

**Healthy Growth**

From niche to volume with integrity and trust



## **FULL CASE STUDY REPORT**

# **Gram Slot/Rema 1000**

**Denmark**



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# **CASE STUDY REPORT**

## **Gram Slot – Rema 1000**

### **Denmark**

**Klaus Brønd Laursen, Egon Noe & Chris Kjeldsen**

#### **1 Introduction**

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Picture 1: Gram Slot

The Gram Slot/Rema 1000 case is a food chain, which consists of organic dairy products made by Gram Slot and sold by the supermarket chain Rema 1000. Gram Slot has another branch of their enterprise, consisting of a number of leisure and cultural activities taking place at Gram Slot. In terms of agricultural products the food chain studied involves one major producer, Gram Slot. The distribution of the agricultural products takes place partly through Gram Slot's own farm shop, but the bulk part of the products are sold via the 259 Rema 1000 supermarkets in Denmark. Rema 1000 has exclusive rights to selling Gram Slot products. The other business branch consists of a number of leisure and cultural activities taking place at

Gram Slot. These activities serves different purposes. On the one hand the activities generate income for Gram Slot and, on the other hand, they are a vital part of constituting the brand of Gram Slot. Promoting and branding of the agricultural products contribute to making them unique, which also enhances the brand value of the products for Rema 1000.

The Gram/Rema 1000 case was considered for the Healthy Growth project because of the unusual organisation of the chain in a Danish context. This form of organizing a mid-scale food chain in Denmark is a novelty because it represents at fundamental break with a long lasting norm in Danish agriculture of giving high priority to individual ownership. In this respect this case is an example of introducing a mode of organization which is uncommon in the Danish agricultural sector. The owner of Gram Slot, Svend Brodersen (I1), emphasized in an interview that *many of my friends tend their daily duties in their companies and they smile all day, even though they own 0 % of the company they are managing. Why is it, that just because it is a farm, you cannot be happy if you only own 51 % of the shares?*



Table 2: The logos of Gram Slot and Rema 1000

## 2 Case-study approach: materials and methods

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The information in this case report is derived from two main sources. The first is in-depth interviews with central persons in the food chain and with one person representing the retailer end of the chain.

The other main source is a number of newspaper articles, websites, television programs, Facebook, as well as scientific publications such as Phd theses and journal articles. Taken together, the sources formed a type of archive from where the overall picture could be deducted. In this respect the present case report is an account of patterns which was identifiable across various sources. These patterns are exemplified with quotes and examples throughout the report.

## 3 Denmark – The national context

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In order to understand how the joint venture between Gram Slot and Rema 1000 came into being, the context of the organic sector in Denmark has to be taken into account. The organic

sector in Denmark is unique in terms of size (scale) and structure of distribution. Organic foods account for about 7 % of the total food market in Denmark. Of the total amount of organic food products, 90 % are sold through supermarkets, discount stores and department stores. This means that organic food products are available to virtually all consumers in Denmark. In this respect, it cannot be considered unusual that a business like Gram Slot choose to sell their products through a discount store.

But the fact that such a high amount of the organic foods are sold in supermarkets also means that the organic products available in these stores become the subject of standardization processes. Most products are sold in pre-packets. To some extent this also including fruits and vegetables but this varies depending on the type of store. The trend of pre-packets are more outspoken in discount stores than in supermarkets.

Sales channel	2013
Discount stores	36,5
Supermarkets	27,2
Department stores	18,6
Discount department stores	4,4
Convenience stores	3,4
Alternative sales channels	6,8
Other	3,6

Table 3. (reproduce from D10)

Note:

Discount stores: Netto, Fakta, Kiwi, Rema 1000, Aldi, Lidl, Alta etc.

Supermarkets: SuperBrugsen, SuperBest, Irma, Løvbjerg etc.

Department stores: Kvickly, Føtex

Discount department stores: Bilka, A-Z

Convenience stores: Dagli'Brugsen, Edeka etc.

Alternative sales channels: Markets, farm gates sales, etc.

Other: Internet, specialty shops (butchers, bakeries, cheese shops etc.)

## 4 Overview of the case

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**Gram Slot:**

Main actor: producer

Distribution channel: exclusive contract with one supermarket chain and own farm shop as well as activities at the castle

Organic agricultural products: fresh milk products, organic French fries, organic flour: wheat flour, wholemeal flour and rye flour, thick and thin rolled oats

Cultural and leisure activities: Christmas exhibitions, outdoor show, flower market, summer markets, and other forms of fairs or exhibitions. Also Gram Slot offers a number of activities both aimed at groups as well as individuals.

Turnover in 2013: 6, 04 million euros

Facebook likes: 7.200 (4/12/2014)

Google hits: 675.000 (4/12/2014)

Number of employees: 40

Hectares: Gram and Nybol godser: 440 + leased land in total farmed area; 1300 hectares

Number of dairy cows: 350

## **Rema 1000**

Current turnover: 1,4 billion euro

Number of shops : 259

Facebook likes: 49.971

Google hits: 628.000

Number of employees: 7.000+

## **Presentation and trajectory**

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The case of Gram Slot and Rema 1000 has to be understood as one chain, even though it consists of two organisations. The reason why is, that on the one hand Rema 1000 owns part of Gram Slot and, on the other hand, that Rema 1000 is the sole distributor of the agricultural products of Gram Slot. But at the same time Gram Slot is a case on its own because of the different business branches of the castle. The business model of Gram Slot is organized in two branches. It consists of an agricultural branch and of a leisure branch. Earlier descriptions describe Gram as consisting of three branches: agriculture, culture and tourism (T1 p.143), but it can be argued that during the development of the enterprise at Gram Slot, the distinction between culture activities and tourism activities has become blurred and it is our impression that today the two cannot be meaningfully distinguished, a point which is supported by Frausing, who did a PhD project on the case of Gram Slot (T1).



The joint ownership makes the Gram – Rema 1000 case interesting from a Healthy Growth perspective because this form of organisation is without precedents in the Danish context. Since Rema 1000 only is interesting from a Healthy Growth perspective via its relation to Gram Slot, the case report will focus on Gram Slot but incorporate information on Rema 1000 to the extent that it provides a deeper insight into the how the food chain functions.

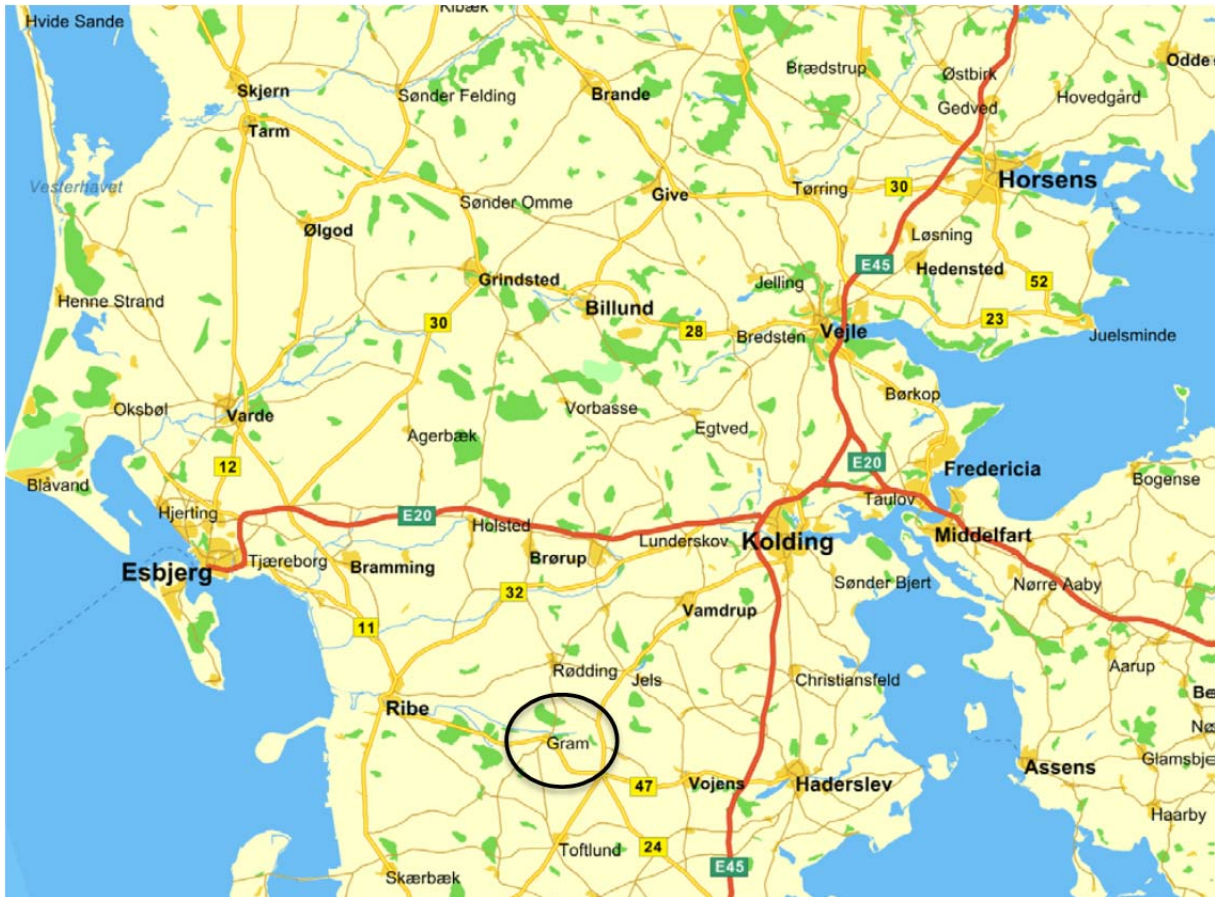


Table 4: Gram Slot is located in the village of Gram in the southern part of Denmark approximate 70 kilometres from the German border and 140 kilometres from Aarhus the second largest city in Denmark

### The history of Gram Slot

The first written record of Gram Slot dates back to 1231 and from 1664 to 2007 the castle was owned by the aristocrat family Schack/Brockenhuus-Schack. In 2007 the current owner Svend and Sanne Brodersen bought the castle after it had been more or less abandoned for twenty-five years. The decision to buy the castle was made when the castle was put up for sale by the Schack/Brockenhuus-Schack family.

At that time Svend and Sanne Brodersen owned an organic dairy farm consisting of 150 dairy cows and 350 hectares. The farm was the birth home of Svend Brodersen which he took over from his father. After taking over his family farm Svend Brodersen did a master in economy while at the same time farming fulltime fitting his studies in between the working hours on the farm. In 2006 when the possibility of buying Gram Slot became an option both Svend and Sanne Brodersen were engage in other carriers besides farming: Sanne Brodersen holds a master in literature and cultural dissemination and was working as a project leader.

Svend Brodersen was at the time a member of the City Council of Kolding holding a seat for the liberal party 'Venstre' and acting as the chairman of the liberal group and as a chairman of policy area of children. The position of group chairman also made Svend Brodersen his party's mayoral candidate, a candidature Svend Brodersen at the time expected would materialise into a position as the city's next mayor.

In 2006, a conversation between Svend and Sanne Brodersen triggered a chain of thoughts that eventually would materialize into the couple buying Gram Slot. One evening Svend Brodersen was about to leave home for a meeting, when Sanne Brodersen posed the question 'why are you so sure that you will become the next mayor?' to which Svend Brodersen answer 'because as you know we have the right vision and the right basic ideas and when people first realizes this then they are bound to vote for us'. Then Sanne Brodersen posed the question 'what then are those values?' to which Svend Brodersen answered 'well you know, that besides all our visions we also prioritize family and so'. This answer led Sanne Brodersen to Remark with a grin 'how nice to know that you are prioritizing family since we now again are left on our own for the fourth time in a week'. According to Svend Brodersen this conversation left an impression which made him reflect upon the fact that he, on the one hand, was advocating ideals that he, on the other hand, did not practice himself. This realization triggered a chain of thoughts and reflections that turned into the acknowledgement that a change of life was needed. Three days later a picture of Gram Slot emerged in the local newspaper as well as a brief article stating that the castle has been put up for sale. Svend Brodersen then told his wife Sanne that she was absolutely right in pointing out that a change of life was needed, and he took her for a drive to see the castle the following evening.

Gram Slot was bought for the price of 90 million dkr (12.09 million euros). To raise enough money take over the castle Svend and Sanne Brodersen entered in a joint venture with a local businessman in order to mobilize the remaining part of the sum that could not be generated from the sale of Svend and Sanne Brodersen's farm. The ownership of Gram Slot was placed in a holding company of which Svend and Sanne Brodersen owned 51 % and the co-owner with 49 %, a decision that at the time left the Brodersens in control of the majority of the company.

The ideal of taking over Gram Slot was from the very beginning to re-create the castle as a local community centre that would re-vitalize the local area. This is not to be understood as a desire to dominate the local area but to re-vitalize the castle as a focal point for activities in the local area by creating workplaces and income for the community. This meant that the first symbolic action, after taking over the castle, was to replace the existing "no-access" signs with new signs saying "welcome". In line with this ideal was the ambition of converting the agricultural production at the castle to organics. Informed by his background in economics, Svend Brodersen reasoned that in order to produce affordable organic agricultural products it would be to Gram Slot's best advantage to rely on one main distribution channel. Instead of spreading risk by engaging in several business relations, Svend Brodersen argued that in order for Gram Slot to succeed it would serve the interests of Gram Slot best to engage in a strategic partnership with only one partner. This would allow for a greater stability at Gram Slot because any potential crises could be solved in cooperation with the partner and because by



engaging in such a partnership with one supermarket chain would give Gram Slot the opportunity to become an exclusive label and thereby gaining a better price than the free market would be able to offer.

To support this strategy, a market analysis was conducted which suggested that the ideal partner for Gram Slot was a high-end Danish supermarket chain located in and around Copenhagen. However, Svend Brodersen disagreed with the conclusion of this analysis. The suggested supermarket chain was perceived as being geographically too far from Gram and at the same time also too far away from the ideals of affordable organic products. As Svend Brodersen put it *I have never been to one of those shops and to be quite frankly they are not suitable to my wallet* (meaning that he considered the general price level to be too high). The alternative which emerged was the Norwegian owned supermarket chain Rema 1000 which at the time was pursuing a new strategy of expansion and brander-branding in Denmark.

It was decided to engage in a cooperation with Rema 1000 based on the acknowledgment that the chain shared some of the basic values of Gram Slot's attitude towards organic production, being that organic food should be affordable and accessible. The connection was established by Svend Brodersen who invited Anders Rene Jensen, the marketing-manager of Rema 1000, to come and see what they were trying to do at Gram Slot. According to Svend Brodersen it did not take more than two hours to persuade the manager that Gram Slot was an ideal partner to Rema 1000, and fitting well into their strategy of expansion and promoting affordable organic food. In 2009 the decision to engage in a direct cooperation with Rema 1000 was made. The agreement was put into practice in 2010, when Gram Slot products became available in all Rema 1000 shops from the month of January that year.

The agreement was based on a calculation of mutual benefits. Both parties were to make a profit and by cooperating directly it could be ensured that no profit margin was lost to middlemen. In the Danish context these ideals are relatively easy to pursue because as much as 90 % of all organic food is sold in supermarkets. This means that consumers are used to, and to some extent, expect to find a varied selection of organic products in almost any supermarket. This at the same time meant that finding one supermarket chain as the sole pursuer of Gram Slot's agricultural products would not be a step out of the ordinary in terms of the general expectations in the organic sector.

Values play a central role in the strategies of Gram Slot. The core value that informs all other activities is the idea of revitalizing Gram Slot as a 'local power centre', as a 'working castle'. This idea is connected to a number of additional values such as responsible stewardship of the natural resources of Gram Slot and the distinct cultural/historical characteristics of Gram Slot. In order to actualize these values a distinct value plays a central role, namely the notion of 'openness' which is used frequently by Svend Brodersen. He emphasized, that Gram Slot is more or less open to the public 24 hours a day, both to visitors whom might wish to use the castle ground for a walk or to use the playgrounds at the castle. Recently, a pathway has been established allowing visitors to walk around the castle grounds and enjoying the area, which is surrounded by the woodlands and the neighboring Gram River. Visitors are also invited to visit the cowshed to see the cows and the production for themselves. This value of openness is also carried through in the kitchen area within the café. The café is located in the old horse-

stable together with the farm shop. The décor of the building is one open space with a sealed off kitchen area. The farm shop is located alongside the kitchen, but with windows so that visitors can see what is going on in the kitchen while their food are being prepared (picture 2). The choice of putting windows in the wall between the kitchen and the farm shop is a deliberate choice meant to reflect the values of openness, thereby providing the transparency that the owners see as a central attribute of the values underpinning Gram Slot.



Picture 2: the café kitchen photographed from within the farm shop

This idea of openness and transparency is what binds the leisure part of the business together with the agriculture branch. According to Svend Brodersen the economic part of Gram Slot is separated between 2/3 of the turnover on the agriculture branch and 1/3 on the leisure branch. But at the same time Svend Brodersen emphasizes that in terms of branding the weight between the two branches is 50/50. *People associate our agricultural products with the things we do at the castle even though they might never have been here, but then they might know someone who has or they might consider going one day* (I1).

Another core value that has had a significant impact on the structuring of Gram Slot is the value of responsibility in terms of a sustainable approach to both living and running a business. These values have played a central role from the very beginning. When Gram Slot was taken over the agricultural production was conventional. Following the takeover the agricultural production was converted to organic production. One of the reasons that the new owners chose to convert Gram Slot's agricultural production to organics was the idea that when you take something you have a morally responsibility to give something back. And that you only take what you need with respect for those to come after you. To be true to these ideals was seen as much more manageable when the farming was converted to organics.

The values of sustainability are also reflected in the restoration processes taking place at the castle. Gram Slot employs its own carpenters who are trained in traditional craftsmanship and thereby contribute to maintaining these skills by putting them into practice at the castle. In the actual restoration processes the values of sustainability are also incorporated. The restoration is carried out as gentle as possible, e.g. by replacing material only when the old material is beyond saving. In this way are not only the original architecture maintained but

much of the original material is preserved thereby allowing the historical and cultural heritage to be preserved. One of the more striking examples of this approach has been the restoration of the barn 'Den Holstenske Lade'. The barn was built in 1670 by Hans Schack. After a fire in 1905 the barn was reconstructed though not in line with the original architecture. The current owners began a restoration process in 2010 financial supported by the foundation 'Realdania'. This process included the barn and the old horse stable. The restoration, which was finished in 2014, turned the barn into an event hall. The restoration process brought the architecture of the barn back to a style much closer to the original one than the style applied in the 1905 reconstruction. Apart from adjustments made in order to use the buildings for events (e.g. a wooden floor) the two main adjustments are a steel frame on the inside of the barn supporting the roof and a replacement of the original straw roof with one of tiles. The horse stable has also been brought into a new state during this restoration. The stable now functions as an integrated farm shop, café and kitchen all in line with the original architecture.

That the old buildings has been re-actualized and that the restoration process has been, and is, carried out by attempting to reuse as much of what is already there follows the overall thinking of Gram Slot. Both Svend and Sanne Brodersen emphasize that a sustainable reorientation of societal development is needed. Svend Brodersen (I5) put it as *wealth does not just come from consumption, but might just as well come from us (all of us) being proud of what it is we do, that we are content with each other, that we are happy*. The project of revitalizing Gram Slot can hence be seen as a way to actualize these values.

Another example of how the sustainability thinking is having a direct impact on the castle is the restoration of the cow sheds. The original sheds had thatch roofs which were replaced with a brick roof during the 1960s. But during the restoration process it was decided that the brick roof was in such a good condition that it would be an unnecessary waste to replace it with a thatched roof (T2 p 93). The ideal of bringing the aesthetic impression of the castle back to its original state was in this particular case seen as less important than to make a decision that was not true to the values regarding sustainability. This small example demonstrates the pragmatic approach of Gram Slot that is necessary in order to allow the castle to work on a daily basis while at the same time maintain the values central to overall project.

## Regional context

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Gram Slot is placed in the county of Haderslev located in southern part of Denmark. The county of Haderslev is classified as a rural area (R1). A structural reform of the county structure was carried through in 2007 merging a number of smaller counties into larger ones. The new Haderslev county consists of the former Gram county, Vojens county and Haderslev county. The new Haderslev county faces a number of challenges, some due the 2007 reform, others due to the general challenges peripheral counties faces in most of Denmark. The main challenge following the structural reform is to develop a feeling of 'one county', of establishing cohesion within the county. The second challenge the county is facing relates to the lack of educational institutions leading to 'drain' of young people, mainly younger women leaving the area to pursue education and not necessarily returning. To counter this challenge

the municipality of Haderslev is focussing on three growth towns; Haderslev, Vojens and Gram. These three main towns, among which Gram is the smallest with 2.451 inhabitants, are characterized by having an infrastructure in terms of shopping possibilities, a primary school, care for the elderly, doctors etc. that makes it possible to sustain the town itself. To further support the development of the county in general and Gram in particular, Haderslev municipality has entered in a cooperation with Gram Slot on cultural dissemination. Gram Slot also employs a number of volunteer workers from the local sports clubs who provide practical help at larger venues taking place at the castle. These clubs then earn a salary that due to Danish tax regulation does not get taxed because the money are earned and used for activities of public benefit. These arrangements provides the local sports clubs with a substantial income that then allow them to initiate activities that they otherwise would not be able to afford. This is one example of supporting the local community and a, at the same time, a possibility for Gram Slot to get services at the castle at a lower price than if workers had to be bought in on market terms.

In 2006 Haderslev kommune was chosen as ‘cultural heritage-municipality’ by the department of cultural heritage on national level. The mission of the project was for Haderslev kommune to use the cultural heritages in order to make the county attractive and give a competitive advantage within the areas of tourism and thereby possibly attracting new inhabitants to the county. In a ranking of 16 cultural environments in Haderslev county Gram Slot was ranked second after the cathedral of Haderslev (D3).

### Basic facts

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The basic relationship in the food chain has Remained unchanged since it was founded in 2009 and today the primary actors in the chain are Gram Slot and Rema 1000. But Gram Slot has experienced a rapid growth since the current business was founded in 2007. More land has been pursued, more people have been employed and the number of new leisure activities has been expanded.

There are three major fairs a year at Gram Slot. These include a summer fair, an outdoor and hunting/shooting fair and, running over two different weekends in December, a Christmas fair. The Christmas fair was initially organised over to last one weekend, then in 2014 it was expanded to two weekends due to a growing number of visitors and finally in 2015 following the still growing number of visitors it is expected to last three weekends. Also there are a number of smaller arrangements running throughout the year including a weekly tour around the castle, a weekly ghost walk, a monthly coffee and cake arrangement and a number of minor arrangements including concerts and vintage car runs.

A model of Gram Slot is displayed at the international known Danish theme park ‘Legoland’. Gram Slot is the only privately owned castle displayed in the ‘miniland’ in Legoland. Miniland consists of a number of displays build entirely of lego bricks over different themes. Each of these displays typically has a number of lego buildings that creates a whole miniature environment such as an airport with planes, a Dutch town with canals and so on. The display

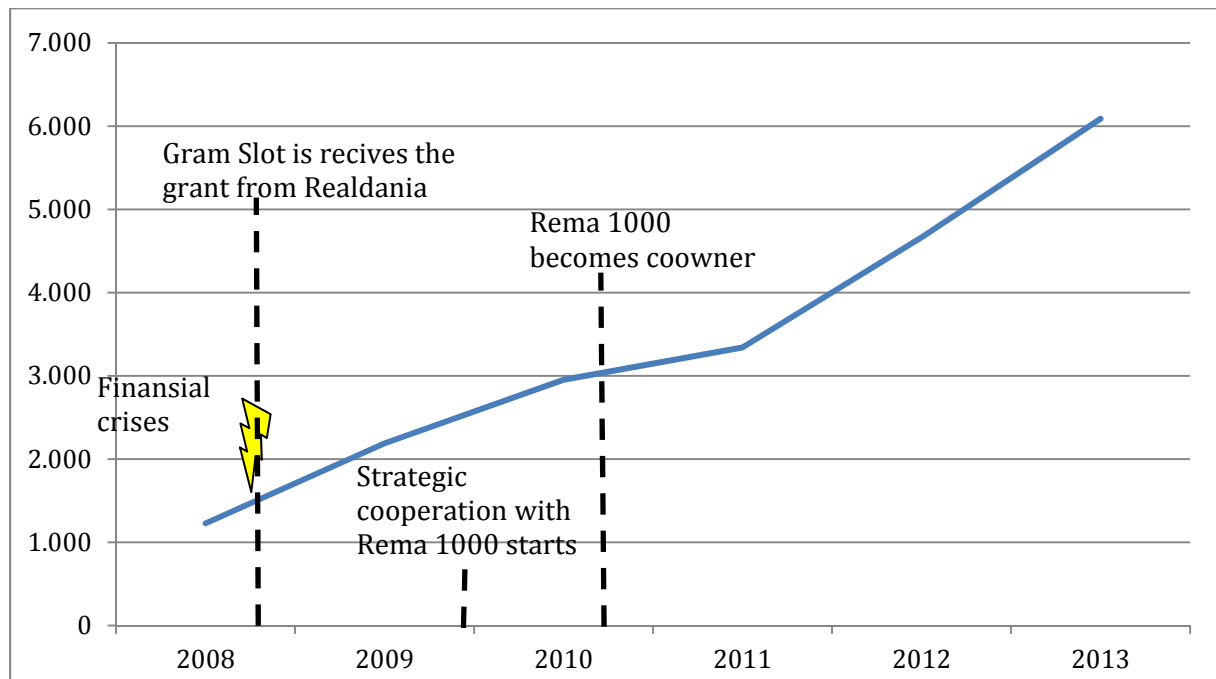
of Gram Slot also includes a dairy farm, a dairy factory and a supermarket basically showing the agricultural values chain of which Gram Slot is a part of.



*The picture shows Sanne and Svend Brodersen together with their children at the initiation of the Gram display in Legoland. In the background children from Gram kindergarten are seen.*

Picture 3

Since the takeover of Gram Slot, by Sanne and Svend Brodersen, the turnover has steadily increased. The jump in turnover from 2011 and onwards is due to the fact that the first years of the new ownership a number of improvements was made and that it took some time before the businessmodel was in place and the leisure activities could be implemented.



Figur 1 turnover in euro

### 3.3 Stakeholder network

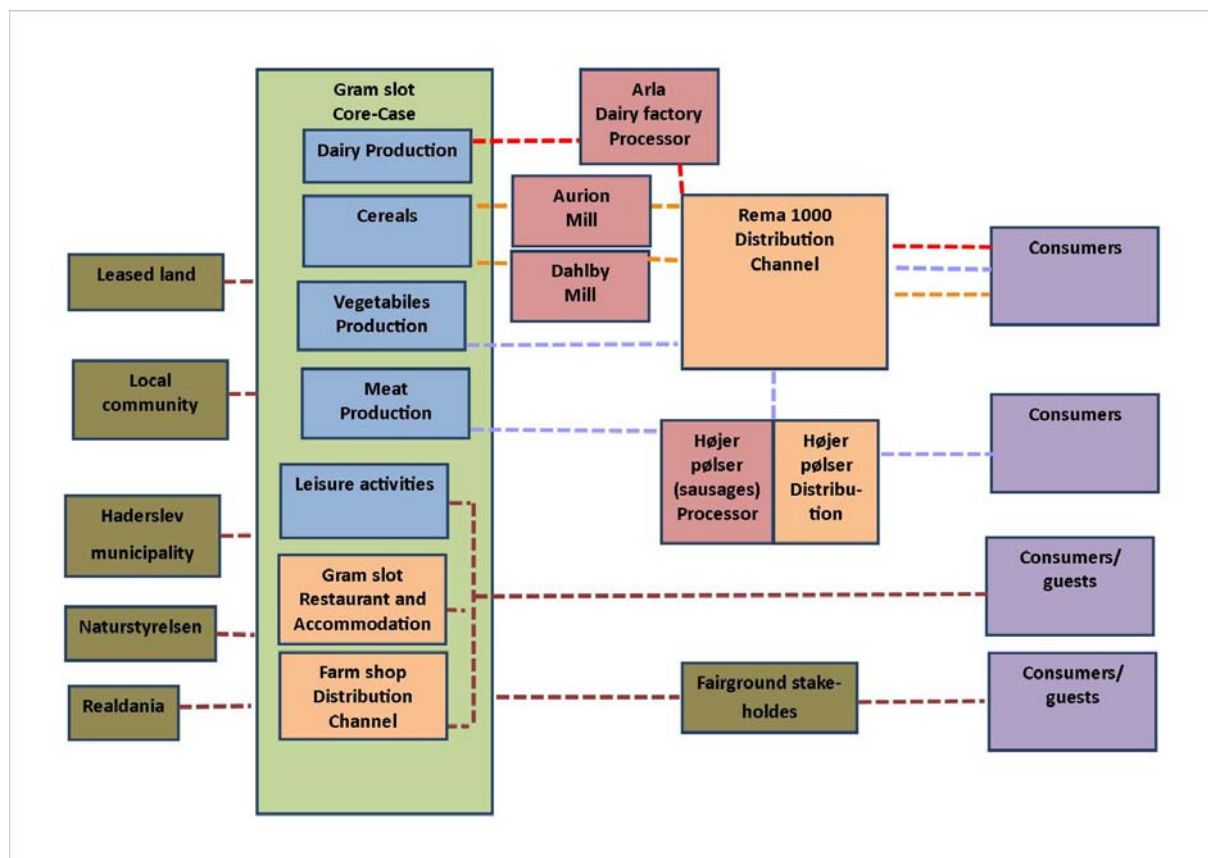


Table 5

In table 5 the food chain involving Gram Slot and Rema 1000 is shown. The table demonstrates that even though the food chain of Gram Slot is relatively short, the food chain is at the same time quite complex. This complexity emerges because of the two business branches that intermingle in order to create the ‘living castle’ that is an important motivation of Gram Slot. Even though the trajectory displays a quite complex picture it is important to emphasize that the main food chain, in terms of turnover, is the one between Gram Slot and Rema 1000.

Apart from fairs and exhibitions, a number of leisure activities are taking place at Gram Slot. These include the possibility to go hunting on the lands of Grams slot, and to go fishing in the river Gram. Gram Slot owns the fishing rights for a four kilometre stretch on the southern river bank. The old estate manager’s residential house has been turned into holiday apartments for rental. It is also possible to rent parts of the castle for parties, weddings etc. On such occasions food can be provided from the castle restaurant. Milk, potatoes and grain products used in the castle kitchen are from Gram Slot. The wine served is an organic wine from a French chateau.

The shop has a relative large selection of products ranging from Gram Slots own agricultural products to external suppliers providing a range of products such as vegetables, honey, tea, beer, wine, juice, coffee, cheese, ice cream. The shop also sells hand crafts and art products such as ceramics, paintings, leather works etc. Products for consumption are organic, while handcraft is typically made by local artists. The kitchen in the café is, as already mentioned, equipped with windows allowing the guest in the café and the shop to follow the

work processes of the kitchen. This initiative reflects one of the basic values of Gram Slot, namely openness. Also the integrated café/shop/kitchen reflects the understanding of interconnectivity underpinning the whole Gram Slot project.

### **Rema 1000**

The other main actor in this food chain is Rema 1000. Rema 1000 is a discount chain with 259 shops in Denmark. In these shops Gram Slots agricultural products are sold. The products include milk, potatoes in the form of organic chips, porridge outs, wheat flour, spelt flour and rye flour. The products of Gram Slot have the status of exclusive products in Rema 1000. Rema 1000 at the same time also supply products of the same type as Gram Slot products in a discount version. Gram Slots products are though considered and sold as the state-of-the-art in Rema 1000's line of organic products.

Rema 1000 is owned by the Norwegian group Reitan. Reitan is a conglomerate who also owns Narvesen in Norge and Latvia, Pressbyrå in Sverige, 7-Eleven in Norge, Sverige and Danmark, R-kioski in Finland, R-kiosk in Estland, together R-kiosk and Lietuvos Spauda in Litauen. Further Reitan group owns Reitan eiendom (real-estate) who owns about 50 properties in Norway and the petrol company UNO-X.

Reitan group is owned by the Norwegian family Reitan. The first steps toward creating this vast group was taken in 1948 when the current head of Reitan group Odd Reitans parents, Margit and Ole Reitan, open shop in the Norwegian town of Trondheim. In 1964 the first step of expansion was taken when Ole Reitan open a supermarket. In 1972 Odd Reitan open the first discount shop and in 1975 the Reitan group as such was founded. A defining step was taken in 1976 when the first franchise was opened in Mo also in Norway. Finally the first Rema store was open in 1979. In the following years a number of expansion moves was made which resulted in the present portfolio. In 2012 Reitan group had a turnover of nearly 1,4 billion euros (W3).

From a Healthy Growth perspective Reitan group is interesting partly because of its ownership of Rema 1000 but also because of the emphasis Reitan group has on values. This is interesting because of the direct impact this has had on Rema 1000 Denmark. Reitan group has eight explicit values which have be adopted by Rema 1000 Denmark. These values are

- We nurse the company's business ide
- We have a high work – and business moral
- We do not want any dept.
- We want to motivate a winner culture
- We are thinking positive and offensive
- We talk to each other not about each other
- The customer is in charge
- We want it to be fun and profitable

The overall vision of the Reitan group is to be known as the most value driven company in Scandinavia. To the Reitan group values are seen as what forms the base necessarily to generate an economic profit.



The first Danish Rema 1000 opened in 1994. During the first years the chains profile was placed as somewhere between a convenient store and a discount chain. Though this was an unclear profile it was maintained the following 10 years. In 2005 Rema 1000 had 123 shops in Denmark and was to some extent still suffering from the unclear profile. The same year Henrik Burkal was employed as a new CEO of Rema 1000 Denmark. One of his first moves was to do a tour to visit about 70 of the shops. On this tour it turned out that of the 70 shopkeepers visited about 50 did not have a positive sight on the future of their shop. Within the following eighteen month a number of these shopkeepers was replaced. But this was not the only change that was made in order to re-vitalize Rema 1000 in Denmark. Shortly after Henrik Burkal joined Rema 1000 he employed Anders Rene Jensen as buying and marketing manager. One of Anders Rene Jensen first actions was to go through the entire stock catalogue together with all of those employees working as purchasers at Rema 1000 in Denmark. As Anders Rene Jensen described it in an interview this move had two functions. One function was for the new manager to get to know his staff, while the other function was to fine tune the catalogue. The strategy was to ask the buyer responsible of an individual good why this particular item was to be found in the catalogue and if the buyer could not give an adequate answer the item was dropped. The result was that within the first year 700 items was dropped in the catalogue and today ten years later nearly 2/3 of the initial catalogue has been replaced (W2).

Anders Rene Jensen was also responsible for another move that had a heavy impact upon the overall strategy of Rema 1000. In Denmark the discount chain Netto has a strong brand as the chain with the widest range of organic products. As first mover in creating a brand on affordable organic products Netto in Denmark has a form of ownership due to their long lasting position as the leading discount chain on organic products. This meant that Rema 1000 had to find another strategy of differentiation in relation to their organic products. Anders Rene Jensen had from his first day in Rema 1000 a strong vision of introducing a wide range of organic products into the overall catalogue. This vision was partly founded on an acknowledgment that a megatrend was and still is taking place where organic products are becoming increasingly popular but also partly in a more personal interest in promoting organic products and production in general.

The eight Reitan values are reflected in the motto of Rema 1000 Denmark which is 'Much more discount'. Anders Rene Jensen (I5) described it as a two sided way of understanding Rema 1000. *We have discount and we have discount with an attitude.* This means that on the one hand Rema 1000 is a discount store that always should be able to match the best price on the retailer market. On the other hand discount should also be based on strong values. Anders Rene Jensen describes how Rema 1000 no longer work with the idea of the 'political consumer' but more simply with the 'consumer of the future'. This consumer of the future is characterised by being a consumer that expects the store to be able to account for the products sold and who bases her consumption on a generalized trust in the chain. According to Anders Rene Jensen this implies that *we need to have things well manage... I always say that in the future we will not be selling products instead we will be selling trust. We will need to take the animal welfare, the humans who produce our products and the environment into consideration.* One of the concrete moves Rema 1000 has made in order to actualize these values has been to engage in the cooperation with Gram Slot (I6).

## 5 Analytical perspectives 1-6

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### 5. 1 Organisation and governance

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The main value of the chain is the idea of Gram Slot as a ‘living castle’ and as a ‘local power centre’. The ideal of Gram Slot is to be a central driving force in the development of the local area. This includes both the idea of maintaining a healthy business but also that the castle is capable of incorporating other values in their daily business. This idea is what couples the leisure part with the agricultural part of Gram Slot and it also what makes Gram Slot an attractive partner for Rema 1000. The main values underpinning this idea can be described as: proximity, both in relation to products but also in relation to personal relations such as family and customers; sincerity; trustworthiness; responsibility; transparency and innovation. None of these values can be actualized without actualizing the value of the living castle which in return cannot be actualized independently of the underlying values. This complementary relation is important to emphasize because of the dynamic relations it facilitates at Gram Slot.

In Rema 1000 the main value is ‘Discount with an attitude’. As mentioned this overall value is strongly supported by a number of initiatives that show how the value is taken serious and how it has an impact on the overall structuring of the business.

Rema 1000 has also adopted another value from the Reitan group that has an impact on the organisation of Rema 1000 and which matches the values of Gram Slot. This is the value of feeling ownership. This means that Rema 1000 pursue the ideal that each individual shopkeeper has to take full responsibility for his own shop as absolute central to the overall success of the chain. In order to promote such feelings of ownership Rema 1000 is based on franchising. Each individual shopkeeper has to pay a sum of approximately 40.000 euros to become a franchise-taker in Rema 1000. The shopkeeper then has to pay a yearly franchise fee depending on the turnover of the individual shop. In the daily business the shopkeeper manages the shop as if it was his own shop. He is responsible for the organisation of the shop, of doing the books and managing his staff. The wages of the shopkeeper is not pre-set but depends on the turnover of the shop meaning that the better the shop do the higher wages the shopkeeper receives. Anders Rene Jensen describes the advantages of this form of organisation as giving Rema 1000 full on dedicated and attending managers in all their shops *It is a self –enforcing effect where you have these dedicate people personal involved financially ... they comment on everything we do and they are there and react strongly, where in other systems it can be a bit more ‘okay this is how it is’ ... and if they suddenly think it is not good what we do, the they do not support it (I6).*

On the one hand, this form of organisation provides more work for Rema 1000 Denmark in terms of coordination and communication, but on the other hand, it is seen as a major asset that provides the chain with an engagement not found in similar businesses. The idea of management through delegation and self-management is not only a strong ideal in Rema 1000 it is also a central part of the management in Gram Slot (see 4.2.1) Furthermore

the franchise-taker is obliged to participate in workshops and annual meeting organised by Rema 1000 Denmark because as Rema 1000 state in a brochure advertising the possibility of becoming a franchise-taker *As a leader you never get finished learning*. The shopkeeper is free to buy consultant help both from Rema 1000 and from independent consultants. Of the Rema 1000 overall product catalogue each shop is obliged to have the entire so called assortment 1 which covers approximately 98 % of the catalogue. Of the Remaining 2 % each shop are free to choose. The shopkeeper based their choices on such indicators as: the size of the shop, the location of the shop, the profile of the consumers attending a given shop. The point is that it is the individual shopkeeper who makes the choice.

In a Danish context the organisation of a chain, such as Rema 1000, as a franchise organisation is unique. None of the supermarkets or discount stores applies the same form of business organisation.

The main adjustment that Gram Slot has undergone after year 2007 has been the incorporation of Rema 1000 as a co-owner year 2010. This move demonstrates the significance of the values underpinning Gram Slot. The decision to extend the owner circle came after Gram Slot had won a competition for a large donation towards the restoration of some of the historical buildings at the castle. In order to achieve the price Gram Slot had to raise a large amount of money. At the time being the financial crises made it impossible to borrow the money from banks. Therefor the decision was made to extend the owner circle by encouraging Rema 1000 to invest 2 million euros in buying a share of Gram Slot. The concern of Svend Brodersen was that this would bring his share of Gram Slot below 51% but after considering the issue with Sanne Brodersen the decision to extend the owner circle was made based on the argument that such an extension would serve the overall interest of Gram Slot better than clinging to the ideal of owning at least 51 % of the business. The decision thereby made a restoration possible that would not have taken place otherwise.

At the initial takeover of Gram Slot, by Svend and Sanne Brodersen, the couple had made a detailed business plan based on the vision of recreating the castle as an open castle with a large organic agricultural production and a number of cultural/leisure activities.

All strategic decision at Gram Slot is taken by the board. On the board is Svend Brodersen, Anders Rene Jensen representing Rema 1000, Niels Nyggard partner in Gram Slot, Peter Hesselberg the economy manager of Gram Slot and businessman Johannes Huus Bogh. The board is a professional board. The role of the board is to share the leadership responsibilities and thereby ensuring that the business at all times is managed in a professional manner. Forming a board is yet another move that distinguishing Gram Slot from the more conventional thinking in Danish agriculture, because it is another step away from not only self-ownership, but also the general autonomy this traditional has meant. At Gram Slot this move is seen as a valuable move because of the increasing complexity of the business. The consequence is that due to the size of the business more eyes, so to speak, on the challenges are seen as a necessary and positive thing. The composition of the board reflects this understanding where Svend Brodersen is the only one of the members with a background in agriculture. Niels Nyggard and Johannes Huus Bogh both have a long carrier in business with

seats in several professional boards and with long experiences with business management. The board has not experienced any changes in its composition at the time of writing. By incorporating Rema 1000 into the business Gram Slot achieved a much more stable and long term secure relation to their distribution channel.

The co-ownership between REMA 1000 and the holding company was initially founded on the strategic partnership between REMA 1000 and Gram Slot. To this day the advantages offered by the strategic partnership continuous to function. This is best expressed by Sven Brodersen who experience it as a guaranty that if serious challenges arises regarding the products supplied to REMA 1000 then *we sit down around the table and solve the problem together* (I5). The strategic partnership also serves as a guaranty that the demand for Gram Slots agricultural products does not diminishes in the case of crises. In terms of everyday cooperation this mutual ownership does not mean that Rema 1000 is a part of the daily decision-making processes at Gram Slot. Hence on everyday basis the relationship can be understood more in terms of a strategic partnership than a mutual ownership.

Public policies and relations with the civil society have also played a role in the development of Gram Slot. Gram Slot has a partnership with the local municipality of Haderslev. The cooperation is based on two agreements: dissemination and activity agreement, and a development agreement. The cooperation took place over a two year period running from year 2007 unto year 2009. The overall economic engagement from the municipality has been 2,5 million Danish kroner (335.000 euro) (D5). The municipality have been interested in cooperating with Gram Slot because of the vision of creating a living castle. Haderslev municipality is a smaller municipality and not defined as one of the central municipalities in Denmark due to its geographical location. The consequence is that Haderslev municipality struggles to maintain citizens and workplaces. Hence the new owners of Gram Slot and their vision of re-vitalizing Gram Slot makes an ideal partner for the municipality. In the strategic plan of the municipality from year 2007 the town of Gram are, together with Haderslev city and the town of Vojens, appointed as ‘centre towns’ where a special focus on local and rural development should be made. The development of the town Gram is focused on the old castle town which is placed in immediate distance of the castle. (D1 p. 13-14)

Gram Slot has also benefited from cooperation with Naturstyrelsen (Danish Environmental Agency). In 2013 Naturstyrelsen engaged in a restoration project of Gram å (Gram River) allowing the local seatrout and salmon to migrate past the dams that surrounds the castle to reach the top of the river to spawn. Naturstyrelsen established a new 1,5 kilometre stretch of river and cleaned the castle pond for weeds and sediment spending a total of 10 million Danish kroners (1,34 million euros) (L1) .

Overall these different initiatives have been made possible because they correspondent to the core values of Gram Slot. The vision of establishing a living castle as a local driving force can be seen acted out in all these different initiatives.

## 5.2 Business and management logics: the process behind ensuring economic performance and efficiency in mid-scale food value chains

In this section the business and management logics of Gram slot and Rema 1000 is described.

### Rema 1000

Rema 1000 Denmark has the business objective of becoming the largest and the best discount chain in Denmark.

Several strategies are employed to achieve the business goal but all departs from the two values 'discount' and 'discount with an attitude'. In terms of pricing the strategy is that Rema 1000's products must never be more expensive than a similar product. The cornerstone of discount is to always be able to match the best price on the market to the consumer. The second value has led to a number of strategies that help Rema 1000 to differentiate the chain in the market. In terms of sustainability Rema 1000 has a number of organic products in their catalogue, not only from Gram Slot.



Figure 6

The business strategies are listed on the Rema 1000 webpage and shown on figure 6 concerns: fur free trade; eat food with less salt; food schools; CSR partnership: Stop food waste; CSR reports; Danish initiative for ethical trade; help organisations; sport; sustainable fish and Fairtrade.

These strategies have had a direct impact on the choice of products available in the Rema 1000 shops in Denmark. To mention just a few examples: Rema 1000 does not sell fresh turkey meat because it is not possible to get guaranteed salmonella free Danish turkey. Due to another strategy, of only selling sustainable fish, the Danish Christmas speciality of smoked eel is not available in Rema 1000 neither are swordfish, shark or marlin. All wild fish sold in Rema 1000 are caught under the MSC (Marine Stewardship Council) which only allows certain fishing methods. Also the campaign of stopping food waste has been manifested into a business strategy that is implemented in the business. As mentioned all fruit

and vegetable are sold individual with no volume discount allowing the customer to always get the best price no matter how much or little the customer wants to buy. Also products that are close to the final sell by date are sold at a discount in order to reduce food waste. This strategy has further resulted in Rema 1000 sponsoring 'Projekt Hjemløse' (Project Homeless). Rema 1000 supply food from their central warehouses that has been cosmetically damaged by ex being dropped so that it cannot be sold in the shops. Previously such products would have been disposed of but now they are given to the Projekt Hjemløse.

### **Gram Slot**

The business objective of Gram Slot is to create a living castle around the values of sustainable organic farming. The objective of creating a living castle is to create a revitalized castle that takes on the role generating employment and activity in the local area that castles traditional have done. The castle should not be closed to the public but on the contrary it should work actively with the public to achieve the business objective.

The business strategy Gram Slot has followed in order to achieve their business objective is a sustainability strategy. Openness in itself does not constitute any value if there is nothing to be open about. The central values in relation to the agricultural production are animal welfare and sustainable farming. By employing a strong emphasize on animal welfare and sustainable farming and combining this with a 24 hour open access the strategy is to constitute Gram Slot as a living castle and thereby fulfilling the business objective. The ideal of creating a living castle requires that the castle is embedded in the local community which the cooperation with the sports club helps facilitates. In terms of employment the ideal of creating workplaces and incorporating the local sports clubs in a number of activities also contributes to constituting the living castle. Another strategy employed to achieve this embeddedness is an open offer to the local school of using the premises of the castle at their own disposal. One example of such is the exercise of measuring the flag pole at the castle as part of the mathematics classes.

At Gram Slot the central management instrument applied internally is self-leadership. The employees are expected to be able to take the responsibility for organising their workday themselves. Svend Brodersen describes an ideal Gram Slot employee as someone who likes the responsibility of making decisions regarding their own daily practise, someone who has a positive attitude and sees possibilities instead of limitations and finally as someone who has a 'drive' in their life. In the founding period of Gram Slot this understanding of the management did create some difficulties partly because Svend Brodersen, as he put it, was not use to be a leader and partly because the worker profile sought for by Gram Slot has an appeal to many but not all are capable of managing the responsibility that goes hand in hand with this freedom. Svend Brodersen (I5) put it in the following terms *(there is)... many who gets fascinated by it, but when it boils down to actually doing the business they get stressed out because there is no plan for their day... if I had to make plans for everybody well that could never be done*. This mode of management is chosen partly because of the energy it releases in the organisation when the workers take the responsibility for their own actions and partly for more idealistic reasons. Svend Brodersen (I5) emphasized in an interview that *nobody is coming asking you 'what have you got done today' and such questions, because I myself think that it is so annoying (getting ask such questions)*.

The business, Gram Slot, is a ltd. Rema 1000 owns 20 % of the shares with the Remaining 80 % is owned by the company *Gram and Nybol Godser holding a/s*. The holding company is owned by Svend Brodersen and the silent partner Nils Nygaard. This ownership construction leaves Svend Brodersen with 41 % of the shares in Gram Slot.

The costs running, maintain and restoring Gram Slot are not solely covered by the sales revenue. Firstly due to the large agricultural operation of farming 1300 hectares Gram Slot receives agricultural support under the CAP. The second area of monetary support Gram Slot receives is related to the number of different restoration projects taking place at the castle.

In 2008 Gram Slot began a restoration project of some of the old farm buildings. These included 'den holstenske lade' (the Holstein barn), the former cow shed and the former horse stable. The restoration project had an overall budget at 25 million dkr (3,4 million euros) of which half was financed by a grant from the trust Realdania (T1:143) . Apart from this Gram Slot has received a number of supplements for different cultural and restoration projects (see 4.1).

In terms of the chain relation there exist a non-legal document describing the share values of Gram Slot and REMA 1000 however this document is not public available. It has the function of a 'code of conduct' between REMA 1000 and Gram Slot.

On the one hand, competitiveness is not that important for Gram Slot due to Rema 1000 co-ownership. This co-ownership guaranties that Gram Slot can sell their agricultural products to a favourable price. The basic values of the co-ownership, that that all cooperation between Rema 1000 and Gram Slot should be of mutual benefit in order to function, means that both parties in this part of the value chain has an incitement to treat the other party as a strategic partner rather than a business partner. The consequence is that both parties are aware of the other parties' needs and demands (I1, I6). In this respect this part of the value chain is characterised by cooperation rather than competition.

On the other hand, the acknowledgement of the competitive nature of the market has had an important impact on the value chain. Because Rema 1000 is a supermarket chain they need to continuously differentiate themselves in relation to other supermarkets chains. One of the strategies applied is the cooperation with Gram Slot. The cooperation provides Rema 1000 with the sole access to a number of unique products and the strong brand of Gram Slot. Also this understanding of the competitive nature of the market was the realization that initially made Gram Slot approach Rema 1000. The approach was made in order to engage in a strategic partnership where Rema 1000 would be the sole pursuer of Gram Slots agricultural products.

Overall competitiveness can be said to have had a strong structuring effect on the establishment of the Gram Slot – Rema 1000 value chain. By acting in relation to the competitive nature of the market Gram Slot has to some extent manage to turn the competitive pressure into an advances by becoming a privilege label in Rema 1000.

A central business strategy that applies to both Gram Slot and Rema 1000 is the long term time horizon. The cooperation between Gram Slot and Rema 1000 is expected to last for an extended period of time. The mutual interest in working with value driven business models



also means that the time horizons of both organisations are long. Many of the initiatives both organisations have undertaken does not result in immediately short term profit. When Rema 1000 first started selling fruit and vegetable in loose weight they experienced a loss in turnover, but today the belief is that turnover is back to normal (I6). If this move had not been done based on a specific value oriented strategy 'stop food waste' the Rema 1000 would probably have stop the loose weight sale. At Gram Slot one example of such long term strategy is the restoration of the historical buildings. At the time when this project was undertaken no one could have foreseen if the entire project could attract the number of visitors necessary to generate the income to support the project in the long run.

At Gram Slot part one of the long term strategies is founded in the agricultural production. Due to the heavy investments tied up the production facilities changes cannot be occurring at any moment. When a choice has been made in terms of choosing to base the agricultural production on dairy production, then this choice binds the future possibilities because of the financial investment and also the investment in knowhow in the form of employments. The whole business setup at Gram Slot is based on a long term strategy where the ambition is to revitalize the castle so that it can continue to strive and develop for many years ahead and that the castle will continue to do so for the generations to come.

This form of thinking can also been seen in the strategic considerations at Gram Slot. The decision to sell part of the castle to Rema 1000 was based on an understanding that in the long run a co-owner like Rema 1000 would serve the overall interest of Gram Slot better than if the expansion of the owner circle had been with a private equity fund. The main reason for not choosing such a fund was the fact that this type of funds most often operates on short term conditions. Hence it was believed that the visions and values of Gram Slot would not match any such fund.

The strategic partnership primarily has a role in relation to the processing of the agricultural products. The dairy products from Gram Slot are being produces by Arla foods. The choice of Arla, which is close to having a monopoly on dairy products in Denmark, might seem as a contradiction to the values of Gram Slot. But apart from the values of localness another central value is quality. In an interview Svend Brodersen (I5) described the choice of Arla as such *Some people say: how can you cooperate with Arla? And the I say: because it is the world's best organic company, and then they say: ups.* Svend Brodersen thereby implies that there are not necessarily a link between large scale production and bad quality. Arla has made a small dairy within the big dairy than handles Gram Slots dairy production and are thereby able to guarantee that the milk is handled separately. However Arla is not only chosen because of the handcraft skills, their capability to deliver the best possible product but also because of their values. On their homepage Arla (W4) states that *We want to grow our business. But we know that long-term success is only achieved if we are able to add value to your life while acting responsibly towards the environment and the communities we're a part of. And as a part of their strategy that Our goal is that we can always deliver the products required by current and new customers and consumers. We believe that, through growth, we can secure a sound and stable milk price, ensuring that our owners have faith in the future, as well as confidence in Arla. This growth will be achieved by pursuing our strategy and*

*fulfilling our vision.* In this respect Arla shares the vision of creating good quality products on a large scale with a social responsibility with Gram Slot.

The other major processor involved in the values-based food chain is the grain mill Aurion. Aurion is a small biodynamic mill located in northern Jutland. According to Sanne Brodersen Aurion was chosen partly because of their values and partly because of the high quality of their products. Sanne Brodersen (I2) described Aurion as the Roll Royce model of milling. Aurion (W5) describe their vision as *we strive to make the absolute best products as to all imaginable conditions such as nutritional quality, exiting varieties, taste and with respect for humans and nature.* Aurion is a company which are strongly based on its values. According to Svend Brodersen it did take some time to convince Aurion to take on the job of milling the grain from Gram Slot.

Between Gram Slot and Rema 1000 the pricing strategy is based on the mutual agreement that any cooperation is to be of benefit to both parts leading the margins to be split based on a principle of fairness. This strategy is what has let to establishment of the strategic partnership because such a partnership was expected to best suited to maintain as much possible of the profit within the chain and not losing unnecessary profit to middlemen. The basic pricing strategy is hence that both parties have to make a profit and thereby maintaining a healthy business.

Product prices are decided by benchmarking Gram Slots products against other high value organic products. The prices Gram Slots products are sold in Rema 1000 are never to exceeded comparable products pricewise. This follows from Rema 1000 overall prising strategy which is to always be able to match the prices of competing products. This arrangement secures Gram Slot a premium price because of the absence of middlemen involved in the chain. At Rema 1000 there is an understanding that Gram Slots products should fetch a higher profit than similar product due to the simple fact of the running and maintenance cost of operating a castle and an agricultural production that is open to the public.

Due to the asymmetric relationship between Rema 1000 and Gram Slot, in terms of business size, Gram Slot is more depended and also reliant on Rema 1000 than vice versa. Even though there is an asymmetry in terms of business size Gram Slot do provide a branding value to Rema 1000 that exceeds the mere economic value of the products. Rema 1000 devotes a considerable amount of space on their Danish website to Gram Slot products and at the same time these products are used actively in the branding process of Rema 1000 as a supermarket with affordable organic products. At the same time the dual ownership makes Rema 1000 more dependent on Gram Slot than would have been the case if the cooperation had been restricted to a strategic partnership. By engaging in co-ownership Rema 1000 have accepted to take on some of the risk of running a working castle because the option of bringing the cooperation to an end would today mean that Rema 1000 would have to sell the shares they own in Gram Slot.

Sortiment



### Vores sortiment

I REMA 1000 finder du et sortiment, som næsten er **dobbelt så stort** som øvrige discountkæders sortiment.

Det er vores helt klare mål og ambition at kunne tilbyde stort set alt til hverdagen, så du som kunde ikke behøver tage flere steder hen for at foretage dine indkøb. Vi ønsker at hjælpe vores kunder til at spare både tid og penge – eller sagt på en anden måde – vi ønsker at gøre det nemmere og hurtigere at få overstået de daglige indkøb i en travl hverdag.

Vi har nogle grundlæggende holdninger og fokusområder omkring vores sortiment og varer.

Vores førsteprioritet er at levere kvalitetsvarer på alle områder til lave priser. Derfor er *kvalitet* et af vores nøgleord, og vi tester samt

► Babystartpakke

► Allergivenlige produkter

► Nøglehullet

► Fuldkornsmærket

► Økologi

► **Gram Slot**

► Fairtrade

► Produkter uden tilsat sukker

► Frugt & Grønt

► FISK

► Den Gø'le Gris

► Smagfuld

► Varefakta

► Bedst i test

► Sikkerhedsdatablade

Picture 5

Økologi

Køl & Fros

Kolonial

Frugt & Grønt



### Økologi

I REMA 1000 går vi op i og ind for økologi. Som en af Danmarks største dagligvarekæder mener vi, det er vores ansvar at bidrage positivt til bæredygtighed, dyrevelfærd og sundhed. Derfor tilbyder vi hver dag næsten **200 økologiske produkter som en del af vores faste sortiment**. Ligesom det er gældende for alle vores produkter, går vi også her meget op i kvaliteten på de produkter vi forhandler. De økologiske produkter i din lokale REMA 1000 er derfor både af høj kvalitet og rige på smag. Dette er et krav til vores leverandører, som vi ikke går på kompromis med, ligesom vi heller ikke går på kompromis med vores discountpriser.

Økologiske fødevarer er produceret efter regler, som skal sikre bæredygtighed og dyrevelfærd. Dette betyder bl.a. bedre leveforhold for både dyr og planter samt beskyttelse af vores grundvand, som i økologiske landbrug, ikke udsættes for hverken sprøjtegifte eller kunstgødning.

Læs desuden mere på [www.iloveeko.dk](http://www.iloveeko.dk)

► Babystartpakke

► Allergivenlige produkter

► Nøglehullet

► Fuldkornsmærket

► Økologi

► **Gram Slot**

► Fairtrade

► Produkter uden tilsat sukker

► Frugt & Grønt

► FISK

► Den Gø'le Gris

► Smagfuld

► Varefakta

► Bedst i test

► Sikkerhedsdatablade



Picture 6

A number of other business contacts are involved in the values based food chain. The grain products from Gram Slot are, as mentioned, processed at the biodynamic mill Aurion. The oat is processed into oatmeal at the Halby mill who is specialized in steamed and rolled and cut cereal products. The meat from Gram Slot is processed by Højer slagter a local butcher who has specialized in sausages production. Gram Slot is also cooperating with the castle Gyldensten who packs and distribute all vegetable from Gram Slot.

### 5.3 The balance/trade-off between quality differentiation and volume and economic performance

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This section outline the different challenges the two main actors in the values based food chain has encountered during their periods of growth and how these challenges has been handled.

The main differentiation strategy followed by Gram Slot is the strong connection between the agricultural products and the brand of the castle as such. All agricultural products form Gram Slot are sold in a unique packet allowing the items to be identified and differentiated from other organic products sold by Rema 1000. The products are labelled as organic but more important they also carry a Gram Slot label linking these products with the castle. The products are strongly associated with the overall vision of Gram Slot. The branding value of the leisure part of the business allows the agricultural products to be differentiated from other organic products. In this manner the leisure branch of Gram Slot coproduces the value of the organic products.



Figure 7



Figure 8

Figure 7 shows milk from Gram Slot with Gram Slots logo. The packing the milk is contained in, a disposable back, is unique in a Danish context where all other fresh milk products are delivered either in plastic bottles or cartons. Figure 8 shows different types of flour from Gram also in distinctive wrappings with the Gram Slot logo.

The future growth is mainly expected to take place within the leisure part of the business. Within the next few years the distribution between the two branches is expected to move from 1/3 of the turnover currently generated by the leisure part to be a 50/50 distribution between the two branches. But at the same time there is a not expected limit to the growth in the agricultural branch. Gram Slot is seen as a single estate rather than a terroir concept. This means that as long as the agricultural production is taking place on Gram Slot there is only organisational limits to the size. Inspired by the logic of the Reitan group of always securing that the people involved feels an ownership in relation to what they work with, the idea of splitting large units up into smaller ones are also applied at Gram Slot.

When asked about how the future growth of the dairy production could be organized Svend Brodersen (I5) points to the possibility of engaging in matrix cooperation. Matrixes are a form of organisation where it is not the legal ownership that is at centre but the organisational form. On example given by Svend Brodersen would be to lease land and perhaps even buildings then employ a skilful manager to take care of the production but doing so within the overall Gram Slot organisation. This approach allows flexibility into Gram Slot that can couple the values of responsibility and sustainable farming to a growing production without necessarily having to compromise between values and volume.

Another reason why the matrix organisation allows for the values of Gram Slot to be coupled with growth is the vision of demonstrating that organic farming can be profitable on a large scale. This means that in order to actualize this value growth is a precondition.

The fact that Gram Slot is not based on one single value but rather a number of intermingling values, that together constitute Gram Slot as a living castle, create a number of opportunities to combine and handle challenges connected to the future growth of Gram Slot. The central point is that all values points back to the vision of creating a living castle and that a central part of this vision is a castle with a substantial agricultural production.

Growth is in this respect not in opposition to the values but a complementary process. At the same time a central part of Grams slots business model is to provide Rema 1000 with high quality products. Given the overall business goal of Rema 1000, of becoming Denmark's

largest discount chain, Gram Slot has to continue to grow in the future in order to meet the growing demand due to an increase in Rema 1000 shops. This is almost imperative if Gram Slot has to avoid turning into an exotic but frequent guest in Rema 1000 assortment.

Even though there is no necessary trade-off between growth and values, a growth process can have impact on the organisation. From 2005 and onwards Rema 1000 begins to pursue a strategy of growth. More shops have been founded and the process of establishing a clear profile as a discount store actualised. Such processes of growth have certain organisational impacts which Anders Rene Jensen (I6) explains as *when you are little and starts to grow, well then it is always the case that you have one strategy when you are small and then at some point in time you start to reach a critical volume where you have to start to think different to continue. And it can actually be difficult sometimes if it is the same people who have to do it. Because, and you know that yourself, if you have been at the same for too long then you start to say 'now this is how we do'...and when new people come into an organisation well then often a changes in staff occurs. When you have grown up in one system and thinking and then begins to think different, well that can be difficult.*

It is central to Rema 1000 that the growth is not only the result of an organisational decision but that the growth also has impact on the organisation itself. In this respect growth triggers a logical shift in the organisation. But growth also triggers a shift in the how the organisation relates to its business relations. Again in the words of Anders Rene Jensen (I6) *(when you are small) then it is more the big brands who sets the agenda, and that was some of the things we changes ... we began to put emphasize on values and such and I made the first CSR<sup>1</sup> strategy.* The organisation must be able to handle such changes in order to handle the growth without this turns to an unanticipated trade-off between growth and values.

#### 5.4 Communication of values and qualities among the members of the food chain

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In this section an overview over the communication in the value chain is provided. In this overview we focus on describing the innovative forms of communication that are being used in the Gram Slot case. The section also describes some of the forms of communication taking place in Rema 1000 and between Rema 1000 and Gram Slot.

Concerning the Gram Slot core case it became clear during the interviews that the forms of communication employed are of another character than expected from a normal cooperation. The communication strategy employed at Gram Slot are based on an informal form of communication where the primary target is to facilitate communication about Gram Slot rather than passing messages about the offers and activities taking place at Gram Slot.

The primary producer in terms of agricultural products, Gram Slot, is relatively well known to the consumers due to the brand of Gram Slot. All agricultural products coming from Gram Slot are sold at the supermarket chain Rema 1000 in unique and identifiable packets. This

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<sup>1</sup> Corporate social responsibility



means that the consumers frequenting Rema 1000 are exposed to the products as easy recognizable products. Picture 9 shows the fresh milk products of Gram Slot in the refrigerator in a Rema 1000 shop. As can be seen, Gram Slots products are the only ones in that particular type of packet giving them a distinctive character. Neither of the other products seen on the picture is in a unique packet in a Danish context.



Picture 9

Also, and probably more important in terms of consumer knowledge, are the vast amount of publicity generated as a result of the many cultural and leisure activities taking place at Gram Slot. These activities are being communicated through several different platforms which we will describe in details further down this section.

In terms of means to allow consumers articulate his/her wishes/desires/concerns upwards the food chain to the producers, the Gram Slot webpage has the email addresses of the general manager, the cultural disseminator, the financial manager, the conference and event manager + an intern, the reception manager and both the field and stable managers of the agricultural



production public available. According to the receptionist at Gram Slot, who is physical placed in the same room as the farm shop and the café, the most common way of consumers to contact Gram Slot is by phone. The receptionist explains that customers contact the reception several times a week mostly with inquiries about the content of the farm shop. The receptionist then tries to help the approaching customer in the best possible manner, even though if the appropriate answer is that the product searched for is to be found in a different shop. The receptionist explained she sees Gram Slot as a part of a larger community where directing customers to other shops is not equal to losing customers to a competitor but to contribute to a greater whole.

In terms of unique/innovative communication methods used several methods stand out. In terms of the agricultural product each of the final product packets has a short description of Gram Slot. This applies to all products. In terms of communicative impacts the breakfast products seem like the ones where this initiative has the most profound impact. As Sanne Brodersen pointed out in an interview (I2), breakfast products have the ability of providing the consumer with a light reading when seated at the breakfast table. Having the product in front of you subconsciously makes you read the content 'just because it is there'. These packets then function as a communicative platform that reaches a much larger number of consumers than most other advertisements.

The second platform recently taken into use is Facebook (W10). Svend Brodersen has been making posts on an almost daily basis since spring 2014. These posts usually consist of a smaller amount of photographs followed by a short text commenting on the photos. The posts typically comment on events taking place at Gram Slot, both in terms of leisure, and in terms of cultural events. During December a number of posts featured activities in relation to the Christmas shows and the performance of the television Christmas character 'Pyrus', an elf from a Danish Christmas show popular amongst smaller children.

In terms of communication methods Facebook serves both as an advertising platform, but also as a platform of communication. This communication takes on two forms. Firstly as a direct form of communication between Gram Slot and other Facebook users. This form of communication is though rather short mainly consisting of questions and short answers most often asking the author to contact Gram Slot by phone. The second form of communication that takes place on Gram Slot's Facebook page is debates amongst users primarily about events they have participated in. The posts concerning the two Christmas shows have been subjects of a rather lengthy debate on some threads. The posts mainly fall within three overall categories. The first category consists of short posts commenting positively on the visit by the author to Gram Slot. These posts are mainly 'thank you for a nice stay' posts. The second category, which seems to be mainly related to the Christmas show, are lengthier and criticize the price and the organisation. The Christmas show received a high number of visitors which did not leave everybody with a positive experience. The third category is posts made in opposition to the critical posts. A high number of guests defend Gram Slot arguing that they had a lovely stay and that the problems encountered in terms of overcrowding only are what to be expected. Overall the vast majority of posts are positive towards Gram Slot. Interestingly the threads do not seem to be edited allowing critical statements to stay public. This, on the other hand, also means that guests who have had a positive experience seem to be rather quick willing to argue their case and by doing so putting up some form of defence for

Gram Slot. In this way the discussion on Facebook provides a rather quit nuanced feedback of information from the guests because the debates not only contains short messages but also contains a discussion where the guests by engaging in these reflect on their visit in a detailed manner.

An example of the innovative character of using Facebook is a post put up by Gram Slot on the 5<sup>th</sup> of December 2014. In this post Gram Slot advertised four free positions of employment: one as a charge hand in the fields, two positions as agricultural machine operators and one position as head of the restaurant. Ten days after the post had been made the comment string contained twenty comments which primarily tagged other Facebook profiles with a short comment along the line *any interest for you* indicating that the person making the comment thought that a Facebook friend could be interested in applying for one of the positions. In terms of visibility it is more important to note that the post had been shared 139 times within the ten days. Through these shares the advertisement would have reached a much larger number of viewers that would be the case if the post had remained a post on Gram Slots Facebook profile.

The use of Facebook resembles a deliberate communication strategy employed by Gram Slot. Instead of following a strategy of publicity based advertisement Gram Slot has followed a much more interactive strategy replacing traditional advertising with a strategy that focusses on supporting various forms of communication about Gram Slot. From the very outset one of the strategies followed has been to engage with as many interested in Gram Slot as possible. This has been done by giving as many public speeches and presentations as possible. These presentations have by far been limited to public appearances in local or national Medias, even though such appearances have been used extensively. What has made the most important impact in terms of facilitating communication has been the large amount of presentation primarily made by Svend Brodersen in various social settings. These settings include presentations given to a number of social clubs, unions, companies, schools, etc. Over the years these presentations numbers several hundred. Sanne Brodersen (I2) has pointed out the importance of these presentations by mentioning that each presentation on an average results in three to four new inquiries from people who shows an interest in purchasing one of the activities offered at Gram Slot ranging from having private parties, unions or school trips to organizing a business venue such as a conference of a teambuilding experience.

The cultural event also includes some of the agricultural activities such as moving the cows to a new shed or the operation of a number of folk high school students weeding onions in order to earn money to finance a study trip to Thailand. These activities are of a cultural character, either because they are events that are open to the public, or because, as with the folk high school students, contributes to the embeddedness of Gram Slot in the local economy and general cultural activities.

The specific interaction between primary producers and consumers in this values based food chain contains of the openness at Gram Slot that allows consumers a much deeper knowledge and interaction with the primary producers. In a Danish context only few initiatives exists where it is possible for the consumers to identify the primary producers. Even the organic marked is by fare and large a de-coupled bulk marked with no or only limited knowledge

available to the consumers about the primary producers. Gram Slot has in this respect managed to establish a unique communication platform that allows the castle not only to approach potential guests and consumers in a different way than other initiatives, but also functions as a differentiation strategy marking Gram Slot as distinctively different as to the organic market in general. In addition Gram Slot also distributes a newsletter once or twice a month. This newsletter is sent to the recipients on an email list which can be joined through the Gram Slot webpage.

### **Rema 1000**

Rema 1000 has also embraced the social media in their communication with consumers. Rema 1000 Denmark uses Facebook to a large extend. In an interview Anders Rene Jensen describe the new communication strategy as very useful supplement to the traditional advertising newspaper. Rema 1000 uses Facebook as a form of 'one to one' communication platform where detailed information can be given (I6). A post made on the 14<sup>th</sup> of January 2015 stated the Rema 1000 *still needs your inputs, so Rema 1000 can become an even better place to shop. Is there a specific product you want to be able to buy in Rema 1000 then writ below (a comment). We draw lots over one gift voucher worth 150 euros (W11).* On the 20<sup>th</sup> of January the post had received 907 likes 1.082 comments and had been shared 54 times. Facebook allows for a form of communication to take place that otherwise would almost impossible for a discount chain to maintain. The easiness of Facebook means that a vast number of customers responded to the post provides Rema 1000 with an amount of information that could only have been gathered in much more complicated and expensive manners.

The Facebook page mainly contains posts about offers, the opening of new Rema 1000 shops and cooking recipe's. On the Facebook page it is possible to leave comments under 'review'. These comments vary from comments on positive experiences shopping at various Rema 1000 shops to a number of negative comments and complaints. On a number of these posts Rema 1000 has responded with comments. In these comments Rema are reacting to negative critique by offering to contact the visited Rema 1000 shop and in most cases also for the consumers to get in contact with Rema 1000 shop at stake. A number of individual Rema 1000 shops also use Facebook as an alternative form of communication. The posts on these pages mainly consist of adverts.

Facebook functions as a form of feedback loop where customers has the opportunity to react to what they either experience as a good or a bad shopping experience. Also seen so Facebook operates as a much faster feedback loop than other forms of communication such as telephone calls and emails because a large portion of the population today use smartphones with direct access to Facebook . With more than half of the Danish population on Facebook, Facebook has become an interesting platform for communication for business across the country. It is estimated that around 62 % of all companies registered in Denmark has a profile on Facebook (N1). With such numbers of user both other companies and customers many would expect to find a company like Rema 1000 on Facebook. At the same time Facebook function as a very personal feedback loop where customers has to use their own person profile, Rema 1000, on the other hand, answers and posts from a company profile. This provides Rema 1000 with the advantages of being able to engage in a very personal

communication that at the same time is very anonymous for Rema 1000. The customer receives an answer from Rema 1000 but cannot decipher who actually writes the answer. This allows for a personal, but professional communication to be unfolded on Facebook.

Also Rema 1000 has several food universes on their webpage where consumer can find a large amount of recipes primarily based on products from Rema 1000.

Amongst the shopkeepers in Rema 1000 the organisational form of franchise also has an influence on the communication between the shopkeepers. Because every shopkeeper has the sole responsibility for his own shop, the shopkeepers see each other more as colleges than competitors. This means that they often use each other to discuss problems and get advice. The Rema 1000 shopkeeper interviewed explains that he receives several phone calls from colleges every week who wants to discuss various issues. The shopkeeper describes Rema 1000 as *one big family* (I4).

The feeling of familiarity is actively supported by Rema Denmark. One way is the number of leader works shops that are mandatory for the shopkeepers to participate in. Apart from serving the function of dissemination, these settings also provide an informal forum where shopkeepers from all over the country can meet and form professional friendships. The annual 'Rigsmøde'<sup>2</sup> also has the function of providing an informal setting. At this meeting a big party is thrown in the evening providing plenty of opportunity for informal relations to be nursed, in the words of Anders Rene Jensen with a smile *we are good at partying*.

### **Communication within the chain**

The communication between Gram Slot and Rema 1000 takes place mainly as a personal communication between Svend Brodersen and Anders Rene Jensen. Anders Rene Jensen has a double role in the chain because of his employment as the chief buyer at Rema 1000 and as a board member at Grams slot. This double role provides many opportunities for communication between Gram Slot and Rema 1000. The board meets five times a year but the two men talk together much more often. According to Svend Brodersen they are in contact on an almost weekly basis. With Rema 1000 as the primary outlet, Gram Slot has an interest in getting as many of their products through that channel as possible. The close personal contact helps facilitating this as Svend Brodersen (I5) exemplifies *Now we just had some extra potatoes, then of cause I write to Anders to see if he might have a contact in Norway, because it is more fun to send them to Rema in Norway than to Germany or Sweden, then Anders tries get in touch with someone and see if we can sell our products that way*.

The close contact between Gram Slot and Rema 1000 is described by Svend Brodersen as an unusual asset that is very important for Gram Slot. Taken the size asymmetry between Gram Slot and Rema 1000 into account it might seem like an unusual favourable arrangement, but the arrangement has to be understood in a broader perspective. To get a cooperation, like the one between Gram Slot and Rema 1000 to function, Anders Rene Jensen (I6) points at two decisive factors ... *one of the success criteria's for such a cooperation to work is that*

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<sup>2</sup> Rigsmøde translates into Reich meeting (though the expression 'Reich' in Danish has a somewhat different connotation than in fx German)

*both parties has the same visions, that they want the same... and that there is a good personal relation because we come from to different worlds, so we encounter a lot of tasks and challenges and the way one thinks is different. So mutual respect for each other and the others knowledge is really important.*

The cooperation between Gram Slot and Rema 1000 was not initiated because of specific economic expectations but precisely because of the share vision of creating another direction for the food production in Denmark. The shared vision has an implication for the communication within the chain because the cooperation rests on a high degree of interest. This seems like one important reason why both parties benefit from the regular communication.

### 5.5 Quality dimension mediated through the chain

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This section describes the qualities related to Gram Slot and how these qualities are presented in Rema 1000.

The qualities associated with Gram Slots agricultural products cannot be described without incorporating the overall vision of Gram Slot. The vision of creating an open and transparent dynamo both in relation to the local area but also in relation to the overall agricultural sector in Denmark plays a central role in the definition of the qualities created at Gram Slot and to the mediation of these values. In the following section the focus will be on describing the various values that constitutes Gram Slot as a dynamo and on how these values are mediated and thereby contributes to the constitution of the products of Gram Slot.

The value that is most central at Gram Slot is ‘openness’. Both Sanne and Svend Brodersen have in interviews (I1 & I2) mentioned a mutual experience when they first visited the castle that resembles the current spirit of Gram Slot. At the time of their first visit the castle was not open to the public and a sign with the text ‘No Entrance’ was to be found several places. During their first visit the couple discussed how wonderful it would be to be able to replace these signs with signs reading ‘Welcome’. This idea of openness and transparency are amongst the core values of Gram Slot. This does not mean that other values such as animal welfare, ethical values, aesthetic values and values regarding sustainability, responsibility and health are not important. On the contrary these values are very important as we will describe, but the guiding values that have had the most structuring effect on the value chain are those of openness and transparency together with responsibility because these are the ones that are believed most important in the constituting process of creating a living castle.

Openness and transparency are actualized in the agricultural production. Costumers are welcomed to come and visit the agriculture production to see how the livestock are treated. The cow sheds are open to the public and guided tours can be arranged. Furthermore on every single packets of Gram Slot products sold in Rema 1000 a small text on the packet tells a few details of Gram Slot. The unique packets that the agricultural products are sold in make it very easy for the consumers to identify the product. The ideal of openness are also played out on Facebook where the debates about whenever Gram Slot actually has delivered what they

have promised in relations to events are lively and to judge from the comments free from any form of censorship by Gram Slot.

This openness also comes to show in the leisure branch as well. The restaurant kitchen is located alongside the farm shop. The kitchen are equipped with windows facing the farm shop allowing customers in the shop and the restaurant to follow what goes on in the kitchen. The initial vision of turning the sign at the castle gate from 'No Entrance' to 'Welcome' is enacted in these facilities.

Gram Slot emphasizes the role of agriculture for the overall vision of creating a living castle to be realized. The agricultural production is organic and the importance of sustainability and animal welfare is explicit mentioned as a central quality. Organic farming is not just understood as a way of production because of the possibilities of sale, farming within an organic framework is a central ideal of Gram Slot. Both Sanne and Svend Brodersen mentions organic agricultural production in the interviews as a central part of Gram Slot. Organic farming is advocated from a sustainability point of view based on the understanding that the current use of agricultural land combined with the conventional methods of production is not sustainable in the long run. As Sanne Brodersen (I2) has put it *when you take something you also need to give something back otherwise things does not connect and then sooner or later the supply of raw materials are going to run out... it is a circular way of thinking.*

Aesthetic values also play a central role in the development of Gram Slot. Most notable this comes forward in relation to the architecture of the castle. At the time the current owners took over many of the castles buildings where in such a stage of repair that they were almost beyond point of saving. Sanne Brodersen (I2) emphasizes that *the very foundation of (of the overall project) is carried through by the cultural inheritance. An inheritance that physically consists of the buildings.* This means that the original buildings of the castle are worth saving let alone because of the value they represent in them self. A castle can only be a castle if there are some buildings that carry the physical characteristics of a castle. Therefor an effort has been but into restoring the old stables and turning these into buildings suited for contemporary use such as the café, the farms shop and the barn. Through these processes of restoration an emphasis has been put on bringing the buildings back into a look as close as possible to their original impression. This also comes to show in the restoration practise where for example the old wood in the building only are replaced if it is disintegrated beyond saving, otherwise the same pieces of wood are reused when possible. By taking this approach to restoring the buildings the castle displays its own unique aesthetic expression. The castle appears well kept, but kept in a style that not only respects the original architecture but also nurses the styles with respect.

In terms of ethical values Gram Slot is devoted to a responsible and sustainable form of farming and generally running the business. The ideals of responsibility come to show in several different forms. Most notably they come to show in the devotion to organic agriculture. Sanne Brodersen (I2) provides an example of a presentation Svend Brodersen gave where he argued that all of Denmark's agriculture should be turned organic. Organic farming is not seen as just a suitable form of business but is seen as the only responsible way

forward for agriculture. A small example of the sustainability approach can be deduced from this year's onion harvest. As with any other form of harvesting there are a certain percentages of waste due to spills. In order not to leave the spilled onion and thereby wasting the process of cultivating that had gone into these particular onions, the public was invited, through Facebook, to come by the field and pick the dropped onion for free. By doing this the process of growing the onions was not wasted even though no economic profit was made on the dropped onions.

The responsibility does not only come to show in relation to the agricultural production but also in the terms of the cultural activities. On the one hand, the owners feel a great sense of responsibility towards the cultural inheritance as explained and, on the other hand, also a responsibility to educate the general population in relation to what food is. A part of the dissemination that takes place at Gram Slot is directed at school classes that are given the opportunity to come and experience agricultural production first hand. This includes digging up potatoes in the field and cooking them to eat. According to both Sanne Brodersen (I2) and Mikael Rindom (I3), the person in charge of the dissemination, this simple activity is at times an eye-opening experience to some children who never has been challenged by the question of where do potatoes actually come from? Both Sanne and Svend Brodersen as well as Mikael Rindom sees it as a major challenge to reconnect with the ever-growing part of the population whom has no direct connection to agriculture. Parts of the dissemination activities at Gram Slot are aiming at lifting this challenge and by doing so also allowing Gram Slot to practise what they preach; giving back and taking a responsibility towards the future generations.

Health is also a central value at Gram Slot. The move from conventional farming to organic is partly motivated by considerations regarding the health risk attributed to conventional farming. In relation to the strong emphasis on sustainable farming there is also a concern over the impact of chemical in the form of pesticides and what the long term dangers these might create to the health of future generations. Health does not appear to be the main motivation for turning the agricultural production at Gram Slot organic but seems to have a supporting role.

The mediation of qualities throughout the chain does not pose any major challenges primarily due to the construction of the ownership of Gram Slot and the supply channel. Rema 1000 is the sole customer and at the same time part owner of Gram Slot. Gram products are easily identified in the shop and so far it has not been a problem for Rema 1000 to sell what Gram Slot produces. On each of these products a small text tells the story of Gram Slot and put words on the qualities that distinguish Gram Slot's products from other organic products in Rema 1000 supermarkets thereby transferring the values of Gram Slot into the shop.

On a more abstract level the mediation of values within the chain can be said to take place through the attitudes of Gram Slot and Rema 1000. The very close overlap in the visions of the two organisations allow for the quality to be mediated without having to be redefined or reconstructed by Rema 1000. The same logic applies in Gram Slot where the cooperation and co-ownership of Rema 1000 are used and displayed as an asset because of the mutual values and the possibilities that this cooperation offers. In this sense the mediation



of the qualities are reciprocal. Both parties have to have a benefit and only because of that can qualities be created and hence mediated throughout the chain. One of the ways this come to show is in the principles of price setting. The price setting between Rema 1000 and Gram Slot is an open process based on the principle that both parties needs to be able to make a profit. It has to be possible to continue to produce and run the castle. At the same time the products must not become so expensive that they becomes uninteresting to Rema 1000 who has a principle of always being able to match the best price of a similar product. Rema 1000 though has no problem with combining this principle with the ideal of Gram Slot of producing high quality products. One of the two hallmarks of Rema 1000 is 'discount with an attitude'. The attitude means that Rema 1000, as mentioned, constantly are working towards creating more and more high-quality products at a discount price. The aim is always to win, or be in the top amongst the top products, in any tests where Rema 1000 products are represented. The benchmark for Rema 1000 products are always brands not another discount product.

#### 5.6 Resilience of the value chain and the initiative/business – long term perspective, change and social-ecological links

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Up until 2014 Gram castle has not experienced any major crises. The main challenges that have had to dealt with was the decision to incorporate Rema 1000 into the business as a partly owner. Gram Slot does not perceive itself as being vulnerable to shocks and disturbances. This is mainly because of the ownership construction. Due to the incorporation of Rema 1000 Gram Slot has the buyer of its agricultural products 'at the table of decisions'.

At Gram Slot the economic crises in 2008 had the impact that it became impossible to lend money from the banks. Initially this posed a problem because Gram Slot wanted to expand, while their creditors wanted Gram Slot to narrow their activities and focus on bringing the debt down. Svend Brodersen (I6) described the situation as *I wanted to start a project to 25 million kroner and that is not exactly what the bank is thinking... I do not even dare to ask to borrow 25 million kroner... I want to borrow and they (the bank) want me to bring down my credits with 25 million kroner. I could feel 'don't even ask' it would be seen as totally unserious.* Gram Slot handles this problem by expanding the owner circle with Rema 1000 as described. By doing so the grant from Realdania could be released and this meant that the restoration process and the expansion process could be started up. In 2008 Gram Slot was one of the 24 winners in an idea-competition hosted by the Danish trust Realdania. The Realdania initiative was labelled 'the manors of the future' and was launched as a contribution to reinvent the local manors and castles as cultural and economic dynamos. Gram Slot was granted 10 Million Danish kroner. Due to a principle of co-financing Gram Slot had to raise 15 Million Danish kroner in order to achieve the price. At that moment in time it was impossible to borrow money from the usual bank connections. The Danish financial market was in a deadlock due to the worldwide financial crises. This led the owners of Gram castle to reconsider their principle of owning 51% of the business. The only option to raise new capital for the restoration of the castle was to make a capital expansion by extending the circle of owners. This was done by selling 20 % of the business to Rema 1000. Again the basic values underpinning Gram Slot played a decisive role. The principle of

maintaining a minimum of 51% of the ownership was discharged in the overall interest of Gram Slot. By expanding the owner circle and thereby raising the money necessary to restore some of the historical buildings on the site of the castle Gram Slot moved a step closer to the vision of restoring the castle as a local centre. The restoration of the buildings is essential to re-establish the castle as more than a farm.

The economic crises in 2008 had an almost opposite effect on the food chain as to what could have been expected.

The overall consumption of organic products did not suffer any set back in Denmark on the contrary to consumption grew from 5, 5 % of the overall consumption in 2006 to 7 % in 2009 (D10). At the same time the consumers to some degree shifted from the supermarkets to the discount stores. For Rema 1000 this meant that 2008 was a year of success rather than set back. One of the initiatives that Rema 1000 implemented in 2008 was the 'stop food waste' campaign. The central initiative in this campaign was to stop selling any product with a volume discount and to start selling all products including fruit and vegetables at piece price in order to allow the costumers only to buy just what they needed. This initiative was then a central initiative at the right place at the right time. Also in 2008 some of the other initiatives taken on in Rema 1000 since 2005, began to be implemented and to make an impact in the shops. The principle of benchmarking against brands meant that Rema 1000 experienced a general lift in the overall quality of their own products. This combined with a general price awareness of consumers meant that Rema 1000 experienced a good year in 2008.

The co-ownership means that the food chain are well suited to handle challenges that requires an adaptation to a new or different situation regarding the agricultural products handle throughout this part of the chain. Svend Brodersen (I1) emphasized this capacity in terms of the chains capabilities to handle chocks such as a hypothetical food-scare because as he put it *imaging that we had some form of penicillin scandal in our milk, well in that case we would sit around the table to solve it and we would have the same owners tomorrow as we have today... we have a distribution channel that can take teen thousand times more than we can produce and that gives us a flow in our things*. In these terms the adaptive capacity is quits strong because of the co-ownership and surplus of distribution possibilities. These possibilities depended on the ability of Rema 1000 to sell the agricultural products from Gram Slot but at the moment there is no reason to believe that the ability will not remain strong in the future.

The second reason Gram Slot has a high adaptive capacity is to be understood in relation to the overall vision of the castle. The vision of creating a local power centre means that in the outset there are in principle no business areas that cannot be entered as long as any such business are is coherent with the overall vision. Sanne Brodersen (I2) described this capacity by telling a story of talk Svend Brodersen gave at an agricultural college in Denmark. At this occasion Svend Brodersen emphasized that *we do not need more innovation, what we need is courage, so the more books you read the less courage you have... close the books and get out, your are educated farmers now*. Even though this statement was made in a different setting it exemplifies the adaptive capacity of Gram Slot. By arguing that the new generation of Danish farmers should 'get to work' Svend Brodersen pushes the general understanding of

what generates a dynamic development: taking a calculated chance and attempting to go through with on one's own terms. The statement can be seen as a general critique of over-education but taking the educational background of both Svend and Sanne Brodersen into account (a master in cultural dissemination and a master in economic) combined with the development at Gram Slot this statement could be interpreted more so as an expresses of an openness towards future challenges and a deep commitment to be able to think 'outside the box'. Sanne Brodersen described Svend Brodersen attitude as *Svend does not know that things cannot be done and then he goes on a do them*. This attitude provides Gram Slot with an unusual readiness towards opening up new business areas. This combined with the stabilizing effect that the co-ownership of Rema 1000, provides not only Gram Slot but the whole supply chain with a high degree of resilience and adaptive capacities.

## 6 Future orientation of the initiative/business and the value chain

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The future orientation of the Gram Slot is as it has been up to now doubled stringed.

The agricultural production is expected to continue to provide a substantial part of the turnover. Rema 1000 is capable of purchase a higher amount of agricultural product than the current production both in terms of scale and scope. But it is not only the capabilities of Rema 1000 that has an impact on the future orientation of the agricultural production. The agricultural production is expected to grow which means that more land is required. Gram Slot is operating with several models to meet the need for land. One model is to buy more land but even though this has been the model that traditional has been seen as the ideal (Danish farming has traditionally a strong commitment to self-ownership) it is not seen as the best model per definition. Another model that is being applied currently at Gram Slot is to lease land and also to engage in partnerships with other farmers. At the moment two of the employees at Gram Slot are leasing their land to Gram Slot and one of them are maintain a small production of free range pigs on parts of his lands. Svend Brodersen (I5) described the attitude as *I do not need to own all of southern Jutland I just want to be able to make as many product at Gram Slot as possible and that's why we have med the partnership with X* (the employee who maintain a small free range pig production) *he still has a motivation in owning his land ... we do also buy (land) if it is necessary but it is not the only way*. In another interview (I3) X expresses the hope that over time his production of free range organic pigs could reach a level where they would be an asset for Gram Slot to a much larger extend than they are at the present moment. At the moment the pork meat are available at the farm shop when there is a supply. Though due to the number of the low number, approximately 30 pigs, a stable supply cannot be achieved.

As mentioned, the commitment of Gram Slot towards organic farming is based on a general commitment to a sustainable form of farming and the understanding of Gram Slot is that the in the near future the need for a re-orientating of the overall agricultural production is needed. The current mode of farming in general is seen as being non-sustainable in the long

run and Gram Slot sees itself as a frontrunner demonstrating that even on large scale farming can be done organic and still produces an economic surplus. On the one hand, this approach means that the agricultural production of Gram Slot also in the future needs to continue to be visionary in terms of developing new products and developing the current model of farming. This also leads to a more everyday challenge of continuously being able to handle the growing number of visitors at the castle.

In terms of the future orientation of the leisure/cultural branch the aim is to continue to develop the branch. This is due to at least two overall reasons. Firstly, the leisure/cultural branch are of central importance to the overall project and the branding of Gram Slot, hence providing a unique differentiating strategy in relation to the agricultural products. Let alone these reasons are important enough to continue to develop this branch from a narrow economic perspective. But secondly, and just as important, is the devotion to offer an educational function at Gram Slot. This commitment stems from an understanding of the general relation between farming and the surrounding society. This relationship is seen as becoming increasingly distant as the urbanisation of Denmark gets more and more outspoken. The consequence is then that a still larger part of the general population has no first-hand experience and knowledge of farming. A central part of the dissemination activities at Gram Slot are therefore aiming at providing schools with the opportunity to come and experience where the potatoes grow, how a cow looks, where the milk comes from etc. This commitment is central in terms of supporting the more general future vision of advocating organic farming as the future of Danish agriculture.

Overall the values based food chain of Gram Slot and Rema 1000 is based on a reciprocal relationship that supports the resilience of the chain. Because of the mutual interest in building on and working with the values the chain is based on both parties can benefit from the other's strengths. Rema 1000 has access to a range of high quality products that exemplifies the values Rema 1000 are founded on. Gram Slot has business partners who are capable of pursuing the entire agricultural production without having an interest in pressuring the price as much as possible because of the partly ownership. That Rema 1000 owns part of Gram Slot provides Rema 1000 with an interest in establishing a long term stable and mutual profitable relationship with Gram Slot.

This form of resilience is also reflected in the ambition to cooperate and develop products in the long run. Rema 1000 engages in the partnership and cooperation in order to secure that the right partners and products are available also in the future. This strategy is preferred contrary to a strategy of short term sub-optimizing that would focus on short term profit.

## **7 Verification of the results**

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The case report has been submitted to Svend Brodersen and Anders Rene Jensen in order for them to read, neither have had any comments.

## 8 References

<b>Abbreviations</b>		
<b>Webpages: W</b> <b>Documents: D</b> <b>Newspaper articles: N</b>		<b>Leaflets: L</b> <b>Financial reports: F</b> <b>Reports: R</b>
<b>Data sources</b>	Document number	Short description of content
Gram Slot Home page Data type	W1	An number of information's and self-descriptions of Gram Slot
Rema 1000 Home page	W2	An number of information's and self-descriptions of Rema 1000
Reitan group Home page	W3	An number of information's and self-descriptions of Reitan group
Arla Denmark Homepage	W4	Self-description of Arla
Aurion Homepage	W5	Self-description of Aurion
Haderslev Municipality Homepage	W6	Information on the municipality's vision for the area and information on the county
Realdania homepage	W7	Contains information on the overall project 'Fremtidens Herregårde' (The manors of the future), the project that partly funded the some of the major restorations projects at Gram Slot
TVS homepage	W8	Short new-clip on Gram Slot, a ½ hour program on Grams slot and four 6 minute programs on Gram Slot, 6 x 15 minute long programs on Christmas on Gram Slot.
Youtube	W9	Short film on the restoration of the barn and several short films on the opening of the river
Grams slot Facebook	W10	Several posts on activities with many comments, posts on staff wanted
Rema 1000 Denmark Facebook	W11	Advertising posts, recipes and news
Legoland	W12	Press release on the model of Gram Slot in the miniature land
Landdistriktskommuner - indikatorer for landdistrikt	R1	Report on country side counties in Denmark

Mikkel Frausing Phd thesis Both	T1	Phd thesis on the commercial potential in Danish manors cultural heritage
Sonja Marie Overgaard Phd thesis	T2	An architect's PhD thesis on the use of the cultural in heritages in the form of historical buildings
Haderslev kommune strategi oplæg 2007	D1	The municipalities strategy for the cultural heritage
Haderslev kommune planstrategi. August 2008	D2	The councils overall strategy for the county
NIRAS Vækstiværksættere i fødevarebranchen. Erhvervs- og vækstministeriet, 2013	D3	Consultant report to the ministry of Business and Growth on new initiatives to generate growth within food production
Haderslev kommune Indledning. 24_01_2008	D4	Start up agreement between the municipality and Gram Slot in relation to the actualization of Haderslev municipalities strategy for the cultural heritage
Haderslev kommune Continued cooperation 9_12_2009	D5	Outline of three new cooperation between Haderslev municipality and Gram Slot and the financing of these
Haderslev kommune Evaluering. 13_04_2010	D6	Evaluation of the agreement from 24_01_2008
Byrådets indsatsområder	D7	Report from Haderslev council on the areas where special attention is to be paid
Landdistriktpolitik 2008	D8	Report from Haderslev council on the development of the country districts within the county
Udviklingsaftale i forhold til kulturarven	D9	Agreement between Haderslev council and Gram Slot on the development of the cultural heritages
Organic market memo	D10	Report on the overall organic market in Denmark
Newspaper articles	N.1 – N.11	Articles from different Danish newspapers
Naturstyrelsen	L1	Web leaflet on the restoration project of Gram river
Financial accounting for Gram Slot	F1.1 – F1.	The yearly public available accounts
Financial accounts for Grams slot holding	F2.1 – F2.	The yearly public available accounts

## Interviews

Participants	Role	Duration time	Number	Remarks
Svend Brodersen	Owner Gram Slot	1 hour	I1	The owner of Gram Slot, board member of Gram Slot
Sanne Brodersen	Owner Gram Slot	1 hour	I2	The owner of Gram Slot, married to Svend Brodersen,
Anonymised interviewed	Employee at Gram Slot	45 minutes	I3	Cultural and agricultural disseminator at Gram Slot, pig producer in a matrix organisation with Gram Slot
Anonymised interviewed	Shopkeeper in a Rema 1000 shop	45 minutes	I4	Franchise-taker in Rema 1000 Denmark, just north of Aarhus
Svend Brodersen	Owner Grams slot	1 hour 20 minutes	I5	
Anders Rene Jensen	Buy and marketing manager Rema 1000 Denmark	1 hour	I6	Main pursuer of Gram Slots agricultural products, board member at Gram Slot