

# Case study final report of Natürli

## Report

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Support of Learning and Innovation  
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Agricultural Knowledge Systems In Transition :  
Towards a more effective and efficient support of Learning  
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# **CASE STUDY FINAL REPORT OF NATÜRLI**

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<b>Abbreviations</b>	
<b>AKS</b>	Agricultural Knowledge System
<b>AKIS</b>	Agricultural Knowledge and Innovation System
<b>LINSA</b>	Learning and Innovation Network for Sustainable Agriculture
<b>PZB</b>	Pro Zürcher Berggebiet (association of municipalities of the region)

## **LINSA description**

The LINSA natürli has evolved around the regional trademark “natürli® us de Region Zürcher Berggebiet”. The initiative has been started 20 years ago (1993) by a regional entrepreneur-cheese maker and the regional development manager of the Zürcher Berggebiet, a mountainous region in the vicinity of Zurich, Winterthur and St. Gallen. The main aim – to collect, bundle, distribute and promote high quality dairy products in order to keep alive the regional dairy structures – only could be achieved through multifaceted collaboration. The 15 municipalities of the region own the trademark “natürli” but the members of the LINSA today also comprise private entrepreneurs, cheese dairies and milk producers, the regional development center as well as sales shops. “natürli” accesses sporadically public funding and grants of private foundations for specific sub-projects but it also tries to work economically successful on its own.

### **1. Summary**

The LINSA natürli has evolved around the regional trademark “natürli® us de Region Zürcher Berggebiet”. Its members are private entrepreneurs, cheese dairies and milk producers, the regional development center and the supporting municipalities as well as shops and trucks for the sale of the products. The actors of “natürli” do not necessarily perceive themselves as a real network. The main aim of the initiative – to collect, bundle, distribute and promote high quality regional dairy products in order to support and keep alive the dairy structures in the mountainous region of Zürich – only could be achieved through multifaceted collaboration. It originated from the idea of a regional development manager and a cheese maker from the region. Today, the network consists of an estimated 450 members. “natürli” accesses sporadically public funding and grants of private foundations for specific sub-projects but it also tries to work economically successful on its own (section 2).

The research process was discussed with the main actors of “natürli” from the beginning on and included a variety of different methods that were chosen based on the needs and possibilities of the LINSA members (section 3).

The main findings of the case study are (section 4):

- “natürli” has clear economic objectives to achieve all the while it holds to its vision of supporting close-to-nature production and processing in the region.
- It was developed and accompanied by the regional development office, so links to the AKS were always present.
- “natürli” created a radical innovation at the beginning with minor incremental innovative steps later on.
- “natürli” operates on trust without written rules and conventions unless public funding or official certification is concerned.
- Learning processes are not a primary concern of “natürli”. Nevertheless they take place at individual and group level, but almost never at organisation level.

- As it was one of the first projects in regional marketing in Switzerland, there was little knowledge that could be provided by the AKS.
- Formal support has always been and still is acquired through the regional development office.
- Informal support also can reach the logistics platform directly but this does not involve financial support (rather knowledge exchange or personal incentives).
- Depending on the actors, efficiency and effectiveness are valued differently. The logistics platform wants to be economically efficient while the regional development office rather wants to be effective in developing regional economy as a whole.
- The main cost-effectiveness comes through the logistics platform, which started very early to give a common marketing basis for all milk and cheese producers in the region. Human and financial capital thus could be bundled.

In conclusion (section 5), this LINSAs is difficult to analyse along the set characteristics within this project because “natürli” does not focus so much on learning and value systems as LINSAs are supposed to. It is concerned with promoting high quality products and keeping agriculture alive in the region through conserving and innovating rather than passing on knowledge.

## **2. Introduction**

“natürli” is a special case study because a large part of the network consists of private business and even though sustainability plays implicitly a role within the process, it is never stated explicitly as an objective of the initiative.

### **Origin of “natürli”**

“natürli® us de Region Zürcher Berggebiet” is a trademark owned by the municipalities of the Zürcher Berggebiet, a mountainous region in the north east of Switzerland. The formation of the network was a response to the drastic change in context, both at the market level and at the level of federal agricultural policy. A cheese maker native of the region and the regional development officer (“Pro Zürcher Berggebiet”, PZB), developed an innovative project with the objective to sell the milk produced in the mountainous region of the Zürcher Oberland with fair producer prices.

“natürli” evolved from nothing. The farmers and cheese dairies were delivering their milk and their cheese respectively to large factories and distributors. Over the last almost twenty years (“natürli” was created in 1994) it turned into an extensive network including a cheese cellar and its employees in the municipality of Saland, two shops, various traders and the organization for regional development PZB. This is still linking “natürli” to the formal AKS and state support. The producers, on the other hand, have been at the peripheries of the learning and innovation network, even though they are essential for the existence of “natürli”.

### **The communication structures**

Communication structures are rather poorly developed in “natürli” and not all actors within the network seem to speak “the same language”. While communication with retailers and the consumers is of high importance for the main network actors, there are no regular meetings or newsletters within “natürli”, so communication occurs on an occasional, informal basis.

### **Why is it a LINSAs?**

The LINSAs supporting “natürli” is composed of producers, customers, experts, SMEs, and local administrations and has links to the formal AKS. The common goal is (economic) rural development. This fits very well the definition of a LINSAs by Brunori et al. (2011). The LINSAs does not fulfil all of the functions listed in the SOLINSAs Conceptual Framework (Brunori et al., 2010). While knowledge creation, exchange and use is practiced within the network, not all functions named by Hekkert et al. (2007) are part of the network but “natürli” clearly is fostering entrepreneurial drive and activity by filling a market niche with its products.

### **Main aims of the analysis**

The analysis of this LINSAs mainly aimed at characterizing the origin and function, scale, governance structures, innovation and learning processes, effectiveness and efficiency, links to the AKS, and integration of “natürli”. Furthermore it was of interest to learn from the experience of this pioneer in regional marketing in Switzerland.

### 3. Methods

The research process was discussed with the main actors of the LINSAs from the beginning on. The research plan was constantly adapted and corrected in order to really work on what was of highest interest for “natürli” at the time being.

Chronologically, the following methodological elements were applied:

- Initial meetings with the main actors to set out the project
- First round of expert interviews in spring 2012 to explore the origin, function and perception of the LINSAs (6 interviews)
- Literature review – as well academically as practically (newspaper articles etc.)
- First workshop with the key players as well as municipality representatives and cheese entrepreneurs from Bavaria
- Regular contact with the key players ensured that the changes the LINSAs was going through that summer could be observed.
- Second round of expert interviews with the aim to find out more about the opportunities and threats of diversifying the portfolio of “natürli” (8 interviews)
- Second workshop with key actors, people from the region interested to collaborate with the LINSAs in case it would diversify, and some of the interviewed experts. The aim was to test the findings of the expert interviews with network representatives.
- Interactions and site visits in order to carry out the q-sorting on sustainability. This not only was useful for the exploration of the sustainability concept but also in order to get to know a broader range of network actors.

## 4. Results of the Analysis

### 4.1 Mechanisms of network development, learning and innovation processes and connections with the formal AKS systems

With its rather long history, the LINSÄ “natürli” has gone through different phases of network development as well as learning and innovation processes. Even though it is therefore an interesting example of LINSÄ evolution, the focus (or location among other LINSÄ) did not change significantly over these last years.

Originally, the network around “natürli” has been developed through mechanisms of entrepreneurial collaboration, personal contacts between the key initiators, public support (e.g. the organization for regional development PZB is partly paid by the canton and has been founded by the communal administrations), private funding. There was no formal or officially approved strategy for the development of “natürli”. Through these different mechanisms, prevalently based on trust, the main actors of “natürli” were able to build up relations with diverse other actors such as cheese makers, farmers, state officers, local politicians, and private funds. “natürli” is still working as a simple network (1<sup>st</sup> level) and is only loosely connected to most other actors. Since 2012, however, collaboration with one of the two main retailers in Switzerland has started and it is probable that these ties grow closer over time. Recently, the owner of the label natürli (PZB, Pro Zürcher Berggebiet) discusses how to extend the portfolio of products and services. This step in network development is being analyzed at the moment. Strategic decisions still have to be made. The network nowadays involves around 450 people (own estimation).

The mechanisms of learning within “natürli” are rarely coordinated. As different actors within the network have different needs and perceptions about the development of the network, learning mostly takes place on an individual, informal level. PZB sometimes organises workshops, but they do mostly not concern the label “natürli” directly, even though some key players also are present in other projects. The manager of the logistics center learns mostly by doing and in exchange with other professionals he considers. Cheese makers learn occasionally through formal or informal meetings, but no coordinated learning mechanisms are being applied.

In the beginning, the innovation processes were radical, being developed by the two initiators, the manager of the logistics center and the “regional secretary” which was a function of local development agent comparable with LEADER-agents, employed by PZB together with changing groups of local politicians, advisors, scientists and cheese makers. The location of the LINSÄ influenced its design. While many regional marketing programs promote organic food, tradition and quality were of higher importance for “natürli”. The Zürcher Berggebiet is a conservative region and the success of the initiative might partly be due to the fact that these notions were respected. In the future, however, producing organic might become an attractive if not vital option for “natürli”.

In the following years minor rather incremental innovations were developed. The original innovative concept of “natürli” touches all levels of the food chain from production (farmers) to consumption (consumers) and is of diverse types: technological, knowledge based and management based. “natürli” motivates other rural regions to engage in similar



projects, other regions of Switzerland want to learn from the business model of "natürli" and try to adapt it for their own purposes. When leading expert interviews (see section 3), it became clear that the trademark "natürli" is a boundary object desired by many regional development managers and they would like to learn from the example of "natürli". It therefore not only developed through innovation, it also gives incentives for innovation. Nevertheless, "natürli" main actors have not engaged in ideologies and do not seek to change the values and functioning of the local communities in its region.

Today, innovation processes still are taking place but in more complex ways. Especially PZB (the regional development center) tries to further develop the trademark through expansion to other goods and services without destroying the good reputation it won with the dairy products.

In the first years, "natürli" developed almost entirely outside of the traditional AKS. The initiators had access to information and knowledge but because of the changes on the milk market, they tried to develop something decoupled from the former system. This was this initial "economic shock" that gave the first impulsion for the two initiators to develop the project.

The initiators set up totally new rules for the production and sale of the milk and cheese, the commercial pattern changed from a state-driven to a purely private-driven regime, from a 100% guarantee of sales for the whole production with a fixed price totally decoupled from the consumers' price to a limited guarantee of sales (only for the amount of milk agreed on in advance) with a payment according to the milk quality and quantities sold. The price depends on the consumers' price. In the "natürli" network, actors are working together who otherwise would not have collaborated because the major distributors and milk processing industries are not considering local patterns.

#### **4.2 Learning approaches, methods and tools used in LINSAs**

As "natürli" is mainly about producing and promoting dairy products, learning in an innovative and creative sense is no primary objective for the network as a whole. New production standards or new receipts are passed on to the cheese dairies directly. There is no common learning among the milk producers (farmers) of the region in the frame of the "natürli" network. They study further according to their own needs and possibilities (mostly coordinated by the AKS). As far as the manager of the logistics platform, its administrative board and the steering board of PZB are concerned, learning is coordinated in workshops and seminars but not on a regular basis. It has not been formalised so far.

With the changing structures due to the new umbrella company and a possible extension of the brand to new products and services, a more formalised learning approach might be necessary in order to guarantee the same level of learning to all members of the network. This goes hand in hand with a participative approach in the network development.

The actors in the network initiate the learning processes themselves. The sharing of knowledge is based on direct talks, mostly bilateral. Trust is the main ingredient allowing the network to function; there are little contractual and formal arrangements, especially upstream in the food chain. Most of the formal part is rendered mandatory by getting

financial support, loans from banks or subsidies from foundations or federal offices. There is no formal regular knowledge platform exchange, mainly because the capacities (human and financial) are not sufficient.

Learning might take place at the annual general assembly when news is spread by the managing director and the administrative board or at workshops and seminars taking place throughout the year. These workshops and seminars generally are taking place irregularly and are thought for cheese makers, communal representatives or other interested people rather than for the milk producers. They mainly learn through the AKS, i.e. on behalf of structures outside the LINSÄ. Intellectual property rules are only relevant for PZB and the managing director.

Organisational learning, if at all, mainly takes place through external initiatives such as SOLINSÄ or meetings for regional coordinators. The network itself has no identification strong enough to organise and coordinate organisational learning. Social learning might take place as new initiatives are tried out, e.g. selling on weekly markets or with own vans, and the results of these experiments are discussed throughout the framework. This is then again an implicit learning approach as no official “evaluation meeting” or similar takes place. Individual learning strongly depends on the function of each actor within the network and is most distinct for higher positioned members such as the directing manager (who surely experienced a lot of individual learning throughout the last 15 years) and PZB.

### **4.3 Tasks, roles and emerging quality needs for the knowledge and skills of actors and institutions**

#### **Tasks and roles of actors**

The diversity of actors involved in “natürli” is quite huge: The manager of the newly formed “natürli zürloberland ag” (formed in 2012) is one of the two main founders of the initiative. The regional development manager and his co-workers are employed by PZB and directly work with and for the natürli network. The president of PZB has a representative and strategic role in the network. The newly formed administrative board is comprised by different individuals from the economic, producing and political sector. They are still finding their role in the network but, by definition, it will be mainly about the strategic management and long-term goals. The farmers and cheese makers are on the producing side, while the traders and customers are on the consumption side of the network.

The managing director is still a key person for the logistics center of the network. Extension officers of PZB also have been playing a crucial role and still are in linking the LINSÄ to the formal AKS and state support. The producers, on the other hand, have been at the peripheries of the learning and innovation network, even though they are essential for the existence of the LINSÄ. The motivation of the different actors of “natürli” could be better understood after the first two workshops: while it is the lifework of some, it is the only possibility to survive for others and for the last ones, it is an important tool to develop the region and bears a high potential to create synergies also for other sectors, particularly for tourism.

Actors	Firms (people)	Roles
Farmers	160 (300)	Milk production of high quality delivered to the cheese dairies. Price of the milk between 0.8 and 1 CHF/liter
Cheese dairies	20 (60)	They produce various sorts of high quality cheese. Each one does not produce more than 1 000 000kg/year.
Natürli zürioberland AG	Logistics center (55)	This company is located in Saland. The manager collects cheese from the cheese dairies, matures them and organises the sale: -Distribution to 300 shops + 50 restaurants -Sales and distribution of packages during Christmas time -Visit tours in the warehouse
	2 Trucks (2)	2 refrigerated trucks to sell at markets, fairs and events. They are planned and funding is organized but they are not working yet.
	2 Shops (10)	They sell only cheese with the logo "natürli" in Zürich and Winterthur, also interface between the network and the consumers. They sell some additional products from the region without logo.
PZB	1 (7)	Owner of the label "natürli". Administrative and political supports of the project. Management of the relation with the Canton and the SECO. Promotion of the brand ""natürli".
Municipalities	15 (15)	Stakeholders of PZB, financial support of the project.

While joint enterprise and mutual engagement are rather strong characteristics of the learning and innovation processes within "natürli", the shared repertoire is weak. Participation is not the main goal of "natürli". It is required from central actors of the network but consumers and farmers are not strongly participating. This has been changing over time, though. Reification mainly can be seen in the creation of the label "natürli" and its explicit and implicit commitments.

### Needs for knowledge and skills

At the moment, managerial and marketing skills and knowledge is what is mainly needed by the key actors of the LINSAs. Basically, PZB is the contact point to meet these needs or to help finding other institutions with the needed knowledge and skills. The AKS does not provide any formal training or education fitting the needs of the LINSAs actors, the larger network, however, shows no desire for this. If the trademark should be extended and / or farms should convert to organic production, though, formal education and trainings provided by or for the network surely are needed. This might also strengthen the solidarity among network members and their common vision.

### Consequences for education and training

From the experiences with "natürli" we suppose that advisory services are mainly needed as motivators and bridging the gaps to state support and the formal AKS. Education and training directly aimed at LINSAs actors might not be necessary or not realisable on a regional level. The LINSAs members often are very tight in schedule and in order to be of advantage for them, these trainings should be carried out together with similar LINSAs preferably from foreign countries (because in Switzerland everyone knows his fellows anyway). What would

be of advantage for every LINSAs is a sound education in business administration and human resources management.

#### **4.4 Support measures which are most effective and cost efficient**

The LINSAs "natürli" has been / is funded by different sources and systems.

On the one hand, there is the capital funding (first for the different enterprises around the logistics platform and since July 2012 for the umbrella enterprise "natürli Oberland AG") mainly by municipalities and to a lower degree by cheese makers and farmers. On the other hand, there are grants and contributions by public and private agencies.

Formal support:

State support at the federal level is mainly formal and only of financial nature. Cantonal support is partly formal, as far as financial grants for specific projects of "natürli" within the frame of the new regional policy are concerned. At the communal level, PZB is financially supported, but here, informal support outweighs formal one.

Informal support:

At the cantonal level, informal support occurs mainly through promoting the label at official events, e.g. when the canton of Zurich presented itself in Bern, it offered a buffet of "natürli" products or when the new cantonal president was celebrated, there were "natürli" products to taste. The cantonal office for agriculture also supports the "natürli" network with advice and networking activities. At the communal level, informal support is very strong especially in the sense that the politicians and people are proud of the label and talk positively about it.

Funding sources:

- Municipalities invested in the enterprise(s) ~60%, the rest was paid by farmers and cheese dairies.
- Loans without interest (in the frame of the Swiss regional policy, e.g. Aid for investments in infrastructure) to develop logistics.
- Grants à fond perdu from the Swiss Mountain Aid (Schweizer Berghilfe) to invest into the cheese cellar (~100'000 €).
- New Regional Policy (NRP): grants from RegioSuisse for the label and marketing development (~735'000 €).
- Along with the certification of the regional products (Das Beste der Region), there comes a promotion of sales (financial support for participation at fairs and markets).

There is no global view over all financial support the LINSAs has received since 1993 and no regular/continuous funding is in place.

Effectiveness and Efficiency:

At federal level, the New Regional Policy is a useful tool for rural development. Each canton is free to establish its own programme with its own objectives and priorities. The financial viability of the project is often the only condition, which is really considered when giving the grant (the environmental or societal conditions are not considered).

Other funds exist but projects have to fit in the programme of the fund, which does not allow a lot of creativity. For the purpose of “natürli”, these programmes mostly did not fit.

At cantonal level, the canton of Zurich has one tool, called innovation support contributions (Unterstützungsbeiträge für innovative Projekte), that is granted for innovative agricultural projects, both individual and collective ones. This financial support, however, is not high enough to attract farmers. Therefore, innovative projects rely mainly on personalities. To be successful, the people behind the innovation have to be strong and dispose of an already developed network and creative ideas.

“natürli” has been and still is strongly supported by the local governments of the region. This group of 15 municipalities bundles its efforts in order to promote the economic development of this small mountainous region by promoting high quality cheese and supporting the farmers and cheese-makers of the region.

In conclusion, policy instruments and financial arrangements are rather rare in Switzerland as far as LINSAs are concerned but they can apply for funding by private foundations. The administrative requirements sometimes are discouraging though.

#### **4.5 Evaluation criteria used for assessing the effectiveness and cost-efficiency of support measures that are exploited by LINSAs**

The main cost efficiency within the LINSAs comes through the logistics platform that started very early to give a common marketing basis for all milk and cheese producers in the region. Human and financial capital thus could be bundled. During the latest phase of LINSAs support, the project was evaluated by Regio Suisse with a view to the future development of the trademark / LINSAs. An increase in turnover is expected, so cost efficiency is assessed to be good. Overall, cost efficiency really is high in this LINSAs because employment could be kept in the region and turnover is increasing.

In the beginning the objectives were completely met. In the last year, support measures had additional objectives like strengthening the trademark and diversifying the portfolio. This investment also reached its objective as today the label natürli is used for the whole region (culture, tourism etc.), not only for dairy products. Overall, the payments (monetary support measures) are aimed at specific sub-projects and thus are effective. There is no basic support without clear objectives.

As far as evaluation criteria are concerned, no indicators of effectiveness are known. Therefore, the reflections presented here are based on the objective of the initiative, which was to pay a good price to the producers and to keep the cheese dairies in the region. This has been reached until today. No internal evaluation has been conducted so far or at least this is not openly discussed within the LINSAs.

As far as effectiveness and evaluation criteria of sustainability are concerned, it can be stated that this was not evaluated or discussed in public. The three dimensions of sustainability build the basis of the LINSAs but are not evaluated by specific criteria. Over the last twenty years, though, the LINSAs can be observed to have been sustainable in all three dimensions. Economically, the platform of “natürli” has been growing continuously and

allowed a rising number of people to be employed in the region. Socially, the label is important in providing additional jobs and thus keeping up business life in this rural region. Furthermore, the label "natürli" made the Zürcher Oberland much more known in the nearby urban areas and also supported the identification process of the inhabitants of the Zürcher Oberland. The environmental dimension is the most difficult one to be assessed in regard to the LINSAs. Pastures are grazed by cows in a traditional way and conservation of the countryside hereby is supported. Short transport distances furthermore might be positive in respect to ecological externalities. It is not possible, though, to assess, whether the environmental situation would look different without the initiative of "natürli".

#### **4.6 Operational tools that AKS actors could use to improve support for LINSAs and to enhance the capacity of involved actors, in order to foster successful LINSAs**

In the case of "natürli", the operational tools that could be used are already exploited by PZB to further develop the project and the LINSAs around it. In the view of the directly involved managers at the logistics platform, this part of the LINSAs rather should be disentangled from the AKS than be further linked to it. What they expect from policy actors is strong support for regional products and as little interference as possible. Furthermore they always claimed that it is almost impossible to get enough grants in order to increase the project to a viable size.

In the view of the regional development managers, ideological support from the canton and the municipalities is very important. This usually goes with financial support, which is also very welcome. LINSAs members generally are interested in exchanges of experience, ideas and opinions among different LINSAs (also transnational).

The trademark "natürli" strongly depends on federal regulations about regional products. There are three officially recognized institutions who can certify regional products. Going through the certification process requires money and administration. So far, this seems to work out well, the "natürli" actors are supported by the institutions satisfyingly.

## 5 Conclusion

Working with and analysing this LINSAs over the last three years was an interesting experience for both sides. "natürli" is a special case in that it does not really conceive itself as a network. Different private, semi-public and public institutions work together with farmers and cheese dairies and show all aspects of a LINSAs, but the people involved do not perceive strong links between each other. Keeping this structure in mind, the following constraints and opportunities currently affect the LINSAs:

### Constraints:

- Rising pressure on price of food products in Switzerland because of stepwise opening of borders -> willingness to pay higher prices for natürli products might decrease
- Rising administration costs and difficulties to manage a fast increasing network -> human resources are already exploited
- Diverging conditions to apply for (public) support over the years and across different fields (agriculture, processing, tourism, innovation etc.) -> difficulty to get public support with a reasonable amount of work
- One constraint that was very particular for natürli was the fact that they were pioneers in regional marketing in Switzerland and therefore could not really learn from precedents in other projects.

### Opportunities:

- Trend among urban consumers to buy more regional and close-to-nature products
- Proximity to major cities such as Zurich, Winterthur and St. Gallen -> nearby market potential
- Rising trend to book "regional catering" for official event -> further development potential
- Consideration of "natürli" as a successful regional development project -> positive attitudes of most partners (administration, political, consumers, regional key persons etc.)
- No comparable supplier in the region, concept still rather unknown -> unique selling point
- Recurrent positive media covering -> network very well known, publicity
- Predominantly regional workforce, professional cheese makers present in the region -> high professionalism of regional production can be kept by

Within this context, the major support needs (as mentioned by the actors themselves) for the success of "natürli" are grants or other financial support mostly for investments into infrastructure but as well for the further development of the trademark "natürli" (market analysis, acquisition of new suppliers, marketing) and counselling support by experienced experts especially in the field of management and accounting as well as in relation to applications for public support. In what "natürli" is very strong and did not depend on external support so far is in networking and building links to its customers as well as business partners.

The main findings and lessons learned can be summarized as follows:

- "natürli" is not a formal network but can be seen as a LINSAs.

- “natürli” approach to learning is rather informal and implicit than explicit. Only as far as it is needed for financial support, knowledge is codified and formalized.
- State support for innovative initiatives in rural regions is available in Switzerland but not obvious to access and not always effective in its outcome. Single individuals or private enterprises have no access to financial grants. It has been proved to be a problem to get sufficient capital to invest in facilities, because banks consider initiatives like “natürli” to be very risky and not profitable.
- External support (be it from state or private foundations) is of special importance for LINSAs in the phase of growing from a small, clearly arranged network to a large complex one.
- Even though motors of innovation might be individuals, the success of a LINSAs strongly depends on the connections these individuals have to other people and institutions. Only through the collaboration of private entrepreneurs and semi-public institutions a success story like the one of “natürli” became possible.
- Even though sustainability is not a prevailing aim of “natürli”, it contributes to sustainable development of the region through its promotion of close-to-nature milk production and processing. In a conservative environment like the Zürcher Berggebiet it might be more effective to stress the economic components of an initiative than speaking about fostering sustainability.
- It is important to recognize that LINSAs also can be market players with the main goal of being economically successful because only this way regional agriculture and processing can be kept alive in the long term.

Overall it can be concluded that there is not a single receipt on how to analyze neither support LINSAs. It was worthwhile to study this rather particular LINSAs because it helped to understand the innovators’ perspective on the AKS and state support.



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Homepage of natürli: [www.naturli.ch](http://www.naturli.ch)

Homepage of Pro Zürcher Berggebiet: [www.prozb.ch](http://www.prozb.ch)

## 1. Appendices

### Appendix I: Analytical Characteristics Reports

# Synthesis Report

## DEGREE OF INTEGRATION – 31 MAY 2012

### ETH Zürich

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**LINSA:** natürli (S1)

**Method:** Interviews, Workshop, websites of PZB and natürli

#### 1. What are the mechanisms of network development?

**History and current situation of “natürli”:** “natürli us de Region Zürcher Berggebiet” is a trademark owned by the municipalities of the Zürcher Berggebiet. The setting-up was undertaken in order to promote high quality cheese from the region and to support the farmers and cheese makers of the region as a response to the drastic change in context, both at the market level and at the level of federal agricultural policy. A cheese maker of the region and the person working for the municipalities (in Pro Zürcher Berggebiet PZB), discussed about how to keep the added value from milk in the region. They developed an innovative project with the objective to sell the milk produced in the mountainous region of the Zürcher Oberland with fair producer prices. Today, 16 years later, “natürli” buys and promotes a range of over 150 products, mostly different types of cheese. The milk producer price is about 1 CHF per liter. The challenge in 2012 concerns the financing of the logistics and particularly of the cheese storage. To overcome this, the creation of a new umbrella company is on the way. There is as well an urgent need to find new ways of motivating farmers to produce high quality milk.

Originally, the network around the brand “natürli” developed through mechanisms of entrepreneurial collaboration, public support (e.g. the organization for regional development PZB is partly paid by the canton and has been founded by the communal administrations), private funding and personal contacts. Through these different mechanisms, the main actors of natürli were able to build up relations with diverse other actors such as cheese makers, farmers, state officers, local politicians, and private funds.

The current mechanisms of network development are primarily depending on trust. Many network actors have put a lot of personal effort into the initiative. At the same time, an even closer collaboration that the new umbrella company will bring about requires mutual trust and mechanisms of controlling. Another dimension relates to the mutual trust that is basic for the business connection between milk producers and “natürli”. “natürli” promoters rely on the high milk quality and producers must be sure that the promise of careful marketing and fair remuneration is kept by “natürli”. For the moment, most of the transactions occur without formal contracts - a proof of the high level of mutual personal trust. With time, this leads to difficulties due to newcomers in the network or changes in the context. The introduction of formal contracts may allow overcoming these difficulties. Overall, support of the local population and internal progress only is possible, if actors trust each other.

## 2. What are the processes of innovation and learning and how do they occur?

**Historical background:** Generally said, the initial innovative idea and action stems from one individual person with a strong character, many interesting ideas, and high commitment. This person was supported by a well-functioning social network in the region. Other people who agree with the basic principles then followed and still follow the leader of innovation. He was able to motivate farmers and cheese maker to collaborate and produce according to his requirements. He also discussed his ideas with local policy makers and got financial support from a private foundation. Sometimes, even customers bring innovative ideas to the natürli network. The initiative group consists of different people with a variety of knowledge and skills. The initiator brought the handicraft skills in cheese making and could rely on knowledge about and personal relationships in his native region. PZB brought and brings knowhow on political and administrative issues, marketing, accounting, networking and synergy building with other sectors.

### ➤ Mutual engagement, joint enterprise, shared repertoire (characteristics of a COP)

The characteristics of a CoP are met in so far as **mutual engagement** is present throughout the entire network. Even though aims of different actors within the CoP are not always exactly the same, they agree on basic principles such as on naturalness of products and on maintaining respectively developing the structures of decentralized settlement and agriculture in the Zürcher Berggebiet. Community maintenance is not very strong. It is mainly undertaken by the logistics manager and PZB (both acting in different spheres of the CoP), but communication and identification with the brand might be improved. The trademark “natürli” clearly has negotiated a **joint enterprise**. Even though the owners set the rules and standards, other stakeholders are invited to negotiate at general assemblies or during individual meetings. The joint enterprise is what holds together the network of natürli. A **shared repertoire** has been created over the last years. Resources such as common procedures (e.g. natural milk production and hand made cheese) and concepts (market the value of the natural beauty and healthy environment of the mountainous region) exist. The actors around natürli are not collaborating close enough, though, to have common stories, gestures or words.

### ➤ Participation and reification

Participation plays a decisive role in innovation and learning processes of natürli. Only stakeholders of the company and producers who deliver to natürli can take part in the learning processes. Of course, all cheese makers are free to develop innovative receipts and ways on how to sell the products, but only members of the natürli network profit from the aggregated knowledge and experiences. Not all members participate in the same exchange, though. There is a potential to extend learning and innovation processes to all stakeholders of the natürli network. The best example of reification related to natürli is the creation of the label. This reifies the ideas and concepts of the network. Overall, innovative processes of natürli are rather incremental than radical.

### ➤ Boundary work (boundary objects, brokers, boundary interactions)

Boundary work is quite distinct at natürli. The network is rather loose and not closed in itself, so exchange across boundaries easily takes place. Due to the great workload of all

actors within (inside) the boundaries, exchange with the outside world is difficult and rare. The main types of boundary objects are ideal type and standardized forms, e.g. if economic concepts are exchanged with other comparable initiatives. They are mainly present in the form of discourses and processes. Actually, the trademark “natürli” could be viewed as a boundary object itself. No real **innovation brokers** are present here. PZB could be viewed as a boundary organization as it mediates between the political and administrative world and the production / innovation world. Actors within natürli act rather autonomous; they are rarely supported by external organizations or consultants. **Boundary interactions** occur when other innovative initiatives visit natürli and exchange their knowledge. So far, only external visitors were at natürli, the actors of natürli have seldom been visiting other initiatives (because of time constraints).

3. Should the LINSAs be considered as a COP, NOP, constellation of practice, innovation network?

The LINSAs natürli can be considered as a NoP and an innovation network. The milk producers and cheese makers do not have a strong formal organizational framework, they usually do not meet, i.e. they are dispersed, and they share the practice of natural milk production but do not coordinate it systematically. The actors around natürli are almost too loosely connected in order to qualify for a CoP. Speaking of an innovation network in this context is appropriate even though the network is very loose because farmers, cheese makers, politicians and entrepreneurs exchange their ideas and thus co-produce innovation. Constellation of practice, if understood as broadly as described by Wenger (1998), accounts for the natürli network as well. Most of the actors share historical roots, serve the cause of maintaining their living structures in the mountainous area, face similarly difficult conditions due to the financial crisis and structural change in agricultural, and they have geographical relations of proximity. Mutual learning relations therefore are probable.

4. Are there any things revealed about the degree of integration that were unexpected?

The exchange (knowledge, information, needs) between the main innovation actors at the core of natürli and the milk producers at the periphery of the network is marginal. Even though the different subgroups within natürli are integrated, they do not really form one single community and the degree of integration therefore is very heterogeneous and overall rather low.

5. Summarise your findings with 4-6 key bullet points

- The network around natürli has developed organically according to the needs of the main actors and stakeholders.
- While joint enterprise and mutual engagement are rather strong characteristics of the learning and innovation processes within natürli, the shared repertoire is weak.
- Participation plays an important role but the innovation process is rather incremental than radical.
- Even though boundary work is vital for the development of natürli, no innovation brokers are known and boundary interactions are mainly one-way.
- This LINSAs shows characteristics of a NoP and of a ‘constellation of practice’ but relations are almost too loose for ‘networks of innovation’ and CoPs.

# Synthesis Report

## LEVEL OF INNOVATION – 31 MAY 2012

### ETH Zürich

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**LINSA:** natürli (S1)

**Method:** Interviews, Workshop, websites of PZB and natürli

#### 1.1 1. Does the LINSA display characteristics of incremental or radical innovations?

The original innovative concept of “natürli” touches all levels of the food chain from production (farmers) to consumption (consumers) and is of diverse types: technological, knowledge based and management based. Higher rules of governance and artefacts were partly challenged. Therefore, the innovation can be described as radical. In the following years minor rather incremental innovations were developed.

Before innovation	INNOVATIONS	After innovation
- Milk price dictated by the main industries  - Threat of abandoning milk production or collapse by farmers  - Threat of closure of local cheese dairies	<b>Technological</b>	- New warehouse in Saland for the conservation of cheese (ripening center) - 150 new products on the market in Zürich / Winterthur for the local population: “local and top quality dairy products”
	<b>Knowledge based</b>	- New skills in the logistics were developed. - Cheese makers learned how to produce soft cheese by introducing a totally different technology for cheese-making. - Farmers learned about milk quality and management of their herd in order to produce top quality raw milk.
	<b>Management based</b>	- Development of a new Business Model for the sale of milk products (low-cost logistics for top quality products with the support of the local authorities) - Creation of a company, which hires 55 employees in Saland (in the region) - Receipt, conservation and distribution of cheese from 27 cheese dairies - 2 shops in Zürich and Winterthur - 2 trucks for direct sale and weekly markets - Keeping incomes acceptable for farms and 27 cheese dairies over an area of 2 000ha. - Price of milk agreed on between farmers and cheese makers depending on the milk quality and the price of the final products

#### 2. How does the LINSA support socio-technical transition to sustainability?

As far as the protection of the natural resources is concerned, the LINSA natürli does not contribute significantly to an improvement. Economically and socially, however, the transition to more sustainability is supported in so far as the network created altered governance structures and thus allowed actors to economically survive while comparable producing structures in other parts of Switzerland collapse. Furthermore, the social identification with the region and its trademark contributes to the transition of enhancing the quality of life in remote areas and the attractiveness of the region, especially for tourism. The interaction of actors, rules and artefacts changed because the actors now set the rules themselves and created their own artefacts.

Sustainability and “natürli”:

Environment: The price paid for top quality chees is the main driver for a more sustainable farming attitude. The requirements for natürli milk production are “integrated pest management” and prohibition of silage use. This is linked to the search for better taste in the semi-hard and hard cheeses. There are no additional requirements relevant for the environment. A third-party external certification body now certifies the entire supply chain. The Swiss federal state supports the farmers strongly in producing in a sustainable way. Farmers located in all mountainous regions benefit from special additional direct payments.

Economic: the logistics company is contributing to the enhancement of the total revenue of the farmers in paying a top price (one of the best in Switzerland and therefore maybe in Europe) for the cheese and milk. Creating more than 55 new places of employment, the company has significantly contributed to the economic sustainability of this mountainous area. This is particularly brilliant because the reduction in employment possibilities is the mainstream trend in all mountainous parts of Switzerland and more broadly in Europe.

Social: The notoriety of the area as well as its reputation and name have been enhanced in a significant way through the establishment and use of the trademark “natürli”. This has contributed to the attractiveness of the region for tourism, especially for local tourism. Local products are partly served in the restaurants and shops of the area, contributing to the well-being and affiliation feelings of the local population.

3. Is the LINSa a novelty, a niche or a change in the regime?

“natürli” is a niche. Indeed, the technologies were changed, the sales channels were newly developed, the logistics was completely set up from zero, the costumers were new, and the business model was new as well. But at the same time, such initiatives remain very isolated in Switzerland and in Europe, and it does not lead to a change of regime at a broader level.

4. Is the LINSa focused on incremental innovation or is it a network that ‘breaks the rules’ of dominant socio- technical systems and builds up new economic spaces endowed with their own rules, actors, and artefacts?

The LINSa natürli focuses on radical innovation (especially for the down-stream supply chain). Cheese-makers were engaged in a totally new pattern of producing and delivering cheese and consumers were attracted by so far unknown promises of naturalness and proximity.

Totally new rules were set up for the production and sale of the milk and cheese, the commercial pattern changed from a state-driven to a purely private-driven regime, from a 100% guarantee of sales for the whole production with a fixed price totally decoupled from the consumers’ price to a limited guarantee of sales (only for the amount of milk agreed on in advance) with a payment according to the milk quality and quantities sold. The price depends on the consumers’ price. In the natürli network, actors are working together who otherwise would not have collaborated because the major distributors and milk processing industries are not considering local patterns. This network developed almost entirely outside of traditional AKS.

5. Are there any things revealed about the level of innovation that were unexpected?

*In our research plan we set the objective to understand the relation between the diversity of actors and the innovation taking into account gender position.*

The main actors involved in natürli are at present “active people in the food chain” (farmers, cheese makers, sellers) and local politicians (via PZB). The main actors are male; women are

under-represented. This can be due to the social patterns for women's work in mountain areas. The traditional model of division of labor among family members is predominant on the farms and in the cheese dairies. In cheese dairies women sometimes are owners and presidents. Several women work in PZB and the organization's president is Ms. Sabine Sieber.

6. Summarise your findings with 4-6 key bullet points

- The original innovation was radical. In the following years minor rather incremental innovations were developed.
- The LINSAs contribute to a socio-technological transition towards better economic and social sustainability because it altered governance structures thus allowing actors surviving economically and it enhanced the quality of life in mountainous areas counteracting the trend of urbanization.
- The LINSAs "natürli" is a niche because it remained a very isolated initiative even though many innovative processes were radical.
- The radical innovation shows itself in totally new rules having been set up for the production and sale of the milk and cheese, in changed commercial pattern and in the creation of an important network outside of the traditional AKS.

# Synthesis Report – Origin and function

## ETH Zürich – LINSAs: Natürli

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**LINSAs:** natürli (S1)

**Method:** Interviews, workshop, websites of PZB and natürli, newspaper, meetings with PZB

### 1. How did the LINSAs evolve (diverse, emerging) and into what form?

The LINSAs natürli evolved from nothing, i.e. no preceding network existed. The farmers and cheese dairies existed before but they were delivering their milk and their cheese respectively to large factories and distributors. The network of milk producers and processors in the Zürcher Oberland did not exist before. It evolved out of the necessity to pay better prices to the producers if the structures in this mountainous region should be kept. The process of evolution was led by one specific individual and thus can be called an emerging evolution. Over the last almost twenty years (natürli was created in 1994) it turned into an extensive network including a cheese cellar and its employees in Saland, two shops, various traders and the organization for regional development PZB.

At the moment, there are efforts to extend the brand of natürli to other products and services from the region. This would further increase the network of natürli but it would not change its inherent characteristics. The processes of learning and innovation still would be initiated by private internal or external people, not from the traditional AKS.

#### Origin of the LINSAs natürli

“natürli us de Region Zürcher Berggebiet” is a trademark owned by the municipalities of the Zürcher Berggebiet. This group of 15 municipalities bundles its efforts in order to promote the economic development of this small mountainous region by promoting high quality cheese from the region and by supporting the farmers and cheese-makers of the region.

This was a response to the drastic change in context, both at the market level and at the level of federal agricultural policy. In 1995, the Swiss Cheese Trade Union (Union Suisse du commerce de fromage) was cancelled. This was in line with the change in agricultural policy from a guaranteed milk price to the support of more sustainable agricultural practices by a complex system of direct payments. A cheese maker native of the region and the regional manager working for the municipalities (in the organization “Pro Zürcher Berggebiet”), discussed about how to keep and increase the added value from milk production and processing in the region. At that time, 27 small cheese factories were threatened by the reduction of the protection of the cheese market. High costs in logistics due to the mountainous and remote area endangered the future of milk production and dispersed settlement. They thus developed an innovative project with the objective to sell the milk produced in the mountainous region of the Zürcher Oberland with fair producer prices.

Today, 17 years later, “natürli” buys and promotes a range of over 150 products.

The motivation of the different actors of “natürli” could be better understood after the workshop: while it is the lifework of some, it is the only possibility to survive for others and for the last ones, it is an important tool to develop the region and bears a high potential to create synergies also for other sectors, particularly for tourism.



### Functions of the LINSÄ natürlü

The LINSÄ natürlü does not fulfil all of the functions listed in the Conceptual Framework D2.1. While knowledge creation, exchange and use is practiced within the network (even though communication is not always straight forward and not all LINSÄ members engage in knowledge exchange to the same extent), not all functions named by Hekkert et al. (2007)<sup>1</sup> are part of the network. "natürlü" clearly is fostering entrepreneurial drive and activity by filling a market niche with its products. Vision development takes place among some of the LINSÄ members and resources are mobilized. But there cannot really be talked about market formation and building legitimacy for change and overcoming resistance to change by means of advocacy and lobbying because the LINSÄ is too isolated in its region. The functions of "natürlü" are mainly performed by the key actors.

As far as the market functions are concerned, natürlü is clearly filling a niche. The niche comprises top quality raw milk cheeses. The prices of the products are comparably high for the consumers.

**Table 1: Actors of the network "natürlü" and their functions as of 2011**

Actors	Firms (people)	Functions
Farmers	160 (300)	Milk production of high quality delivered to the cheese dairies. Price of the milk between 0.8 and 1 CHF/liter
Cheese dairies	20 (60)	They produce various sorts of high quality cheese. They do not produce more than 1 000 000kg/year.
Natürlü Bieri AG	natürlü Bieri AG (55)	The owner is the key innovative person in the project, also a cheese maker himself. Natürlü Bieri AG hires now 55 employees. This company is located in Saland. It collects cheese from the cheese dairies, matures them and organises the sale: -Distribution to 300 shops + 50 restaurants -Sales and distribution of packages during Christmas time -Visit tours in the warehouse
	2 Trucks (2)	2 refrigerated trucks to sell at markets, fairs and events. They are planned and funding is organized but they are not working yet.
	2 Shops (10)	They sell only cheese from natürlü Bieri AG with the logo "natürlü" in Zürich and Winterthur, also interface between the network and the consumers. They sell some additional products from the region without logo.
Regionalzentrum PZB AG		Owner of the label "natürlü". Owner of the warehouse for maturation of the cheese used by natürlü Bieri SA.
PZB	1 (7)	Administrative and political supports of the project. Management of the relation with the Canton and the SECO. Promotion of the brand "natürlü".
Municipalities	15 (15)	Stakeholders of PZB & natürlü Bieri AG and also financial support of the project.

## 2. What are the policy principles, policy instruments and financial arrangements?

At cantonal level, the canton of Zurich has one tool, called innovation support contributions (Unterstützungsbeiträge für innovative Projekte), that is granted for innovative agricultural projects, both individual and collective. This financial support, however, is not high enough to attract farmers. Therefore, innovative projects rely mainly on personalities. To be successful, the people behind the innovation have to be strong and dispose of an already developed network and creative ideas.

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<sup>1</sup> Hekkert, M., Suurs R., Negro S., Kuhlmann S. and Smits R. (2007). "Functions of Innovation Systems: A new approach for analyzing technological change." *Technological Forecasting and Social Change* 74(4): 413-432.

At federal level, the New Regional Policy is a useful tool for rural development. Each canton is free to establish its own programme with its own objectives and priorities. The financial viability of the project is often the only condition, which is really considered when giving the grant (the environmental or societal conditions are not considered).

Other funds exist but projects have to fit in the programme of the fund, which does not allow a lot of creativity. For the purpose of natürli, these programmes did not fit.

In conclusion, policy instruments and financial arrangements are rather rare in Switzerland as far as LINSAs are concerned.

- Do these affect the success of the LINSAs?

The factors of success for a LINSAs like “natürli” were discussed from different perspectives during the workshop and include:

- Clear-cut concept with a unique portfolio, supported by the local population and rooted in the region.
- No comparable supplier in the region, concept still widely unknown.
- Market niche has been found and concept reflects the Zeitgeist.
- Recurrent positive media covering.
- Predominantly regional workforce, professional cheese makers present in the region
- Sufficient funds to cover the running capital (especially for natürli, as one main activity is to mature the cheese).

One condition of success that is not given for “natürli” is that “funding through cooperative society with many involved individuals guarantees financial independency”.

### **3. Summarise your findings with 4-6 key bullet points**

- The LINSAs natürli evolved from the traditional rural structures and not from a preceding comparable network.
- It fulfills the functions of knowledge creation, exchange, and use. In particular, “natürli” is fostering entrepreneurial drive and activity by filling a market niche with its products.
- As far as the market functions are concerned, natürli is clearly filling a niche. The niche comprises top quality raw milk cheeses. The prices of the products are comparably high for the consumers.
- No devoted support or incentives for innovation in Swiss agriculture have existed up to now, but there are specific policy instruments (even though not very effective) such as the innovation support contributions by the canton of Zurich, the New Regional Policy, and other funds that favour a specific programme.
- Policy instruments and financial arrangements thus are rather rare in Switzerland as far as LINSAs are concerned. The latter might negatively influence the progress of “natürli”.

# Synthesis Report - Temporality

## ETH Zürich – LINSAs: Natürli

**LINSAs:** natürli (S1)

**Method:** Interviews, workshop, websites of PZB and natürli, newspaper, meetings with PZB

### 1. Tell the story of the LINSAs, Collection of events

**Table 1: Determinant factors involved in the development of natürli**

Phases	Creation (1994)	Consolidation	Development	Today	Tomorrow
Determinant factors CONTEXT (external)	<ul style="list-style-type: none"> <li>➤ Dissolution of the Swiss Cheese Union</li> <li>➤ Context of low price for milk</li> </ul>	<ul style="list-style-type: none"> <li>➤ In 1997 PZB bought the label and founded the "Regionalzentrum PZB AG"</li> <li>➤ Schweizer Berghilfe donated &gt;100'000 CHF for additional cheese cellars to the Regionalzentrum PZB AG (in 2006)</li> </ul>	<ul style="list-style-type: none"> <li>➤ The brand "natürli" is the longer the better recognized and known in the region</li> </ul>	<ul style="list-style-type: none"> <li>➤ Stagnation of sales</li> <li>➤ Breakup of the milk contingent system in Switzerland (the market is flooded with cheap specialties)</li> <li>➤ Global financial crisis, consumption of high quality products dropped down</li> </ul>	
PROJECT (internal)	<ul style="list-style-type: none"> <li>➤ Creation of the label "natürli"</li> <li>➤ Purchase of a van with refrigerator in august 1995 to sell cheese from 6 cheese dairies with the label "natürli" from shop to shop (with a margin of 10%)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Land purchase for the warehouse in Saland in 2005-2006</li> <li>➤ Regionalzentrum PZB AG bought the warehouse 1 year later</li> <li>➤ Professionalization of the logistic</li> </ul>	<ul style="list-style-type: none"> <li>➤ Augmentation of the numbers of retailers in Zürich</li> <li>➤ „natürli“ shop in shop in Winterthur</li> <li>➤ Improvement of the logistics</li> <li>➤ Creation of new products</li> <li>➤ Improvement of the quality of the products</li> </ul>	<ul style="list-style-type: none"> <li>➤ Investment in 2 trucks with refrigerators and creation of a new GmbH</li> <li>➤ On 14.1.2010, the "natürli Bieri AG" was founded and registered</li> </ul>	<ul style="list-style-type: none"> <li>➤ Fusion of the 4 previous ltds ("Regionalzentrum PZB AG", "Tösstal GmbH", "natürli Bieri AG" and the GmbH for the trucks) into one in June 2012</li> <li>➤ Improvement of the milk quality from farmers</li> <li>➤ Improvement of the cost efficiency of the logistic</li> <li>➤ Development of a strategy to build up the working capital needed for the conservation of "hard cheese"</li> <li>➤ Development of new financing structures including private local and urban investors</li> </ul>
Number of actors in the network	<ul style="list-style-type: none"> <li>➤ 3 individuals</li> <li>➤ 6 cheese dairies</li> </ul>	<ul style="list-style-type: none"> <li>➤ "Tösstal GmbH" (3 owners)</li> <li>➤ "Regionalzentrum PZB AG"</li> <li>➤ ~25 Cheese dairies</li> <li>➤ 2 shops</li> <li>➤ ~350 retailers and ~50 restaurants</li> </ul>	<ul style="list-style-type: none"> <li>➤ 300 retailers</li> <li>➤ 50 restaurants</li> <li>➤ 10 from the 2 shops</li> </ul>	<ul style="list-style-type: none"> <li>➤ "natürli Bieri AG" (55 employees)</li> <li>➤ 2 people for the trucks</li> </ul>	<ul style="list-style-type: none"> <li>➤ New management board of 5 members</li> </ul>

### a. Evolution of conflicts and alignments

Based on the table recording the historical development of the network, some important factors of success / failure can be identified that at the same time lead to conflicts and alignments.

#### Success factors:

- Entrepreneurial skills of founder
- Support from PZB during the first ten years
- Funding possibilities from municipalities, federal offices and foundations
- Technical skills and ability to produce top quality milk and cheese of the cheese-makers and the farmers
- Market demand was important, the products meet the consumers' preferences, and the competition was very weak 16 years ago

#### Failure factors:

- Capital to start and to run is not sufficient, it is almost impossible to get loans at reasonable rates for individual firms
- The functioning of the network is based mostly on trust, there is no formal agreement and therefore, the whole initiative is almost entirely based on one person
- There is no public support to overcome the difficulties in the setting-up of such an innovative project
- Time is a very important limiting factor in the communication inside and outside the network.

#### Current situation and requirements of « natürli »:

The milk production for "natürli" does not follow the requirements for organic agriculture. From the first day on, though, all products had to be produced from raw milk (no silage). The products have recently been certified according to the "regional labelling" certification guidelines (developed at federal level but not established in a law yet) under the brand "natürli us de Region Zürcher Berggebiet".

The cheese production is based on (1) an animal feeding excluding silage but promoting natural grassland, (2) the exclusive raw milk processing and (3) the long ripening for the semi-hard and hard cheese. The positioning of the products, essentially cheese, is "top quality" and "origin".

The cheese factories are very small (< 1 million kg milk/year), therefore their products are promoted as "handmade cheese", and all products are sold very fresh thanks to a short supply chain: the products are delivered directly from the cheese dairy to the point of sale in less than 24 hours (except the hard cheeses).

To achieve the goal of sustaining the rural structures in the Zürcher Berggebiet, the strategy is to keep the volume of milk production in the mountains steady, despite the costs of its gathering. As production costs are high in the mountains, the objective of natürli Bieri AG is to pay 1 CHF / liter of milk to the producers. Cheese production should be kept in small cheese factories in the mountainous villages, which provide both jobs in mountains and a superior quality of cheese compared to mass production. The maintenance of small cheese factories requires a policy of high prices paid by consumers, and low logistic costs. Additionally, and apart from the strong differentiation strategy, diversification (very wide range of cheese specialties), a high quality and continuous innovation in new products are strong strategical choices made by natürli Bieri AG.

## 2. Summarise your findings with 4-6 key bullet points

- Seventeen years ago, the threat of decreasing cheese and milk prices led an individual person of the region to start a new project: promote dairy products from the region of Zürcher Oberland. The creation of natürli took place in 1994.

- The consolidation phase has continued over the last fifteen years but there were some peaks in 1997, in 2005 and in 2012.
- The development of the trademark and network of “natürli” was accompanied by phases of conflict and phases of alignments. This process has not reached an end yet.

# Synthesis Report - SCALE

## ETH Zürich – LINSa: Natürli

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**LINSa:** natürli (S1)

**Method:** Interviews, workshop, websites of PZB and natürli, newspaper, meetings with PZB

### 1. What type of “association” is the LINSa?

- Degree of formality

The degree of formality is strictly reduced to the minimum. This should also reduce the fix costs to a minimum because there is no liquid capital available for the uncovered expenses of stored cheese. The main actors are engaged mainly in an informal network.

- Farmers - cheese dairies: Farmers are grouped into dairy cooperatives but are free to change the cooperative if they do not agree with the decisions taken by the majority of their cooperative. Contracts exist between cheese dairies and farmers. There is a special payment grid for remunerating the quality of milk, especially based on bacterial infections.
- Cheese dairies: Dairies are not organized into unions or associations at all. No contracts on volumes or prices exist between the platform and the cheese dairies or with the customers.
- Logistics platform - PZB: Municipalities are represented in PZB (regional agency for local development). Until 2012, a contract has existed between PZB AG and natürli Bieri AG for renting the warehouse and cheese cellar in Saaland. Today, it all belongs to the newly funded “natürli zürlioberland ag”. During the first workshop, it became obvious that the network operates almost entirely on a regional level and that plans for further development do not go far beyond.

Associated networks such as funding organizations operate on a national level but the LINSa only can keep its innovative character if it keeps concentrated on its regional value. The notion that this LINSa is rather a NoP than a CoP was confirmed during the workshop because it was one of the rare occasions that different actors of the network exchange ideas about strategies for development.

When analysing the network as suggested in the literature, it therefore can be said that as far as the nature of the links is concerned, the intensity is relatively low among almost all actors. There are phases where they interact more strongly and also feel more obliged to the LINSa but this is not kept constantly on a high level. Similarly, reciprocity is not always given. The clarity of expectations is given for the links between producers (farmers and cheese makers) and natürli and between natürli and the shops. But it is sometimes missing among the leading actors of the network.

- Degree of complexity

The network is not very complex and functions are based on trust, because everybody knows everybody. As a very competent person, the logistics manager succeeds without contracts in convincing all the cheese dairies to produce top quality cheese and novel

products. Nevertheless, the structures became more complex during the last years as new enterprises and administrative boards were formed. At the moment, the degree of complexity has been reduced again because a new umbrella enterprise called “natürli zürlioberland ag” has been formed. This enterprise comprises the official employees of natürli and directly works together with cheese makers and traders / shops.

- Diversity of actors involved: types and role in the network

The diversity of actors involved is quite huge: the manager and employees of the logistics platform, the regional development managers and the president of PBZ are all involved in this LINSa. The newly formed administrative board is comprised by different individuals from the economic, producing and political sector. They are still defining their role in the network but, by definition, it will be mainly about the strategic management and long-term goals. The farmers and cheese makers are on the producing side of the network while the traders and customers are on the consumption side of the network.

When analysing the network as suggested in the literature, it can be said that as far as the transactional content is concerned, it is mainly about the exchange of information and goods or services. Among the key players, an exchange of influence sometimes takes place as it was the case in summer 2012.

**Role of AKS:**

Since the beginning of the project in 1995, there has been no contact or support from the traditional AKS (Agricultural Knowledge System). Only through the New Regional Policy, the Regionalzentrum PZB AG (Ltd) received financial support in order to promote the trademark “natürli”. The agricultural research centre and the agricultural school located nearby never exchanged knowledge or advice for the project. According to Ueli Vögeli, director of the competence centre Strickhof, however, there was some collaboration between students and natürli. The network actors never had enough time or the right contact to get in touch with other similar innovative projects. This contact is something missing in the project and some problems might not have occurred if they could have discussed about their project with experienced people. Nevertheless, several project managers visited the logistics platform in order to learn from it.

- Approximate number of nodes

Until 2012 there have been two distinct nodes: The logistics platform with his enterprise and PZB. Today, the nodes have partly merged in the new enterprise “natürli zürlioberland ag”. Nevertheless, three nodes can be distinguished: PZB, the manager of the logistics platform and the administrative board. These nodes might refer to the structural characteristics mentioned in the literature and the nodes can be seen as clusters.

- Geographical coverage

The network of natürli is concentrated in the canton of Zurich. All the actors of natürli itself are located in the Zürcher Oberland despite the two shops in Zürich city and Winterthur. Nevertheless, the area of the Zürcher Berggebiet touches 3 cantons: Zurich, Thurgau and St Gallen. Export of products is very weak. The distribution covers mainly the canton of Zurich and the surrounding townships.



Figure 1: Localisation of the area of Zürcher Berggebiet in Switzerland

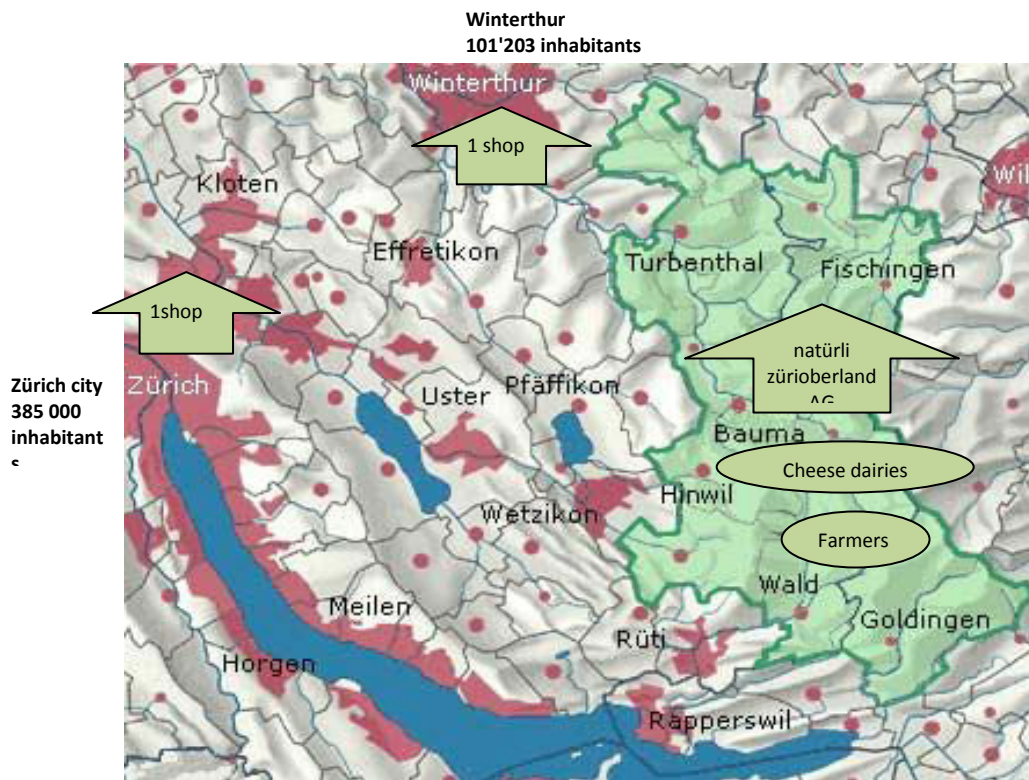


Figure 2: Localisation of the main actors of the network

- Diversity of activities performed

The activities cover the whole milk-cheese production and the logistics from the point of production over the point of sale to the end-consumer. Natürli shops also sell additional products from the region that are not labelled with “natürli” yet (meat, sausage, honey etc.). Currently, efforts are undertaken in order to extend the coverage of natürli. PZB aims at creating one umbrella brand for all Züri Oberland products including tourism and energy.



## **2. How is the LINSa structured?**

natürli is working as a simple network (1<sup>st</sup> level), which is not strongly connected to others except for financial support. The network nowadays involves around 450 people (own estimation).

## **3. Summarise your findings with 4-6 key bullet points**

- The degree of formality of the LINSa natürli is strictly reduced to the minimum. The main actors are engaged mainly in an informal network.
- The network is not very complex and functions are based on trust. The degree of complexity has been reduced in 2012 because a new umbrella enterprise called “natürli zürrioberland ag” has been formed.
- The diversity of actors involved is quite huge and not all roles are defined clearly.
- At the moment, there are approximately three nodes.
- The geographical coverage is concentrated in the canton of Zurich but touches three different cantons: Zurich, Thurgau and St Gallen.

# Synthesis Report - Governance

## ETH Zürich – LINSÄ: natürlu

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**LINSÄ:** natürlu (S1)

**Method:** Expert interviews, workshop, newspaper, meetings with PZB

### 1. How is the LINSÄ governed / managed?

- **To what extent is the network governance inclusive / democratic?**

Even though the network “natürlu” is thought to be an initiative started by local farmers and cheese makers, it is not governed in an inclusive way. The producers and cheese makers can participate in the discussion of future strategies and other important topics but they have no real voting power and often are not interested or inclined enough to take informed decisions. The decisions are mainly taken by the owner of the brand (PZB), by the new administrative board or by the managing director. In this respect the network rather works like an enterprise than like a LINSÄ. The same accounts for democracy within the network: at the moment, there is no efficient democratic structure enforced within the value chain of natürlu products.

- **To what extent is the LINSÄ institutionalised?**

The structures of governance within the LINSÄ have changed over time. In the beginning, it was small enough to be governed as a regional initiative. With the development and extension of the network over time, more institutionalised structures were needed. Several limited companies were founded and later merged or replaced. Today, there is a well positioned administrative board and a managing director. PZB is the owner of the brand but does not influence the daily business too much. It is expected that the LINSÄ will be further institutionalised in the near future.

- **How are communication, decision making, problem solving actioned?**

Communication between the involved people is not always optimal because of time and financial restraints. Decision making and problem solving usually takes place among the few main actors. Since July 2012, when the new umbrella company was founded, the communication processes are under constant review. They will be developed further and responsibilities probably will be distributed in a new way.

- **Do actors have sufficient skills / competencies for network governance?**

At the moment, there is no elaborated structure of the knowledge system. It mainly depends on the key actors within the network who have gained knowledge through experience. Recently, however, several workshops with farmers, cheese makers, municipality representatives and other interested people have been organized. This surely leads to a broader communication and knowledge sharing.

### 2. Who has authority / control?

#### a. Power relations inside LINSÄ

Power relations inside the LINSÄ natürlu are quite complex and they are evolving over time. While in the beginning, the hierarchy was very flat, the structures gradually developed and different people were taking over power. When the administrative board was created, the strategic power was handed over to the members of the board (even though partly reluctantly).

#### **b. Power relations inside/outside LINSÄ**

The power relations from inside the LINSÄ to people and institutions outside the LINSÄ are rather weak. Lately, however, the LINSÄ started to deliver products to one of the large distributors. So far external authorities have not much to say concerning the LINSÄ's strategy. This might change though if the distributor asks natürlu to fulfil its requirements more precisely or if the trademark is extended to other products and services (a long existing plan of PZB), more numerous and sometimes external actors might influence the governance of the LINSÄ.

#### **c. Who is excluded from the LINSÄ and why is he/she/they/it excluded?**

As there are more milk producers willing to sell their milk through natürlu channels than natürlu has the capacity to transform, promote and sell, some farmers of the region are excluded from the network. Some actors are excluding themselves intentionally from the network because they do not agree with the philosophy and the principles of natürlu. The selection of who is part of the LINSÄ has evolved over time and is not subject to political views, nationality, religion or similar characteristics.

### **3. What are the different levels of governance?**

Within the network, there are as well vertical as horizontal levels of governance. Vertically, the levels of farmers' governance (governed by external rules and standards – the influence of the natürlu leaders is rather small), of cheese dairies' governance (governed partly by the managing director of natürlu, partly as own individual elements not willing to adopt to the managing director's principles) and of the trademark's governance (governed jointly by the managing director, by PZB and by the new administrative board) can be distinguished. Horizontally, the level of the brand's governance can be further divided into the governance of distribution and sales (governed by the managing director), of the brand's and region's development (governed by PZB) and of the strategic positioning of the trademark (governed by the administrative board). Of course, these different levels are not distinguishable as clearly in reality.

### **4. How does the governance approach affect network efficiency and /or effectiveness of the LINSÄ?**

Effectiveness is given, as the network exists exclusively for the purpose of promoting regional cheese and dairy products. The governance approach of a leading managing director and administrative board supported the effectiveness.

### **5. Summarise your findings with 4-6 key bullet points**

- The network governance of "natürlu" is not inclusive even though it is thought to be a farmers' initiative.

- The network is based on democratic structures but not all network actors have the same possibility – and interest – to participate in the decision making process.
- The network has been institutionalised over time. With the funding, merging and replacing of different companies around the original idea of promoting dairy products the institutionalization is strengthened more and more.
- The power relations within the LINSAs are complex and subject to discussion. With the foundation of the new umbrella company, the former power relations have been questioned.
- The governance structure of the network can be sub-divided horizontally and vertically.
- These governance structures affect the network's effectiveness mostly positively.

# Synthesis Report – Level of learning

## ETH Zürich – LINSAs: natürlis

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**LINSAs:** natürlis (S1)

**Method:** Interviews, workshop, websites of PZB and natürlis, newspaper, meetings with PZB

### **1. What is the LINSAs's approach to learning:**

- **To what extent, and in what way, is learning coordinated, managed and/or formalised?**

As this LINSAs is mainly about producing and promoting dairy products, there is no obvious reason for learning in an innovative and creative sense for the network as a whole in the opinion of the decision makers. New production standards or new receipts are passed on to the cheese dairies directly. There is no common learning among the milk producers (farmers) of the region in the frame of the "natürlis" network. They study further according to their own needs and possibilities (mostly coordinated by the AKS). As far as the managing director of natürlis oberland AG, its administrative board and the steering board of PZB are concerned, learning is coordinated in workshops and seminars but not on a regular basis. It has not been formalised so far.

- **What are the tensions between formalised explicit (codified) approaches to learning and non formalised implicit learning approaches?**

In this LINSAs, implicit learning prevails because there are not many codified learning instruments (only the few rules how the products must be produced – everything else is implicit). Tensions between these two approaches are not apparent as long as implicit learning does not tell something interfering with the few explicit principles. Learning mostly takes place informally, which of course bears the danger of not giving the same information to everyone belonging to the network. With the changing structures due to the new umbrella company and a possible extension of the brand to new products and services, a more formalised learning approach might be necessary in order to guarantee the same level of learning to all members of the network. This goes hand in hand with a participative approach in the network development.

- **What are the structures and mechanisms of learning? (is an AKS structure evident? What are the: communication patterns, communication infrastructures, retrieval information systems, intellectual property rules, validation of information protocols?)**

As mentioned above, learning mostly takes place informally and is not one of the key competencies of the network. It is about producing and promoting products, not about sharing and exchanging experiences. The actors in the network initiate the learning processes themselves. The sharing of knowledge is based on direct talks, mostly bilateral. Trust is the main ingredient allowing the network to function; there are little contractual and formal arrangements, especially upstream in the food chain. Most of the formal part is

rendered mandatory by getting financial support, loans from banks or subsidies from foundations or federal offices. There is no formal regular knowledge platform exchange, mainly because the capacities (human and financial) are not sufficient.

Learning might take place at the annual general assembly when news is spread by the managing director and the administrative board or at workshops and seminars taking place throughout the year. These workshops and seminars generally are taking place irregularly and are thought for cheese makers, communal representatives or other interested people rather than for the milk producers. They mainly learn through the AKS, i.e. on behalf of structures outside the LINSAs. Intellectual property rules are only relevant for PZB and the managing director, they are organized with official documents.

## **2. Can individual, social and organisational learning be identified?**

### **• If so can they be separately characterised?**

Because of the weakly developed learning structures within the network, it is difficult to distinguish these forms of learning. Organisational learning mainly takes place through external initiatives such as SOLINSA or meetings for regional coordinators etc. The network itself has no identification strong enough to organise and coordinate organisational learning. Social learning might take place as new initiatives are tried out, e.g. selling on weekly markets or with own vans, and the results of these experiments are discussed throughout the framework. This is then again an implicit learning approach as no official “evaluation meeting” or similar takes place. Individual learning strongly depends on the function of each actor within the network and is most distinct for higher positioned members such as the directing manager (who surely experienced a lot of individual learning throughout the last 15 years) and PZB.

## **3. What are the emerging needs for knowledge and skills in the LINSAs?**

### **• How well equipped/competent are the actors and institutions to meet these needs?**

At the moment, managerial and marketing skills and knowledge is what is mainly needed by the LINSAs. Basically, PZB is the contact point to meet these needs or to help finding other institutions with the needed knowledge and skills. The managing director now is mainly exchanging with the administrative board but it is not clear yet whether the needs can be met.

### **• To what extent is education, training and professionalization needed and provided?**

No formal training or education is provided at the moment but the larger network shows no need for this. However, if the brand should be extended and / or farms should convert to organic production, formal education and trainings provided by the network surely are needed. This might also strengthen the solidarity among network members and their common vision.

### **• How much priority does the LINSAs assign to learning and identifying current and future learning needs?**

At the moment, there is no priority assigned on learning. The daily business and financial concerns clearly prevail in importance.

#### **4. Summarise your findings with 4-6 key bullet points**

- Learning is no priority for the LINSAs at the moment
- The LINSAs' approach to learning is rather informal and implicit than explicit. Only as far as it is needed for financial support, knowledge is codified and formalized.
- An AKS structure is not evident for the learning of the network but the AKS plays an important role in the learning of the network as not all actors learn within the network and the main source of learning still should be provided by PZB, originally an element of the AKS.
- Social and organisational learning only takes place to a limited extent and is difficult to characterize.
- Individual learning is stronger the higher one gets in the hierarchy of the network.
- Needs for knowledge and skills concern management and marketing and are only partly met by the LINSAs themselves. The situation is further complicated by interpersonal differences.

# Synthesis Report – LINKS TO THE AKIS

## ETH Zürich – LINSÄ: Natürli

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**LINSÄ:** natürli (S1)

**Method:** Interviews with experts, meetings with LINSÄ members, general impression from contact with the LINSÄ

### 1. What are the LINSÄ connections with the formal AKIS system?

The LINSÄ natürli has been initiated jointly by a regional development manager and a private entrepreneur. Therefore, the links to the formal AKIS system were established at the beginning, although the link was connected only to one sole individual. The regional management office is not a central part of the AKIS system – it is rather an instrument to implement political development programmes. The project natürli did not actively look for support or latest research results from the AKIS. On the contrary, it has been subject to several research projects about regional marketing and regional development projects. In this sense, the flow of knowledge was rather directed away from the LINSÄ to the AKIS than the other way round. Surely, some information and news about innovation in rural areas trickled from the researchers to the LINSÄ. The manager of the distribution platform was oriented much more towards the market than towards knowledge institutions and extension services. But he admits having taken knowledge from the institutions for most technical improvements he applied.

- Formal or informal connections at individual or institutional level?

The formal connection was given through the initiative of the former regional manager. His followers are still active in further developing the trademark „natürli“. These links usually are institutional. The owners of the trademark are the municipalities and through them the regional development office. Especially as far as accounting is concerned, the regional manager supported and advised the natürli practitioners. There are also some connections to the AKS from different individual members of the LINSÄ. The branch of regional marketing and agriculture in general is quite small in Switzerland and most of the people know each other and exchange information informally on a regular basis.

- Do they use AKS research? Advisory services? Education and training?

AKS research was not often used by the initiators of „natürli“. Advisory service was an important element of the network from the beginning on. The regional development manager is part of the LINSÄ, so this link is strong. No additional advisory service was contacted so far. Education and training was not frequented directly in connection with the natürli project, but most LINSÄ members educated themselves further to some extent.

### 2. What are the opportunities for connection to the AKIS? Do they engage in any joint activities/ partnerships with AKIS? Are there boundary organizations? Brokers?

Opportunities for connection to the AKIS are the possibility to take part in public initiatives, to profit from recent findings as far as consumer behaviour related to regional products is concerned and to increase popularity of the trademark „natürli“ through media coverage and published research studies about the case of natürli. Sometimes the research studies



were one directed, i.e. no joint activity took place. Others brought together different stakeholders of the network and therefore asked for some activity from the LINSAs themselves. In recent years, collaboration through bachelor or master theses has gained in importance and the owner of the trademark, the regional development office, actively acquires such partnerships. Still, the initiator of collaboration between the LINSAs and the AKIS is mostly someone from the AKIS, not from the LINSAs themselves. The boundary organization usually is the regional development office who is well connected in the AKIS. Some former employees of the LINSAs now work for public agricultural extension services, so links continue to exist on an informal basis as well. Currently, the brokering work is usually done by the leader of the regional development office, who has studied agronomy at ETH. The manager of the distribution platform also has connections to AKIS actors. He is as well connected to the research station Agroscope Liebefeld for milk and cheese processing.

3. **What are the barriers for connection to the AKIS?** Lack of familiarity? Irrelevant knowledge? Access issues? Different language? Different value system? Absence of common means of validating knowledge claims?

LINSAs members seem to think that the AKIS cannot provide them with relevant knowledge as far as their daily business is concerned. If they needed support, they say, it would be mostly financial support. Business is hard and therefore, the stakeholders invest more time in working directly at the distribution centre or with their customers than in discussing with AKIS actors or frequenting courses and seminars on rural innovation initiatives. Access or language cannot be a barrier in the case of *natürli*. Probably, different value systems play a role in the reluctance of some LINSAs members too. This is reinforced by the lack of trust they have in the policy makers at national level, which impacts their trust on other formal institutions of the AKS<sup>2</sup>.

### **Significance/Relevance of AKIS**

4. **How effectively does the conventional AKIS meet the needs of the LINSAs?** Do they provide relevant information? Does it meet emerging needs for knowledge/skills?

As the LINSAs were one of the first successful initiatives for regional marketing, it did not need to rely strongly on the knowledge of the formal AKIS. Nevertheless, support by the regional manager at the start of the project was a core element for the successful development of the LINSAs. It could not have started without. Today, the LINSAs seem to be interested in knowledge exchange with the formal AKIS and the AKIS probably meets its needs.

5. **Does the Linsas want to connect to the AKIS?** Or are they already getting sufficient support/knowledge from elsewhere?

As mentioned above, some LINSAs members have no interest in connecting to the AKIS while others are interested in research projects and contacts to young scientists.

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<sup>2</sup> An additional reason has been the recent nomination of an ETH Professor as Director of the Ministry of Agriculture. Some actors perceive this as a proof of the collusion between policy makers and research and education institutions.

**6. How important/relevant is the AKIS to the LINSAs?** Are there other knowledge systems which are more relevant eg health care, energy, food justice?

The AKIS is important for the LINSAs especially as far as knowledge about policy support is concerned. As the regional development office is the owner of the label, connection to such information is guaranteed anyway.

**7. How does the LINSAs value or judge the AKIS?** What is important to the LINSAs when they look for information?

Again, it depends on the individual members of the LINSAs and on their personal experience with the AKIS whether they value it positively or not. As collaboration in scientific projects is continuing, it seems that the LINSAs as a whole value the AKIS rather positively. They are interested in the opinion of experts from universities and other institutions active in rural innovation projects or regional development. When the LINSAs look for information, all factors are important (scientific credibility, inspiration and validation of their own beliefs). Probably, scientific credibility is of least importance.

**8. What are the views of the AKIS representatives?** Does the AKIS need LINSAs? How do they value LINSAs?

AKIS representatives are highly interested in LINSAs, especially in the one studied here (natürli). When they are asked for expert opinions on specific subjects, they usually are ready to contribute and profit from insights into LINSAs functioning at the same time. The topic of innovation in agriculture has gained in importance for AKIS during the last few years.

**Key bullet points:**

- The regional development office has ensured a certain connection to the formal knowledge system since the beginning of the initiative.
- The LINSAs naturli mostly did not look for support or latest research results from the AKIS. On the contrary, it has been subject to several research projects about regional marketing and regional development projects
- The branch of regional marketing and agriculture in general is quite small in Switzerland and so people know each other and exchange information informally all the time.
- Opportunities for connection to the AKIS are the possibility to take part in public initiatives, to profit from recent findings as far as consumer behaviour related to regional products is concerned and to increase popularity of the label „naturli“ through media coverage and published research studies about the case of naturli.
- Today, the LINSAs seem to be interested in knowledge exchange with the formal AKIS and the AKIS probably meets the needs of the LINSAs.
- The AKIS is especially important for the LINSAs as far as knowledge about policy support is concerned.

## Appendix II: Presentation of Expert Interviews



# **natürli® – regional marketing in the Zürcher Berggebiet**

Dominique Barjolle and Loredana Sorg, ETH

Zurich, 23. April 2013



23.04.2013

natürli AFM, ETH



23.04.2013

natürli AFM, ETH

## The objectives of the initiative

- Employment in the region by adding value throughout the chain – from farmers to consumers:
  - Maintaining the production of milk in the mountainous region despite the collection costs (objective: 1 CHF/liter paid to producers)
  - Maintaining the cheese dairies in the villages due to increased prices paid by consumers and reduced logistics costs through focussing on specialities of high quality and innovative products
  - Setting up a distribution system in the region (logistics platform)
  - Political support by the region through the creation of a regional label owned by the municipalities

23.04.2013

natürli AFM, ETH

## Strategy

- **Products:** more than 150 products (not all certified yet)
  - Cheese specialities, fresh milk, butter etc.
  - Cow, sheep, goat and buffalo milk
- **Distribution channels:**
  - Cheese dairies, retailers, own shops, weekly markets, catering
  - Since autumn 2012: Coop (some types of cheese)
- **Promises**
  - Origin and mountains
  - Taste (raw milk without silage)
  - Artisan cheese dairies
  - Freshness (short supply chain)



## The label

- founded and owned by the 15 municipalities of the region
- Managed by the regional organisation Pro Zürcher Berggebiet (PZB)
- Logistics center with cheese cellar in Saland owned by the natürli® Zürioberland AG
- Formerly, there was a private enterprise Bieri AG and the Regionalzentrum PZB AG (municipalities)
- The canton of Zurich and the Federation supported PZB with an interest-free loan through the New Regional Policy to create the new enterprise
- Today, 17 cheese dairies process the milk of 165 farms

## Saland



- Cheese cellar
- Logistics centre
- 45 employees
- Visits, degustations and cheese dinners are organized in the « Alphütte »

## Distribution

- Since autumn 2012 in Coop
- 300 retailers and 100 restaurants
- 2 shops in Zurich
- Weekly markets
- Online shop
- Gifts
- Visit (20 groups per month)
- Export: very weak

## Cheese dairies

- 17 cheese dairies in the villages
- Small size (less than 1'000'000 kg / year)
- Producing all kinds of cheese specialities except the traditional ones like Emmentaler, Appenzeller etc.
- The cheese makers own their buildings and equipment
- No fixed prices through contracts
- New products are partly developed by Alfred Bieri and his team, partly by the cheese dairies

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## Cheese dairies



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## Processing

The cheese production is based on

- (1) an animal feeding excluding silage but promoting natural grassland
- (2) the exclusive raw milk processing
- (3) the long ripening for the semi-hard and hard cheese.

The positioning of the products, essentially cheese, is “top quality” and “origin”.

## Difficulties at the beginning

- It was not easy to convince the cheese makers
- The price paid for the specialities was the only (and sufficient) incentive
- Developing the market and the brand has taken over 10 years
- No problems in convincing the retailers but it was an important work to find them in the beginng



## Challenges today

- Diversification of the label -> which products should be certified?
- Quality of milk depends on the feeding strategy of each farm -> how to motivate farmers to produce top quality milk?
- The functioning of the network is based mostly on trust, there is no formal agreement and therefore, the whole initiative is almost entirely based on one individual person

## Characteristics of the label

- key technical choices, which combine tradition and innovation
- optimized logistics
- exceptional organoleptic quality of the products
- a unique commercial distribution network.

This makes it difficult to copy.

## In the course of a European Research Project...

- 2 Workshops were held together with people from natürli and PZB
- Workshop 1: possible financing strategies for natürli, experience exchange with cheese makers from Bavaria
- Workshop 2: Diversification of the brand natürli – chances and threats
- Prior to Workshop 2: Expert interviews (results presented here)

## Objectives and background

- PZB has been thinking about diversifying the brand for a long time (already in 1997)
- Objective of expert interviews: profit from the knowledge and experience of professionals
  - How would experts (scientists and regional management practitioners) proceed with the diversification of a regional brand?
  - What chances and threats do they perceive?
  - How can the forces of natürli be strengthened?-> outside view on the Zürcher Berggebiet
- Interviews with 8 experts between December 2012 and January 2013

## Results: perception of natürli®



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## Results: Chances and Risks of diversification

- Primarily, experts see chances for the label natürli® when diversifying into a range of other products and services
- Chances and risks always depend on the objective, the proceeding and the selection of producers / products and services
- In general: obvious potential as natürli® is a successful label already today (even though mostly known for cheese products)

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## Chances I

- Strengthening sales channels through:
  - Better profile of the label
  - Increased portfolio
  - powerful presentation of the label at Coop
- System of distribution and sales channels can be used to capacity -> economies of scale
- Sales structures (shops in Zurich and Winterthur) are already present and can be used for testselling and tastings
- natürli® is already known to consumers -> introduction of new products is easier

## Chances II

- Regional production is still trending
- The site is favorable for services: „Nature and close to the city“
- Use synergies: thanks to the diversification of the brand, more tourists will come to the Zürcher Berggebiet
- Parallel to the diversification of the portfolio, innovation processes within the natürli®-network could be reinforced

## Risks I

- Reduced quality -> drawback for the whole brand
- Professionalism should not be lost -> no mangle-mangle of products
- Dilution of structures -> economic difficulties
- Overextension of the concept of regional production -> uncertainty among customers
- Eventually there will be high investments for administration
- Many people involved -> high intern competition, unity against outside world threatened

## Risks II

- New offer does not fit the current customer segment -> no exclusive concentration on niche products
- Eventually strong associations with cheese and dairy products by consumers
- Exclusion of small producers if structures are getting even more professional

## Premises for a diversification

Given	To check
Network of distribution, sales channels	Quality management is of highest priority -> necessary structures
Production site in the vicinity of Zurich	Quality standards must be known
Production close to nature	Positioning (regional, fresh, close to nature)
Label is known and strong	Market potential must be known, sales assured (focus groups with consumers)

## Possible products and services



## Synergies?

- The more products and the longer the value chain the stronger the synergies
- Attract consumers with natürli®-products to see the region – sell natürli®-products in cities and attach holiday feelings
- Use byproducts (e.g. cosmetics from whey as in Bregenzer Wald)
- Combined presentation at Coop
- Use innovation as characteristics of the brand

## Conclusions of experts



## Summary

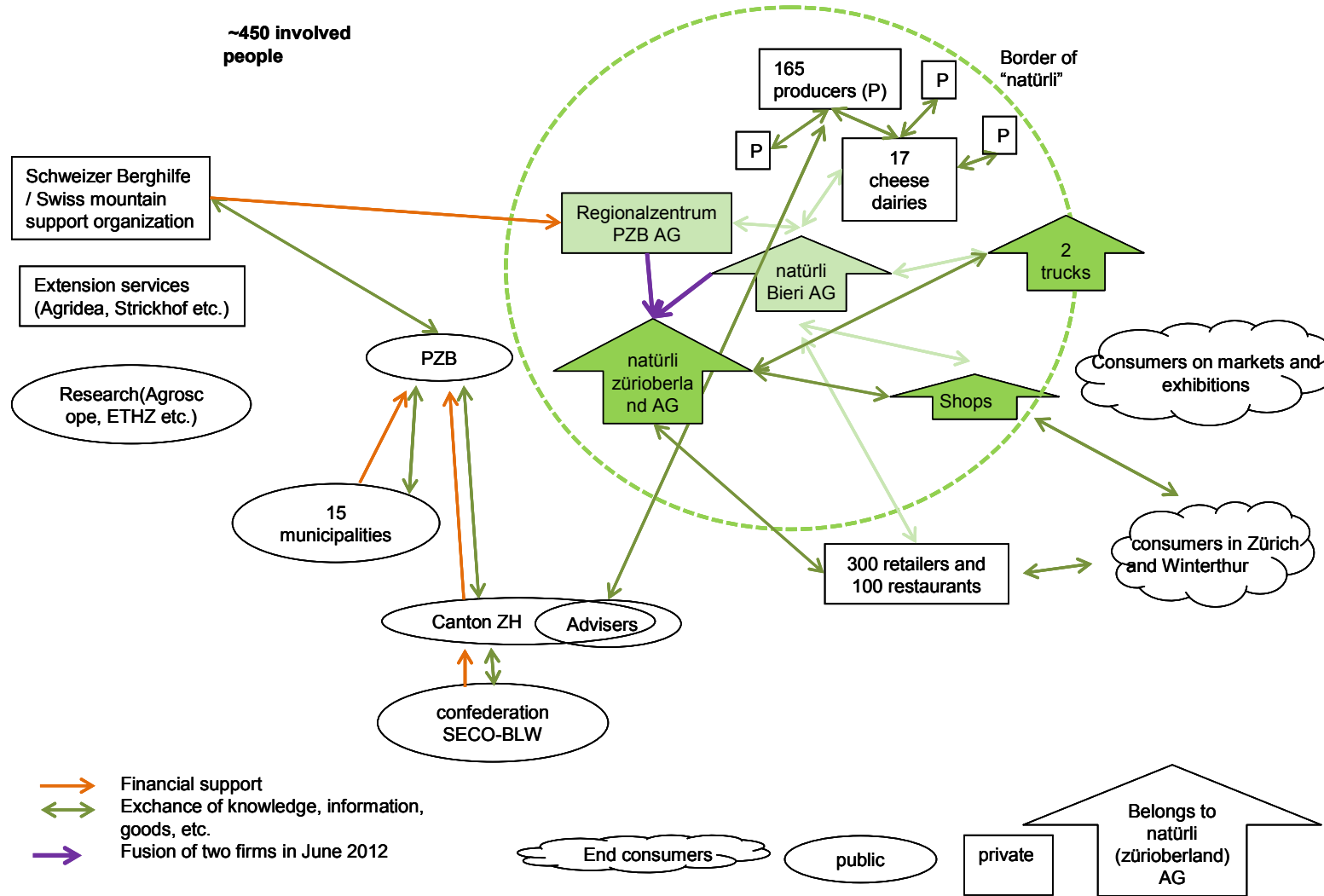
- Potential for diversification is perceived as high
- There are different possible approaches
- All experts agree on:
  - Quality management is most important
  - Offers have to fit the image of natürli
  - The fire for the regional brand natürli must be burning in all producers
- Different opinions are visible as far as the notion of regional production, the degree of participative development and the selection of offers are concerned.





Appendix III: Graphic Representation of the Network as of 2011

The network of natürlì



## Appendix IV: Poster for the Dissemination Workshop in Riga, September 2013



Agricultural Knowledge Systems In Transition:  
Towards a more effective and efficient support of Learning  
and Innovation Networks for Sustainable Agriculture

solinsa.net

### LINSA S1

#### natürli

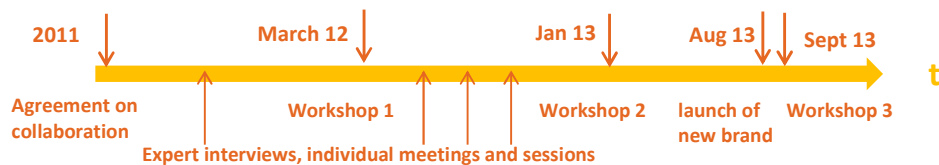
Zürcher Oberland, Switzerland



#### 1. Short presentation of the LINSA

- Aim: Employment in the region by adding value throughout the chain – from farmers to consumers (originally dairy products)
- Actors: Milk producers, cheese makers, local governments, regional development center, logistics platform, speciality shops
- Characteristics: Loose network of first degree, dense core of key actors

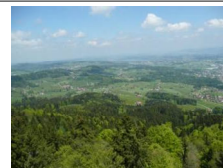
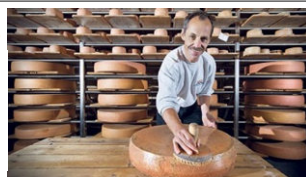
#### 2. Our interactions with the SOLINSA project team during 3 years



#### 3. How to support a LINSA ?

- Financial grants important during start-up stage
- Structural support most important during phase of growing
- Experience exchange with other projects helpful and motivating

#### 4. Some impressions



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