

The impact of regulation on innovation: a case study on small biscuit producers in the Netherlands.

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ABSTRACT,

This bachelor thesis investigates the impact of regulation on innovation. This is done with case studies in four different small biscuit producers in the Netherlands. The goal is to find out whether it is more difficult for SMEs to introduce new products to the market. With the results of the interviews it was shown that the impact of regulation is not as high as assumed. The impact of regulation is underscored by the case companies. The greatest drivers of innovation in this sector are market trends, the passion to create new products by the innovators themselves and differentiation. Furthermore, factors to most likely introduce a successful new product to the food sector have proven to be the use of private labels, traditional/typical Dutch bakery and transparency. The companies in this study had found special ways in order to sell their products to the market. Mostly, these products cannot be found in regular supermarkets but rather in organic and specialty shops or on the traditional local market. Whether a SMEs has disadvantages compared to large business groups depends, in the most cases the small companies do not feel as they are competing with the large business groups, but rather have created their own market segment. Still if the large business groups decide to copy or bring a similar product into the market it negatively affects the small business in the same market.

In this thesis, general market trends in the food sector are discussed followed by an extensive theoretical framework about the regulations and innovations in the food sector. After the research design, the results are presented, discussed and concluded.

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Keywords

Innovation, regulation, food sector, SMEs, success factors, case study

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1. INTRODUCTION

The average Dutch person consumes each day more than three kg of foods and drinks as the report from Van Rossum et al. (2016) stated. Since people need food in order to live it is no surprise that the food sector is one of the major sectors with a great amount of innovation (Baregheh, Rowley, Sambrook, & Davies, 2012). In this social media era, people are easily influenced by the overflow of information that is occurring every day. Making it easier for people to first-hand experience new trends, also thanks to this era people can be easily informed about the influence of these foods on the body and certain hypes establish, such as the superfood and gluten-free hypes (Hoes, Savelkoul, Zondervan, & Beekman, 2016).

A niche in this sector where almost every hype can be conveniently translated is the baked goods, such as biscuits, sector.

It is a fact that the largest share of food is produced by ten large business groups, which are Nestlé, Pepsico, Coca-Cola, Unilever, Danone, General Mills, Kellogg's, Mars, Associated British Foods and Mondelez (Bradford, 2012). The French blog Convergence Alimentaire created the info graphic shown in figure 1 demonstrating how intertwined the food industry is.



Figure 1 – Oligopolistic market structure in the food industry

To have an oligopoly in the food industry is not beneficial for the human health, since these companies decide what the consumer buys in the stores (Stuckler & Nestle, 2012). This makes it necessary for small and medium sized enterprises (SMEs) to become established in the food industry. Not only to keep up the competition, but also to innovate the industry. One could assume, since the large business groups have secured their share in the food industry, innovation, in order to keep competitive, is not a priority. In addition, the general risk of uncertainty if there is profit comes from the innovation will make companies hesitate to innovate. There is reason to think that this already concerns the large business groups, consequently one can assume that this risk is even higher for SMEs. The modern retail report on innovation from the European Economic Community described several factors which have a positive impact on innovation, such as the rate of employment, the measure of the retailers business expectations, the national turnover in the product category, certain shop characteristics and the presence of a new shop (Community, Econometrics, International, & Competition, 2014).

As can be concluded from the large share of large business groups in the food sector in order to have a focused competition the role of SMEs becomes essential. Bunte, van

der Meulen, Logatcheva, and Georgiev (2011) wrote a report about the competition law in the Netherlands, focussing on sustainability in the agri-food sector. Nonetheless, a considerable amount of innovations will never be known by the consumer, since the companies, which developed the innovation, are too small to be noticed by the big purchasers, such as the common supermarkets. Supermarkets may even decide not to introduce an innovative product since it could be eroding sales of other profitable products, which is known as cannibalisation (Drezner, 2011). Hartmann (2011) concluded that generally the large food companies are more recognized and trusted than the SMEs, since those are unknown to the consumer and thus people find it difficult to trust SMEs. In that respect people rather rely on what they know.

In this thesis, general market trends in the food sector are discussed followed by an extensive theoretical framework about the regulations and innovations in the food sector. After the research design, the results are presented, discussed and concluded.

1.1 Relevance of Research

Although several studies exist on the motivation to innovate and how this is influenced by several factors, this topic as far from being exhausted as a research area. Specifically, new studies can be conducted in the area of innovation to analyse the impacts of external influences. Next to that, this field can be researched in more detail in specific sectors, such as the food sector. The economic importance of the food sector and the strong imperative for innovation in the sector, has led to a body of research into innovation within the food sector. From the literature and online company research I did it can be said, that it appears, that the topics of law and innovation can be accurately combined in the food sector. In order to prepare for this topic I found a lack of studies on small food companies. Due to the lack of case studies in this field, I chose to complement pre-existing studies with the help of four case studies.

The recent years have shown that the food sector is especially flexible with trends such as superfoods and gluten-free diets being risen to great importance (Hoes et al., 2016). Even resources that were thrown away in the past are now used because of the discovery of the high nutrition that certain products hold, such as coconut water. However, there is a higher amount of process innovations, than product innovations. This was evident when doing online research for companies, where many new methods to produce food were praised. Next to that the study of Capitanio, Coppola, and Pascucci (2010) within Italian food firms revealed that the majority of product innovations are incremental. Nevertheless, there is a strong competition in this specific sector. If firms want to stand a chance against the ten large business-groups dominating the food sector, the need to innovate is high.

To visualise the need to innovate, especially for SMEs, (Hayes & Wheelwright, 1979) introduce the “Product Life Cycle” as depicted in figure 2. It clearly shows the phases a product and equally the company go through when introducing a successful product. In order to continue to grow the company life cycle visualises, that companies should innovate at the first signs of decline of the successful product. Nowadays there are many companies who have great food ideas by varying existing products into healthier, more sustainable and organic alternatives, making room for several incremental innovations to answer to the current demand.

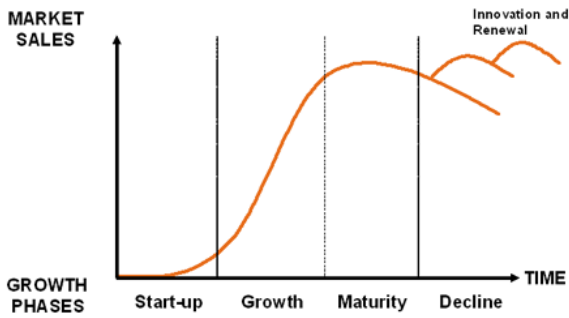


Figure 2 Company Life Cycle

As mentioned before SMEs are extremely important in the food sector to guarantee a healthy competition to the ten large business groups.

1.2 Research Objectives

Looking at the findings of the current situation in the Dutch food sector, the best way to assess the impact of regulation on innovation is with case studies in companies that are alike. In order to execute this research it is very suitable to use four biscuits producers as such cases. Biscuits are appropriate in this research since biscuits are highly adaptive to fast market changes. Looking back at the past years, one can assume that the level of innovation is high in this particular sector, taking into account trends like incorporating superfoods and the gluten-intolerances (Hoes et al., 2016).

Furthermore, this research intends to find factors, which possibly predict a successful product. It should be noted that there are several factors to influence a successful product, such as trends, and location of where the product is sold (Community et al., 2014). Since in the most cases innovation might not be the complication, but rather the sale of the innovation to the Dutch market. This can be explained by people, who show an interest in e.g. baking, producing a completely new kind of biscuit, which is likely to have a great demand, but will not last on the market.

This study intends to look at factors, which possibly predict a successful product from a small Dutch biscuit producer on the Dutch market.

In particular, the study aims to identify the impact of the regulation on SMEs in the food sector. Specific objectives of the study are:

1. To identify factors which are of influence to innovate as a small Dutch biscuit producer.
2. To identify factors which restrict incentives to innovate as a small Dutch biscuit producer.
3. To describe the link between level of competition and level of innovation in the biscuit production sector.

1.3 Research question

To assess the topics the following research question has been established:

In what way does regulation have an impact on the rate of innovation in small biscuit production companies from the Netherlands?

Sub-questions:

1. What are drivers of innovation at small biscuit producers in the food sector in the Netherlands?

2. How are small biscuit producers in the Netherlands influenced by regulation?
3. How can innovative biscuit production companies sell their products on the Dutch market?
4. Do small biscuit production companies have a disadvantage concerning competition in the Dutch market?

2. THEORETICAL FRAMEWORK

2.1 Regulation

2.1.1 Netherlands Food and Consumer Product Safety Authority

In the Netherlands, the Netherlands Food and Consumer Product Safety Authority (NVWA) is the agency whose main tasks it is to supervise companies to investigate whether the laws and regulations are fulfilled by companies in the food sector. Specific attention is drawn to question whether businesses comply with all applying hygienic rules. In order to fulfil the strict hygiene requirements of the NVWA, SMEs are advised to establish an appropriate hygiene guide to comply with food law, even though this is not mandatory. Still a risk analysis should be included.

Next to the NVWA, there is also the European Food Safety Authority, which has the same goals as the NVWA, but on a European level.

2.1.2 Competition Law

The competition law ensures that in any specific sector there is fair competition. This is done by prohibiting the formation of cartels, which are price negotiations between competitors or the planned prevention from said competitors of a new competitor entering the market, by prohibiting the abuse of market power, and controlling concentration on the market by means of merger control (Bunte et al., 2011).

Bunte et al. (2011) wrote a report about the competition law in the Netherlands, focussing on sustainability in the agri-food sector for competitive trading and transparency and the preconditions for competition and sustainability. This document was specifically made for the Netherlands. The authors state that the competition law in the Netherlands promotes the transparency, which in turn influences the efficiency positively. Next to that, the competition law takes away the insecurity of e.g. pricing in the sectors, giving it a fair distribution.

By taking the food sector as an example it is shown that the majority of the food and beverages the consumers eat and drink are coming from ten large business groups. Since brands that are known by the regular consumer are preferred with the big buyers, such as the supermarkets, an oligopoly is created. Which could lead to the hypotheses, that it is more difficult for SMEs to sell their products in the regular supermarket.

2.1.2.1 Assessment of Competition Law

In order to assess the competition law in a company the OECD illustrates a list of criteria that give an overview of relevant criteria in the topic. The competition checklist can be found in figure 2 (OECD, 2015).

Competition Checklist	
Further competition assessment should be conducted if the proposal has any of the following 4 effects:	
(A) Limits the number or range of suppliers	
This is likely to be the case if the proposal:	
1	Grants exclusive rights for a supplier to provide goods or services
2	Establishes a license, permit or authorisation process as a requirement of operation
3	Limits the ability of some types of suppliers to provide a good or service
4	Significantly raises cost of entry or exit by a supplier
5	Creates a geographical barrier to the ability of companies to supply goods services of labour, or invest capital
(B) Limits the ability of suppliers to compete	
This is likely to be the case if the proposal:	
1	Limits sellers' ability to set the prices for goods or services
2	Limits freedom of suppliers to advertise or market their goods or services
3	Sets standards for product quality that provide an advantage to some suppliers over others or that are above the level that some well-informed customers would choose
4	Significantly raises costs of production for some suppliers relative to others (especially by treating incumbents differently from new entrants)
(C) Reduces the incentive of suppliers to compete	
This may be the case if the proposal:	
1	Creates a self-regulatory or co-regulatory regime
2	Requires or encourages information on supplier outputs, prices, sales or costs to be published
3	Exempts the activity of a particular industry or group of suppliers from the operation of general competition law
(D) Limits the choices and information available to customers	
This may be the case if the proposal:	
1	Limits the ability of consumers to decide from whom they purchase
2	Reduces mobility of customers between suppliers of goods or services by increasing the explicit or implicit costs of changing suppliers
3	Fundamentally changes information required by buyers to shop effectively

Figure 3 Competition Checklist

Even though not all of the criteria apply to with the food sector, this checklist is a profound basis to establish interview questions in order to complete this case study.

2.2 Private regulation

Private food law includes topics as self-regulation, private standards, codes of conduct and/or certification schemes.

Inside the food sector, there is a worldwide harmonisation of food safety standards. This is mainly since all the standards are based on the Hazard Analysis and Critical Control Points (HACCP), which is a risk assessment.

Furthermore, the underlying legal structure is straightforward in the private food law. There are contractual requirements, which are linked to instruments as intellectual property and business law. Dominant parties on the market use the named instruments. Still, for a SME it is more difficult to file for a patent because of e.g. the costs (Van Der Meulen, 2011).

2.2.1 Private labels

Every supermarket in the Netherlands sells biscuits under their own name, the term for that is called a private label. Meaning that a biscuit producer produces the biscuits, but the supermarkets are allowed to sell them under their name. This is a great opportunity for small biscuit producers to sell their products in the common supermarkets. Still risks are involved for this practice. For instance, it is often seen that private label products look often very similar to well-known brands. In that matter the producer of the product for the private label needs to be careful in order not to hurt any intellectual property rights. In addition, SMEs might lose the opportunity to grow their own brand. If their main production goes out to the production of private label biscuits, the opportunity to

establish the own brand of the company might get lost (Daskalova, 2012).

2.3 Strategic behaviour

2.3.1 Porter's Five Forces

To analyse the situation for a typical food sector SME the five forces of Porter can be applied (Porter, 2008).

The Five Forces That Shape Industry Competition



Figure 4 Porters Five Forces

Starting with the first force the “threat of new entrants”. It is a threat to existing companies when it is easy to establish a new business without a great investment in the sector (Porter, 2008). There is reason to think, this is the case in the food sector. As even every regular person is capable to produce e.g. biscuits at home and sell those. When having many suppliers of the same product it is of no benefit for anyone, especially for existing biscuit producers, which are not very successful, but have enough to keep the business going. If new entrants have similar, but better products, the existing company has to reconsider their strategy. Generally in the Netherlands to entry the market companies have a certain number of procedures to attend in comparison to other countries (Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2002). Making it not too easy for a new entrant, but also not impossible.

The second force the “bargaining power of buyers”, also known as buyer power, describes the force of buyers. The fewer buyers a market has, the more control those buyers have (Porter, 2008). It can be said that the biggest purchasers of the food sector are the supermarkets; consequently, these buyers are very powerful. Still, there is more than one supermarket chain and other possibilities to sell products in the food sector, such as among others speciality shops, organic stores and food service businesses. One should also consider the ten large business groups as buyers; however, this is not only for the products, but also for the company as a whole. Since there are many options in the food sector the buyer have to compare many suppliers, in order for a business to stand out they either have to have something distinctive as a product or offer the lowest price. Buyer, for instance supermarkets, have to be convinced there are going to sell the product, otherwise it is unlikely that supermarkets will offer the product on the shelves.

For an SME in the food sector one of the biggest threats is that one of the large business groups introduces a similar product into the market. This threat describes the third force the “threat of substitute products or services”, also known as

threat of substitution. Products in the food sector are easily copied as can be seen by private labels copying the well-known brands, yet the copied products never taste the same. This could show that even if a product is protected by intellectual property rights, there are grey areas where suppliers can copy successful products.

The fourth force “bargaining power of suppliers” or rather supplier power, does not apply as much as the other forces, since in food production most of the products are produced in-house. However to bake e.g. biscuits the producers still need e.g. flour and eggs etc., with the fluctuations in the prices in the recent years, this has an large impact on the production price of the biscuits as well, still there is a large amount of suppliers offering these basic ingredients.

The final force the “rivalry among existing competitors”, or rather competitive rivalry has a large impact on the SMEs of the food sector. As mentioned before there is a small amount of ten business groups which own the most share of the food industry, not only in the Netherlands, but also in the whole world. Making it extremely difficult for smaller companies to be successful for a longer time. This was also discussed by the OECD where regular meetings are held to increase competitiveness in the food sector.

2.4 Innovation

In this paper, I am trying to find an impact of regulation on innovation in the food sector in the Netherlands. In 2012, a report by the European Competition Network was published where they claimed that e.g. competition law had a positive effect on the European food sector.

2.4.1 Definition of innovation

Innovations are a multistage process of transforming ideas into new products/services or processes. The outcome is in order for the firm to advance, compete and differentiate in the market. (Baregheh et al., 2012, p. 301).

In order to break down innovation there are two characteristics defined. One type of innovation is the characteristic, which is most common as it sets the position of the innovation. Even though Schumpeter introduced the five types of innovation a hundred years ago¹; the types are still up to date today. The types are distinguished as follows: The introduction of a new good (product innovation), the introduction of a new method of production (process innovation), the opening of a new market, the conquest of a new source of supply of raw materials of half manufactured goods and the carrying out of the new organization of any industry (Schumpeter, 1934).

The degree of novelty is the second characteristic. In this characteristic, the innovation is further defined about the effect on the market and the technical aspects, such as incremental vs. radical or competition enhancing vs. competition destroying. The Oslo manual describes several ways in assessing innovation. Here it is clearly distinguished whether the innovation is new to the world vs new to the firm (Mortensen & Bloch, 2005).

2.4.2 Measuring Innovation

Not only the Dutch Chamber of Commerce introduces each year a list of innovative SMEs (MKB innovative top 100) in the Netherlands, where several food production companies are

mentioned each year, next to innovative SMEs from other sectors. The Food Valley Organisation annually introduces the Food Valley award, which was first given in 2005. For this award every year, up to four companies are nominated. To be announced in either this list or be nominated for the food valley award is a clear measure for an innovative company. However, a company can also be innovative by introducing a new product or process to their company, without being mentioned in either of these lists.

The Food Valley organization is the silicon valley of the agri-food sector, in that matter they were assessed by their member companies in order to clarify the legitimacy of the organisation, and a great influencer from the Wageningen area (Omta & Fortuin, 2013). The Wageningen area is known for their food innovations in this sector (Omta & Fortuin, 2013) because of the many food companies and the University of Wageningen, which even has a food innovation track.

Next to that, there are several factors, which drive innovation as were defined by the European Economic Community in 2014. These factors were the rate of employment, the measure of the retailers business expectations, the national turnover in the product category, certain shop characteristics and the presence of a new shop (Community et al., 2014, pp. 34-35)

3. METHODOLOGY

The empirical study evolved qualitatively through the case study method. The case studies were inductive, based on the analysis of data collected to understand the insertion of environmental criteria in the selection process of suppliers located in the Netherlands. The comprising of the sample followed specific criteria the companies had to comply with such as having less than 50 employees, being a biscuit production company, declaring themselves as innovative and located in the Netherlands. These criteria were chosen because the interest was developed have a closer look into the small companies in this particular sector and how they manage to be successful players in the market with the said ten large business groups. Because of the limited amount of time available for this study the criteria were chosen to be as limiting as possible.

After extensive research, four companies, who complied with the criteria and were willing to participate in the study, had been selected as case studies for this research. All these case companies are located in the Netherlands, more specifically one is located in Drachten (Friesland) two are located in the Amsterdam area and another is located in Alkmaar (North-Holland). All the case studies were conducted in May and June 2017. In that matter the data collection is a snapshot and does not include temporal variation. For every case a phone interview was held, which lasted for about an hour. The information gathered in case studies was recorded in notes and recording of the conversation itself. However, due to technical difficulties the conversations were not completely recorded. The transcriptions of the interviews can be found in appendix 2. The interview questions were based on the competition assessment tool from the OECD. Here one can find a checklist of criteria about competition. In addition to the questions based on the OECD criteria questions that were necessary for a more in-depth knowledge of the case were added. The full list of interview questions with the variable they tested can be found in appendix 1. The interviews followed the ethical guidelines from the University of Twente.

In pursuance of greater reliability on case study data and conclusions, diverse sources of information were used, e.g. to

¹ The original German version was published in 1911.

triangulate data sources. The methods that complement these interviews were secondary data from company websites of companies, who fulfilled the criteria of this study but did not have the time to participate and the literature review in the theoretical framework, which was also important to create guidelines and highlighted aspects that needed to be observed in the case studies.

Nevertheless, this research has several limitations. Such as the time frame, which is limited. This study is set for just ten weeks. On the part of completing the study set for this time frame there is just a small sample of companies, which could lead to false conclusions, since the companies that were chosen might not represent the overall situation on the market. Next to that, a bias between case 3 and 4 is possible, since the same person was interviewed for both cases. Because of the short amount of time, I decided it would be more convenient to have phone interview, but since there was no face-to-face interaction there could be miscommunication, due to technical errors, a bad service or me not understanding it right. Which leads to the limitation of self-reported data. Since I had the interviews with the company by myself there was no one else, besides the interviewee, who could verify the answers to the questions, meaning I had to take my interviewees by their word. In addition, selective memory plays a role here. Even though I attempted to record the interviews this did not work as in all interviews only a limited amount of time was recorded, still I took notes, but I had to rely on my memory, were the possibility stands that I remember the answer wrong. Additionally, there is limited access to data. This showed in many companies not wanting to cooperate, which also would have been a nice addition to the study. Wanting to incorporate more topics than possible to handle in a short amount of time, as I wanted to incorporate the topic purchasing as well, but that would have meant to also interview the buyers from this sector and for that, the time was not enough, so this could be a recommendation for further study.

4. RESULTS

In the following the outcome of the interviews with the four case companies are presented.

4.1 Case 1 - Billy's Farm

4.1.1 Introduction of the company

Billy's Farm is a small bakery from Friesland in the Netherlands with twelve employees. They are producing healthy biscuits, which are organic and vegan. The bakery was established in the beginning of the 1980es and is still independent of other business groups. Billy's Farm started as a small bakery who wants to focus on baking healthy biscuits, this is claimed to be their passion.



Figure 5 - Logo Billy's Farm

To support them introduce new products to the market Billy's Farm has involved an intermediary. The intermediary has the direct lines to the larger selling points, so Billy's Farm only has to develop and deliver the products and let the intermediary take care of the market introduction.

The only contact the company has with their consumers is through social media. Next to that, they have a specific target

group, such as people, who chose to lead a vegan lifestyle. This group of people are known to share product ideas or improvements. Billy's Farm claims that they get many emails with such contents.

Billy's farm suppliers are mostly from the Netherlands, in order to encourage the local farmers; they get about four to five products per supplier. Only the organic palm oil, which is a central ingredient in their products, is imported from Brazil. Since all the supplies they need are from standard organic producers, they do not have exclusive contracts with them and Billy's Farm values quality and the right product over the quantity. Operating in such a specific sector, they have to consider price limitations. However, there are no standards defined which are favourable to any of the suppliers.



Figure 6 - Products of Billy's Farm

4.1.2 Drivers of innovation

Concerning innovation Billy's Farm follows the current trends of the market closely. Next to that, Billy's Farm values the inclusion from the wishes from the consumers. For them the main thing is to have a good feeling about the product they create, they feel that is the most important variable that separates them from the large companies.

They try to introduce at least about one or two products per year, but they do not systematically measure how they score on their innovation capacity. Still they look at the sales of the new product. Factors that are included in the innovation process are the feeling, that the product fits into their mentality and fits the current trends of the market. The decisions are made by the three owners of the companies, who are the father and his two sons. Regulation is not important in that case.

The way they chose to produce is the only restriction they feel to innovate, but on the same hand, that is what they know about themselves.

4.1.3 Influence of regulation

Since Billy's Farm specializes in healthy biscuits it is very important to them that they have the right certificates, such as the hygiene, organic, vegan and palm oil certificate, and be organic in every way. Next to that, they have several machines to produce their biscuits with, and they all have been certified to produce organic. As the intermediary is ensuring the contracts with the selling points there are not really costs concerning introducing or taking a product out of the shelves. The development itself is more expensive than entering the product into the market. Since for the development large amounts of time are invested. Since the longer it takes to develop a product, the more expensive it becomes, considering personnel costs, supply costs etc. Since Billy's Farm uses an intermediary and they have the direct lines, they do not consider this as a more expensive investment. However, if the product is not as described or there are any flaws they have to be high fines.

In comparison to their competition, they believe that they have an advantage, since the competition sells directly to the selling points and does not have an intermediary as Billy's Farm has.

The details about what to include on the packaging are overused in their opinion, still they do not see this as a disadvantage.

4.1.4 Market introduction

Although having just one location where they produce, they deliver internationally, also as a private label for other companies. As a private label, they also sell to other countries, like Spain, England, Portugal, the Czech Republic, Australia, Germany and France. The biscuits from their own brand are sold across the Netherlands and Belgium. These can exclusively be found in organic supermarkets and shops.

In the past, Billy's Farm also delivered to well-known supermarkets, but they noticed that they were competing with the organic stores, so they decided to take their products out of the supermarkets. They cannibalised their own products, which were sold at the organic stores. Since they value these store on a high level they decided to support these stores and take their products out of the shelves of the supermarket. Nonetheless, they still deliver about six recipes as a private label for another popular brand, who delivers to the well-known supermarkets internationally.

As said before, to negotiate with the selling points Billy's Farm has involved an intermediary.

4.1.5 Relationship to the market

In Belgium, Billy's Farm has one direct competitor with which they are highly similar in their values. Other organic biscuit producers tend to include (cane) sugars, which Billy's Farm avoids to work with. Thus, in their opinion these products are not comparable to the products from Billy's Farm.

4.2 Case 2 – Dapeppa

4.2.1 Introduction of the company

A reason to start with Dapeppa was the entrepreneurship of the owner. The firm was founded in 2011. The success of the firm was thanked to an accidental innovation. Dapeppa started to sell biscuits on the local market and in order to visualise the ingredients of the biscuits pots (see fig. 8) with the ingredients were placed next to the biscuits. The ingredients in these pots were also a do-it-yourself kit. Since they look rather nice, it is great to give them away. Being on the local market had shown, that the biscuits alone were not sold, but the pots were.



Figure 7 - Product of Dapeppa

Dapeppa is a company with just three permanent employees. Next to that, they also have a committee of strategic advisors. Dapeppa is still independent from big business groups.

In the first year the production was handled by the owner and friends, but when the demand rose the production was exported to social workplaces a year after the foundation. In a social workplace an opportunity is given to disabled people to

find a job that fits their capacities. In order for them to produce the biscuit pots Dapeppa has about twenty suppliers for the ingredients and the packaging.

4.2.2 Drivers of innovation

Innovation is certainly a goal at Dapeppa, as it is one of the core business values. Whether it is a new product or a new process. Trend analysis is done all of the time. The most important goal to live by for all small businesses is be renewing and make sure that you have something that the others do not have. A factor that is important to Dapeppa is the uniqueness and the feeling about it. The firm has set certain goals, but never determined them SMART, as the company is very small scaled. Innovation is not specifically measured, but an annual plan is executed and realised.

Nevertheless, the owner of Dapeppa said, "the only restriction you have to innovate is yourself".

4.2.3 Influence of regulation

Concerning regulation there are certain things to which Dapeppa has to apply such as the nutritional values and the certification of the production locations. Furthermore, hygiene is very important. The information that has to be made available is seen by him as an advantage, since Dapeppa is a strong promoter of transparency. However, he regrets that the ideas of his company cannot be protected. Even though the pots were first sold by Dapeppa six years ago, before the hype around it started. Dapeppa feels that he is being copied.

He was the first to introduce his do-it-yourself biscuit pots, but nowadays they are copied by e.g. Jumbo and Hema, which are two big players here in the market. Nevertheless, the original can be found at Dapeppa, including the highest quality ingredients. Dapeppa is also a strong promoter of the real ingredients, such as the real M&Ms. This however counts also for the pricing of the products.

According to Dapeppa, it is not easy to introduce a product to the Dutch Market, but certainly doable. However, there is a certain risk bound to it and it is hard to stand out. In addition, since he does not have the resources for a large marketing campaign.

4.2.4 Market introduction

Nowadays the pots are mainly sold in specialty shops. During the holiday season from October to December, it is the high season for Dapeppa. Then the biscuit-pots and other products from Dapeppa are also sold in supermarkets as Albert Heijn. For these Dapeppa sells the do-it-yourself pots at a certain purchasing price, meaning the products are offered at a fixed price at which the resellers can buy the products and then decide themselves what they ask for the product in their store. Next to that and selling online Dapeppa regularly attends events or local markets to promote the products and to receive direct feedback from the consumers of his product.

4.2.5 Relationship to the market

When introducing a new product to the market the highest cost is the time. Another limitation that counts for Dapeppa is that there is not a large marketing budget available.

4.3 Case 3 – Bedford & Delancey

4.3.1 Introduction of the company

Bedford and Delancey is a small company, which aims to deliver not only biscuits, but also bagels, cakes and similar baked goods products to other businesses, such as caterers. In addition, the products are sold at coffee bars and other food service industries. Bedford and Delancey were established in 2008 and is still independent from a larger business group. It started when Bedford & Delancey took over a bakery. Next to that, the owner also wanted to continue to engage in entrepreneurship, after starting several bagel shops in Amsterdam. The owner of Bedford and Delancey also owns another biscuit company, namely Donny Craves (see case 4) in total there are fifteen employees and some interns in both companies. The biscuits are produced close to Alkmaar in Akersloot. However, the products are first developed internally and when everything is right it is exported to larger bakeries, where the products are produced. Important for Bedford and Delancey is that they can explain every ingredient in their biscuits. The kitchen cabinet procedure is how they call it. In addition, it is important to the owner of Bedford & Delancey that his products are developed by him.

For both companies, Bedford & Delancey and Donny Craves, there are about twenty suppliers.



Figure 8 - Logo Bedford & Delancey

4.3.2 Drivers of innovation

Even when constantly developing Bedford does not see it as a goal to innovate. It is done because they enjoy it and do not want to deliver the same product to their customer all the time. Moreover, innovative is just something you are. Next to that, it is important to follow the trends of the market. The best innovative product they produced in the recent years are the typical Dutch pink and orange cakes in a vegan way, which is less sugary and without the lice for the shine.

According to Bedford & Delancey, there are no restrictions to innovate; it only costs a lot of money and time.

4.3.3 Influence of regulation

Bedford & Delancey is not looking closely at regulation. Still they are a supporter of transparency, since this is beneficial for the consumer. The only regulation that are of great importance are the laws from the Netherlands Food and Consumer Product Safety Authority. Nevertheless, competition law does not really have an impact.

4.3.4 Market introduction

Bedford & Delancey's biscuits are sold at caterers, food service industries, such as coffee bars, life style shops (e.g. Sissy Boy). Although he does not have a direct contract with those selling points, they advise them to put the biscuits close to the coffee machine, as they value that a biscuit belongs to a coffee. Direct interactions with his consumers happen when activating and promoting a new product. However, since his customers are more businesses who then resell his products he cannot go and promote there but rather has to be very original or an attractive price. New purchasers are also difficult since

they tend to purchase in at their known suppliers. Bedford & Delancey believe that it is difficult to introduce a new product to the market as there are high costs involved to produce a new product, from which the highest cost is the time. Additionally, it is difficult to find customers who want to resell his products.

4.3.5 Relationship to the market

Since constantly new products are developed, Bedford & Delancey do not think that they have an advantage since their product range changes constantly. Also, the setting of the prices are also limited, since people are only willing to pay for a single cookie a maximum of about €2,50. Since the biscuits they sell are especially to consume directly.

Still Bedford thinks the most competition is from the Netherlands. In addition, they have a certain target group, where the competition is not that big yet. Bedford & Delancey aim for people who prefer organic biscuits, where every ingredient is pure and traceable.

An important philosophy from Bedford & Delancey is that you should be yourself irreplaceable. As e.g. in the coffee bars since they tend to change the supplier from time to time, with the caterer the option exist to make agreements, but nothing is exclusive. It also depends what products are asked – a cheap chocolate cookie which is cheaply produced or an organic cookie with the cabinet philosophy, which is a little more expensive, but has a higher quality

4.4 Case 4 – Donny Craves

4.4.1 Introduction of the company

Donny Craves is a spin-off from Bedford and Delancey (see case 3). The founders wanted to create a brand next to Bedford & Delancey, since those products are used as private label products. Regardless, both these firms are completely independent of each other. Donny Craves was founded one year after Bedford & Delancey in 2009, even though the idea started together with Bedford & Delancey in 2008. Both companies have a lot of influence from the American culture, since the owner of both lived in the United States of America (USA) for half a year. In total, there are fifteen employees and some interns in both companies. There are about twenty suppliers for everything.



Figure 9 - Logo Donny Craves

4.4.2 Drivers of innovation

Concerning innovation, they closely look at the three pillars of innovation, which are market-focused development, technical development capacity and organisational capacity. Still, Donny Craves did not put innovation as a goal into their business policy. Nonetheless, they do want to have new product on a regular basis. Donny Craves believes that either one is innovative or one is not. In order to make a successful product one should also follow the trends. Currently they are working on vegetable biscuits, which hold the same nutrition as a certain amount of pure vegetables.

The first batch of a new product is produced with great care, in order to be able to export the production to larger scale bakeries.

Same as with Bedford & Delancey, Donny Craves believes there are no restrictions to innovate; it only costs a lot of money and time.

4.4.3 *Influence of regulation*

Concerning regulation, the only regulation that matter to Donny Craves is that the firm complies with the rules of the NVWA. Next to that, they also have the certificate for being organic, which is valued highly. This also means that the cabinet philosophy plays a great role at Donny Craves. Every ingredient they use in their products should be recognisable by a regular consumer. To introduce a new product the highest cost lie with the packaging at Donny Craves, this is the case because of the brand they want to establish. The owner is highly involved in the process and values the largest part being done by himself.

Donny Craves is a great promoter of transparency, as long as it helps the consumer they are a clear promoter.

4.4.4 *Market introduction*

In contradiction to the other cases, Donny Craves is the only brand, which is sold in the supermarket, all year around. Just like the biscuits from Bedford and Delancey these biscuits are also intended for direct consume. Therefore, the Donny Crave biscuits are found at gas station, to go supermarkets and canteens. Still, they do not have strict contracts with these selling points, but only the agreements the selling point demands, and did not make any binding accords on where the biscuits should be placed in the selling point. Nevertheless, Donny Craves advises to put the biscuits close to a coffee machine. Since Donny Craves deliver to such selling points, it is difficult for the firm to get in close contact with the consumer of the products. Since most of the products are sold at selling points in public locations, such as train stations or campuses, it is rather difficult and costly to get a permit to market the product, especially in the train stations since these places have certain regulations for promotion. In addition, people at train stations tend to not have a lot of time, as they need to catch their train. Donny Craves thinks it is difficult to introduce a new product to the market, but that does not only apply to them but also to their direct competitors. Nevertheless, it always works out in the end.

4.4.5 *Relationship to the market*

An interesting thought of Donny Craves is that they do not have the feeling that they compete with the large business groups. They aim at a specific target group who do not make the choice between a Snickers or a Donny Craves. Rather the competition would be comparable to Dr. Feelgood, the likeable and independent brands, as the owner of Donny Craves puts it. Next to that, the constant change of the market plays a great role, especially with certain hype. Since the biscuits are organic and healthier than the regular biscuit, ingredients, which fulfil those requirements, are rather wanted

4.5 **Analysis of the results**

After presenting these case studies, the following findings can be distinguished.

The greatest driver of innovation in this sector is the passion to create new products by the innovators themselves. Additionally the monitoring of the market and incorporating market trends are also of great influence. Interesting to mention is that all the interviewed companies gave the same answer to this particular question, as the greatest restriction

are the innovators themselves. Still, factors such as time and money were also mentioned as restrictions.

All the case companies that were interviewed had a similar view about the impact of regulation on innovation. All of the cases analysed underscored the importance of the impact of regulation on innovation, as regulation has more of an indirect influence. They recognise it and apply it for the good of the consumer, but it is not seen as a restriction. Regulation only has an indirect impact, since the producers want to make a safe and certified product.

In order to most likely introduce a successful new product to the food sector factors are differentiation, the use of private labels, traditional/typical Dutch bakery and the close monitoring and following of trends on the market and transparency. The cases in this study have found special ways in order to sell their products to the market, as e.g. conducting an intermediary. Mostly, these products from the case companies cannot be found in regular supermarkets but rather in organic and specialty shops or on the local market.

Strikingly in the most cases, the small companies do not feel as they are competing with the large business groups, but rather have created their own market segment. Still if the large business groups decide to copy or bring a similar product into the market it hurts the small business in the food sector. An interesting point is also the role of the background of the owner about how the company stated its business values. It can be clearly seen whether an owner grew up with the company and is coming from a bakery background or that someone who went to business school.

5. **DISCUSSION**

In the original problem statement, it was assumed that SMEs in the food sector have a hard time to survive next to large business groups. However, according to this analysis, this seems to be not the case on the current market. SMEs have created their own market segment by choosing to deliver to alternative stores, such as organic and speciality shops. The impact of regulation on innovation is not recognised by the case companies; however, they do not address the enhancing part of the regulation. All the case companies have shown to distinguish themselves from others, especially with the help of certifications.

As presented in the analysis section outstanding drivers of innovation are market trends, passion and differentiation. Whereas limitations were the innovators themselves, time and money. Even though these were not the drives as originally expected from the European Economic Community in 2014, which were the rate of employment, the measure of the retailers business expectations, the national turnover in the product category, certain shop characteristics and the presence of a new shop (Community et al., 2014, pp. 34-35), it is not surprising as that study was mainly investigating supermarkets, who also tend to look for more profitable product from well-known brands, rather than SMEs.

It was out of expectation, that all of the cases analysed underscored the impact of regulation, as it was stated that regulation has more of an indirect influence. They recognise it and apply it for the good of the consumer, since the producers want to make a safe and certified product, but it is not seen as a restriction. Still, the fear of being copied and the difficulties related to time and money for authorisation procedures are not recognised as regulation impact, despite the fact that this is the case. Nonetheless, the impact of regulation is also not seen as enhancing. Even though private regulation such as

certification is key to many since it is the only way to claim that they are doing something differently.

Strikingly in the most cases, the small companies do not feel as they are competing with the large business groups, but rather have created their own market segment. Still if the large business groups decide to copy or bring a similar product into the market it hurts the small business in the food sector. This shows, that SMEs should look into intellectual property rights after developing an innovative product, which shows to be a success.

Comparing these findings to the findings from the literature some expectations were met, whereas others were not. An expectation that was met from the report by Bunte et al. (2011) is that competition promotes the transparency and that influences the efficiency positively, even though this was not specifically stated by the by the case companies. A striking finding was that the products of SMEs can easily be copied and SMEs have a hard time to protect their intellectual property because of the costs. Still, the findings from the book by Van Der Meulen (2011) about private food law were met. Even though certifications help companies to enhance themselves above their competition, this is not recognised by the case companies as a success factor. Additionally, the case studies have shown that private labelling helps to sell products to the market. However, biscuit producers are not restricted by building their own brand next to it, which was defined as a risk in the literature.

However, these results must be analysed based on case study strategy limitations. Thus, these results cannot be understood as being the reality at all companies located in the Netherlands. Further limitations of the study were, as stated before in the research design. Such limitations are the time frame, a small sample of companies, a bias between case 3 and 4 is possible, no face-to-face interaction, which could lead to miscommunication, due to technical errors, a bad service or me not understanding it right. Which leads to the limitation of self-reported data. In addition, selective memory plays a role here. Additionally, there is limited access to data.

In order to elaborate on the study I would advise to widen the sample of companies, meaning that more interviews, with more companies, should be held. In addition, it will be of greater value if the company is temporally varied, meaning interviewed at different moments of time. In further study, I also would like to see face-to-face interaction. This would clarify certain things what might have been miscommunicated on the phone. Next to that, I would find it interesting if this study was done on a more international level to see whether the outcomes of this study apply to a more international level, or if it is limited to the Netherlands. In a further study it would also be interesting to include the buyers as a sample to find out on which criteria they select the products, which are sold e.g. in the shelves of the supermarket. Finally, an elaboration on the different angles of law would be an enhancing view on the study.

6. CONCLUSION

This paper analysed the impact of regulation on innovation on the food sector looking at a case study with small biscuit producers in the Netherlands. In order to conclude the study everything leads up to the following answers to the research question, "In what way does regulation have an impact on the

rate of innovation in small biscuit production companies from the Netherlands?" It was shown that regulation does have an impact on innovation; however, the case studies underscore this. Firstly, the drivers of innovation at small biscuit producers in the Netherlands were examined. Three factors were clearly emphasized, namely market trends, passion, and differentiation. Whereas limitations were the innovators themselves, time and money.

Secondly, the influence of regulation on small biscuit producers in the Netherlands was investigated. It was found that having a more indirect impact on the case companies, as every company acknowledges the regulations and even distinguishes themselves with the help of certificates. In further study it was investigated, that biscuit production companies sell their products on the Dutch market with factors as differentiation, the use of private labels, traditional/typical Dutch bakery and the close monitoring and following of trends on the market and transparency. The small companies showcased in this study. The cases in this study have found special ways in order to sell their products to the market, as e.g. conducting an intermediary. Finally, it has shown that small biscuit production companies do not necessarily have a disadvantage concerning competition in the Dutch market, as SMEs in the Netherlands have created their own market segment to stand out.

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8. APPENDIX 1 – INTERVIEW QUESTIONS WITH TESTED VARIABLE

Interview question	Tested variable
When was the company established? Are you still an independent company?	Background information; testing whether the company fulfils the criteria.
How did you get the idea for the company?	Background information; testing whether the company fulfils the criteria.
How many employees work at your company?	Background information; testing whether the company fulfils the criteria.
Do you have more than one location to produce? If yes, where is that other location?	Background information; testing whether the company fulfils the criteria.
Where do you sell your biscuits?	Background information; testing whether the company fulfils the criteria.
How are you contracted with those selling points?	Influence of agreements.
Do you have direct interaction with the consumers of your products?	Influence of consumers.
How important is regulation	Influence of general

for your company? What role does it play when introducing a new product?	regulation.
Which role does private law play in your company?	Influence of private law.
Is the cost significantly raised by an entry or exit to the market?	Influence from competitors.
How many suppliers do you have? For which products?	Influence of suppliers.
Do many direct competitors exist?	Influence of competitors.
Do you feel like your costs of production are significantly raised relative to others? (E.g. compared between longer existing and new companies.)	Influence from competitors.
Is the ability to set the prices for goods or services limited for your products?	Influence of the ability of suppliers to compete.
Are standards set for product quality that provide an advantage or disadvantage for you against competitors?	Influence of the ability of suppliers to compete.
What are regulations that define what information has to be made available to the consumer? Do you see his as an advantage or disadvantage?	Reduces the incentive of suppliers to compete.
How do you define innovation?	Background check.
How important is innovation for your company? Is it a goal for your company?	Influence of innovation.
What makes you invest in a new product? What are important factors and who makes those choices?	Influence of innovation.
Which role does regulation play in this case? Does it differ per regulation type?	Influence of regulation on innovation.
How does the company make sure that its innovation goals are met?	Influence of innovation.
Do you systematically measure how well you perform on innovativeness? If so, how do you do that?	Influence of innovation.
What are examples of the products you introduced to the market in the last 5-10 years?	Background information; Influence of innovation.
Do you think that it is difficult to introduce a new product to the Dutch market? If yes, what are difficulties that you encounter?	Influence of the Dutch system on the company and their competitors.

If no, does this only count for you or also for your competitors?	
Could you briefly explain the steps you take to introduce a new product to the market?	Influence of the Dutch system on the company.
In your opinion, do you believe that there are limitations to innovate? If yes, what are those limitations?	Influence of generic conditions.

9. APPENDIX 2 INTERVIEW TRANSCRIPTIONS

9.1 Case 1 – Billy’s Farm

This interview was held with Sander Bil, the co-owner of Billy’s Farm on May 22nd, 2017.

When was the company established? Are you still an independent company?

We are established in the beginning of the 1980es from the last century and still an independent company.

How did you get the idea for the company?

When his father started his own business, his philosophy was to focus on healthy biscuits as a small bakery. First, he started on a farm, giving it the bakery the name Billy’s Farm.

How many employees work at your company?

There are nine employees excluding his brother and father, so in total there are twelve people, who work at the company.

Do you have more than one location to produce? If yes, where is that other location?

Everything is produced in Drachten, Friesland.

Where do you sell your biscuits?

The biscuits are sold across the Netherlands and Belgium. As a private label, they also sell to other countries, like Spain, England, Portugal, the Czech Republic, Australia, Germany and France. You can find the biscuits from their own brand exclusively in organic supermarkets and shops. We used to sell it in the supermarkets, but then we noticed that we were competing with the organic stores and ourselves, so we decided to take the products out of the supermarket.

As a private label, we sell six different recipes to e.g. BioToday, who still sell to supermarkets as Albert Heijn and Jumbo.

How are you contracted with those selling points?

We do not make the contracts ourselves but have involved an intermediary called Haffmans. Haffmans makes sure that the products are sold at the large supermarkets for businesses, such as Udea, where Ekoplaza buys their products for example.

Do you have direct interaction with the consumers of your products?

Not at lot, but sometimes through social media or from the people, who email them with suggestions for better products.

How important is regulation for your company? What role does it play when introducing a new product?

They are probably very important but because of Haffmans we do not have anything to do with it. So, a new product can be introduced rather quickly.

Which role does private law play in your company?

Standard regarding standardisation, since we are not many people we want to make it as easy as possible for us. Next to that, we have many certificates, such as the certificate for hygiene, vegan, organic, organic palm oil

Is the cost significantly raised by an entry or exit to the market?

Since Haffmans has the contracts with the selling points, we are not keeping track of it. However it costs a lot to develop a new product and the when a new product is presented to the large resellers and we make mistakes there are high fines.

How many suppliers do you have? For which products?

Palm oil from Brasil and everything for the basis dough is mostly from the Netherlands. In total there are about twenty suppliers, who each supply about 4 to 5 products.

Does many direct competitors exist?

In Belgium, there is Ecobiscuit, but other than that, the biscuits are usually produced with cane sugar and that is not comparable to our product.

Do you feel like your costs of production are significantly raised relative to others? (E.g. compared between longer existing and new companies.)

It depends, but it is not a priority. Quality and whether everything is right is more important.

Is the ability to set the prices for goods or services limited for your products?

The price is limited. However, that is also for the competition.

Are standards set for product quality that provide an advantage or disadvantage for you against competitors?

Not that I can imagine.

What are regulations that define what information has to be made available to the consumer? Do you see this as an advantage or disadvantage?

Sometimes it goes deep, but you have to apply the information to yourself. Therefore, in the end it does not really matter, since it is also changing all the time. Especially when it comes to what information has to be printed on the packaging.

How do you define innovation?

Innovation is a new product in our range. In order to be able to sell this to the market we look closely into the demand, whether it is from general trends or what our consumers ask us personally. Another thing that is very important is the feeling we have with the product.

How important is innovation for your company? Is it a goal for your company?

It is always important of course, you always have to show what you are doing. However, with the product range, we have now we can go on for another few years, but innovation stays important.

What makes you invest in a new product? What are important factors and who makes those choices?

Feeling, Trends, Consumer.

The decisions are made by the owners, thus my father, brother and me.

Which role does regulation play in this case? Does it differ per regulation type?

None.

How does the company make sure that its innovation goals are met?

With the three of us, we start to mix ingredients together and sometime something good come out of it and sometimes it does not.

Do you systematically measure how well you perform on innovativeness? If so, how do you do that?

It is not systematically measured; we only look at the numbers from the sale.

What are examples of the products you introduced to the market in the last 5-10 years?

The special muesli bar with which it all started is still in our product range, but in the final years the superfoods have been doing very well, e.g. the Goji Berry cookies, but we also notice that the superfood trend is declining again.

Do you think that it is difficult to introduce a new product to the Dutch market?

If yes, what are difficulties that you encounter?

If no, does this only count for you or also for your competitors?

Since we have involved Haffmans it is not really difficult for us to introduce a new product to the market. Since the competition mostly have direct lines with their selling points, I can imagine that it is more difficult to them.

Could you briefly explain the steps you take to introduce a new product to the market?

After the product is developed, the packaging needs to be designed and printed. After that, the product has to be controlled from the organic control and whether it complies with all the certificates, we have. After that is set, Haffmans sells it to the market.

In your opinion, do you believe that there are limitations to innovate? If yes, what are those limitations?

There are no limitations to innovate. Maybe only the special way we chose to bake our products, but that is something you know from yourself.

9.2 Case 2 – Dapeppa

This interview was held with Dennis van Rooijen the owner of Dapeppa on June 2nd, 2017.

When was the company established? Are you still an independent company?

In august 2011 and yes.

How did you get the idea for the company?

I always wanted to start a business for myself; in august 2011, the time was finally right. I know I wanted to do something in the food and beverage industry. I wanted to keep it simple and not specifically for the profit. After I chose for biscuits, I got many positive reactions.

I opened a shop in Amsterdam and sold the biscuits on a local market in Amsterdam. When I stood on the market, I had pots on my stand, which showed the ingredients of the biscuits. Customers thought the prices were too high, but were interested in the pots, as you can make your own cookies with the ingredients in those pots.

How many employees work at your company?

Only Janine and me and one or two interns. We produce just a little ourselves and the rest is exported to social workplaces. In addition, there is an advisory board, which is a little bit of a joke but we meet twice a year. One of the advisors actually is a legal expert.

Do you have more than one location to produce? If yes, where is that other location?

We collaborate with several social workplaces throughout the country.

Where do you sell your biscuits?

We sell our products to speciality shops. A lot is used as business gifts. Sometimes we sell to the larger retails, such as specific actions with Albert Heijn during Sinterklaas and Christmas. Next to that, we also have a web shop, and from time to time, we still sell on the local market. We are also asked for certain events. Just last week I was standing with my products at a vineyard.

How are you contracted with those selling points?

Few times a year contract. We have certain purchasing conditions, such as set prices.

Do you have direct interaction with the consumers of your products?

Yes.

How important is regulation for your company? What role does it play when introducing a new product?

There are the set regulations to which you have to stick, such as the conditions from the NWVA, also the nutrition's rules and the occasionally inspection of the workplaces and whether they still are applicable to our certifications.

Another thing that is important is intellectual property. A new idea is easy to copy fast. It cannot be protected.

Which role does private law play in your company?

Standardisation is applicable in the social workplaces they are also ISO certified. Because of that, it is easier to have all the pots look the same. Next to that, they have to be complying with the hygiene requirements.

When introducing a new product we are often around at the workplaces to check whether everything goes well.

Is the cost significantly raised by an entry or exit to the market?

Generally, the costs of money is not as high as you would expect, however the costs of time is much higher. Because you have to think about it and test, it whether it works and it is a profitable product. In addition, I do not have a large marketing budget, which gives me a disadvantage against my competitors.

How many suppliers do you have? For which products?

Ca. 15 -20; for the usual ingredients. In addition, suppliers are needed for the packaging, and the design of it.

Do many direct competitors exist?

Even though, I started with the biscuit pots six years ago, they are copied a lot since then. Especially the ones sold at Jumbo and Hema are very well known.

Do you feel like your costs of production are significantly raised relative to others? (E.g. compared between longer existing and new companies.)

Since I am doing this for several years, I feel like I have an advantage. But at supermarkets like Jumbo the pots can be

offered at a lot cheaper price. Still, if you want the original you have to be at Dappepa.

Is the ability to set the prices for goods or services limited for your products?

At the beginning, there were no limitations, but since Hema and Jumbo sell a similar product for a much cheaper price, I have to adjust my price as well.

Are standards set for product quality that provide an advantage or disadvantage for you against competitors?

I only use organic ingredient or the real deal, such as the real M&Ms instead of some cheap copy. However, the average consumer does not see that, but I am still trying to advertise with it.

What are regulations that define what information has to be made available to the consumer? Do you see this as an advantage or disadvantage?

For the consumer this is an advantage, I am a clear supporter of transparency. Also since, I use the best ingredients it is only more marketing for me, in the beginning it was not compulsory, but I still did it. The only disadvantage there is, is that you have less flexibility with what is printed on the product.

How do you define innovation?

To renew existing things.

How important is innovation for your company? Is it a goal for your company?

It is one of the core values of the business. In order to stand out, be surprising, original, unique and new.

Be innovative and make sure you have a product that not anyone else has, this is especially important for all small companies.

What makes you invest in a new product? What are important factors and who makes those choices?

Something unique, to differentiate and whether it complies with my personal values.

Which role does regulation play in this case? Does it differ per regulation type?

Only the compulsory things, but does not play a large role.

How does the company make sure that its innovation goals are met?

The goal is there, but not defined in a SMART way.

Do you systematically measure how well you perform on innovativeness? If so, how do you do that?

No, only the annual plan, which has to be achieved.

What are examples of the products you introduced to the market in the last 5-10 years?

Biscuits, Beerbread, Sinterklaas specials, bananabread, popcorn, scones, Barberkoek; Everything to bake for yourself at home.

Do you think that it is difficult to introduce a new product to the Dutch market?

If yes, what are difficulties that you encounter?

If no, does this only count for you or also for your competitors?

It does not happen by itself, but it is definitely doable. There is a certain risk and it is hard to stand out. As said before, I do not have a large marketing budget and it costs a lot of time.

Could you briefly explain the steps you take to introduce a new product to the market?

The idea is the most important thing; I just throw it at people and wait for their reaction, when it is positive I am going to do it. Baking and testing what are the best forms. Sell on the local market to test it on the consumers, calculate the nutrition and sell it to the selling points.

There are not entities, who have to approve of the product.

In your opinion, do you believe that there are limitations to innovate? If yes, what are those limitations?

Not really, the only limitation is you yourself.

9.3 Case 3 & 4 – Bedford & Delancey and Donny Craves

This interview was held with Rob van Erven, the owner of Bedford & Delancey and Donny Craves on June 7th, 2017.

When was the company established? Are you still an independent company?

Bedford & Delancey was first established in 2008, at the same time the idea for Donny Craves was created, however it took another year before we introduced our brand. Both companies are independent from larger business groups.

How did you get the idea for the company?

Before we started with Bedford and Delancey, I had several bagel shops in Amsterdam. We took over the bakery; I liked to undertake we added bagels and biscuits to our inventory

With Donny Craves, we really wanted to establish a brand. At that time, there was not such an importance about being organic as there is today. The biscuits were inspired by American cookies, as I studied for half a year in the USA.

How many employees work at your company?

In total, there are about fifteen people, who work in both companies.

Do you have more than one location to produce? If yes, where is that other location?

Bedford and Delancey produce in Akersloten, which is close to Alkmaar. We collaborate with a bakery, where the greater volumes can be produced.

For Donny Craves it is important that they be organically certified.

Where do you sell your biscuits?

Bedford and Delancey products are sold to caterers and in the food service industry, such as coffee bars, and lifestyle shops, such as Sissy Boy.

Donny Craves is sold at To Go supermarket and gas stations at caterers and food services and facility management, such as Sodexo.

How are you contracted with those selling points?

Only the agreement the selling points provide. We give the advice to place the biscuits close to the coffee machine, as a coffee and a cookie belong together.

Do you have direct interaction with the consumers of your products?

With both companies, we organise activations after the product is developed. In that, matter we get a first-hand review whether the new product is any good. A lot of them are at the University of Amsterdam. With Bedford & Delancey, it is more difficult since coffee bars usually purchase products on originality and price. With Donny Craves, it is difficult to

organise such activations at to go supermarkets as they are usually in public place as the railway station and they have a lot of regulations, so it not easy to promote there.

How important is regulation for your company? What role does it play when introducing a new product?

Only the requirements from the NVWA are important.

Which role does private law play in your company?

This is especially important at Donny Craves, since here we especially rely on being organic with our certificates. However, this also counts for Bedford & Delancey.

Is the cost significantly raised by an entry or exit to the market?

A new product costs at both companies a lot of money and time.

How many suppliers do you have? For which products?

About 20 for everything.

For Donny Craves it is important that everything comply with the standards.

At Bedford & Delancey, the suppliers are mainly bakeries and organic wholesalers and farmers.

Do many direct competitors exist?

With Donny Craves there are several direct competitors, these also share shelves in the supermarket. However, I do not define Mars and Snickers as direct competitors. Since the consumers wants to have something special and/or organic the choice is rather between Dr. Feelgood and Donny Craves than between Mars or Donny Craves. The likeable/independent brands are here the direct competitors and the large players are not as threatening as one might think.

With Bedford & Delancey, this is a bit different. Many coffee bars prefer to change the supplier now and then in order to offer something new for their customers. With caterers, however you can make agreements, but nothing is certain. It is important to make yourself irreplaceable, in order for them to make it difficult to step over to other suppliers.

Do you feel like your costs of production are significantly raised relative to others? (E.g. compared between longer existing and new companies.)

I feel like we have an advantage in the development of the products, but not an advantage in purchasing because of the specific things we want.

It also depends on your product range.

Is the ability to set the prices for goods or services limited for your products?

Yes. Consumers do not want to pay more than €2,50 for a cookie and then you still have to include the margins for the selling point.

Are standards set for product quality that provide an advantage or disadvantage for you against competitors?

No.

What are regulations that define what information has to be made available to the consumer? Do you see his as an advantage or disadvantage?

I support everything that helps the consumer.

How do you define innovation?

With the three pillars of innovation; Market-focused development, technical development capacity and organisational capacity.

How important is innovation for your company? Is it a goal for your company?

Not a goal per se, but a continuous process.

What makes you invest in a new product? What are important factors and who makes those choices?

We do not think, that we can come to our customers with the same products over and over again. One has to be renewing.

We strongly live by the cabinet principle. Every ingredient we use has to be traceable for the average consumer. We try to find never before things to produce new products. At Donny Craves we just finished to produce a vegetable cookie, where we also did research whether the nutrition from the vegetables are recognised by the body. It turned out this was the case.

I make the decisions and am involved in every step of the process. It does not feel right to let someone do it for me.

Which role does regulation play in this case? Does it differ per regulation type?

It does not play a role.

How does the company make sure that its innovation goals are met?

You either are innovative or you are not, it just happens. Nevertheless, following trends is very important.

Do you systematically measure how well you perform on innovativeness? If so, how do you do that?

No, we are too small to do to that.

What are examples of the products you introduced to the market in the last 5-10 years?

At Donny Craves: Vegetable biscuits, Vegan biscuits etc.

At Bedford & Delancey: Pink and Orange cakes in a more healthy way and most importantly without the lice.

Do you think that it is difficult to introduce a new product to the Dutch market?

If yes, what are difficulties that you encounter?

If no, does this only count for you or also for your competitors?

Yes, though it always works, but it is difficult. There are a lot of small things, such as the small margins.

Could you briefly explain the steps you take to introduce a new product to the market?

1. Idea
2. Taste and present
3. Hope for orders

When smaller it is easier, but with less turnover.

In your opinion, do you believe that there are limitations to innovate? If yes, what are those limitations?

No, there are no limitations it is just not cheap.