



**SCOTLAND**  
OF FOOD & DRINK

  
CULTIVATING  
COLLABORATION

# INTERIM PROGRESS REPORT

## INTRODUCTION

The Cultivating Collaboration (C2) project began in October 2008. It is a three year project, funded by the Scottish Government, European Union and SAOS and delivered as a strategic activity of Scotland Food & Drink.

The purpose of C2 is to stimulate, encourage and support greater collaboration within Scottish food and drink supply chains, to improve profitability, market responsiveness, efficiency and sustainability. It is delivered in partnership with all the leading land-based food and drink organisations which are members of Scotland Food & Drink.

The project aims to:-

- Make companies more aware of the business benefits of collaboration and help them to become more collaborative through practical interventions
- Help businesses look at how they can collaborate to access new markets, develop new products and make their supply chains operate more effectively and efficiently
- Help companies to learn more about partnership

working through tried and tested supply chain management techniques

C2 is open to any business in the food and drink industry interested in exploring the commercial benefits of working more closely together within its supply chain. This includes farmers, growers, co-operatives, processors, distributors, wholesalers, foodservice operators, retailers and public procurement organisations.



## SUCCESSES TO DATE

This report covers the activities of the C2 project since it began in October 2008 until May 2010. The report also incorporates the findings of an independent evaluation of the project, carried out by Ekos Ltd.

Their research details how C2 has influenced attitudes to collaboration and changed behaviour, as well as identifying some of the business benefits experienced as a result of collaboration.

The report shows:-

- **73% of the respondents were more/much more inclined to collaborate because of their involvement with C2**
- **72% had developed new partnership/collaborations and made new contacts, or had them in the pipeline as a result of their involvement with C2**
- **72% reported some level of increase in their understanding of collaborative supply chains**
- **65% reported that they planned to implement collaborative activities as a result of their involvement with C2**

**Of these benefits, 74% either would not have happened at all without C2, or would have been later, smaller or of lower quality.**

During our first 18 months, we've worked with over 175 companies, as well as 61 organisations, including councils,



Richard Lochhead MSP, Cabinet Secretary for Rural Affairs and the Environment.

academic organisations and trade and industry partners in the food and drink sector.

Most of our activity has been directed at promoting understanding of how supply chains work; helping companies to improve their supply chains, with a view to making them more effective and efficient; and acting as independent advisors and facilitators to companies and organisations with ideas for collaboration.

This document also gives more details about some of the supply chain projects which C2 has been involved in over the past 18 months; it features case studies which demonstrate collaboration in action; and outlines the research and resources being developed by the C2 team.



### HOW A SUPPLY CHAIN WORKS

Understanding how a supply chain works is the first step in developing ideas which can help improve a chain and lead to tangible business benefits.

We've helped to deliver a total of nine events focussed on improving understanding of supply chains. These were attended by a total of 560 farmers and producers. We've delivered five of these with Quality Meat Scotland (QMS), two with the Scottish Rural Property and Business Association (SRPBA) and two in partnership with the Home Grown Cereals Authority (HGCA). We have also worked with the Argyll and Bute Agricultural Forum on a number of occasions.



For example, in 2009, with QMS, we delivered three workshops aimed at improving understanding of the Scottish Lamb supply chain. The events took place in Grantown-on-Spey, Argyll and the Island of Mull. These events focussed on how to add value and reduce costs in the chain. The workshops included a visit to an abattoir to help farmers understand the needs of processors and a butchery demonstration to highlight the difference in wastage levels between 'in specification' and 'out of specification' produce and how this affects the costs and profit margins of each business in the chain. The workshops also offered practical advice to farmers interested in direct selling to customers on how they could meet customer requirements.

The events in Argyll and Mull were delivered in partnership with the Argyll and Bute Agricultural Forum.

#### **Fergus Younger, Development Manager, Argyll & Bute Agricultural Forum:**

"The central aims of the events were really to increase awareness and understanding of the lamb supply chain. The feedback from delegates was hugely positive and overall I think those who attended gained a lot from the sessions."

#### **Margaret Stewart, Marketing Manager, QMS:**

"Working with SAOS as part of C2 has enabled us to help producers understand much more about the lamb supply chain so that they can make informed

decisions and in many cases make the route to market more efficient and profitable. SAOS has a practical, "can do" attitude and understands agriculture and the challenges facing the industry. The collaboration has pooled resources so that, collectively, we have covered more of the country, met the requirements of different sectors, and achieved more overall."

#### **Delegate at Lamb Supply Chain Workshop:**

"The most useful part of the day was the focus on the co-operation necessary between customer and farmer (through the butcher) so that we are producing what is wanted."

### The Public Procurement Process

Helping businesses across Scotland to access the £130 million public sector market was another major venture for the C2 team in its first 18 months. In partnership with Scotland Food & Drink, we have produced a practical guide aimed at small to medium sized enterprises which offers advice on how to bid for public sector catering contracts. The guide was compiled using the real experiences of those involved in public procurement throughout Scotland.

The guide deals with how the market operates, what businesses need to do to be considered for contracts and how to adopt a professional approach to tendering to maximise chances of success. The guide is part of a package of support along with a helpline, personal advice and learning workshops.

One of the excellent examples of this approach is the relationship built up between StirFresh Ltd and Tayside Contracts. StirFresh was originally a farming-based business and is now a key supplier of prepared fruit and vegetables to the public sector, supermarkets and caterers. With a turnover of around £1m, the company also supplies some NHS contracts. The company aspires to the highest standards in quality control, an essential aspect of its success in the public procurement market. The company is also investing time in bringing its own suppliers up to the standards required by its public sector customers.

#### **Andrew Stirling, Owner and Director of StirFresh Ltd:**

"The business has changed and grown to meet the opportunity and we would encourage others to do the same. We are fully supportive of the drive to get more fresh and healthy produce into Scotland's public sector."

**The understanding of collaborative supply chains amongst the participants has improved: 72% of participants reported some level of increase in understanding.**  
*Ekos C2 Interim Evaluation*

## WORKING WITH SUPPLY CHAINS CONTINUED

### IMPROVING YOUR SUPPLY CHAIN

#### Developing New Products

Food and Drink businesses which are part of collaborative supply chains tend to be more consumer focussed, faster to respond to market changes and more competitive and successful in the long run. Improving aspects of their supply chains from communication to product specification, can offer real business benefits. We've worked with a number of supply chains to help them take advantage of real commercial opportunities and to develop new products so they can enter new markets and gain new customers.

Participants in our pilot **Supply Chain Innovation** project have been helped through a course of rapid product innovation. The programme is aimed at small and medium companies involved in the food and drink industry which are interested in accessing new customers or markets. The system was developed initially by Eureka! Ranch in the US, is delivered by Matrix in Scotland, and has been proven elsewhere to be more successful than traditional approaches to product innovation.

Four pilot companies – Summer Harvest Oils, Connage Highland Dairy, Border Biscuits and Thomas Thomson Ltd - set out to develop a new product, service or market opportunity, aimed at identified market needs.

Those taking part are involved in an intensive, interactive and hands-on experience. The product development process is stripped back to its essential component parts and each company is then walked through it, stage by stage. The companies have to focus on the task in hand to reach milestones in product development over the course of the project.

Three of the four companies in the pilot have worked on new products, with the fourth concentrating on how to develop recipes for existing products to extend shelf-life.

The companies began by taking part in a workshop to generate ideas, which involved a number of staff from each business. At the end of this, the businesses had a shortlist of two to three main ideas for further development. Staff from Matrix consultants and the C2 team then worked closely with each company to help it choose one idea to progress and take forward working closely with its supply chain. The team continues to provide practical support, advice and access to outside expertise to assist each company through the new product development process.

Following the C2 pilot, the project will be rolled out to more Scottish companies.



Mark and Maggie Bush, Summer Harvest Oils

#### Jill Clark, Connage Highland Dairy:

"When you run a small business, you have your head down concentrating on the day to day. – It is difficult to find the time to think about new products and ideas, or how working with other companies on new products might be possible. This is something we have done together as a team and it has helped us to focus our thinking about the company and to act on it."

#### Mark Bush, Summer Harvest Oils:

"The best thing about the process is that it really makes you focus your attention on what you need to do to collaborate and develop your business. I found the methods used very helpful – you pin down your thinking and, by asking yourself a series of simple questions, you are able to weed out the ideas with potential from those that are not going to deliver for your business."

#### Nicola Hainie, Border Biscuits:

"One of the real benefits of this process is that you increase the network of contacts who you can speak to about a lot of possible lines of development – this means you don't waste time re-inventing the wheel. It also helps you to realise very quickly which ideas are worth pursuing and those which you should kill off. "

#### Melanie Thomson, Thomas Thomson Ltd:

"The sessions were very fast and punchy, very focussed on the market - and really good at helping you to get a message out to the consumer about what is special about your product. It really pushed us to the point of producing a concept run – and for me the product became a reality at that point. "

#### Rona Sutherland, C2 Supply Chain Manager:

"Though none of the companies involved are from the same supply chain, there has been considerable horizontal collaboration among them – sharing of expertise, contacts and even the use of each other's ingredients in the development of a new product."

## WORKING WITH SUPPLY CHAINS CONTINUED

### Joining Forces to Build Scale

Breaking into a new market can also prove difficult, particularly for small companies. However, it can often be easier to achieve if they join forces with other companies which are complementary to their business and have a common goal. Extending their supply chains in this way can add real value to companies by helping them to achieve scale. We have worked with two groups as part of the C2 project to help them identify the best ways in which they could join forces and reap real business benefits.



Four Scottish companies were keen to explore how they could improve their access to markets. We worked with them to establish a marketing and distribution venture, Wholesome Whole Foods Scotland. Comprising Ella Drinks, Ola Oils, Isabella's Preserves and Tilquhillie Fine Foods, the group has pooled resources in marketing and distribution to increase profits. We worked with the companies over 12 months and brought in John Richardson of JBR sales, an expert in marketing and the specialist food sector, to help them look at improving sales. C2's role as a facilitator enabled them to drill down to all the costs and benefits associated with the venture. We also helped them to examine structural options for the venture before they decided to form a co-operative. Wholesome Whole Foods Scotland has recently become operational and still receives assistance from John Richardson, which the businesses now fund themselves.

#### **Anne Thomson, Ella Drinks:**

"Developing the joint marketing venture among the four companies was an intensive process and one which required a lot of commitment from all of us. It was very helpful to have the C2 team and John Richardson from JBR to lead us through the procedure and assist us to work out the potential business benefits and the best mechanism for achieving this."

Developing an effective supply chain requires commitment from all those involved. An opportunity arose for local farmers in Argyll to explore the supply of local lamb to the local council. C2 worked with Argyll Hill Lamb farmers, in partnership with Argyll and Bute Agricultural Forum, and with Forteith Foodservice to help them maximise the opportunity. A pilot project tested the viability of supplying produce into local schools and restaurants, and was run with 250 lambs.

Farmers taking part retained ownership of their animals through finishing and slaughtering until they reached the wholesaler, Forteith. They sold the diced shoulder of lamb to the council for school meals, with the more expensive cuts going to local hotels and restaurants. Complementary to this was the supply of burgers to ferry operators, Caledonian MacBrayne. Forteith managed to achieve a modest premium on the produce which was passed back to the farmers. It allowed the farmers to get a better understanding of what is needed for the public sector market and how to maximise return. This was a pilot project, which allowed the council to be more flexible in its procurement procedures and, in future, the group will have to go through formal tendering. However, the project is now in its second year with 1000 lambs.

#### **Angus MacFadyen, Argyll Hill Lamb Farmer:**

"The hill lamb project was a great example of people coming together to understand and improve their supply chain so that they got the best out of their produce and achieved a commercial advantage. The help we were given by the C2 team and the Argyll and Bute Agricultural Forum was invaluable in making the whole thing work."

**73% of companies were more inclined to collaborate with 65% of the businesses indicating that they have implemented or are planning to implement activities as a result of C2.**

#### **Ekos C2 Interim Evaluation**





### Getting the Best Structure for a New Venture

Companies, or groups of companies, which have successfully developed a new venture or product also need to look at the best mechanisms for managing it – this can help ensure that each party receives the rewards equal to the risks taken and the investment made. C2 has worked with a number of groups in this way, acting as an independent adviser and facilitator, helping them to structure collaborative ventures.

Bringing a new product to market can be a testing time, and it can be even more onerous when it involves creating a whole new supply chain and a joint venture with another company. The successful launch of Mackie's Crisps at the 2009 Royal Highland Show was the culmination of months of work by Mackie's and its partner, Taypack. C2 was instrumental in helping the two companies reach agreement on how the new company – Mackie's at Taypack - would be set up and operated.

Mackie's is well known as an ice cream manufacturer, whilst the Taylors have been farming at Inchtute in Perthshire since 1927 - their company, Taypack, is one of the UK's biggest potato growing and processing businesses.

One of Mackie's goals is to maximise the value of its brand and to diversify into other markets. All of the company's research pointed to premium crisps - a market in which

there is no other Scottish company. It is also a growth sector, with sales increasing by about 30% each year.

Meanwhile, Russell and George Taylor of Taypack had also identified the same gap in the market and had been undertaking their own research, including details of equipment requirements and a design for packaging for a premium crisp product.

The two companies eventually decided to develop a joint venture. However, they realised that they needed some help to hammer out the detail of the shareholders' agreement. Through the C2 project, we provided help and expertise to both parties, acting as an independent facilitator.

**Kirstin Mackie, MD of Mackie's at Taypack:**  
"SAOS helped us structure and direct discussion to the most important matters first. It was very useful to have someone helping us to think through different scenarios and the impact these could have on the individual businesses, as well as the joint venture."

**72% of respondents made new contacts due to their involvement with the C2 project. These included new orders with new business partners and holding ongoing discussions with potential partners met through collaboration.**  
*Ekos C2 Interim Evaluation*

## SHARING BEST PRACTICE

### Case Studies

We have produced a number of case studies to illustrate how companies and organisations in the food and drink sector in Scotland have collaborated successfully. These offer examples of best practice and also demonstrate some of the obstacles which may have to be overcome during the process.

For any partnership to be successful, it is important that it is based on trust, shared goals and mutual understanding. These don't come instantly. Partners need to prove to each other, over time, that: they deliver on each other's promises; they are committed to a long term, sustainable relationship and will not sell each other out for short term gain; they are willing to share information of mutual interest, and are working towards the same shared goals.

The Case Studies can all be accessed online at [www.ctwo.org.uk](http://www.ctwo.org.uk). – just click on '**Collaborative Relationships**' on the home page. Some of these Case Study examples, detailing where Scottish businesses have collaborated to great success, include:

#### Driving Efficiency

Business efficiency, in its most simple terms, is about minimising waste and maximising value. For a number of transport companies in the food and drink sector, the networks they have created have helped them increase the value in their businesses by increasing efficiency and reducing costs.

C2 worked with three Scottish transport companies - Highland Thermo Logistics (HTL), Waltons of Oban and Long Lane Deliveries (LLD) – to help facilitate a collaborative relationship which has improved their customer offerings and helped to build their businesses. The three companies collaborate where it makes most commercial sense, but remain competitive on other routes.

All three agree that there are clear business benefits for each of their companies. Overall, they have become more efficient as a result of their collaboration. For Waltons the arrangement means better service for customers - cutting costs and providing small, local companies with access to larger markets. Contributing to their ability to grow means increased business for Waltons.

For HTL the main benefits are increasing opportunities to capture new business, such as a contract with Highland Fine Cheeses, and to reduce costs, by working with partners like LLD, who can deliver more efficiently than HTL in certain areas of the country.

HTL estimates that its fuel savings are already 5% or more and that around 10% of business growth is as a direct result of the collaboration with Waltons and LLD. Customers experience a better service by having access to a larger geographical area and the arrangement also means a reduction in the number of food miles and empty loads.



#### In Harmony

DF Concerts, the organisers of the 2007 Connect Festival, held at Inverary Castle, wanted to see local quality food on offer at the event. The Argyll and Bute Agricultural Forum took on the challenge and the Strategy Development Manager, Fergus Younger, approached a number of local producers who were already selling through farmers' markets, farm shops and by mail order. A few had attempted to break into the events market on their own, but had no success. However, with Fergus's support, a group of companies agreed to come together to jointly sell their produce under the banner 'Food from Argyll'.

In order to make the most of the opportunity, each company worked with a food technologist to develop suitable products and received training in public food service catering - health and safety, food preparation, cooking, portion control and service management.

Right from the start, the businesses embraced two of the fundamental elements of collaborative working – commitment through investing cash and time, and sharing costs.

## SHARING BEST PRACTICE CONTINUED

To get into this highly competitive market, the most effective approach is the one taken by the Argyll Producers - they created a 'Pavilion', which became a visitor attraction at the event, rather than just a place to pick up something to eat. The marquee offered them the opportunity to create the foundations of a brand which highlights the quality and origins of the products on offer and which they now use all over the country.

They have now formed a co-operative, with the assistance of SAOS and Co-operative Development Scotland, and have invested in new machinery and equipment which will help them in their other activities. Food from Argyll has been so successful that the brand can be found at events as diverse as the Radio One Big Weekend, T in the Park and the Cowal Highland Gathering.

### Brand Together

Forteith Foodservice is a distribution business based in Oban, Argyll. The firm was established in 1955 and now employs 50 people serving 1500 trade customers. The company operates in some of the most difficult territory in Scotland, within a 100 mile radius of Oban, from Invergarry in the North, the Inner Hebrides to the West and Arran to the South.

In the last three years its Senior Partner, John Forteith, has begun working with local producers to develop premium

branded local food for the market, sold exclusively by the company under the Argyll brand. This includes local venison, lamb and pork.

For Forteith, the development of the Argyll brand has allowed the company to add exclusive lines to its offering within its distribution area. The company has a direct supply relationship with producers who are experts in their sectors and who are focussed on the volume and quality of product they are supplying to Forteith. This gives the company access to produce with excellent provenance.

For the producers, Forteith charges very little for brand development and marketing as it has an exclusive deal on their products. Having a single buyer removes the need to try to sell their produce on the open market which is subject to fluctuating prices.

The producers have all the benefits of being associated with a major business like Forteith – a substantial customer base, links to national brands carried by the company, credibility and a faster, more efficient route to market.

For both Forteith and its suppliers, it means they can develop a premium brand and capitalise on the provenance of the produce.

For more stories like these go to [www.ctwo.org.uk](http://www.ctwo.org.uk)



Seumas MacFadyen and Paula Gillespie who supply Argyll brand pork

## SHARING BEST PRACTICE CONTINUED

### Providing Resources

We are also creating collaboration resources which are based on practical experience and knowledge, and which companies can access through the C2 team or via the website ([www.ctwo.org.uk](http://www.ctwo.org.uk)). These include:-

**A Baseline Assessment Framework** – This allows us to establish the level and quality of collaboration in supply chains before and after they undertake any development activity. This is also important for the measurement of economic impacts of the C2 project.

**Marketing Analysis Framework** – This enables us to help chains or groups of companies to establish the benefits

and risks associated with different types of joint marketing, distribution and sales activities.

**Risk Assessment Framework** – This enables us to work with food and drink processing companies and their partners to improve their supply chain by helping them to create better management controls and practices.

We have also published two documents on the C2 website aimed at those who want to take first steps to developing their supply chains - **Finding the Right Partner**, a hints and tips publication; and **How to Improve Your Supply Chain**, a best practice document.

## RESEARCH AND LEARNING

Part of the remit of the C2 project is to research why and how people collaborate in the food and drink sector in Scotland, as well as reasons why they don't. Research carried out before the project began found there was limited information flow or openness in supply chains. There was also a limited number of long-term, trust-based business relationships already established in Scotland (Source SAOS Collaboration Survey, 2008).

It also established that, while many companies wish to be collaborative because of the benefits it brings, there is a real gap between this aspiration and reality.

In order to establish whether C2 has helped shift attitudes and encouraged people to collaborate, and to measure the overall economic impact of the project, we have developed a Measurement & Evaluation Framework (M&EF). Comprehensive research based on this framework will be carried out and published at the conclusion of the project in 2011.

The interim evaluation published in July 2010, also based on the M&E framework, gauges the impact on the sector to May 2010. This concludes that C2 has made good progress against objectives, with the programme on track against original targets. A key element of the C2 programme is to encourage collaboration across the supply chain.

The research shows that 73% of the respondents were more/much more inclined to collaborate because of their

involvement with C2. In addition 72% had developed new partnerships/collaborations and made new contacts, or had them in the pipeline.

This demonstrates real progress in changing attitudes and behaviours towards collaboration within those who have had involvement with the C2 project.

The programme is also delivering tangible business benefits to businesses, particularly improving access to local suppliers (77%) and helping companies expand into new markets (62%).

Of these benefits 74% either would not have happened at all without C2, or would have been later, smaller or of lower quality. This is a significant element of additionality.

The project is viewed by those who have been involved with C2 as an innovative project which is delivering value for the money invested. The programme is a leading part of Scotland Food & Drink delivery and is frequently cited as an excellent example of helping real improvement in the industry and contributing to the industry's growth ambitions. (Source Ekos: C2 Interim Evaluation July 2010).

C2 is also undertaking a joint research project with the University of the West of Scotland which will focus on how knowledge and information sharing in supply chains impacts on performance. This will feed into the future strategic aims of the C2 project or its successors.

## PROFITING THROUGH PARTNERSHIP EVENT



The purpose of this event, held in Edinburgh in March 2010, was to bring the industry together to explore how collaborative supply chains work in practice and what the benefits of this approach are to the participants. Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment, who has been a staunch supporter of collaboration and the C2 project, headlined the Event.

The 85 delegates who attended heard from Duncan Sinclair of Waitrose, John Forteith of Forteith Foodservice and David Sands of David Sands Ltd. The theme of the

day was how collaboration can help build business and each speaker drew on his own experience to demonstrate this.

They demonstrated how farmers have diversified into new areas; how businesses have added value through provenance and quality; and how they have developed new brands and built relationships on trust. As well as the formal sessions, each of the speakers held informal 'Audience with...' discussions with delegates.

Among the delegates were Paula Gillespie and Seumas MacFadyen, who supply Forteith's Argyll brand pork, and Giles Henry and Guy and Hugo Lee, Scottish farmers who are major suppliers of free range eggs to Waitrose.



## C2 - PROGRESS AGAINST INITIAL TARGETS TO MAY 2010

Measurable Benefit	Target	Progress to Date
Case Studies Developed	45 new case studies	21 case studies completed
Understanding Your Supply Chain	16 events over 3 years 192 participants	9 Supply chain events involving 560 participants.
Introduction to Managing Your Supply Chain	11 events over 3 years 132 participants	Now included in the 'Improving Your Supply Chain' part of the project. Work is underway on a pilot <b>Supply Chain Innovation</b> project with 4 companies. A further 2 projects are in the pipeline. In addition, a pilot workshop in March 2009 involved 5 companies,
Improving Your Supply Chain	30 individual supply chains assisted and learning shared widely	Work has been undertaken with 20 supply chains to date covering a range of businesses and supply chain improvements.
Facilitating Collaboration	15 groups formed to work together collaboratively	Collaborative opportunities for 25 groups investigated or underway.
Comparative Research & Development	Work commissioned to identify learning exemplars and new development tools. Learning disseminated widely.	3 research and evaluation tools designed: <ul style="list-style-type: none"> <li>• Marketing/distribution financial analysis tool;</li> <li>• Risk management tool;</li> <li>• Baseline collaboration measurement tool.</li> </ul> Monitoring and Evaluation Framework designed and implemented.
Dissemination and Sharing of Best Practice	2 dissemination events organised over 3 years with 150 delegates attending Editorial coverage of activities within trade and national press	C2 event held in 2010 with 83 delegates. A number of articles have appeared in the trade and national press.

For further information about the Cultivating Collaboration project, please contact Rona Sutherland on 07855 790749 or Fiona Hamill on 07799 450792 or visit our website at [www.ctwo.org.uk](http://www.ctwo.org.uk)

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