

SUSTAINABLE BUSINESS MODEL: A CASE STUDY OF FONDA.SI

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ABSTRACT

The aquaculture sector stands at a crossroad because of the important changes in the business environment. The demand and competition for farmed fish is increasing worldwide, and so is the awareness of the importance for further development of sustainable small business. In this view innovation is crucial to promote sustainable business models that can achieve a solid economic performance and at the same time take care of the natural environment. The purpose of this paper is to contribute to the literature about sustainable business models by an in-depth case study of a small fish farming company. The exemplary case study of a sustainable business model in aquaculture has been analysed by use of an enhanced business model canvas that links various market oriented elements of a business model with the needs of society.

Keywords: aquaculture, sustainable business model, business model canvas, co-natural processes, innovation, co-branding

MODELLO DI BUSINESS SOSTENIBILE: IL CASO DI STUDIO FONDA.SI

SINTESI

Il settore dell'acquacoltura si trova a un bivio a causa dei importanti cambiamenti nel contesto economico. La domanda e la concorrenza nel settore dei pesci d'allevamento sono in aumento in tutto il mondo, e così anche la consapevolezza dell'importanza delle piccole imprese per il successivo sviluppo sostenibile. In quest'ottica l'innovazione rappresenta il punto fondamentale per promuovere modelli di business sostenibili che possono raggiungere una solida performance economica e al tempo stesso prendersi cura dell'ambiente naturale. Lo scopo dell'articolo è di contribuire alla letteratura sui modelli di business sostenibili con un caso di studio approfondito di una piccola società di piscicoltura. Lo studio del caso esemplare di un modello di business sostenibile nel settore dell'acquacoltura è stato analizzato mediante l'uso di un business canvas aggiornato che enfatizza le relazioni tra i vari elementi del modello di business orientati al mercato con le esigenze della società.

Parole chiave: acquacoltura, modelli di business sostenibili, business model canvas, l'innovazione, co-branding

INTRODUCTION

Aquaculture is among the fastest growing food producing industry accounting for about half of the total fish supply (FAO, 2012; Fischer *et al.*, 2015) and fish is traditionally considered as a healthy diet. Despite some uncertainties about the exact health benefits of some nutrients in seafood, it is generally accepted that seafood consumption is important for a healthy human diet, e.g. Omega-3, protecting against cardiovascular diseases. In most countries around the world the health benefits of eating fish are recognised by experts and public alike (Schlag & Ystgaard, 2013; STECF, 2014).

One of the aims of the Interreg research project KnowUs – Co-generation of competitive knowledge among universities and SMEs¹ was to develop and test methodologies, instruments, and procedures for creating strategic-cognitive maps and business models to be used for promoting a sustainable growth of small and medium-sized enterprises (SMEs). The methodology that was developed within the project, originates from a pre-existing methodological model known as Competitive Knowledge Audit, developed by researchers of the University Ca` Foscari of Venice, in cooperation with companies from Veneto and Friuli Venezia Giulia (Bagnoli, 2012; KnowUs, 2013).

Between January 2012 and May 2014 strategic-cognitive maps were designed for 30 Slovenian companies from tourism, construction, logistic, food and agriculture, and wood industry sectors. Strategic-cognitive maps were created on an innovative business model canvas developed and tested during the project.

In this paper we present the case study from the food and agriculture sector – Fonda.si LLC (Fonda.si) as an exemplary case study of a sustainable business model (BM) (Primorske novice²; Janeš *et al.*, 2014; Lagorio, 2012; Trebar *et al.*, 2013). Fonda.si is a family owned aquaculture company that has grown into a successful small business by creating a completely unique market niche. The business was founded by Ugo Fonda 40 years ago whom succeeded his daughter Dr. Irena and son Lean. Fonda.si sales 80% of its products in Slovenia; the remaining share of sales is 10% in Austria and 10% in Italy. A couple of years ago they opened a franchise farm in Croatian Osor in the Cres Island and expanded aquaculture facilities in the Bay of Piran. The fish brand Piran seabass has been developed with the vision to acquire the title of “the best fish on the world” (Janeš & Biloslavo, 2013; Janeš & Trnavčević, 2014).

This article is structured as follows: the second section covers a theoretical review, the third section presents the methodology applied focuses, the fourth section contains a discussion of empirical data, and the last section gives a conclusion.

1 Co-financed by the Cross-border cooperation operational programme Italy–Slovenia 2007–2013 and by the Government office for development and cohesion policy.

2 Primorske novice, 25. 7. 2015: Ustvarjalna praksa, 17.

CONCEPTUAL BACKGROUNDS

Sustainability and innovation

Sustainability became the strategic imperative of the new millennium and encompasses a holistic approach in which issues of social, financial, health-related and educational sustainability underpin the fundamental notion of environmental sustainability. Sustainability is of growing interest in the area of performance management as the companies increasingly link sustainability with the long-term business performance (Bocken *et al.*, 2013b). Sustainability indicates the ability of an organization or a system to maintain a certain level of economic performance for a long-term period of time without compromising the ability of the future generations to meet their own needs (Barnard & Van der Merwe, 2016, 210; Bocken *et al.*, 2013b; Galpin *et al.*, 2015; Jones *et al.*, 2008; Wagner & Svensson, 2014). Sustainability and with it sustainable BMs are today a necessity more than a niche (Kozłowski *et al.*, 2015, 378). However, the application of sustainability in profit organizations in general continues to be a highly debated topic. Concerns have been raised regarding the necessary changes needed to integrate sustainability from the very beginning of the product design process as is the case of Fonda.si (Fonda, 2013a; Searcy & Buslovich, 2014 by Kozłowski *et al.*, 2015).

From a SME perspective, innovation frequently refers either to new products or processes, which address customer needs better, cheaper or faster than existing solutions. The principal source of successful innovation is the knowledge and experience of people within an SME, in particular the innovation orientation of the owner/manager (Cummins *et al.*, 2000 by O'Dwyer *et al.*, 2009; Galpin *et al.*, 2015; Guo *et al.*, 2013). Smith-Sebasto and Shebitz (2013) defined sustainable innovation as an innovation that address sustainability issues and promotes continued naturally and socially acceptable rate of economic growth. Sustainable orientation and sustainable innovation represent key factors for SME's profitability and long-term growth that is based on understanding and fulfilment of stakeholders' interests (O'Dwyer *et al.*, 2009; Guo *et al.*, 2013). At the same time, we see that product and process innovation no longer offer sufficient competitive advantage to contrast competitors in the long run (McGrath, 2011). Competitors are quickly able to copy innovations, product life cycles are becoming shorter and competitors from low wage countries have considerable cost and consequently price advantages. At the same time, Information and Communication Technologies (ICTs), offer unprecedented opportunities to rearrange value

creation activities in new and different ways. Hence, companies consider business model innovation as an opportunity to build sustainable competitive advantage (Teece, 2010) as well as to reconsider them in a more environmentally friendly view (OECD, 2012).

Business model and innovation

A need to innovating existing BM can be found in Porter's statement that on the long run only companies that succeed in building a sustained competitive advantage will be successful (Porter, 1996; Gošnik *et al.*, 2016); this implies performing different activities than their competitors or similar activities in different ways (Porter, 1996; Lindgren *et al.*, 2009; Philipson, 2016). Therefore, a company's value creation and distribution processes need to be differentiated from its competitors.

BM as a managerial concept has three common themes which have been identified: (1) it emphasizes a holistic approach to explain how companies "perform business"; (2) it focuses on companies themselves; and (3) it explains value propositions, creation and value capture (Chesbrough, 2007; Biloslavo, 2014; Guo *et al.*, 2013; Pels & Kidd, 2015, 202; Zott *et al.*, 2011). Magretta (2002) defines BM as the answers to the questions of who is the company's customer, what does customer values, how is the company capturing value, and which economic logic explains the way that value is being delivered to customers at an acceptable cost. In the Zott *et al.* (2011) review a common viewpoint of different definitions has emerged, that BM is a "system level concept centred on activities and focused on value".

Every company has a BM, whether it articulates it or not. At its heart, a BM performs two important functions: value creation and value capture. A BM explains who your customers are, how you provide value to them and how you will retain part of that value. On the other hand strategy identifies how you will outperform competitors by being different. The BM includes the key components of a business plan, but the business plan is comprising a number of additional operational issues that go beyond BM; BM is not a business strategy, but it also includes some elements of the strategy; BM is not a business process, although it is a part of it (Abraham, 2013; Biloslavo, 2014, 17; Chesbrough, 2007; Guo *et al.*, 2013; Teece, 2010). Between the BM, business strategy and business processes, there is a kind of hierarchical relationship with the business strategy at the top, the BM underneath and business processes on the bottom. When a company develops its business strategy, at the same time develops its BM. However, if the company develops its BM, it does not mean that it has also developed its own business strategy. Seems like a logical consideration which also applies to the relationship between BMs and business processes (Biloslavo, 2014). Trimi & Berbergal-Mirabent (2012) argue that BM research "does not only consist of discovering how to create a more successful business,

but in exploring how companies can better learn from their own experience and improve their entrepreneurial outcomes". BM concept has also some limitations. For example it doesn't help an organization to develop a growth strategy in terms of acquisitions, mergers or diversification. For the aforementioned issues strategic analysis and appropriate strategic plan are still needed (Abraham, 2013; Bocken *et al.*, 2013a, 483, 489; Elkington, 1997; Hargadon, 2015; Biloslavo, 2014; Wagner & Svensson, 2014; White, 2009).

Österwalder *et al.* (2005) and later Österwalder & Pigneur (2010) proposed a conceptual tool named a BM canvas that helps companies to visualize, understand and innovate their BMs. Using a BM canvas makes it possible to evaluate the business idea together with different aspects: creation process and financial aspects, added value and customer relationships. With the use of canvas, companies can assess where their current BM stands in relation to its potential and afterwards they can define appropriate next steps for further development of that model.

In our research a BM canvas was used as a narrative framework for a description of the fish farm Fonda. Key elements of the BM canvas applied were adapted from the popular canvas developed by Österwalder & Pigneur (2010) who defined BM based on nine (9) elements: customer segments, value proposition, distribution channels, customer relations, key resources, key activities, partnerships, revenues streams, and cost structure. According to Österwalder & Pigneur (2010) a BM describes the rationale of how an organization creates, delivers, and captures value. One benefit of this definition is that each of its nine elements identifies where innovation might generate new value in an industry (Abraham, 2013; Biloslavo, 2014; Bocken *et al.*, 2013a; Chesbrough, 2007; Österwalder & Pigneur, 2010). The building blocks of the BM canvas provide a schematic and comprehensive view of a business process, and the Österwalder's canvas approach has been widely recognized by scholars and practitioners and empirically validated (Boillat & Legner, 2013; Zott *et al.*, 2011).

However Österwalder's BM canvas has also some serious limitations. The first one is its linearity (its shape is neither a circle nor a triangle) that somehow deemphasizes feedbacks that exist between various elements of the BM in practice. The second one is that it doesn't consider society, which is a very important aspect for every BM even more considering general concern about sustainability and a need for innovation. The third one is that within the value proposition author defines the value proposition itself as well as products that company offers to the market.

In order to tackle the limitations mentioned above we applied an enhanced BM canvas that emphasises three main ideas:

1. Product innovations based on technology are important (technology push innovation at the level

- of products) but at the same time design driven innovation (Verganti, 2009) is important as well. When we talk about innovation, generally people refer to technology and to product as an artefact as well.
2. Product innovations are important but probably BM innovations are even more important (e.g. Dell, Ikea, RyanAir, Nespresso). BMs are important both when you have technology innovations but also when you have design-driven innovations. BMs are not very important if you are developing a market pull innovation since generally you do not need to change your BM to answer customers' requests (i.e. usually these changes represent incremental innovation).
 3. The role of society is critically significant for BM innovation and superior business performance. By facing social issues company can generate new ideas about how to solve its business problems. Also if company is able to satisfy the needs of society it could be easier for it to satisfy the needs of its customers.

It has been argued by Massa & Tucci (2014) that an innovative BM is needed in order to commercialize new ideas and technologies. A better BM will often beat a better product or technology. Existing approaches to sustainability may be relevant for specific aspects of value design and delivery, but BM innovation offers a more holistic perspective that incorporates all three dimensions of sustainability (i.e. social, environmental and economic). As with some other interdisciplinary topics, sustainable BMs are frequently mentioned but rarely analysed (Teece, 2010, 192). Therefore presenting and interpreting practical examples of BMs in the form of study cases is eminently valid (Philipson, 2016, 136). BM innovation is regarded as the process of (re-)aligning and/or changing the BM and its inherent parts in response to internal and external stimuli (Kindström & Kowalkowski, 2014). A true BM innovation requires some substantive changes to value proposition, products, and processes. Further development of the circular economy, an industrial economy that is producing no waste and pollution, can be sustained only if businesses will be able to innovate existing BMs.

Fish farming

Fish farming has a long history in the Mediterranean region, with evidence of capture and feeding going back over 2000 years. Seabass and seabream are produced in most of the twenty-plus Mediterranean countries. Farmed seabass and seabream producers tend to be SMEs; most companies are still relatively small as 90% of the employees are employed in companies with less than 10 employees. These companies are often family owned and have no or very limited intention to increase

the production. Consequently large investments to increase production are not possible for many of these businesses due to the lack of capital or market demand. Although some larger organisations have emerged as the sector has developed; food supply from aquaculture is expanding while wild fish yields diminish because of overexploitation and migration (Fischer *et al.*, 2015). According to STECF (2014) observation there are only a limited number of countries that expect a substantial growth in the sector despite the general desire by EU member states to expand the production (Schlag & Ystgaard, 2013; STECF, 2014, 14, 18; Wagner & Young, 2009).

In general, European consumers have little knowledge or awareness regarding the origin of fish. This results in uncertainty in consumers' perception of farmed fish in particular. This case study is in line with other research, suggesting that perceptions of aquaculture and farmed fish are based more on emotions than on rational considerations. Still, the perception of farmed fish is positive in general (Fonda, 2013a and 2013b). Consumers do not prioritise fish origin as an information cue during the fish purchase decision process, although variation is present between different consumer groups (Honkanen & Olsen, 2009; Vanhonacker *et al.*, 2011).

The more environmentally concerned consumers are willing to pay a premium for fish products sourced from fisheries that are managed in a sustainable manner (Janeš & Biloslavo, 2013; Janeš & Trnavčević, 2014). Recently, another important value concept that is linked to the sustainability issues has increasingly gained importance on the market. Good traceability systems decrease the probability of certain food safety problems, and improve the overall level of food safety. Companies could benefit from traceability systems when this is associated with quality and safety assurance mechanisms (Honkanen & Olsen, 2009; Mai *et al.*, 2010; Trebar *et al.*, 2013). Indications that consumers are concerned about fish welfare issues in general may indicate that fish welfare and sustainability in farming are an up-coming issue among consumers (Ellingsen *et al.*, 2015; Thøgersen *et al.*, 2010).

Findings of Pieniak *et al.* (2008) indicate that European consumers are very interested in health and healthy eating. Health involvement is found to be an indirect driver of both subjective health and fish consumption, whilst interest in healthy eating emerges as a direct driver of fish consumption behaviour. Hence, reinforcing existing health beliefs might be important in the development of effective strategies and communication for stimulating fish consumption.

Due to natural circumstances, the development of marine fish farming in Slovenia is limited. Mariculture takes place in the Bay of Strunjan, the Bay of Debeli rtič with shellfish farming and in the Bay of Piran with fish and shellfish farming. Slovenian mariculture practice is traditional; fish farming takes place in cages submerged

into the sea, while mussel farming takes place in lines of floating buoys linked together (Fonda, 2013a; STECF, 2014, 333).

About ten enterprises are dealing with shellfish farming in Slovenia and only one enterprise that is engaged in fish farming. Natural circumstances and conservation requirements in Slovenia do not allow the development of large industrial fish farms. Establishment of the organisation of producers would make it easier to obtain knowledge, new technology and reduce market costs (Janeš & Biloslavo, 2013; Janeš & Trnavčević, 2014).

All Slovenian maritime fish and shellfish farms are currently operating with about 50% of capacity. In the future, it can be expected an increment of production to maximum capacity and then possible stagnation of Slovenian marine aquaculture while fresh water fish farms are yet to develop their potential because Slovenia has plenty of clean fresh water resources (STECF, 2014, 342).

Methodology

In this paper we followed the interpretivist paradigm and applied an inductive narrative approach based on a single case study (Yin, 1994). A paradigmatic case of a specific sustainable BM has been chosen. In the view of Baden-Fuller and Morgan's (2010) definition a BM represents a model for business description and scientific investigation that is to be filled with proper data. According to this definition we used the BM canvas as a discussion point for the in-depth workshops and interviews and then populated it by the data provided by the participant during the research workshops. Collected data were later analysed by use of the content analysis.

The Fonda.si accepted the invitation and participated on workshops (Bocken et al., 2013a), in which semi-structured in-depth interview with executive manager were conducted (Bocken et al., 2013a; Guo et al., 2013). Interviews were agreed and scheduled with dr. Irena Fonda, co-owner and manager of the Fonda.si, and conducted between January and March 2013. Interview lasted for two hours (Kvale, 2007), and the following themes were explored:

- sustainable innovation activity,
- the company's BM and
- sustainability drivers of the BM.

Prior to the interview the interviewee received some generic questions by e-mail to guide and adequately prepare her for the interview. Interview included questions about the company's history, sustainability, innovation and key turning points in organizational life cycle. In particular the most innovative practices of the company's BM were investigated, as recognized by the company itself. Using the canvas method for BMs, mapping of the company's vision and strategic knowledge was performed. In order to implement strategic

innovation of the BM, it is necessary to find answers to several questions, but it is always required to start with the question: "Why do we exist and what is our goal?" This is followed by the question: "When to redesign the BM?" After the need for BM innovation has been acknowledged questions relating to characteristics of the existing BM are following. Questions are classified according to the key elements of the BM (Bagnoli, 2012). In this way canvas was used for a description of the BM with a set of seven key elements (see Figure 1 and 2): stakeholders, business partners, key resources, business processes, products, customer segments, and the value proposition (Bocken et al., 2013a, 483, 489; Elkington, 1997; Janeš et al., 2014; White 2009).

The first interview was dedicated to the visualization of the present situation in the company (i.e. "as-is") and represented a starting point for the second interview, which was aimed to the design of the future desired or ideal state (i.e. "to-be"). Interviews were recorded, with approval of the interviewee, and then transcribed and analysed (Easterby-Smith et al., 2005; Janeš & Biloslavo, 2013; Janeš & Trnavčević, 2014). The method of semi-structured interviews was supplemented with the participation of the researchers in the company and by collecting documentation and articles discussing company's history and business activities (Angrosino & Mays de Pérez, 2000 by Janeš, 2014; Bocken et al., 2013a). The developed BM canvas (Figure 1 and 2) was analysed and discussed as a single case study. The latter was sent to the company-interviewee for confirmation and authorization (Janeš et al., 2014).

Empirical findings and discussion

Co-natural innovation activity of the enterprise

The Fonda.si fish farm is located in the Bay of Piran, which lies in the northern part of the Adriatic Sea. The Piran's Bay is different from other bays especially for clean waters and strong sea current which is oriented to the north along the east coast of the Adriatic. The contribution from a mild Mediterranean climate and the marine ecosystem is responsible for the completely unique climatic conditions. In winter, the temperature of the sea drops between 6°C to 8°C, with the result that in some winter months the fish stop eating, and thus they get physically "cleaned". For this reason, the growth of the fish is slower. Piran's Bay has a natural protection from the northern and southern wind because it is flanked by Cape Savudrija and Piran's Punta. In order to have enough space and continuous flow of fresh water for seabass, fish farm was built in the middle of the sea instead in the offshore basins. Fish farm net cages extend to a depth of 11m and comprise a diameter of 8m to 12m. These standard rates, which are set by the members of the Fonda family, represent improved aquaculture conditions. In each net cage there are usu-

ally twenty thousand fry, which means that they have relatively large space for their development, as it would be possible to enter much more juveniles in the cage of this size.

Fish farming in net cages is advantageous to other methods as it is relatively easily managed and requires less space and capital investment. Seabass fry reared under controlled conditions face competition among individuals for food and space leading to an uneven growth and causing cannibalism. Optimizing feeding frequency and ration size play an important role in regulating the feed intake, reduction in size heterogeneity and waste outputs of fish. All these facts result in higher quality of fish and increased production efficiency. Commercial success of aquaculture operation largely depends on the growth and survival of the fish under culture. As feed is the most significant cost involved it is emphasised to perform farming with its maximum conversion into fish growth in a cost-effective approach (Biswas *et al.*, 2010).

These procedures assure a sustainable farming and business' organic growth. Today's customer is becoming very sensitive to the information about the food source that potentially represents an important source of competitive advantage.

When fry are delivered to the Fonda.si farm, they are seven months old and weigh an average of 6g. Feed for fish is made from verified components of high quality. This means that the feed contains many cereals and marine organisms. Feeding of the fish is performed only manually and in moderation, in order to have fish without accumulated excess fat. Fish farm cages are not coated by means of anti-overgrown for marine organisms because such chemical agents are harmful to the environment. For this reason, cages are replaced or cleaned at least four times a year, which represents a dangerous and gruelling extra manual work that requires a lot of energy. Fish are nursed in this way four to five years and in the meantime gain weight on average from 300g up to 500g. Some of them achieve weight up to 3kg.

Company decided to present the "Selection category", which is bred for 8 years. The result of careful cultivation can be seen in great tonus of meat which is fat-free. The quality of fish is harmless, because the presence of mercury in farmed fish is up to thirteen times lower than in wild-caught fish. Thus, a positive outcome is the result of feed that does not contain mercury, chemicals and even hormones for faster growth, nor antibiotics for prophylaxis.

The accumulation of different chemical elements in different fish tissues depends of the function of each tissue and physiology and behaviour of each species; e.g. habitat, feeding and degree of environmental contamination. Many studies of seabass and seabream have demonstrated higher metal and other elements concentration in tissues of wild fish species compared to farmed ones, which was mainly attributed to diet and habitat (water, salinity, temperature) differences (Fonda,

2013a; Kalantzi *et al.*, 2013).

Therefore, such a fish is easily digestible and palatable and rich in protein, omega-3, vitamins and mineral substances. Food containing fish has a favourable effect on the development of the human body, particularly the brain in the era before the birth and later in the era of growth; therefore is recommended for pregnant women and babies. On adults, however, the impact is on the increase in mental and physical characteristics and slowing down the aging process.

At the same time care for environment is expressed through regular veterinary supervision of animal health by Faculty of Veterinary Medicine and regular supervision of the inspector for food products, the Slovenian Veterinary Administration.

The Company has developed a marketing slogan: "Natural, delicious and healthy!" that best describes Fonda's farmed fish. Their sustainable innovation activities are based on the holistic marketing approach that includes a set of influential factors. The innovative marketing process is unique in the world and is characterized by the first branded fish from a small farm sold through the Internet. Dr. Fonda says: "We carry out a lot of things that are really different for what others are doing, like traceability and guarantee, as well as we offer our seabass online. Customers place their orders through the internet and receive delivery at home in a very nice, neat package". SME literature acknowledges that small companies' competitive advantage lies in the development of innovative products or processes, which is reliant on accurate market and customer information. Therefore SME cannot be competitive using economies of scale for obvious reasons. Creative, alternative and instinctive marketing practices can flourish under financial resource constraints (Low & MacMillan, 1988 by O'Dwyer *et al.*, 2009).

One of the important steps of their innovative approach was that they gave the fish a geographical origin, and raised a brand Fonda's Piran seabass (Lagorio, 2012, 37; Janeš *et al.*, 2014; Trebar *et al.*, 2013). Researchers argue that consumer perceived brand innovativeness might develop a sustainable competitive advantage for a company. Companies can use different elements or their combination (e.g. look, colour, feel, taste, logo, design and brand name properties) to signal brand innovativeness (Danneels & Kleinschmidt, 2001; Shams *et al.*, 2015, 1589–1590, 2591; Verganti, 2008). Fonda as a small producer, which cannot compete on price promotion (Monfort, 2007), developed a brand for a seabass, which is grown in a sustainable manner with highest quality standards, marketed and sold via exclusive distribution channels. All this is strongly supported by effective storytelling that includes owner's family history and Piran's bay. This approach is their true source of sustainable innovations; there is not another company in the industry that employs a similar approach.

While standing for its products quality dr. Fonda

stresses: “There are many fish farms! They offer inexpensive fish, but in quality, there is no one that would have been even close to us. Geographical location and climatic conditions certainly affect and leave their mark on farmed fish. This is true for wine, olive oil, cheeses, as well as meat and fish, only we have to understand it!”. Each fish is tagged with a badge. Each badge contains the date of harvest. This means full traceability and assures customers about the fish freshness (Fonda, 2013a).

One of the latest projects is the project of radio frequency identification (RFID) of products. This means that any packaging for the fish is equipped with a chip. A process of breeding sea bass from arrival of juveniles to the time of harvesting is monitored at the farm. RFID is implemented in the processing phase which includes collecting orders, weighing, sorting, and packaging fish into boxes. Aggregation of RFID data loggers with temperature sensor to the box enables applying cold chain control. The latter allow computer processing and monitoring of what is happening with the product. In addition, it provides an even better trace to the customer. On the packaging box is a quick response (QR) code, which can be read using a smartphone so the customer knows where the fish was and how it travelled. At the delivery to the customers, RFID is disaggregated from boxes (Trebar *et al.*, 2013, 3).

Kind of certification schemes that help the consumers in the sustainability of their choices are useful in some countries, where there is demand for e.g. eco-labelled products (Koos, 2011; Thøgersen *et al.*, 2010) but in others, e.g. Portugal, it might be more effective to complement it by promoting food traditions that still are good alternatives for the marine resources (Almeida *et al.*, 2015).

Dobson & Regier (2007) discussed the fisheries sustainability through the adoption of a broader ethical approach, identified the role of science and risk assessment, the public trust doctrine and other factors, and recommend further collaboration of all stakeholders so that their joint efforts would result in “sustainable and equitably shared fisheries”.

Hayes *et al.* (2004) emphasize that farmer-owned brands could be profitable for farmers and discuss the importance of restricting the supply of any successful brand. Aurier *et al.* (2005) investigate the food products’ local origin (“terroir”) as a differentiation factor and company’s added value and demonstrate that the “terroir” indication could influence the perceived quality and benefit from the recognized regional brand’s imagery.

The next Fonda’s innovative step was establishment of an online store, which still represents a worldwide novelty. This distribution method comprises the delivery on the Slovenian coast all the way to Ljubljana and Carinthia (Austria) and to the west of Trieste (Italy) and its surroundings (Lagorio, 2012, 37). Company has customers who rarely buy fish and those who have a regular subscription to fish purchase. The latter do not need a

particular booking for each order, because they receive fish at their homes or restaurants regularly. This permanent form of orders has been suggested by customers themselves. This kind of business model innovation reduces cost and brings more value to stakeholders by eliminating intermediaries and going directly to customers (Pels & Kidd, 2015, 204; Altintzoglou & Nøstvold, 2014).

Increasingly, the implementation of marketing and sales process reflects the strategic direction to the “Zero kilometre food.” In this respect, dr. Fonda says: “Lately we sell more than 80% of our products in Slovenia and we are facing the inverse situation in comparison with the past situation. I am extremely proud of it!” (interview 23. 1. 2013).

However, instead of focusing on the traditional 4P marketing paradigm, or the 7Ps adopted by service marketing, entrepreneurs stress the importance of promotion especially the word-of-mouth. Entrepreneurs have identified one of the unique selling points of their business as the nature of their personal contact with customers and their focus on the instinctive understanding that networking with outside individuals, associations and companies enables them to be successful and so entrepreneurs use networking as an inherent marketing tool (Stokes, 2000 by O’Dwyer *et al.*, 2009, 47–48).

The recognition of brand Piran seabass was largely supported by media. As dr. Fonda argues: “When everybody claimed that it will not work what we were doing, the first reporter came to visit us. He said that he would like to write our “story”. What kind of story, I asked in amazement? Our brand is credible because our story is credible!” Currently, at least 300 reportages have been traced about the Fonda.si in Slovenian and foreign media. On the company’s website a special tab named “Press Room” is available, with lots of published material describing the company activities. “Such volume of promotion would also be too expensive for our company, if we had to finance it.” proudly says dr. Fonda. In doing so, she draws attention to an article in one of the most internationally renowned journals in the field of aquaculture, “Il Pesce” (English; The Fish), which was released in October 2012. This article about the company means that they were noticed in the field of aquaculture because of their excellence. Every article adds value to the brand; people who came to visit the company have gained the information from the media! (interview 23. 1. 2013).

From these visits a new benefit was developed for the company, since the initial interest of biologists for visiting the company, spread into attendance from various schools, faculties, and pensioner clubs including people from countries around the world. The visitors were interested in what the company does, how it does and how they achieved the fish quality. Many people still come from Austria, Italy and the United Kingdom to visit the company and buy fish. There are also visitors

from Australia, Estonia and Asian countries. Based on the initial enthusiasm for company visiting and visitors' proposal, it was developed the idea of a new service - guided touristic sightseeing of the fish farm. It turns out that the sightseeing also significantly contributes to the added value of the brand and sales performance (Witell & Löfgren, 2013).

As a result of the economic recession in Slovenia financial investments dropped and therefore also investments in underwater construction work, so this kind of additional service – sightseeing is very welcome. And demand for visits is still increasing.

In this way the search for financial resources from EU funds for fisheries through the Ministry of Agriculture, are being diverted to projects which are designed for promotion and tourism. The company is applying to project calls via the Coastal Action Group-Fisherman.³ These resources have enabled projects, which the company called "green tours" and are made with kayaks and a Greenline-hybrid vessel powered by solar energy. This vessel was manufactured by the Seaway Company and elected as the Vessel of the year 2012.

Cooperation with other Slovenian enterprises is also very important. Namely, high quality products produced by local Slovenian companies at an affordable price are often indirectly promoted by Fonda.si based on its own initiative. For example, in the suggested recipe of the Fonda's Piran seabass is being promoted the Piran salt, which is produced in Sečovelje salt pans (Faganel & Trnavčević, 2012). There are different local products that are natural complements to the consumption of the fish like the Istrian wine and olive oil. With mutual participation of entrepreneurs is being reinforced the promotion of regional products sales.

An important promotional milestone happened when the first restaurant i.e. "Christopher" from Predoslje near Kranj – Gorenjska introduced Fonda's Piran seabass in their menu. It was first time that a fish brand has been named on the menu. After ten days the same experiment was followed by Mrs. Ana Rož and Mr. Valter Kramar, who manage the restaurant "House Franko". Both restaurants are considered by far the best restaurants in Slovenia. These two events have had an extremely positive impact on the visibility of the company (Fonda, 2013a): "It was the first time that name of fish brand was written on the restaurant's menu. Surely this is a great confirmation! And I willingly say that Christopher was the first and then followed by the House Franko. I see them as partners, friends, and no more as customers."

Peterson & Fronc (2007) researched the market-driven factors affecting the sustainability of the fish and seafood supply chain and emphasize the importance of connections and collaboration with restaurant chefs, their menu decisions and suppliers, in order to promote

the product and increase the awareness of potential new customers (they call it fishing for consumers). Chefs have acted in such a way because they believe in the Fonda's product and they also give a positive sign to the general opinion, which is that nevertheless the caught fish is somehow better than the farmed one (Ellingsen *et al.*, 2015; Fonda, 2013a; Kalantzi *et al.*, 2013). Their decision is undoubtedly a great achievement for the Fonda.si and at the same time contributes to the education of consumers. Many chefs were already impressed by the quality of the Fonda Piran sea bass, in order that farmed fish can be even better than the "wild" ones. Because the wild fish are not necessarily fresh, they can have a taste of mud or they can be even sick. Fonda.si was also invited to the Slow Fish Congress in Genoa, Italy, where they were presented as an example of good practice.

Fonda.si case study is an example of organizational innovation in which a new BM can itself represent a form of innovation (Teece, 2010, 176). A competitor that would like to copy the BM would incur in some extra expenses as there is no only one element that sustains an achieved competitive advantage but the whole set of them like manual feeding and maintenance, tagged fish (badge-date of harvest, RFID, QR), customer education and awareness, farming time, suitable location, co-branding and tacit competences for system handling (Chesbrough, 2007; Kindström & Kowalkowski, 2014; Philipson, 2016, 141).

Analysis of the company's business model

Through the analysis of the "as-is" BM canvas of the Fonda.si, were identified two strategic themes: brand Fonda and sustainable aquaculture processes which embrace all BM's key elements (Figure 1).

The first of strategic themes is the company brand Fonda, which represents a very positive attitude towards sustainable aquaculture and care for the environment and the competitive advantage of company. Sustainable processes which result in "the best fish on the world" is a strategic directive, which is supported by an effective and successful business with established and new business partners and modern aquaculture co-natural sustainable technology.

This method of fish farming requires not only technical competencies but also a relatively large input of manual work on a farm. Naturally farmed fish and seafood with Fonda's marketing approach opened regional and international distribution channels for the Fonda trademark.

Taylor & Walley (2004) investigated motives and influences on green entrepreneurs and classified an exploratory typology of ideal types: "innovative opportunists, visionary champions, ethical mavericks and

³ OAS Fisherman is a consortium of 46 members. The group was to meet the needs of local coastal communities established in early 2012 with a view to establishing an effective public-private partnership. Part of it is also a Fonda company.

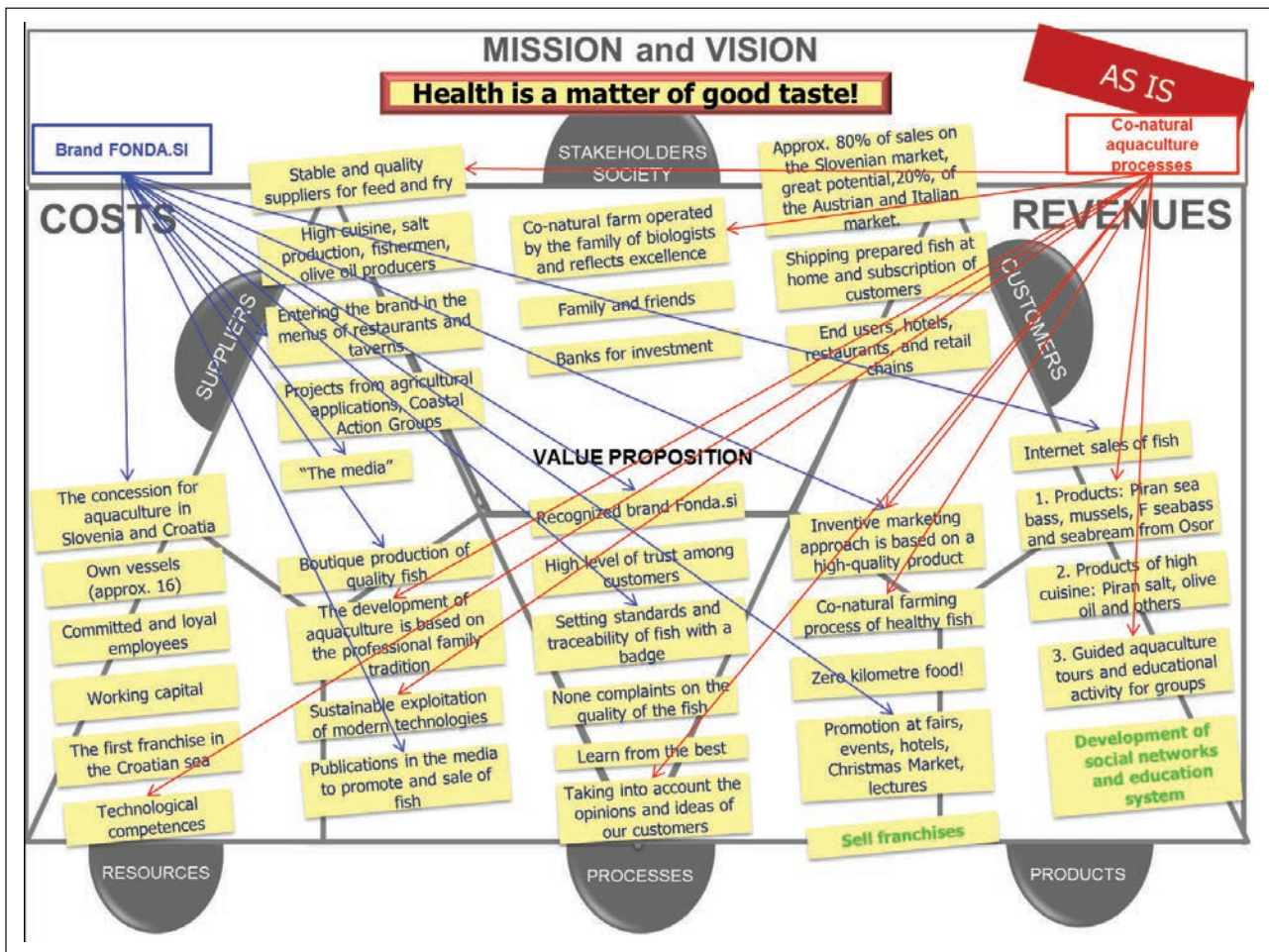


Figure 1: BM “as-is” (own elaboration)

accidental enviropreneurs”. Fonda shares the characteristics of the first three categories.

Another identified strategic theme is co-natural aquaculture processes. In-depth expertise has brought together influential factors of fish farming process, which enables superior seafood quality. Geographical origin is recognized through the brand Fonda, which maintains the highest European quality standards. The latter also directs the expectations of customers in enjoying healthy seafood (Honkanen & Olsen, 2009; Mai *et al.*, 2010; Trebar *et al.*, 2013).

Developed aquaculture competences of the company certainly have an impact on the growing demand for the high-quality sustainable food, which is an opportunity to achieve higher sales volumes and prices. Demand already exceeds production capacity by at least three times. In addition to the inventive technology of fish and seafood cultivation, an opportunity exists for the company in combining complementary products such as creating new culinary-wine-tourism experiences (Witell & Löfgren, 2013) and the enhancement

of customer’s awareness. Fonda.si takes advantage of Slovenian agricultural sector; Mediterranean climate and the geographical origin of the goods. The Fondas are aware of their competitive strengths; a long tradition of aquaculture and the regional integration of the company. Important role in the operations of the company advocates the promotion of geographical location of the Slovenian coastal-Istrian area. Fonda provides an important contribution to the recognition of Slovenian food companies and Slovenia as a touristic destination. With the company’s growing, e.g., developing complementary products for different segments of customers or expanding to other countries, keeping the business cohesive and consistent, and motivating managers becomes more difficult. Company should focus first on understanding its BM, how it makes income and how it provides value to customers, and then on changing its BM through further innovation to set it on a new business direction (Abraham, 2013).

The third strategic theme that was identified on the basis of analysis of the desired Fonda’s BM “to-be” is

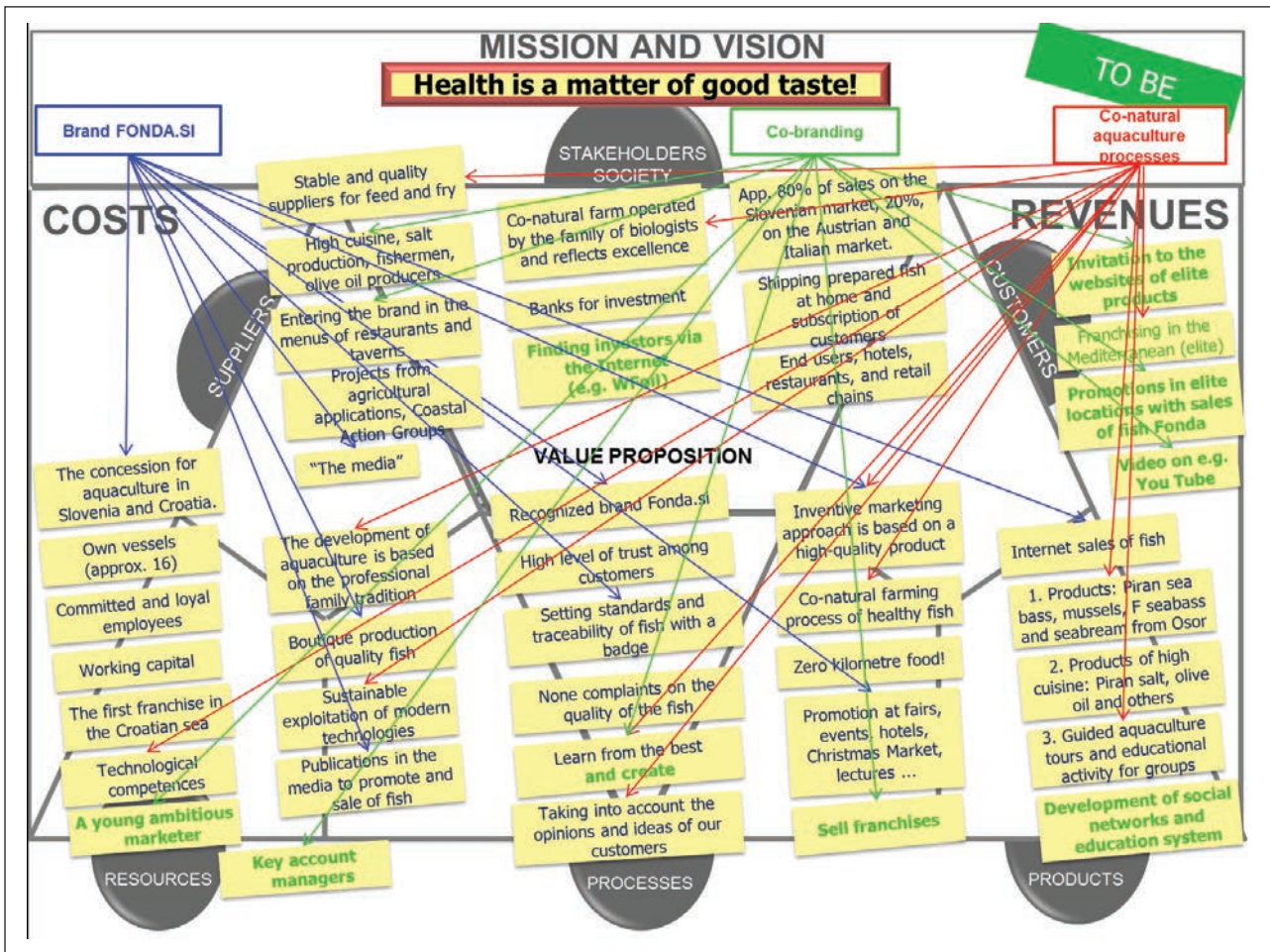


Figure 2: BM “to-be” (own elaboration)

named co-branding (Figure 2). It is well known that the brand Fonda is relatively fast-growing and recognizable brand, but the success also brings demands for consolidation and maintenance of acquired market positions. In addition, the company is strategically oriented (embedded) in the local region, which, on the other hand, represents certain physical limitation.

Österwalder & Pigneur (2010) suggest that BMs must change over time as manufacturing firms are exposed to market turbulence (Teece, 2010 by Witell & Löfgren, 2013, 522).

Established and recognized brand can be expanded to other areas of interest, but this requires a certain degree of caution (Bocken *et al.*, 2013a, 488–489). When considering the use of the “master brand” it is a good idea to consider whether this is not detrimental to the core business. There are also alternatives recommended, for example; the use of co-branding with renowned partners of the company and the joint appearance, for the benefit of all the brands (e.g. Pipistrel, salt, rice, wine, vinegar and olive oil producers, new offer of caviar, etc.). The

design of a BM usually requires the focal firm to build a boundary-spanning business network with its external stakeholders in order to effectively exploit opportunities and capture value (Shafer *et al.*, 2005 by Guo *et al.*, 2013). Such cooperation of enterprises is at least partially used, and this is evident from the website of company in the tab’s “store Fonda”. In this regard joint appearances, promotions, and common distribution channels of complementary high-quality products are certainly worthwhile as well as it is a tight cooperation with the sector of tourism (Nemec Rudež *et al.*, 2014). Therefore, network has become a key component for BM (Chesbrough, 2007; Shafer *et al.*, 2005 by Guo *et al.*, 2013). With the positioning of Slovenia as a tourist destination of excellence, all actors involved from high-quality food producers to tourist service providers will get a lot and Fonda is on the front run of the organizations pursuing this idea.

Managers can use BMs, and its innovation perspective, to visualize how and when changes might occur, which should increase internal transparency, under-

standing, and awareness of service opportunities and necessary changes. It is important to understand the potential dependencies among elements; a change in one likely affects the others. Successful change in one element depends on corresponding changes in and realignment of other elements.

Therefore, the initial step in BM innovation is to determine the current situation (as-is) and identify the target position (to-be), which presents the “big picture” and supports a discussion of what the BM should look like once the target position is reached. These insights give managers a better understanding of which major changes need to take place, in which elements, and in what sequence (Kindström & Kowalkowski, 2014; Guo *et al.*, 2013).

Sustainability drivers of the business model

Aquaculture which was developed by the Fonda family does not bring quick benefits because “the duration of the turnover” is relatively long which represents an important obstacle in obtaining growth financing. As dr. Fonda states: “Here is the problem of the banks; when you say that the turnover of the capital is 4 years, you get only askew looks. However, on average, with the opening of the first franchise in the Croatian sea the turnover is shortened” (interview 17. 3. 2013).

Fonda.si cannot compete with large fish farms on economies of scale. But it can compete with boutique quality, sustainable co-natural production of farmed fish and seafood (O’Dwyer *et al.*, 2009). The latter may be accompanied by additional services. Dr. Fonda states: “We sell fish as wine! One normal, average fish farm has somewhere 500 tonnes of fish annually. Break-even – figuratively; positive zero is somewhere at 240 tonnes per year and is increasing. Large farms could produce up to 10.000 tonnes per year. Then we are really a boutique” (interview 17. 3. 2013).

This should be developed and diversified as brand positioning for the various identified target segments of customers. Positioning (i.e. the place which product occupies in consumers’ minds relative to competing products) is performed by means of product policy, price policy, distribution and unique marketing communications; with added services at the same time, of course. As the needs of wholesalers, retailers, caterers and groups of individual customers differ, it is necessary to create a unique marketing mix that will focus specifically on each of the target groups. In addition, because of the branded product, grown sustainably, a strategy for consumer development has to be planned and implemented. BM should be able to link two dimensions of company activity, value creation and value capture. An established business is always tweaking its BM to become more competitive, but when there is a need to radically change the BM, we can talk about BM innovation (Baden-Fuller & Haefliger, 2013, 419 by Philipson,

2016, 133–134; O’Dwyer *et al.*, 2009, 47–48; Guo *et al.*, 2013). A radical change likely includes all elements of the BM; a more incremental change might imply a shorter and more focused change, limited to certain elements (Kindström & Kowalkowski, 2014).

Very important aspects for the company are continued networking development and further development of complementary activities i.e. guided visits on the fish farm due to the education of young people. From the beginning free guided visits were gradually transformed into the guided visits for fee according to the segmented groups of visitors (Witell & Löfgren, 2013). The company is bidding the possibility of visiting the fish-farm by previous appointment. To visitors, who mainly come from Asia and EU countries, the Fonda Piran seabass farming is presented as well as a culinary experience. Nevertheless, resources of the company to offer this product in the tourism market on a larger scale are limited with concession and company’s strategic directions, and therefore, this product is not available to mass tourism (Janeš *et al.*, 2014; Mihalič *et al.*, 2014, 43).

The company has to expand the network of contacts with principals and teachers especially in the field of geography, household, and nutritional sciences, as well as with students from these research areas (Dravinec, 2015). Company’s website might be extended to the field of education e.g. “Education tab”, with a special portal for distance learning, video clips of events at the fish farm, all of which could affect even more credibility to the sustainable operation of the company (Pine II & Gilmore, 2016). Education activity is based on the process of guiding and educating customers through transformations such as healthy life-style changes (Pine II & Gilmore, 2016).

Another challenge is the shortage of especially intensive joint appearance of entrepreneurs, coastal-Istrian caterers and hoteliers. Because a small company cannot afford advertising space in tourist catalogues and at major trade fairs. Recently, the hoteliers have changed their attitude to Slovenian entrepreneurs and start to propose them within their own offer. However, according to dr. Fonda much more can be done; in particular, opportunities in connecting innovative entrepreneurs with quality products that complement the offer. The conclusions based on the interview-workshops indicated that interest in the development of activities i.e. fish farming, culinary, tourism and winery joint promotions and complementary cooperation already exists. The need for a broadly integrated approach increases along the spectrum of strategic innovation for sustainability (Szekely & Strebler, 2013, 475).

In order to promote the food sector at a regional level while addressing prevailing trends towards global markets will require successful implementation of regional associations, networks and supply chains in which SMEs-producers of farmed seabass and seabream will be associated (Fonda, 2013a; Wagner & Young, 2009).

Continued partnerships with the media of all kinds is certainly one of the activities that supports the promotion, recognition, and successful products sales. Public relations, publicity, sponsorship, donations, open days, blogs, newsletters, etc. are the areas that offer many opportunities.

If the Fonda family should decide to increase the volume of business that will certainly lead to the organizational changes i.e. division of tasks and responsibilities with respect to markets, key customer groups and continuous product development in form of the Key account managers and business processes which will share tasks and responsibilities based on the individual preferences, attitudes and experiences. In the near future dr. Irena and Lean Fonda as major owners will have to share their responsibilities with some employees and in doing so they will face the family tradition of how to run the company. New managerial skills can help Fonda.si to integrate resources within the value network more effectively, create processes to leverage those bundled resources, and bond the company with its stakeholders in novel ways (Guo *et al.*, 2013, 452).

With the increased volume of business, the company will also reflect the need to establish a system for measuring the carbon footprint and the introduction of “green” technologies of the next generation i.e. green design (Szekely & Strebel, 2013). Good environmental performance (e.g. manual labour) may affect financial performance directly (e.g. cost reductions with shortening of the fish farming time) or indirectly through an improved image (Bocken *et al.*, 2013b, 861). Sustainability is an area of increasing interest for industry and its stakeholders, and companies now aspire to address sustainability issues like carbon emissions at strategic and operational levels (Bocken *et al.*, 2013b). The “to-be” developed BM fulfils Baden-Fuller and Haefliger (2013, 419) innovation criteria and to a certain extent the Porter’s (1996) demand for strategy fit. Fonda.si applies a holistic approach in which issues of social and financial (e.g. enhancement of customer’s awareness, networking, franchises, products of high cuisine) sustainability, health and education (e.g. guided aquaculture tours and educational activity) underpin the fundamental notion of environmental sustainability (e.g. manual labour, zero kilometre food, Greenline-hybrid vessel). Business partners, key resources, business processes, products and customer segments (green labelled elements in Figure 2) together support the sustainable BM of Fonda.si.

CONCLUSIONS

BM innovation seems to be a key to delivering future sustainability. The BM canvas assists companies in embedding sustainability into the core of their activities and to improve their understanding of the value proposition in relation to customers and wider society. Sustainability is now a key driver of innovation, and it can be recognized from some good practices that in each stage, from ensuring compliance through to developing a completely new BM, numerous possibilities for innovation are presented. Taking a broad perspective, sustainable innovation can be considered as the development of something new that improves performance in all the three dimensions of sustainable development at the same time (Elkington, 1997; Bocken *et al.*, 2013b).

Following the example of Fonda.si, managers can use BM canvas in order to visualize how and when changes in the main business logic occur and what kind of impact might they have. This should increase internal transparency, understanding, and awareness of future market opportunities. It also helps to understand the potential dependencies among different elements of a BM and how they need to be realigned to each other.

The initial step in the process of BM innovation is to determine the current situation (as-is) and identify the target position (to-be), which presents the “big picture” and supports a discussion of what the BM should look like or what the “ideal” BM should be based on the envisioned future scenario.

In this perspective the case about Fonda.si can be used as an “ideal” model for development of a sustainable oriented BM within the aquaculture industry. Ideal model is a disruptive model that changes the way company creates, transfers and captures value. It is different compared to the way everybody else does their thing; it can beat almost any technological innovation and overcomes differences in the available financial resources. In case of Fonda.si it also contributes to a triple bottom line about economic, environmental and social benefits. One way of overcoming the last economic crisis is to readjust to a green growth economy, which Fonda.si is one of the best practical examples.

The empirical research has certain limitations; one limitation is the extent of the study, therefore extending the number of cases in future studies would be advisable. Another limitation is that research was conducted in only one country and it is, therefore, necessary to properly interpret the results obtained in the light of the specific cultural characteristics.

MODEL TRAJNOSTNEGA POSLOVANJA: ŠTUDIJA PRIMERA FONDA.SI

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POVZETEK

Sektor ribogojstva stoji na razpotju zaradi sprememb v poslovnem okolju, povpraševanja in konkurence v ribogojstvu. Slednje se povečuje, kar poudarja pomen trajnostnega razvoja za mala podjetja. V pričujočem članku je z metodo Canvas opisan poslovni model ribogojnice Fonda.si. Predhodno so bili uporabljeni dostopni viri in literatura o podjetju in pripravljen nabor vprašanj, ki sledijo ključnim elementom metode Canvas. Izvedeni so bili pol-strukturirani intervjuji v okviru delavnic, kjer so bile raziskane teme: sonaravna inovacijska dejavnost, poslovni model in dejavniki trajnostnega poslovnega modela. Podjetje Fonda.si po uveljavljeni blagovni znamki, soznamčenju in sonaravnih inovativnih procesih ter vpetosti v lokalno okolje posebej izstopa z "najboljšo ribo na svetu". Vse to je podjetje doseglo z nenehnim razvojem blagovne znamke Piranski brancin in vpeljevanjem inovativnih poslovnih pristopov, kateri so prijazni do odjemalcev in do naravnega okolja. Zaradi tega je bilo podjetje izbrano za zgleden študijski primer uporabe metode canvas za inoviranje poslovnega modela z uveljavljanjem načel sonaravnega razvoja.

Ključne besede: ribogojništvo, trajnostni poslovni model, canvas poslovnega modela, sonaravni procesi, inovacije, soznamčenje

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