scheme in Austria. Today, customers have the opportunity to decide between eleven different box offers (i.e. from office boxes to mother/child boxes) to be delivered every one or two weeks. Apart from fresh fruits and vegetables, the customers can also choose from a huge variety of other organic products as the 'Biohof Achleitner' complements his product line with imports of organic wholesalers and a number of domestic suppliers for various product groups. Furthermore, customers receive a weekly newsletter ('Kundenbrief') with ecological issues or cooking recipes, etc.

2 Case-study approach - Materials and methods

The data used for this report is based on a variety of written materials and interviews. The public representation of the ,Biohof Achleitner' was deducted from the following available material: an interview-clip on youtube, the webpage of the enterprise, the facebook-page and newsletter-editions of the ,Kundenbrief' (customer letters). The self-representation of the ,Biohof Achleitner' in turn is based on six semi-structured interviews led between January 28th 2014 and October 23rd 2014 with people involved in the supply chain of locally and nationally produced fresh fruits and vegetables for the organic boxes, as it represents the most outstanding value chain for which the enterprise is best known for with respect to consumer identification and communication efforts. Moreover, after the wholesaling branch, it ranks second in terms of turnover. Therefore, apart from general observations and conclusions for the whole enterprise, this report is specifically investigating the local/national supply of vegetables for the box scheme. The supply chain thus comprises the way from the vegetable farmers via the purchase and sales department to the storage, packaging and logistics facility and via the delivery vans to the consumers. However, as consumers were not actively approached, some insights from their perspective could be gained from an interview with a representative from the customer service department.

3 Austria - The national context

As an alpine state, Austria's agrarian structure shows some peculiarities compared to other European states. For instance it has a high percentage (more than ½) of small (extensive) mountain farmers. This leads to the situation that the proportion of grassland production with livestock and dairy farming compared to arable land is higher than in other countries. More than 90% of the 167 500 farms (agriculture and forestry), are family owned, around 40% of them run as main occupation and 60% in part-time (Grüner Bericht 2014).

The rise of the organic sector began in beginning of the 1990ies when Austria prepared for joining the EU. While before 1992 there were less than 2000 organic farms, currently (as of 2014) there are 21 810 which account for 16.9% of all agricultural farms in Austria (Grüner Bericht 2014). However, the increase of organic farms is closely related to the direct payments offered. The following factors all contributed to Austria achieving the highest percentage of organic farms in Europe: the early development of guidelines for organic crop production and animal husbandry and inclusion into the Austrian Codex Alimentarius, the government support for organic farms during and after conversion through compensatory payments, favourable market conditions through the entrance of supermarket chains, the establishment of a marketing company, an active policy by the organic associations and the development of advisory services (Freyer et al 2001) .

Due to these factors the organic market in Austria is currently one of the best developed in the European Union and is dominated by conventional supermarket chains and discounters, which cover about two-thirds of annual turnover (67%). Besides, 14% were sold via specialized retail trade (organic/health/nature shops), 7% via direct marketing, 7% went to export (corresponding to approximately 66 million Euros) and 5 % to catering (Kilcher et. al., 2011). The market share of organic products was around an estimated 6% of the total food sales in 2009. In 2013 organic farming accounted for more than 500 000 hectares (including alpine pastures), which adds up to around 20% of the total agricultural area (Grüner Bericht 2014).

In Austria, more than two out of three organic farmers are members of one of the organic farming associations. The largest association is Bio Austria, which was founded in 2005, with about 13 000 members.

4 Overview over the case

Product types: Various [in the boxes mainly fresh fruits & vegetables] + in the own

small shop approximately 6 000 products

Homepage: www.biohof.at

Main actor: Lead single producer with box scheme and other downstream business

branches [wholesale, restaurant and an own small organic shop]

Legal form: Limited liability trading company (LLC)

Number of Employees: 83 permanent + 15 seasonal workers on their own production site

<u>Distribution channels:</u> Primarily box-scheme and wholesale (additionally own restaurant and

own shop)

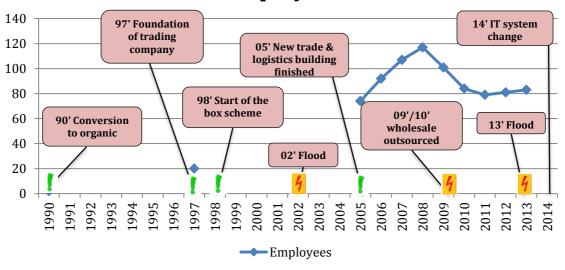
<u>Facebook Likes:</u> 5 202 (January 8th 2015) <u>Google Hits:</u> 8 560 (January 8th 2015)

4.1 Presentation and trajectory

In 1986 Günter and Ilse Achleitner took over the 20 hectare vegetable farm from his parents. In 1990 they fully converted their farm to organic, due to the positive influence of one of his uncles, an organic pioneer of the region. Furthermore, they had started to visit similar farms within and outside of Austria to learn and gain experience from. Their farm gradually expanded by leasing additional land to its present size of 100 ha.

Right from the start they were oriented towards direct marketing, with their small farm shop and by supplying restaurants and caterers. Moreover, they already started to collaborate with producers and processors from the region like the bakery "Mauracher", the dairy "Lembach" or the butcher "Höglinger", who all are still very important partners today. In 1996 direct marketing was extended and further regional FFV (fresh fruits and vegetable) farmers were involved. In 1997 they founded a limited liability trading company. This was also the time when they started to import organic products mainly from Italy and later on also from Greece. A year after, in 1998, they started the delivery of boxes to households. The launch of this project was due to the coincidence that a physician, specialised in preventive medicine, articulated the demand of his patients for fresh and local organic vegetables and fruits. In 2002, after suffering from severe floodings, they separated their production site from packaging, sales and distribution and started to build new premises 5km away with better traffic connection and an improved accessibility. The new building was finished in 2005 according to passive house standards and highest environmental requirements.

Historic events and number of employees



Until 2009 the wholesale business branch exclusively supplied specialized organic and nature shops directly in Austria and neighbouring Bavaria. Since 2010 however, after experiencing a period of economic crisis due to a too fast growth, they outsourced parts of their wholesale and entered into cooperation with BIOGAST, a huge organic wholesaler for organic shops, with whom they have the agreement that all vegetables and fruits get provided by Biohof Achleitner and that BIOGAST complements the product range of the Biohof Achleitner. Still, apart from the wholesaling branch, particularly in terms of public perception and appreciation, the box-system is the most important business line for ,Biohof Achleitner' with around 7000 to 8000 boxes per week being deliverd by 14

vans within the region of upper Austria and by an outsourced logistic company to adjacent areas of Styria, Salzburg and Lower-Austria.

Hence, apart from being an organic producer, ,Biohof Achleitner' today has developed into being primarily a marketer and wholesaler for fruits and vegetables that ensures a smooth processing and a professional logistic. Moreover, at the premises of the marketing, sales and distribution site, an own restaurant (,Kulinarium') and a small retailing shop ('Frischmarkt') have been installed, where they sell their own products but also articles from their partners (from farmers as well as from the wholesale partner BIOGAST covering i.e. also cosmetics). Furthermore, they started to partly supply also the three major supermarkets in Austria (Spar, REWE, Hofer) with selected products.

4.2 Basic facts

<u>Development of employees:</u> When they converted their farm and opened up a small on-farm shop, only the managing director and his wife were working at the Biohof (plus maybe some seasonal workers). With the foundation of the trading company in 1997 and the division of labour in the various created departments (accounting, logistics, storage) they had around 20 employees. This number increased massively as the enterprise expanded into different branches and reached about 120 in 2008/09 when the enterprise was facing severe financial problems, outsourced one of its business branches to the BIOGAST wholesaler and had to reduce his personnel by around one third to 80. Today (according to the managing director), they are again hiring around 100 employees (including also the 15 seasonal workers on their own agricultural production site).

Development of supplying partners: Right after converting to organic in 1990, they immediately started to co-market products of other farmers and thereby established partnerships with other enterprises like the organic bakery 'Mauracher', the organic dairy 'Lembach' or the organic butcher 'Höglinger', which started to supply them with bread, milk and meat and with whom they still work together. Thus, some of their partnerships date back more than 20 years. Thereafter, the development and growth of the ,Biohof Achleitner' continuously went on and they expanded their network by collaborating with other local and regional producers during the 1990ies, out of which ideally a real partnership evolved of which both sides mutually benefit. Since 1997, they started to include partners from more distant regions. First projects were initiated with Italy and Greece (still being their most important supplying countries) who supply them with vegetables and Mediterranean fruits. In this respect, the 'Biohof Achleitner' has partners at the production sites that assist these projects. At the moment, apart from those producers who have really specialized in other goods (herbs, honey etc.), the managing director estimates having around 50 regional farmers in the FFVs production who supply the enterprise with significant volumes. Additionally, there are sometimes also producer groups (so called 'Erzeugergruppen') who supply 'Biohof Achleitner'. For instance in Italy, they have a group of 10 to 15 farmers in Verona with whom they are in contact via one representative, functioning as a contact person. So, taking into account the producer groups, comprising again some farmers in their back and the ones that supply 'Achleitner' with special products or only small amounts, the whole network covers more than hundred supplying farmers. The number of those with whom the 'Biohof Achleitner' deals with regularly and more intensively is however, something around 50 (including the local & regional farmers, the other national suppliers and adding also the ones from outside Austria). Evidently though, some partners are more important to than others. In turn, also some suppliers would rely comparably more on the 'Biohof Achleitner' as a distribution channel than others, but actually there would be lots of farmers who more or less exclusively produce for Achleitner.

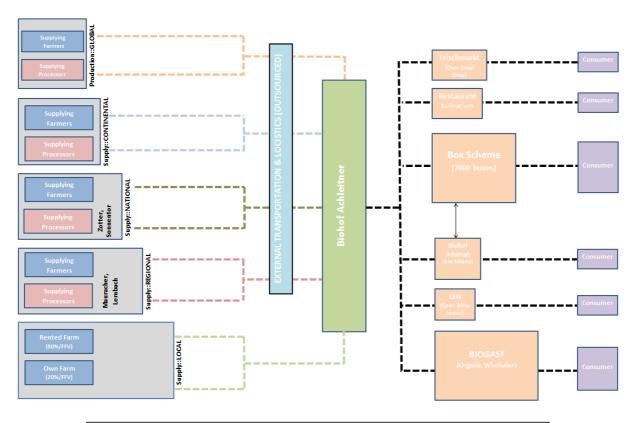
A major strategic cooperation exists with one of Austria's biggest organic wholesalers (BIOGAST). Until four to five years ago, Achleitner had delivered small specialized nature and organic stores via his wholesaling branch himself. However, the huge expenses (new building, more employees...) would have become profitably and logistically problematic. Thus, before almost facing bankruptcy, they outsourced this activity to BIOGAST with whom they cooperate since 2009/10 but in turn have the agreement that 'BIOGAST is purchasing fruits and vegetables more or less exclusively from the ,Biohof Achleitner'. On the contrary, BIOGAST delivers 'Achleitner' with the whole dry assortment and other products for their own small shop ('Frischmarkt') ranging from toilette paper to yoghurt. In fact, if 'Achleitner' does not get the products directly via its own regional suppliers it gets purchased from BIOGAST. Hence, Achleitner as well as BIOGAST do mutually trade and buy products from each other.

<u>Development of the distribution channels:</u> Right from the start, the managing director and his wife marketed the majority of their products with their own van, directly delivering to the gastronomy and bigger canteens in the surrounding area of approximately 100 kilometers or also to small private shops. After fully converting to organic they set up a 50m² on site farm shop for selling their own and products of their partners directly to consumers. In 1998 the delivery of households with organic boxes started so that today (according to the logistics manager) they have around 7000-8000 boxes ordered per week by a regular customer base of around 95%¹. Since 2009 also the big Austrian retailers with their organic brands 'Zurück zum Ursprung' (Hofer), 'Ja!Natürlich (REWE) and Natur Pur (Spar) get supplied and since 2010 they also deliver more or less exclusively FFVs to the wholesaler BIOGAST, with whom they share logistics in this respect, meaning that 'Biohof Achleitner' is only doing the first stage commissioning and BIOGAST does the secondary and final picking.

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¹ According to the logistics manager they lose about 30 to 50 customers each week who would mainly unsubscribe due to changes in their life situation. The director adds that for some of the consumers other reasons are that there would be too many products in the boxes and that the consumers would not manage to eat up all of them. Apart from this, some people would usually unsubscribe for a few weeks during summer, when people are on holidays or have their own gardens out of which they can supply themselves. This however, would be a situation also other box schemes usually have to deal with.

4.3 Value chain organization

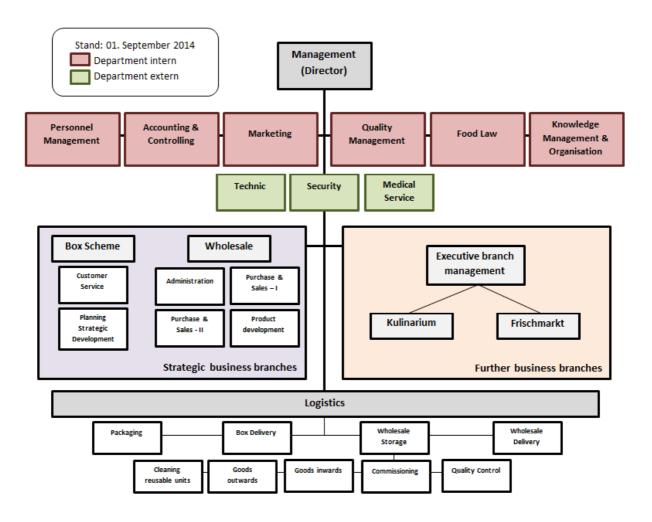


Supply Chains			
	Value chain 1 – Local supply (Primary production 'Biohof Achleitner'		
	Value chain 2 – Regional supply		
	Value chain 3 – National supply		
	Value chain 4 – Continental supply (EU – mainly Italy & Greece)		
	Value chain 5 – Global supply (i.e. Biotropical, New Zealand, Dominican Rep.)		
	Value chains to consumers (comprising more or less all supplying value chains)		

The distinction between the supply levels is not clearly defined or fixed, but should give some indication how the terms are to be understood. The <u>local</u> supplying area is defined as the immediate surrounding area where some of the most important suppliers and the own agricultural production² are located. The <u>regional</u> area covers the province of Upper Austria, Salzburg and partly also the adjacent region of southern Germany. The <u>national</u> level concentrates mainly on three further provinces (Lower Austria, Styria and Burgenland – but a few partners also from other federal states like Tyrol). When referring to the <u>continental</u> level, the partners are primarily two producer groups in Italy and partners in Greece, whereas on the <u>global</u> level, 'Achleitner' cooperates mainly with the wholesaler Biotropic and chosen partners in South Africa, New Zealand and the Dominican Republic.

² The agricultural branch of 'Achleitner' is also one of the main suppliers with vegetables for the boxes and can be seen as a separate enterprise which (according to the logistics manager) is treated – at least officially – as any other supplying produce.

Organizational Chart:



5. Analytical perspectives

5.1 Organization and governance

Modes of management and governance

When converting to organic, the 'Biohof Achleitner' clearly was a family enterprise with only a few seasonal and casual employees. The managing director was responsible for the agricultural primary production, whereas his wife took over the direct marketing via the Hofladen where products of close by farmers were co-marketed in a very shallow frame. Starting to deliver also small shops, they had to hire some employees. This way, by the time, the 'Biohof Achleitner' developed from being a family farm³, where decisions and working areas are easier to overlook and to handle between a few people, to a multi-sectorial enterprise, comprising various business branches. This meant that in order to secure that processes are running smoothly, new structures had to be built up and new modes of management needed to be constructed. Therefore, duties and responsibilities became internally allocated step by step. For example, with the foundation of the trade company in 1997

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³ Although, still most of the children and even some of their partners are working at and thus are integrated in the enterprise, which ensures that a family-framed setting is maintained.

consequently also business structures started to develop, labour was divided and responsibilities were shared. As a first step, they created a logistics and storage department as well as an accountancy department (which until the foundation of the trading company had been done by the director's wife). By that time, they had approximately 20 employees. Afterwards, a purchase and sales person was installed around which quite rapidly also an own department with several employees evolved. With the years, the organizational structure then enlarged more and more, adding for instance a controlling (quality assurance) and a personnel management (human resources) department. Later on, in 2005, a customer service and a marketing department (see organigram as off September 2014 in chapter 4.3) were also installed.

Regarding responsibilities in the different areas, there is the director on a managerial/steering level, while the four different business branches are divided between him and his wife. He is leading the trading company including the wholesale and the box scheme division and his wife handles the 'Kulinarium' (restaurant) and the 'Frischmarkt' (small retail shop). The director takes strategic decisions regarding the future orientation of the enterprise which includes determining investments, new business partnerships or the yearly budget allocations. Moreover, he looks for new suppliers and draws up the season planning where volumes and benchmark prices are negotiated. On top, he is still involved in personnel decisions on the managerial or leadership level. Such decisions are commonly taken together with the personnel department, whereas employment decisions on a lower level are decided merely between the latter and the responsible head of the respective department.

In the logistics department, one person is responsible for checking the quality of incoming goods and there is an assigned quality assurance manager in the storage department who is responsible for handling and settling the internal processes and is accountable for the numerous certifications (i.e. organic according BioAustria standards, IFS-Broker & Logistic for transparency and efficiency, Global-Gap). With respect to the specific value chain we focus on in this report, the customer service department appears to play a decisive role. Not only because it assists and gets feedback being in a close and direct exchange with their customers, but also because it is the division in which the management of the box-scheme is located. Hence, the customer service department is responsible for the box compilations, market observations and strategic future development of the boxes (i.e. web-shop and how to align it with the boxes).

The higher management level, representing the managing director himself, his wife (management) and the heads of the departments define the business logic, which values to put forehead, the strategic orientation as well as actual topics. However, the future orientation and the strategies of the 'Biohof Achleitner' relies strongly on the impetus provided by the managing director. This is not withstanding a very open communication atmosphere in the entire enterprise, with the possibility for everyone to come forward with a proposal.

During weekly meetings of usually three hours on every Friday there is a so called 'Grüner-Tisch' (roundtable) where all heads of the departments are involved and where topics concerning the enterprise in general are getting discussed. The managing director is asking for an input to the agenda until two days before the meeting and suggestions can be made by the department leaders.

All other parts of the organizational matrix, like the employees in the controlling and marketing division or at the box-scheme department are involved in the more informal discussion processes. There is another roundtable every two weeks or at least once a month where all the departments are

kept up to date about developments in other departments and where issues are getting discussed which might occur between the various departments as they evidently interact with each other.

Agreements and modes of arrangements to secure long term strategic cooperation

Internally, Achleitner tries to maintain good working conditions for its staff and aims to provide them with an exciting and diversified work place. They receive discounts in the restaurant and the small market, are encouraged to attend further education trainings and are provided with a comfortable and nice working environment. Before taking personnel decisions, the enterprise would comprehensively also try to elicit whether new employees share the values and the philosophy of the 'Biohof Achleitner'. Therefore, it would be a standard procedure to also do a small tour with the potential employees, showing them the agricultural production sites and the fields so that they at least know where some of the products are coming from. After all, a strong identification is an important requisite for loyalty and is furthermore not to be underestimated regarding the effect that employees might have as multipliers/ambassadors of values on their environment (friends and family), influencing and shaping the image of the enterprise in the public perception.

Achleitners own farm, now comprising around 100 hectares, is still the biggest supplier. The own agricultural production site is proclaimed to be treated the same way as any other supplying partner. However, only products they lack volumes of, or cannot produce on their own fields (i.e. pumpkins simply grow better elsewhere) get purchased externally. Especially fruits are bought as far as possible regionally from other partners. The management maintains long term relationships with most of their supplying partners. For a number of farmers, the 'Biohof Achleitner' is their main customer and most important distribution channel with whom they plan every season and where delivery amounts get calculated. Quite naturally though, some farmers who might have experienced problems in the past getting their products sold, would however prefer to not be too dependent on one partner only and try to diversify their sales partners and distribution channels.

The partnerships with Achleitners external supplying farmers are formalized to the extent that after every season there is a personal and individual meeting with the most important FFVs suppliers or with spokespersons of producer groups ('Erzeugergemeinschaften'). At these meetings, the consumer and customer demand and the crop-planning for the next period are aligned and supply contracts are signed. Until today, no important or big partner has been lost. Rather, more and more partners joined the business.

With their business partners they have written agreements, particularly since the business started to grow. This is confirmed also by a supplying farmer: "Usually we do have agreements on a yearly basis. And just recently I have also signed the general terms and conditions (GTC) which I however, didn't even read, because we get along that well so this is not so important to me." This can be seen as a strong expression of trust into Biohof Achleitner. With certain partners, some agreements would still also work on basis of a handshake quality, the logistics manager says, but this would get increasingly difficult once the business has grown to a certain extent, as things simply have to be precisely fixed due to the enterprise's dependence on its suppliers. The majority of the arrangements would get negotiated on a basis of trust before there are written agreements. Usually, there are agreements on basic prices and delivery amounts. Depending also on the prices the competitors offer, these agreements can get adjusted. If there would be a request of a customer to get a better price in case of higher purchased quantities, 'Achleitner' would approach its suppliers and ask them whether they could produce for this price.

The interviewed farmers were satisfied with the prices paid and one remarked that actually all farmers get an equal and fair price. Besides, the local farmers would know and occasionally be in contact with each other, thus 'Biohof Achleitner' is well advised better not playing them off against each other. Prices are perceived to be relatively constant, farmers appear not to be affected by price fluctuations the way conventional farmers are. "We have for the green beans the same price for the whole year. With strawberries of course at the moment they are a bit higher and this will become a bit less throughout the year [...] looking on the whole year however - except in case I have higher amounts I want to sell and when you maybe get a lower price - I have more or less the same prices." Generally, the farmers and 'Achleitner' try to find a compromise. Usually, the purchase & sales department asks how much the farmers need and what their suggestions would be and then the two sides reach a mutual agreement where both expectations get approximated. So the vegetable farmers are either regularly in personal contact with the purchase & sales department about weekly supplying amounts or concerning other arrangements have the seasonal planning's with the managing director of the ,Biohof Achleitner'.

A very close and amicable relationship is also maintained with the second largest box scheme in Austria, namely ,Biohof Adamah', located close to Vienna. As each of them has very clearly defined distribution areas, they do not get in each other's way, compare notes on customers, logistics or product development and even exchange products. Therefore, Adamah acts as a supplier as well as a purchaser for the Achleitner enterprise. Moreover, the 'Biohof Achleitner' does also supply further box schemes in Austria, like 'Bio-Mitter' (1500 boxes) who is sharing the operating area of Vienna together with Adamah, the 'Schatzkistl Morawitz' (1000 – 1200 boxes) and even two German box schemes 'Ökokiste Kößnach' and the 'Chiemgaukiste'. All box schemes apart from Adamah are, however, only being supplied and no products are purchased from them in return.

Public policies and relations to civil society

Public support was helpful, particularly in the start-up phase when Biohof Achleitner received funding in form of investment incentives from the federal government, the state and the EU which co-financed for example the construction of the new sales building as well as some marketing related measures like adaptation and improvement of computer systems.

Government policies so far were quite favourable for Achleitner. However, at the moment there is a rather slow rate of conversion to organic, due to reduction of public support, which might affect the further growth of Achleitner. The farmers already supplying 'Biohof Achleitner' are potentially not able to grow further anymore on their farm without having negative effects on the crop rotation ["Because crop rotation is very important and you cannot expand it endlessly"]. However, as the potential supplying area is more or less all of Austria, the managing director does not see a real problem there.

'Biohof Achleitner' maintains relationships to the horticulture academy ('Absolventenverband Höherer Gartenbaulehranstalten' in Schönbrunn) and the Research Institute of Organic Agriculture (FiBL). The projects aim to improve the support and advice of farmers. For instance, 'Biohof Achleitner' is currently collaborating in and sponsoring a project on 'winter vegetables'.

Concerning relationships to the civil society, the broader public or NGOs, the interviewed managing director names Global 2000 who gets supported indirectly. The Biohof Achleitner is funding some of their activities, promotes their events (occasionally also participating in them) and involves them from time to time concerning consultations or adjustments in marketing related aspects.

Furthermore, the Biohof is a supporting member of Arche-Noah (organization specialized in maintaining and distributing old and rare seed varieties). More recently, they were also contacted by the Austrian Klimabündnis (climate alliance) who asked whether the Biohof Achleitner could start delivering some schools with boxes. This was recently realized with the so called 'Schlaue Kiste' and since autumn 2014, the Biohof Achleitner delivers kindergartens, schools and toddler groups with three different boxes (fruits, fruits & vegetables or apples). The first 15 classes or groups to register to the box are getting them for free (financed by a federal government representative) and the rest also has to pay only 25% of the actual price as 75% is covered by EU-funds via the Agrar-Marketing-Austria (AMA). The subscribers of the first 15 boxes who get them for free in turn have to agree to include organic farming in their education plan. The others, who get 'only' the partly funded boxes, have to put up a poster at the front entrance of their school/building for promotion purposes.

Additionally, the Biohof Achleitner in general tries to support activities which are in line with its own convictions or ideology and for instance promotes movies like 'We feed the world' or 'More than honey' in their weekly customer newsletter or announces it on Facebook when they are shown in the local cinema. Besides, they are supplying the Welser Suppenküche (soup-kitchens) which is an initiative cooking soups from not completely flawless products. They are then given away for voluntary contributions, donating the earnings to charity organizations. A further relation is the one they have with FairTrade movements. Their attitude towards FairTrade is limited to the extent that wherever it is possible and as long as their customers are requesting it and are willing to pay the higher price, the Biohof aspires to purchase FairTrade products. Their biggest project in this regard is one on bananas from the Dominican Republic. Yet, the percentage of the turnover achieved with FairTrade would be comparably small, thus it would merely be an additional segment. Last but not least, the Slow-Food movement was named to be a potentially interesting partner to cooperate with.

5.2 Business and management logic

The business logic comprises the values put forward and the attitude towards growth. In the case of 'Biohof Achleitner', the main values refer to environmental considerations. The managing director pictures the entire company as one organism, whose organs are the soil, the plants, the animals and human creative energy, which have a strong inter-correlation and bring forward a collective productivity. The conservation of long-term soil fertility as well as the healthiness of soil, plants, animals and human beings in general is of great importance. Therefore, sustainability should cover all parts of life and should not become a burden for other human beings or future generations.

On the farm enterprise, this philosophy is enacted by ecological crop rotation, own organic compost and beneficial organisms or meshes for pest control. With these measures, the farm manages to refrain from buying fertilizers. Moreover, the business tries to meet their self-set requirement of environmental protection – primarily with respect towards soil fertility and health – by having an appropriate composting place with all the required technical equipment (i.e. a 3% incline and a catchment basin) in order to have a really professional composting. Indeed, 'Achleitner' had one of the first officially authorized composting sites. Consecutively, this aspect is still pivotal today. There are regularly held composting workshops which include also international partners like from Italy and are a manifestation of this commitment. At these workshops, the participants get demonstrated how the composting site is practically working and get taught in soil management or composting techniques by an externally hired expert. Therefore, the director proudly states: "At the moment, we are able to operate almost completely without buying in any fertilizers. That's where we share our

expertise with our suppliers in the fruit and vegetable producing sector. I already said that we have developed for instance our own plant fortifier, based on an onion-garlic extract. Furthermore, we use especially developed compost-teas and have a very wide crop-rotation. And all our knowledge we acquired in the past, we pass it on to our partners."

In addition, the company strives for low energy consumption and uses renewable energies (i.e. since November 2013 the company offers to their employees and customers a free charging point for electric vehicles). Seasonal and regional agriculture is preferred and during winter, the demand for exotic fruits is covered by imported goods from southern countries. These products however should be fair trade, organic and the producers should be part of development projects. Achleitner argues that sourcing globally would not violate these values, as imported fresh organic products, even including transport, would have a smaller carbon dioxide footprint than local produce from greenhouses or with excessive storage. Moreover, the cooperation with foreign organic farmers supports the development of infrastructure, the transfer of knowledge and the worldwide organic movement as a whole, resulting in fair earnings and fair employment standards.

The logic towards growth is first and foremost directed towards consolidating the supply chain and increasing the level of professionalization. 'Biohof Achleitner' aspires to grow by consolidating the customer network within the current core distribution area of the province of upper Austria and as a second step to expand its territory (where possible, feasible and most importantly where this also is reasonable) by delivering to adjacent areas⁴, which would obviously result in the need to get higher volumes from existing partnering producers or gaining new ones. In this regard, already existing producers would only partly be able to cover the increased demand. However, partly there would be also the need to get new suppliers. That's clearly a steady process during which most of their supplying farmers, who initially were enterprises led only part-time or merely by family members, would have grown simultaneously with the 'Biohof Achleitner' due to the fact that the marketing possibilities he can offer would have expanded likewise.

In the future, due to the positive relationship to other major box schemes, it could be possible to form one big network of box scheme providers ranging from Vienna to Salzburg, offering a full range of products. This would imply a rather network oriented growth perspective. Closely related to growth strategies is the logic of professional and reliable organic marketing. Therefore, Achleitner applies a number of certifications. Products are claimed to be safe and 100% organic, because all suppliers are certified by national accredited organic bodies and have to verify a 'GlobalGap' certification. Once a year, the farm is inspected by the organic certification body "LACON". Additionally, since 2001, it is also certified by 'IFS' (International Featured Standards for transparency of the supply chain, and logistics efficiency). Furthermore, to ensure highest quality being free of any residues, the 'Biohof' is part of the German 'BNN-Fruits and Vegetables Monitoring' system comprising mainly specialist traders, importers and distributors from all over the world. In this system, members voluntarily announce, which products they are trading and have them tested for over 280 different varieties of pesticides. Likewise, the farm also has assigned staff for the quality management.

⁴ Expanding the territory does not stand in contrast to their environmental sustainability strategy as the director argues that by commonly delivering several households according to a sophisticated and consolidated delivery route, there would even be a reduction of CO-2 emissions.

An additional business instrument in the logistics department is the regular internal quality control where samples are taken. "Obviously not every box or pallet can be checked, but the employees in the goods acceptance department do know already which suppliers they have to check more thoroughly like as for instance for certain product types from Italy which are running out of season, then the guys know 'OK, now we have to look more close to cucumbers or oranges', because there is currently a changing period. Then the next batches will be controlled more in detail. Hence, there are controls which have to be very precise as these products do end up in the boxes within 48 hours. Nevertheless, when the products are afterwards put in the boxes, you have all the goods, every tomato or cucumber, passing again through the hands of the packagers. So the women who package the boxes are after all the final point for controlling quality. Furthermore, the purchase department and the wholesale branch are doing every day in the morning between half past 7 and half past 8 a tour through the storage facilities checking the complete assortment, the stock of goods and what they look like. And we do have two hired persons, who are only doing the sorting out of commodities. Hence, when a farmer delivers a minor quality then not all the batch is being disposed but sorted out accordingly. Concerning food waste, there is nothing thrown away." Moreover, they would get immediate feedback via their larger customers, like for instance from Adamah, who would immediately contact them in case something's wrong with the product quality.

To sum up, the values put forehead are dealing with environmental aspects (composting, fertilizing, and seeing the whole company as an organism). In this respect, they are very stringent in their business logic and clearly oriented towards outlining environmental qualities and values. Instruments to implement this strategy are as mentioned: Composting courses/seminars for farmers, that they have developed for instance an own plant fortifier, based on an onion-garlic extract, that they have their on-site composting, doing green layer manure or crop rotation.

The growth strategy implies coordination of the supply chain and professionalization by certification and quality control. Achleitner aspires to be a reliable organic marketing partner for suppliers as well as customers. This is for instance mainly achieved by applying high quality standards, maintaining or building up fraternal relationships with partners (i.e. that the managing director himself drives by to stand in contact with and advise his suppliers or by passing on know-how and providing technical assistance). Furthermore, reliability also means being able to constantly guarantee purchasing large amounts of the farmers' produce, which is fostered also by the fact that the Biohof Achleitner has various business branches and distribution channels.

5.3 Trade-offs between quality differentiation, volume and economic performance

Main distinguishing features

In an interview the managing director names the following aspects, which would differentiate his enterprise from others: "Up and foremost that's our focus on the consciousness of our roots and origin and that we are still cultivating the land organically by ourselves. That is a very important aspect. By this, we are much more tangible for the consumers because they know our roots. And organic agriculture is a personal affair of my heart to me. Thus, once a week I drive through the fields myself, look at the area, define the harvest amount and determine the crop-rotation together with my executives. The roots and the importance of still wanting to produce ourselves are important." Additionally, when asking for the three most important values he'd associate with organic agriculture he names [1] closing production cycles at the farm/premises, [2] the direct contact to consumers (via

the weekly customer newsletter or by offering further education trainings, seminars and cooking courses) and [3] the transfer of knowledge.

Additionally, the logistics manager states, the enterprise distinguishes itself from others in the kind of business relationships: "I believe, that with us, the deliverers of goods and the suppliers are not treated like... nothing against the grocery wholesalers, but it's a bit more collegially and amicably. Or also concerning the delivery times, we handle that different. There are suppliers who do have the door key code to our storage who can, if they want, also deliver at 5 in the morning, when there is still nobody there, or who can also deliver on Sunday morning. Or that we take pallets also on our truck when we are at a supplier, that's natural for us."

Also out of the perspective of the supplying farmers the personal relationship is a factor that distinguishes Biohof Achleitner from other market partners: "Honesty is another important thing I appreciate and simply the personal relationships, the mutual empathy and that both sides know of the problems of each other and take them seriously and try to come to solutions together." And the farmer further explains: "This kind of credibility, that's where he's distinguishing himself from mainstream organic. And this credibility is conveyed by looking at the enterprise, looking how he lives the idea, how the employees live it. Those are three points where you really recognize a convinced organic farmer. [...] Or when you look at the new premises he build, with straw isolation, then you see he's living it, and that's what I like. [...] It's about applying the philosophy behind organic on your own enterprise and to not only do organic because it brings in money, but because it's an own philosophy [...] You can see that as a consumer when you look at the homepage and how it is built up or at the products that aren't always 100% perfect, but which nevertheless taste great."

Growth and its challenge for quality differentiation strategies and economic performance

The box scheme has been growing from approximately 5000 boxes in 2010/11 to something between 7000 and 8000 boxes today. The director claims that this did not lead to leave out smaller suppliers: "We do have suppliers who could never produce for Billa, Spar or Hofer (ann.: the big Austrian retailers), that would not be possible. Those suppliers delivering also to the larger retailers are of course primarily large providers. But for the regional marketing or for the organic specialty stores, there are really a lot of small farms." Hence, usually they do not exchange their suppliers in case they cannot deliver the amounts needed. Rather, they look for a second farmer to cover the demand. Nevertheless, sometimes the structure of supplying farmers needs to be revised and adjusted. This is not always an easy task, the logistics manager admits: "The bigger you get, the more suppliers you have and then the question is how many of them you can support and assist appropriately, because if we have suppliers who have 50kg of something every week, they will not be regarded for the boxes. I live close by and I know an organic farmer, who has the best tomatoes, but for the boxes she becomes interesting only starting at 500kg and she cannot deliver these volumes." Also another interviewee of the enterprise speaks of some basic requirements and expectations suppliers need to meet. "A certain kind of uniformity of the delivered products needs to be given. Everything is computerized and calibration has to be correct. [...] Because the boxes are standardized to containing a certain money equivalent (e.g. small, medium or large boxes for 15€, 19€ or 23€) and in this respect, different product sizes are difficult for ideally identical box contents." Still, throughout the last three years, the logistics manager cannot remember that suppliers would have been sorted out because they were not able to deliver sufficient amounts. This would have happened only in case of continuous quality problems with products of a farmer. Besides, the broad variety of supplying farmers also contributes

to a huge product range (i.e. over 120 varieties of FFVs compared to retailers like Spar who promote their 'huge' assortment of 'only' 35 organic FFVs). While such a broad diversity in the product range allows distinction from standard products, keeping even the smallest farmers might become an (at least logistic) issue in the future.

The logistics manager mentions that growth did not have any influence on the consumer side. The consumers do not know to how many customers 'Biohof Achleitner' delivers and usually also not realize when the enterprise grows ["When you are a consumer you don't know whether I supply 1000 or 2000 customers"]. The challenge would be rather procuring the necessary amounts and maintaining the same quality. This certainly includes that there still has to be a noticeable quality distinction to large grocery wholesalers or retailers. Also the high quality in the customer service must not suffer from the growth. The assistance should be as if the 'Biohof' would only have 100 customers but as new smaller initiatives pop up like food sharing networks etc. the enterprise would inevitably get perceived to be located within the medium size enterprise segment. "And there you have to pay attention to not lose the origins. We are not a large company, but we clearly have to say also that we are not the small organic farmer, who only grows a few tomatoes and some cucumbers."

Basically, just like a supplying farmer mentions, the 'Biohof Achleitner' has stuck to its principals and doubts that there have been a lot of changes in the values: "It might not always have worked and it probably also will not always work that well. Sometimes you succeed in it, sometimes you don't, but as long as you are faithful and trustworthy, sticking to your convictions and beliefs and look that you at least to some extent keep them further [...]. The Biohof Achleitner has always tried to do this. And they do have certain moral values which they also try to live." Undeniably, it is challenging to comply with all the self-set values and to implement steps to maintain them all the time with 100 employees or when you considerably expand your agricultural production area (to 100 hectare) renting a lot of land. However, Achleitner is still working on the larger areas with green covers and is always especially looking on the soil.

5.4 Communication of values and qualities

Communication along the chain

The internal communication structures have been discussed already in chapter 5.1. Communication within and along the box scheme supply chain include upstream supply partners (farmers, wholesalers, logistic enterprises etc.) and downstream consumers.

The main communication with the **supplying farmers** takes place mainly during the yearly seasonal meetings with the most important FFVs suppliers (around 50 out of more than 100 altogether). At these meetings, the consumer and customer demand and the crop-planning for the next period are aligned and supplying contracts get signed. The managing director explains: "And the main communication is running via the crop-planning. That's once a year. And then there is on the other hand of course also a weekly adjustment, where the following week is planned, which is running mainly via email and where every producer is declaring the volumes he or she is able to deliver."

The interviewed farmers explain that the regular daily to weekly communication is either by email or phone. Farmers would prefer however personal meetings: "Personally, I like to talk to the people. The most comfortable way is to sit together and have a chat [...] and I have to say he (ann.: the director of the 'Biohof Achleitner') has positioned everywhere good people in his enterprise where

you can talk to everyone on a fair and normal basis. So there is no swearing or shouting, everyone talks normally to one another and that's what I really like."

However, communication to farmers is not restricted to market relations only. Achleitner offers and holds regularly composting workshops. In line with the aim of being a professional and reliable partner, the enterprise tries to stay closely in touch with close by but also with distant suppliers and to visit them regularly. Together with his partner Biotropic he tries to keep even occasionally direct contact with oversea producers.

'Biohof Achleitner' maintains also a regular communication with BIOGAST about adjusting the mutual product range, but also about strategic considerations as whether to offer the boxes also via BIOGAST to the organic/specialty stores or whether to jointly try to expand to the southern Germany area. The information policy about the strategic future development of the enterprise towards the producers seems to be less distinct. As one of the interviewed farmers remarked sooner or later one always randomly catches some information.

The logistics manager principally is interfering first and foremost with suppliers when organizing the transport of goods including for instance delivery or pick-up times. So, his communication partners are on the upstream level the suppliers and the shippers & haulers respectively, and on the downstream level during the delivery, their customers with whom he, however, is usually not in direct contact. The form of the communication to the upstream partners would be mainly personally via telephone or via email and varies in frequency between not even once a week up to three times a day. With respect to the content of the communication, the logistics department is only in contact with their suppliers in case something is wrong with the packaging, the boxes or the batch number. Hence, most of the main upstream communication would happen via the purchase & sales department of the enterprise. Complementary, the downstream communication to the consumers would be mainly handled by the customer service department being responsible for the boxes and where the weekly orders are placed. Hence, the logistics department has only very limited direct contact to consumers. Likewise, the feedback (i.e. reclamations) from consumers usually comes to the customer service personnel (written or telephone), who then pass the information on to the respective person. For example, in case there are reclamations concerning the boxes because of wrong packaging, or concerning the delivery, these complaints get forwarded to the logistics department, whereas if there is a problem with the quality, then the quality manager will be informed. The same applies also for the wholesale distribution channel. In case of problems with a supplier (quality, volumes etc.) or downstream wholesaling partners, the internal quality manager and the logistics department get informed.

Concerning the quality of communication, the managing director thinks that the communication to the regular customers of the vegetable boxes via the 'Kundenbrief' (kind of customer newsletter) is working quite well and also perceives this medium as an appropriate and fitting tool for a box scheme. In this respect, 'Biohof Achleitner' would also regularly inform about new projects and with respect towards transparency introduce his supplying farmers in their 'Kundenbrief'. A similar newsletter exists also for communicating to their retailing/wholesaling partners for whom they have the "Nützling"[useful creature, see Annex] comprising a one-page information on new products, information on quality controls or special offers.

So far, the growth of the box-scheme branch was supported foremost via positive word-of-mouth as satisfied customers would recommend the boxes further. This strategy of word-of-mouth promotion

is also endorsed with special offers like for example if you can recruit a friend to order the box, both will get their fourth ordered box worth 15€ for free.

However, the director of 'Biohof Achleitner' feels that the general external communication was somehow disregarded in the past. Therefore, the enterprise is currently developing new concepts including a new homepage, a web-shop and aspires to improve its web appearance on facebook. The communication strategies, considered to currently reach the consumers best, are the weekly newsletter, put in the organic boxes and the homepage. Apart from that, a lot of information material gets displayed in their small store ('Frischmarkt'). Moreover, 'Biohof Achleitner' offers customers or interested consumers to visit the farm and take part in tours and thematic cooking courses. Additionally, the enterprise publishes cooking recipes and provides tips for the use of products on the homepage.

Fostering Identification

Means to foster the farmers' identification with the enterprise are to feature them in the newsletter and at the yearly farm festival (at least for the local farmers which get visited during a tour) where producers and consumers meet physically. Yet, it seems that for farmers, the extent to which they feel being actively approached or involved in the everyday business is most important. One farmer emphasized that what he cherishes most is that ideas and projects are commonly developed. An employee of the enterprise thinks that the identification of farmers with the 'Biohof Achleitner' is most probably very strong for those who started to supply the enterprise already right from the beginning and with whom long-standing and established relationships have been built up. Another factor which may have an influence on the degree of identification could be the importance of the 'Biohof' as a distribution channel, taking into account in how far the enterprise contributes to the turnover of the farmer.

According to the managing director, the most important means to foster loyalty and identification of consumers with the enterprise are the weekly newsletters. Additionally, there are cooking and training courses, the participation in fairs and exhibitions. Another gimmick to foster customer retention is that for instance all customers who unsubscribe from the box receive a little present like a thank you card so that they have a positive and nice last memory and probably consider subscribing again sooner or later. Another nice example in this respect is that when some customers independently created their own facebook group to exchange about experiences they had with the boxes, the managing director invited them to a farm excursion tour and a lunch at the ,Kulinarium' afterwards. When asking for the director's intentions to do this he said: "Last but not least, quality is also depending on the circumstances whether the people involved are convinced of what you and they are doing. Particularly in those branches where there are many intermediaries passing on the product."

Feedback

'Biohof Achleitner' receives feedback from consumers via the customer service department. In this department there are 7 full-time employees, 2 persons who are in partial retirement plus one additional temporary assistant working.

On average, the enterprise receives around 1700 emails and 1500 telephone calls each week. The main messages concern more or less exclusively (according to estimation of the head of the department to over 90%) delivery breaks, change of the delivery address, the type of box they order

or add certain products out of the additional product range⁵. With 7000 to 8000 boxes delivered weekly, there would only be 20 to 25 reclamations per week concerning delivery problems (e.g. boxes put at the wrong place or delivery times⁶ not met due to delays in packaging, traffics or car breakdowns) and around 100 addressing quality complaints (e.g. vegetables would not have been ripe enough or already slushy, muddy or rotten). In such cases, customers get compensated by retransferring the respective monetary value (for those customers having a standing order) or by deducting it from the next payment to be made. Every now and then, compensation can also take the form of a small courtesy/gift like a chocolate.

For ad hoc or more urgent complaints concerning for instance delivery time/place or the products of the boxes, people tend to rather call whereas announcements like delivery breaks or changing the type of box are also made via email. Most recently (in the last months during summer 2014) the enterprise has experienced much more reclamations due to a change of their internal computer system, which caused some errors and things got mixed up in their internal box customer data base. For instance, people with announced delivery breaks would have still gotten the boxes every week. Generally, feedback is more often negative in form of reclamations than positive. Producers rather get contacted when something was wrong with a product or the drivers get to hear if something was wrong with the delivery. The positive feedback is limited to occasionally getting pictures of customers (babies placed in the boxes) as a kind of appreciation. When the customer service department asks people unsubscribing from the boxes on their motives (they even call those unsubscribing via email to find out), most state that in fact they were very satisfied with everything, but give personal circumstances as reasons (moving to another place, not being able to make use of all the products in the boxes, preferring to shop at the local market directly etc.). The positive feedback people give in these cases concerns the good quality of the products and that they cherish the ambitions to place new and rare products (e.g. black salsify, turmeric root) as a kind of surprise into the boxes.

To get the feedback directly to the farmers, the customer service needs to pass on the information to the purchase & sales department (i.e. during their weekly internal meetings) and they in turn have to forward it again on to the suppliers. This way however, again more negative feedback leeks through back to the producers, as in the meetings between these departments, the focus understandably is put rather on what is not working well and where things need improvement. Indirectly feedback reaches the producers when the purchase & sales department orders for instance higher amounts of certain products. That's when the primary producers feel that certain products get well accepted and even appreciated by the box customers. Sometimes this may result in a concrete project, when a special variety or rarity is tried out together with a farmer. These special products would then often get particularly promoted in the weekly newsletter including information on who is the farmer respectively where and under which conditions it was produced. Usually, the customers receive only a receipt where the country origin of the product is listed. Therefore, they have no possibility to trace back every product back to the farmer. This should be improved with the web-shop, giving the products a face by telling about the story and the people behind it.

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⁵ Additionally there are the so called 'Wunschkisten' where consumers can plan their boxes each week individually. The enterprise is however not really in favor of those boxes as it makes planning them logistically difficult and they comprehensively want to keep the boxes as simple as possible.

⁶ There is an initial first talk though where general information and things like place and time of delivery get clarified and agreed upon before the delivery of the first box.

To conclude, the two consumer surveys, which were conducted recently, are picturing a quite positive image of the ,Biohof Achleitner'. This can be seen as an expression of their ambitions of having direct or at least as close as possible contact to the end consumers, as for the managing director, this direct contact would be very important. In the end, that is why he would actually provide the box-scheme. Consequently, consumer retention and loyalty are crucial features.

Change of communication with growth

First of all, the growth process made it necessary to adjust the stock of personnel. For example, in the customer service department, apart from the weekly orders of the consumers via email, most of the communication simply happens and also has to happen personally and directly via phone. The department had to deal for some time with the growth of the box scheme with the same personnel stock. This of course led to certain automation, answering more of the complaints per email, but at the same time, the quality of support for consumers likewise decreased.

Possible future changes for improving communication include introducing farmers more to their customers, so that the consumers know all the farmers behind the products. In this respect, a webshop should get realized in fall 2015 which would allow more transparency regarding which producers are supplying the box scheme. Furthermore, it will simplify certain processes and ordering procedures.

5.5 Quality mediation through the chain

Qualities that producers mention, often relate to the organic production techniques like mulching or green manuring composting etc. This perfectly fits the most outstanding quality the director of the 'Biohof' names when asked which qualities he wants to transmit. In general, there is a strong overlap of the qualities between the ones of the managing director and those that the farmers want to communicate. This might have to do with the fact that the director passes his know-how like for instance in composting techniques on to his partnering farmers. Moreover, he is strongly supporting small scale structures and consulting and advising farmers who want to convert to organic. However, there obviously remain differences in practices. One of the farmers lists soil treatment, giving it a rest during winter time, as a pivotal quality: "For instance in the polytunnels [...] we do have pauses in the winter time, where we do not cultivate anything and rather say we give the soil its resting period, that's very important to me, that there is not always a culture there, but that there are resting periods of green layer or such things, that's also – like us humans – we do need time for regeneration and so does the soil. It's like hibernation." As this is not a general quality of all products of Achleitners products, and as in the polytunnels of the own agricultural production they grow for example also spinach or lamb's lettuce in winter, this quality gets not communicated further on, one farmer remarked.

Another quality farmer's note is that also produce with minor optical quality problems can be marketed via the 'Biohof'. For instance in case the stem is too big and thus the product does fall out of the usual norms which retailers apply, the 'Biohof Achleitner' still takes them: "He however, puts also those vegetables in the boxes and the people accept it, interestingly. [...] So this is different than with the retailers. I mean the quality has to be good, no doubt, but it's not a tragedy when something falls out of the norm. So the optical quality is not as important as with my conventional products."

For the managing director, quality means on the one hand that the product is good and on the other hand that people dealing with these products are convinced of what they are doing. Only with those

people, an implementation or realization of a project would be possible. In this regard, he believes they are blessed with their partners. Additionally, he lists measures for his employees to support quality mediation by offering further education courses (organic agriculture, preventive medicine, cooking courses) and by continuously investing in their skills. For instance, the majority of his employees dealing with customers have completed a natural and organic food consultancy training. Hence, the dissemination and building up of knowledge is a decisive factor. Moreover, a farm festival is organized every year for the employees including field visits to farms of close-by-producers where personal relationships are fostered and where the employees should get some insights in how things are working, "as it is often the only chance where you have the possibility at least once a year to show your employees how organic agriculture works and what the most important things to consider are". Due to all these efforts listed above, they have a really low fluctuation in their personnel.

The logistics manager sees the specific quality in the commitment to 100% organic. Moreover, he lists the precise quality controls and the strict sorting, which is done by the respective employees and who would double check all the goods again before they go into the boxes. Additionally, the products would be always fresh as they get delivered the next day. Regionality is an aspect which ranks second to environmental concerns. For instance, 'Achleitner' would not buy glass house tomatoes from other regions in Austria, when they are produced - though farer away, but more environmentally friendly and without such high energy costs - by their Italian partners. This policy is also argued in the communication to the consumers (Kundenbrief).

Additional qualities added to the product on the way through the chain are services towards consumers. For instance box customers who are not at home at the time of the delivery and want to protect their fruits and vegetables from heat or cold get provided the service of polystyrene isolated boxes ('Kundenbrief', KW 24; 9 - 16 June 2014).

5.6 Resilience

Challenging periods for the enterprise

The box scheme, right from the beginning in 1998, experienced an ongoing growth, which in the following years led to aspirations of expanding further also the other business branches. Initially, they wanted to enlarge their farm building at the agricultural production site but after suffering from a flood in 2002 they were not allowed to do so at their own ground anymore. So the flooding in 2002 was really a shock-like change and although the agricultural cultivation areas were afterwards spread over 8km to 4 different production sites, they were hit again in 2013 from another flood. More gradual changes were the territorial expansion of their supply and distribution area and that more and more business branches developed.

For instance, between 2002 and 2005, the new premises for the business branch, the 'Kulinarium', the 'Frischmarkt' and up and foremost the wholesale with sales, purchase and logistics were built, which according to all interviewed stakeholders led to financial problems in the years after they were finished. As such an expansion costs already a lot of money but comprehensively demands also further financial investments like for instance in new personnel (from 2005 with 70 employees they grew to around 120 employees in 2008) the enterprise was almost facing bankruptcy in 2008. The expansion of activities would have been simply too much and thus the following years between 2005 and 2008 marked a crucial period for the enterprise. As even the managing director admits himself, the 'Biohof Achleitner' had been growing very fast if not, even too fast. This was a time where the enterprise really faced its most severe crisis.

So, retrospectively, the greatest challenge actually was that the internal management or the operational procedures could not keep up or could not sufficiently be structured and aligned with the strong growth pace. For instance, the personnel could not cope with the high complexity of the huge product range in the wholesale business branch (offering 12.000 products by cooperating with the German wholesale partner Bodan). Combined with the strong diversification of sales channels - the wholesaling branch aspired to provide the weekly markets, the specialty shops and the whole gastronomy sector, offering the complete assortment of a wholesaler - this was simply too much to handle.

In 2009, delivering small specialized natural food stores and organic shops was thus outsourced to BIOGAST. This way, they were able to clean up their involving losses but in turn also had to reduce the number of personnel and part of their logistic activities. Understandably, it was tough to reduce the number of employees from around 120 to about 80, but it was a necessary process. In the box scheme branch however, no personnel needed to be reduced, because in this sector there was a steady growth until today. The number of boxes did not decrease, neither in the economic crisis nor by the financial problems leading to the process of outsourcing the delivery of the gastronomy sector to their partner BIOGAST. So, this crisis did not really change the enterprises 'self-image'. Rather, the Biohof simply was able to concentrate again on its core business and did a good job getting steadily new box subscribers and therefore was able to generate profits again. In the last years, the managing director states, they would have grown usually in a settled two digit range. In comparison to the first extreme growth period, they would have gained more experiences in handling the growth and managed it without losing in quality. According to the managing director, this is one reason for the growth, as their trading/business partners would be really satisfied with the quality ["And that's the most beautiful thing at all; that we nowadays have managed to grow together with a top-class quality level. We do have customers where we have increased the turnover by 75% in just one year. Still, the satisfaction of our customers is very high, in all areas. Otherwise, we would not have had such a huge growth, neither in boxes nor in the wholesale. In fact, we were growing in all branches. Also in the area of specialized retailers [...] but not because there would have opened up so many new stores, but we grew regarding the existing ones. This means we actually took it from our competitors"]. Hence, employee retention and the financial situation have been handled and the enterprise does not experience difficulties in this respect anymore. Additionally, the interviewed actors along the investigated chain of local and national supply of vegetables for the boxes believe that - so far - the values were maintained and would also be able to maintain throughout further potential growth processes.

A 'problem' or rather a challenge the enterprise was recently facing, was the change of the internal computer software system in 2014. This adjustment had been necessary because there were four different computer systems running aside each other in the different branches and thus some of their goods got serviced several times. The growth of the business made this adaptation more or less necessary, particularly with respect to the planned web-shop, which would not have been operable under the old system. In addition, they now have a better overview over the whole enterprise. However, with the change of the internal software system, the growth in the box sector during that time in 2014 was not as strong anymore as the years before. Actually, the number of box subscribers even decreased more than usually during the summer months (6500 was the minimum in 2014) which, according to the managing director, partially had to do with the set-up of the new internal computer software. To say that this was the only reason would be too simple for the managing

director, but like the head of the customer department confirms, the shift to a completely new system caused some problems of which their department was strongly affected. There occurred errors in their internal box customer data base and for instance people with announced delivery breaks would have instead gotten the boxes every week. Therefore, the director admits, the quality of their service would have suffered a bit under this. The head of the customer service department is confident though, that they will soon reach the usual number of between 7000 and 7500 (highest March 2014) weekly box customers again.

Obstacles for growth

Achleitner was not really facing obstacles to grow. Suppliers were easily found and the managing director believes that he would manage to find further ones also in the future. The enterprise was not affected by the economic crisis and distribution channels and demand were and are still there. So the biggest obstacle to grow even more, probably is that first, there are also other box schemes which oppose limits of expansion and that second during 2005-2008 Achleitner overestimated its capacities and grew too fast and therefore had to outsource parts of the business which – by applying a slower growth – might have also been manageable to keep in-house.

At the moment, the managing director remarks that if, there are internal limitations. In case they keep on growing as for instance throughout the last years, the premises would need to be rebuild or expanded and such things need to be thoroughly thought through. Thus, he also sees the need to estimate, if at all, how far a further growth is aspired.

At maximum, the managing director estimates that they could double their current turnover in the wholesale branch and also double the number of boxes which would add up to around 15000 boxes that would be theoretically achievable. So, there are no real limits for growth seen at the moment, neither concerning supply from organic producers, nor demand from the market. However, the distribution area of the boxes is rather exploited already. In this respect, there might only be some potential maybe in the neighboring provinces or the adjacent area in Germany. The plan is to rather grow within their current distribution area of the province Upper Austria, also as they have – at least for now – still very cooperative and friendly relationships with other, mainly smaller, box schemes, which moreover get anyway supplied also partly by Biohof Achleitner. For instance, they abstained from delivering to a town on the Austrian/German border, as it falls in the distribution area of another box scheme. Furthermore, the head of the customer service department adds following point to consideration: "In the last years, we always had relatively high growth rates (ann.: of boxes). In the mid of 2014, this growth in boxes clearly slowed down and the trend was less than what we have planned. That's why I am a bit more cautious now. One year ago, I probably would have said, for sure we're going to grow, that is not a problem, but at the moment, it is not that clear to say whether it is a reversal of the trend or whether it is because internally, especially concerning the computer system changes, we had realized quite some projects [...] However, there definitely is some growth, thus there is no stagnation, but it is not that strong as the last years."

Another issue which is currently considered as a weak point and limiting further growth is that there is no web-shop available so far. The main logic behind the web-shop is to increase the ordering amount per customer which benefits the economic performance. This means that apart from the different boxes offered, consumer can put a restricted number of additional products out of a limited product range into their boxes. Around 1000 out of their approximately 6000 products they have listed in their wholesale branch is considered as a reasonable number in this respect.

Generally however, the future strategic objective would now be to not reach out too much to new large customers or distribution possibilities but to stick to the ones who are currently part of the network. Thereby, the central goal is achieving growth combined with a high quality. "At the moment we are structured very well and we want to keep it this way. [...] We are already doing so many different things", the managing director notes. In this regard, one interviewed farmer sees it as a potential weakness that the 'Biohof Achleitner' has so many different business branches. Nevertheless, it has to be said that the different branches also complement each other somehow. The combination of four different business branches (own shop, box scheme, restaurant, wholesales) has a huge advantage for logistics. As everything is in the same premises, they can set their own quality standards and plan more comfortably. For example: "Plain and simple, when we get bananas, regarding ripening stage, we do need different bananas for the Frischmarkt (ann.: the own shop) than for the boxes or the wholesale. This way, we can arrange much better the quality and decide in the storage premises 'these bananas are still too green, too under ripened for the boxes, but for BIOGAST they are perfect as the supply chain is 2-4 days longer. So the quality can be handled in another way." This can be seen as an aspect that also contributes to the resilience of the whole enterprise.

Hence, in the end, this aspect is addressed somehow with ambiguity as it can be seen as strength as well as a weakness. The managing director argues that concentrating on one branch doesn't mean to give up the others. It simply means to not put further efforts in expanding in the other branches and to rather keep them running beneath the core branch as they are now. This is somehow a tricky aspect though, as the managing director considers the wholesale as well as the boxes as two sides of the same medal which simply belong together. The wholesale is the branch contributing most to the turnover, whereas the boxes are the distribution channel where Achleitner is getting recognized the most and were customer retention and public appearance is strongest. Hence, both are actually the enterprises core businesses. Moreover, the wholesale and the boxes are realistically the branches were future growth could mainly be achieved.

Taking now a closer look into aspects concerning the resilience of the enterprise, a decisive point seems to be who will take over the business one day. This seems to be especially important concerning maintaining the close and good relationship with farmers, which are obviously bound to the person of the managing director. So, there may be changes in the future concerning the quality of the relationship for farmers. However, relationships are already established with the next generation, as the children of the managing director are already integrated very well in the enterprise. Only for the agricultural production branch of the 'Biohof' none of the children would have shown interest in so far. To have children who do not want to take over the farming business of their parents however is an issue for the agricultural sector in general.

Looking at the enterprise more from a macro and external perspective concerning how far the activities of the 'Biohof Achleitner' influence back on the agro-ecosystem in which it is embedded, the following facets can be listed:

'Biohof Achleitner' actively tries to raise awareness for aspects of sustainability by educating his customers and the public (e.g. via the 'Schlaue Kiste' for schools, kindergartens; cooking courses, publicity in social media etc. or via the Kundenbrief/customer letter). The enterprise displays strong ambitions regarding knowledge dissemination to organic farmers, especially assisting farmers in

composting or biological pest control techniques and organic fertilization (i.e. green manure). By this, Achleitner contributes indirectly to processes which revitalize the soil and its fertility.

Moreover, close communication with suppliers helps to reduce food waste and food losses as farmers would always know the amounts they can plan to sell the next week and the logistics manager exemplifies: "...we know how many boxes there are, we know how many customers we will have. We can tell a farmer for instance that we will take 200 kilograms of strawberries and those are planned. This means, we really get things almost exactly to the kilogram and there is nothing wasted beginning at the producers. And also in our storage, we do not have an automated sorting machine. [...] We simply pay attention that we use as much as possible and that nothing gets simply thrown away." This way, things that cannot be sold further because they do not look properly anymore, will be offered to employees or given away to the social market. Thus, the enterprise has a precise planning and only the completely bad or rotten goods land in the composting.

Furthermore, by commonly delivering several households according to a sophisticated and consolidated delivery route system, there would be a reduction of CO-2 emissions. Likewise, Achleitner is a reliable partner providing farmers with a market access, thus significantly contributing to the farmer's income and therefore indirectly inducing that more land is cultivated organically. However, for some partners, Achleitner has become the exclusive distribution channel which bares kind of a dependency risk. In this respect, the enterprises strong and powerful position in the regional organic landscape could be evaluated as withholding also some negative implications.

6 Future orientation

The development of the organic sector in general is being evaluated ambiguously. On the one hand, together with the trend towards regionality, organic is perceived to be increasing and is also estimated to keep growing further, as there are more and more competitors on the market. On the other hand, this resulted in a bifurcation of organic agriculture meaning that organic is exposed to conventionalization processes. According to the logistics manager, organic would however still not have entered mass production in a comparable way as conventional farming. The future trends to him are difficult to predict. As soon as there are bigger scandals with the more large-scale/conventionalized organic production again, he estimates that the trend towards what he calls 'selective organic' will become stronger. To him, this would particularly account for Austria with its small structured agriculture and for all these kind of small initiatives like CSAs or urban gardening. In his opinion, such private purchasing communities will continue to grow although their contribution to organic consumption would be difficult to measure in percentage.

The focus for the future of the 'Biohof' likewise remains to be on quality rather than quantity. On a long term perspective, let's say in 5 to 10 years, the managing director wants the enterprise to have a higher box customer density within the core distribution area and to perfectly provide their customers with highest quality standards including for instance the new web-shop foreseen for 2015. Concerning primary production, the goal is to increasingly close the production cycles on their own and the supplying farmers' agricultural production sites in order to become completely independent from buying external resources like fertilizers. Furthermore, the enterprise wants to get more and more producers to exclusively produce for the Biohof Achleitner (also outside Austria).

Specifically regarding the organic boxes they want to expand their distribution area and further enhance the quality for their customers (i.e. with the web-shop) and to achieve high consumer

loyalty. This gets confirmed also by the interviewed representative of the customer service department who is responsible for further developing the box scheme strategically. She said that of course the wish to grow is there and somehow is also expected, but recalls that you have to be cautious concerning quality and availability. Of course, the 'Biohof' would not aspire to become a large-scale company and would not purchase products even from only partially conventional farmers. When managing or planning growth, you thus have to be aware how and where to cover the needed volumes from on the supplying side. Hence, on the one hand, new suppliers would need be found and on the other hand, the ones already supplying 'Biohof Achleitner' would as far as possible have to deliver higher amounts. As was already mentioned earlier, this may not be really an issue as many supplying producers due to their collaboration with the 'Biohof Achleitner' in the end were anyhow also growing simultaneously. Yet, in case small producers are not willing to grow further or are not able to deliver the desired amounts, they are claimed to not be exchanged in favour of bigger ones. Rather, they would try to look out for and approach new farmers.

As a last point, the logistics manager would like to see that the networking and close collaboration between box schemes in Austria is deepened to an extent that there is something like a 'golden handshake' and that they really work together on an own basis and an own proper marketing. "That would be what I prefer and where I think this would be a clear delineation of other organic providers or of other organic products, of course bearing in mind certain limits of growth and that the quality is maintained. So that's where I would like to the see the enterprise in the future. I believe it will go in this direction anyway, as otherwise one is getting too far away from the original organic ideals."

7 Verification of results and concluding reflections

It was not possible to get hold of some intended interview partners (i.e. the head of the sales & purchase department and the responsible person for Achleitners own farm) as well as some internal documents, like the list of suppliers or the development of the boxes, although promised time and again. The report was sent to the managing director for verification.

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APPENDIX 1: Example of a 'Kundenbrief' (customer letter No. 6/3rd to 9th February 2014)



<u>APPENDIX 2:</u> Example of promoting supplying farmers in the 'Kundenbrief' (No.15, 7th – 13th of April 2014)

Das Gute von der Pute



Silvia und Robert Neiss betreiben seit dem Jahr 2000 eine Bio-Landwirtschaft in Lunz am See. Sie sind spezialisiert auf die Aufzucht von Puten. Ihr Motto "Das Tier geht vor" nehmen sie sehr ernst, artgerechte Tierhaltung ist ihnen ein Herzensanliegen. So gibt es bei ihnen auch keine automatische Fütterung. Silvia und Robert gehen täglich selbst durch den Stall und füttern ihre Puten. Das Wasser kommt aus der eigenen Quelle. Ein eigener Schlachtraum ermöglicht kurze Schlachtwege. Auf diese Weise wird eine hohe Lebensmittelqualität erreicht.

In die selbst hergestellten Würste, die bald auch in unseren Wurstpaketen angeboten werden, kommt 100% Putenfleisch und biologisches Sonnenblumenöl.

Wir freuen uns über die Kooperation mit Silvia und Robert Neiss, da wir wissen, dass sie aus vollster Überzeugung hinter Bio stehen. Davon konnten wir uns auch bei einem gegenseitigen Besuch versichern.



Silvia und Robert Neiss

Putenpa	kete (Preise pro Paket) Bo	estellung bis Freitag, 18.4.2014, Lieferu	ing in KW 18
Putenpaket I	ca. 0,5 kg Putenschnitzel + ca. 0,5 kg Putenragout		ca. € 22,00
Putenpaket II	ca. 0,5 kg Putenschnitzel + ca. 1 - 1,3 kg Putenobe	erkeule zum Braten	ca. € 36,00
Putenpaket III	ca. 0,5 kg Putenragout + ca. 1 - 1,3 kg Putenoberk	eule zum Braten	ca. € 31,00
Putenpaket IV	ca. 0,5 kg Putenschnitzel + ca. 0,5 kg Putenragout	+ ca. 1 - 1,3 kg Putenoberkeule zum Braten	ca. € 44,00
Putenpaket V	ca. 0,5 kg Puteninnereien (Leber und Herz)		ca. € 6,00
Putenpaket VI	ca. 0,5 kg Putenhälse		ca. € 4,00
Wir suchen Namen für unsere neuen Pakete. Helft uns mit Vorschlägen an dieBiokiste@biohof.at			

APPENDIX 3: Examples of the newsletter to retailers/wholesaler (Week 44 & 47)

