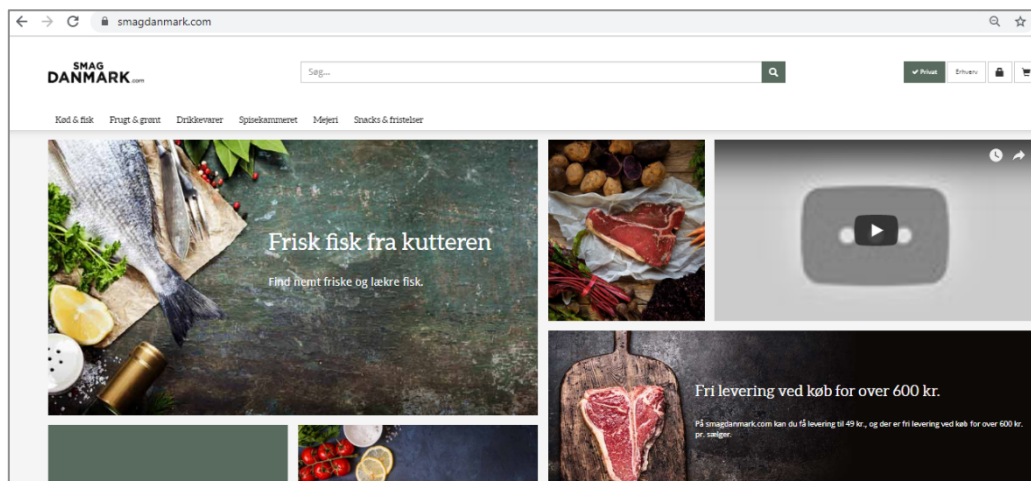


## **Smagdanmark.com – the implementation of FOODMATRIX in Denmark - history, results and prospects**

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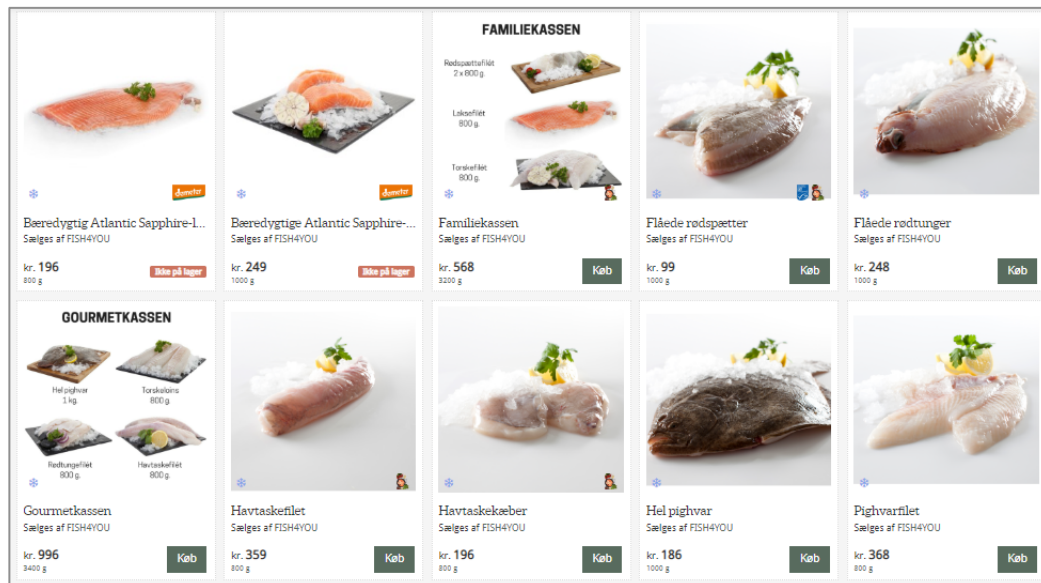
*FOODMATRIX is a sales & distribution solution combining web-shop, marketing and distribution. The concept was previously published on the REFRAME website<sup>i</sup>. The Danish version of the solution is named smagdanmark.com (tasting Denmark) and was launched in December 2016. The development since then and the perspectives for the future is described below.*



### **Background**

FOODMATRIX as a concept was developed by *Taste of Denmark* (Smagen af Danmark)) based on the knowledge of common challenges of food SME's and experiences of a large variety of solutions offered in Denmark during the past decade. The Danish version, *smagdanmark.com* was developed and financed by the software company *QBuy Aps* and the group of investors behind this company. Agreements on logistics were made, first with *PostNord Special Parcel Delivery* and then with *DAO365 Aps* – specialized in newspaper delivery at night to private customers. An additional company, *FoodDriver Aps*, was established to collect products from the producers to the two terminals of *DAO365 Aps*. With delivery to any of the two *DAO365* terminals before 5 p.m. the parcel would arrive to private homes all over the country no later than 7 a.m. the next morning. The hardware and the software of *smagdanmark.com* - including also a system of money transfer certified by the national banking authority - was developed. The system was operational from December 2016 to December 2018. Then the group of investors gave up. An amount of investment by the group of 1 million € was mentioned.

The ownership of *smagdanmark.com* was taken over in November 2018 by a co-operation of producers using *smagdanmark.com* as their marketing platform. A 2-year license-free agreement for use of the platform and an exclusive contract for software supply with *QBuy Aps* was developed and signed. The maintenance of software was re-established during spring of 2019 and revitalisation was initiated in August 2019.



## Status of implementation

When launched in 2016 many producers immediately saw the benefits of the solution. More than 70 producers signed up for being part of the platform and many others were waiting to see the platform in function.

The turnover of the platform has not yet entered exponential growth and has not yet reached 100.000 € in total. This means that the fee of being present on the platform – although moderate – became too high for many producers.

The principle of *FOODMATRIX/smagdanmark.com* is trade directly between customers/consumers and the producer. Every producer has a shop-in-the-shop and the principle of marketing is *collective impact*. This means that when the producer directs customers to this web-shop other producers will benefit from this marketing effort. Producers who actively used the platform were developing turnovers of 12.000 € per year or 3.000 € per month.

At the point of revitalisation by September 1<sup>st</sup> 2019, 16 producers were still present on *smagdanmark.com*.

## Obstacles on the way

There were several challenges in the implementation of the system.

- *PostNord* suddenly gave up *Special Parcel Delivery* in Denmark – unexpectedly for a public service provider. *DAO365 Aps* was found by Taste of Denmark – when needed most - as a better solution.

- An investor signed a contract with *QBuy Aps* for a major funding of marketing activities, but the money never showed up and the investor was later found fraudulent and convicted. This was the tipping point for the group of investors, then deciding to give up.
- Occasionally, there has been conflicts of interest between actors developing the solution.
- But the biggest – and most unexpected obstacle – was the lack of coherence among food networks and support from these to the “producers own solution”. The food networks of Taste of Denmark were bottom-up co-operatives established by food producers in the 2000’s<sup>ii</sup> - often with public support from the EU Leader+ programme. A shift in Denmark in policy for management of public development funding in 2010 resulted subsequently in funding of national, regional and municipal public institutions. Without economic support for producer-based food networks, many of them during the 2010’s was to become operated by these public institutions. Funding for a defined time period and the demand of complying with key performance indicators within that period, led to attempts of copying *smagdanmark.com* by these public institutions. Alternative solutions such as Food Assembly (La Ruche<sup>iii</sup>) and REKO-ring (a modified version of Food Assembly) were also introduced in Denmark, and several municipal initiatives to establish local infrastructures of local food distribution were initiated in the same period. However, the costs of distribution logistics decrease with volume of distribution, and the competition bias caused by public funding and many initiatives appearing in the same period caused a diversion of flow from producers to consumers among many different routes. With one municipal hub as the one exception, none of the many public initiatives has survived, but without having to pay the costs of development, many of them initially seemed price competitive compared to *smagdanmark.com*. This lack of back-up from producer networks was considered a breach of loyalty by the group of investors and contributed to the decision of giving up investments.

## **The future**

FOODMATRIX/*smagdanmark.com* is suggested to be the most innovative and comprehensive solution presented until today on the major challenges shared by most food SME’s. The concept was published on the REFRAME Online Reference Center<sup>i</sup> to allow other researches in this field to study the solution and make comparisons in order to make their own assessment and – possibly – to be adopted by bodies with the capacity to implement the solution in other countries. The software was developed – and is still owned by *QBuy Aps* – with this international perspective in mind. And assistance to describe and identify the stakeholders needed in FOODMATRIX can be offered by *Taste of Denmark*.

The costs of re-developing a solution like *smagdanmark.com* will be high which is one reason why *smagdanmark.com* is being revitalised – too valuable to die. It was originally anticipated that the solution should be co-operatively owned and a non-profit solution to

challenges of the food SME's. This is a core legitimacy of the solution and this ownership is now in place.

The logistics solution has been further developed with the establishment of a national terminal for optional packaging and shipment to customers. Attempts are made to include local hubs of distribution established during the past five years into the matrix to serve as both inlet and outlet hubs of food specialties for the whole country. The number of local inlet and outlet hubs still needs to be increased. One option is to let specialty retail shops serve as outlet hubs.



When *smagdanmark.com* was originally presented to the public it was stipulated, that this link between innovative/authentic producers and the conscious consumers would take 5 percent market share of food retail in Denmark. No such stipulation is anymore made. During the relaunch, the perspective is stressed that *smagdanmark.com* has no marketing budget. Marketing should be done by every producer referring customers to this portal of shopping. In this way any contribution to marketing will be added on top of the marketing value created by other producers. It means that marketing value can grow slowly based on the producers who chose this solution as their own web-shop.

As reported elsewhere on the REFRAME ORC, the market volume – but not the market interest - of food specialties/authentic/local food seems to have peaked in Denmark<sup>iv</sup>. New marketing principles need to be developed and implemented in order to strengthen the link between innovative/authentic producers and conscious consumers. During relaunch of *smagdanmark.com*, there will be a strong focus on *evidence-based marketing* as described also in the concept report<sup>i</sup>.

## Do you want to learn more?

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<sup>i</sup> <https://northsearegion.eu/reframe/online-resource-centre/regional-organization-in-a-cooperative-structure/foodmatrix-the-concepts-of-a-vision/>

<sup>ii</sup> <https://northsearegion.eu/reframe/online-resource-centre/regional-organization-in-a-cooperative-structure/food-networks-in-denmark/>

<sup>iii</sup> <https://laruchequiditoui.fr/en>

<sup>iv</sup> <https://northsearegion.eu/media/8786/structural-aspects-of-food-production-in-denmark-v3.pdf>