

# Case Study: Using Local Food to Create Marketing Advantages

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## ENTICE

Exploring the Natural tastes of Iceland



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## Introduction

As a result of the on-going global economic crisis, governments are increasingly recognising the tourism sector's potential as a means to diversifying and stimulating economic growth and social contribution. It is widely understood that tourism has the ability to create jobs, attract FDI, earn foreign currency and stimulate national, regional and local economic growth, provided that the sector is given adequate government support and regulated where needed.

As tourism is an open industry it is subject to political, social, environmental and technological changes and trends to which it must respond. In the case of Iceland, the fallout from the financial crisis in 2008 and 2010 eruption of Eyjafjallajökull are poignant reminders of some of the recent challenges facing the tourism sector.

According to Horng and Tsai (2012) culinary tourism and food tourism represent an emerging tourism market for many countries and creates a unique competitive edge for tourist destinations and related enterprises. The potential for using local food to create marketing advantages is the focus of this case study.

### A summary of tourism trends in Iceland

Since 2008, the export value of tourism has been around 14%, increasing to 19% of total exports when including the activities of Icelandic tourism companies outside Iceland. In 2011, tourism's share of GDP was 5.9% compared with 5.1% in 2001. This is in line with Tourism's average contribution to a nation's GDP, globally.

In 2009 (latest available data), total travel consumption reached ISK184bn of which around 40% was consumed by Icelandic households and companies. During this year the number of people employed in the tourism sector exceeded 8,500, equivalent to 5.2% of the working population, clearly demonstrating its importance. This is in line with Tourism's average contribution to a nation's GDP, globally.

This all underpins the sector's growing importance to the country's overall diversification and sustainability. PKF (2013)

In their 2012 research the PKF research report comments:

**“With regard to food, the main issue was around promoting the quality and variety available throughout Iceland. Again, the cost of food was of concern to some interviewees”. (p.14)**

The Icelandic Tourist Board carried out a survey with 2,359 visitors during summer 2011 and with 2,181 visitors during the 2011/12 winter season. In summary, the results of the summer survey suggested that the main purpose of visit recorded was vacation/holidays at 86.3% followed by meetings, incentives, conferences and exhibitions (MICE) at 13.3% and visiting friends and relatives (VFR) at 6.2%. The winter pattern was similar apart from a slight increase in the number of MICE visitors at 16.5% and business visitors at 4.5%. There was a high number of returning visitors both during the summer and winter. In summer 79.6% of those interviewed came on an individually arranged trip compared with 67.8% during the winter. During the summer 10.2% were part of a package tour whereas in winter the figure was slightly higher at 17.6%. The remaining 10.2% (summer) and 14.6% (winter) were a mixture of packaged tours and individually organised trips.

## Local Food Definition

From the Food, Conservation, and Energy Act (2008 Farm Act); the total distance that a product can be transported and still be considered a “locally or regionally produced agricultural food product” is less than 400 miles from its origin, or within the State in which it is produced.

Source: [http://www.ers.usda.gov/media/122868/err97\\_1.pdf](http://www.ers.usda.gov/media/122868/err97_1.pdf)

## Local Food – summary (Source: Hodges, et. al. (2012):

- Local = direct marketing
- No standard definition, but typically marketed within 100 miles of producer location or within state
- Generally produced by small/medium and organic farms
- New vocabulary: “Foodsheds”, “Locavore”, “Slow food”, “Food miles”

## Why “local” food?

Social embeddedness in the sense of social connections, mutual exchange, and trust is viewed by some as an important feature of direct agricultural marketing (Hinrichs, 2000; Sage, 2003).

## Strategic Context – key points from the PKF Promote Iceland Long-term strategy for the Icelandic tourism industry (February 2013)

1. Over the past 10 years tourism has grown rapidly; key drivers being: awareness of Iceland in wake of financial crisis in 2008, devaluation of currency, 2011 volcanic eruption and success of the “Inspired by Iceland” marketing campaign. It is noteworthy that following the volcanic eruption the government invested a significant percentage of available funds to promote tourism.
2. A fourfold increase in the value of international tourism receipts.
3. Responsibility for tourism is currently fragmented, and there is a need for a more coherent and integrated approach.
4. Seasonality remains high, with over 60% of international arrivals in the summer months.
5. Main markets: Germany, UK, USA, Netherlands and the Nordic countries with the emerging Brazil, Russia, India and China (BRIC) countries showing some growth.
6. Nordic countries are Iceland’s biggest market (127 373 in 2011).
7. Iceland is a long stay destination in the summer months (10 nights).
8. There is a high number of returning visitors, with most visits to the country (80%) being influenced by the natural appeal. Icelandic culture and history is also a significant pull factor (40%). Food and drink are not reported as pull factors.
9. While coach touring is popular, there is a growth in independent holidays with a significant number (46% summer and 30% winter) renting a car.
10. Main competitors: Finland, Norway, Sweden and Alaska.
11. High quality food experiences have the potential to become one of the unique elements (USPs) of the overall visitor experience.
12. A key weakness is the lack of detailed market intelligence.
13. One of 6 main strengths identified is gastronomy (food tourism), with excellent quality of local produce available.

## Methodology

### Case Studies visits – data collection

In terms of data collection a number of site visits were undertaken to observe Food Tourism in action.

There was the opportunity to interview and question representatives from each of the organisations where the primary data collection was undertaken.

The findings from this data collection is summarised below, under the name of the organisation:

## Summary of findings

### Hotel Geysir ([www.geysircenter.is](http://www.geysircenter.is))



- Head Chef Bjarki, with competition experience, provided introduction to each dish served on dinner 9<sup>th</sup> June. Competition style food was excellent, but unsure if this was normal restaurant fayre.
- On second evening Head Chef Bjarki provide a theatrical cooking experience with outside catering and tasting over the geyser/thermal springs.
- Extensions of dining areas has given Hotel Geysir and the neighbouring 'hub' building a number of dining options; able to cater for mass dining during the day as day tourists stop on the Golden Circle tour, and offer an more exclusive dining experience in the evening.
- Large restaurant for day diners is architecturally stunning in side. A use of natural materials including volcanic rock and local timber presented in a contemporary style complements natural food items being offered.
- The retail offer in the main site shop is well presented with contemporary displays and a good range of Icelandic merchandise including 'souvenir food products'.

### Fontana ([www.fontana.is](http://www.fontana.is))



- Missing an opportunity with the food offering.



- 30 shareholder owners, and link with (marketing) Icelandair Hotels and Reykjavik Excursions.
- Need some healthy eating options on menu as missing opportunities to capitalise more on health and well being potential of the site through the food offering.
- Healthy drinks offering a strength but not matched by café food/snack offering.
- With the food supporting the spa offering, more showmanship could be embraced, although it is felt in comparison to the theatre experienced in the outside evening cookery demonstration by Chef at Hotel Geysir, Fontana is not seriously using food cooked in the ground as an attractor. Certainly the Fontana site is not set up for any large numbers of tourists to experience the bread cooked in ground.
- If the site does want to use bread cooking as a Unique Selling Point (USP), and considering the stunning architectural building, a viewing gallery should be created.
- The Fontana attraction is seen as an integral part of a partnership development at the “resort” in this area with some good initiatives to strengthen and diversify the appeal of the destination to extend the length of stay and become less of a short stop on day trip excursions.
- 20% of income reported to be from food sales.

### Lindin Restaurant



- Located a short walk from Fontana
- Premier product specialising in wild food – ingredients sourced by owner and others through shooting expeditions. Attracting high end celebrity patronage.
- Owner confident in product offering, passionate, and premier food product being delivered.
- Traditional Icelandic style building with a sensitive extension to cater for mix of markets – a fit with product offering. Food able to stand minimal decoration.
- Conveys the story well of the previous use of the building as an ‘Icelandic wives’ finishing school.
- Option for higher volume, less expensive dining experience in accompanying restaurant area.
- Operating successfully as a premier niche food tourism offering and also a group tour food stop.

Elfsi Dalur farm dairy Efsti-Dalur ([www.efstadal.is](http://www.efstadal.is))



- Innovative entrepreneurial activity by a family owned business diversifying from farming into tourism/hospitality: dairy using milk from cows (seen through viewing gallery from café and restaurant on different levels), restaurant (using meat from farm, butchered off site).
- An innovative view of the cow shed, which is located next to restaurant and visitor area – viewing gallery from restaurant of cow shed.
- Imaginative use of former hay storage area which had become redundant and sensitive farm building extension to improve tourism offering
- The entrepreneurial activity by the family is commended.
- Complementary food items for menu are sourced locally.
- Site is very well signposted from the main road with good use of logo on round bale and messages at various location on site.
- Could add more elements of interpretation but conscious extension just recently completed.
- Real effort to play to family strengths with use of musical instruments and storytelling which should play well with the group market
- Traditional Live Icelandic music offered as part of the visitor experience.

Friðheimar - a Greenhouse project which not only offers food production, a visitor centre and food tastings but was the winner of Icelandic Farm Holidays Innovation Award 2011



- All round a very polished and professional operation, with an exhibition standard Icelandic horse show being performed by family members prior to the site visit to greenhouse area.
- The site visit and data collection exercise exceed expectations.
- The only evidence on the tour of market research being undertaken as part of new product development.

- Well designed packaging being used for retail of 'souvenir' food items with family/chef story telling tabs that work well.
- Requires better retail display and merchandising area near the main counter to capitalise more on the group market which has grown rapidly-from 1,000 to 40,000 in one year.
- Family aspect of the business is part of the story telling and is well presented in storyboards along with the history of the greenhouse movement in Iceland-simply done but very effective.
- Co-ordinated branding with good promotional leaflet.
- Commendable approach to meeting customer needs; realising time is important for tour party meals, soup and bread offering designed to meet these needs in terms of food item and service.
- Unique use of tomatoes in beverage offering.
- This business sites the standard in terms of: marketing and food tourism offering.
- Clear evidence of business strategy being linked to marketing and operations.

#### Catering provision at the Gulfoss waterfalls visitor complex

- an interesting retail and catering offer which has developed to cater for visitor needs at one of the most popular natural attraction sites as part of the Golden Circle;
- on arrival first impressions deceiving with poor public sector facilities-closed information centre and unsightly and poor quality public toilets contrasting with large scale and modern private sector retail and catering complex
- visitor complex well geared up to cater for car drive and group markets with different catering offers and segregated areas;
- a good understanding of needs of market with hot bowls of soup and bread a popular feature with visitors who have been outdoors to enjoy the exposed walk to the spectacular waterfalls;
- conscious effort to position retail offering at the cheaper end of the market and promotes itself as the cheapest souvenir and gift outlet in South Iceland;
- now catering well for a year round group coach market with significant growth in the shoulder months;
- lack of understanding of volume of visitors attracted to the site but may be a reflection of a relatively new member of staff but it was clear there was no (electronic) monitoring of visitor numbers using the impressive walkway to the falls.
- significant investment has taken place here in providing a high quality boardwalk and on site interpretation and orientation with good visitor flow management arrangements
- the complex has grown into a fit for purpose food, beverage and retail experience, from a site that was only a tent type structure only a few years ago. This site has both public sector provision in the form of toilets/restrooms, and the recently completed complex by private sector. While the new complex is admirable in terms meeting the market need, there is a disparity in provision sited at this area of natural beauty.

#### Café kjot og kunst

- Food service operation designed for volume, difficult to manage the walk in trade.
- Good external signing and vehicle branding.
- Didn't make the most of the geothermal regarding the cooking experience. Perhaps just used it as a marketing hook to get tourists in.
- Could develop and improve the layout of the shop which could increase sales.
- Souvenir retail product range could be improved as one of main products was English cake-a missed opportunity.

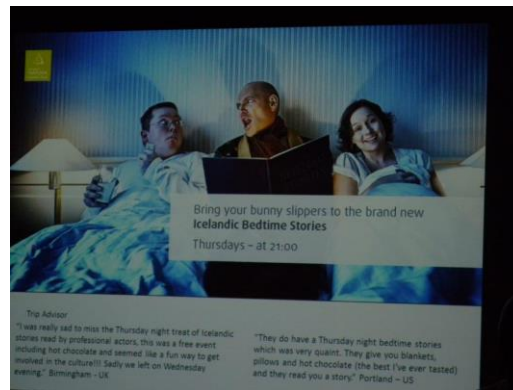


- Questions about food hygiene (re EU standards) in external cooking area (i.e. flaking paint, rust, contact of utensils with wooden seating), and caged bird in dining room.
- Very professional and hospitable host.

### Nordic house

- Dill restaurant- great views (one of the few venues to exploit the panoramas), simple food, contemporary Nordic. Developed good relations with the local producers and wine supplier.
- Strong reliance on tourist as opposed to local community (80% reported). Restaurant is better known outside Iceland. International tourists seeking out Dill from culinary tourism.
- Nordic food very trendy,
- Used handpicked herbs from the gardens.
- Clear plan - working well.
- Innovative to find this standard of restaurant in what is effectively a library.
- Notably the name is easy to remember for overseas tourists unlike most Icelandic names such as 'Kjot og kunst'.

### Icelandair Hotel Reykjavik Marina



- Presentation and seminar session with Sales Manager highlighted the use of branding and storytelling; with a thought provoking example of employee in bed with guests delivering storytelling.
- Hotel re-branding success was discussed to reinforce the sense of place, which has reportedly helped drive business growth.
- Another example given in terms of storytelling being the introduction of life size characters in public areas and humorous touches as part of storytelling experience.
- Food offering here was also noteworthy; it was impressive to observe how busy the catering and bar areas were reflecting the success of hotel in positioning their offering to fit with the local market and contributing to the regeneration of the harbour area.

### **Review of presentations from Promote Iceland and Visit Reykjavik**

(This should be read and compared to the information summarised from Strategic Context – key points from the PKF Promote Iceland Long-term strategy for the Icelandic tourism industry).

### Tourism growth

- Great growth in tourism over previous years, with a doubling of numbers and 30% plus growth in shoulder month tourism linked to the promotion of the northern lights.



- Tourism is economically the most important industry to Iceland having taken over this place from Fishing
- There is a growing concern about sustainable development. Growth vs. the hurt to the local area.
- The industry needs to be more integrated and function more effectively.
- Seasonality - themed events could encourage travel in shoulder months and is being used to good effect in Reykjavik.
- Key markets: Germany, USA Nordic countries and Netherlands
- Key market Nordic countries; short stay trend in the winter. 80% centres in Reykjavik and “golden circle” tour area.
- Car hire hits capacity in busy months.
- Average age of guests around 40 with higher than average disposable income.

### Food Tourism

- Food and drink is one of the six targets to try and encourage tourism.
- 25% of tourists wanted to see an improvement in the food and drink offering.
- Potential to make more of the high end/premier priced food establishments bearing in mind that price differential between high and low end is less defined than in most other destinations.
- Links between health, well-being and food provide some marketing fit.

### Marketing

- Commendable work with Food and Beverage social media (the wee house campaign)
- Main aims: strengthening more destinations, protect the nature, become an all year round destination.
- There is richness in the story telling (and an Icelandic tradition of this). Icelandair hotel play on this to good effect.
- Great presentations and videos.
- They have all the tools but are under resourced compared to many competitors . Strategy is doing all the right things, could realistic.
- Roads are set up for growth in tourism but pace of growth creating challenges in ensuring the breadth of product offering is available with adequate supporting infrastructure.
- Dispersing international tourism beyond the capital city and the Golden Circle to spread the economic benefits is still a major challenge.

**As part of the Case Study Report a SWOT analysis of Iceland Food Tourism has been undertaken**

### Strengths

- Amount of space/ food/produce in the natural environment.
- Geysers and other natural features are major attractors.
- Family businesses encountered, where guests are valued. Improves the drive behind business.
- Health and well being opportunity linked to natural assets.
- Strong and distinctive identity.
- Low cost production - heat from thermal springs
- Local supply chains/ local sourcing of food products
- The culture of the people, singing makes the food taste better.

- Good cooks but gourmet? Links to foreign chefs being brought over as part of Visit Reykjavik with Food and Fun festival bringing international chefs to Iceland.
- Catering is now trendy so the food will evolve
- Campaign “Inspired by Iceland” - does use food
- Contemporary Nordic food- fashionable
- Iceland has a chic fashionability spurred on by celebrities having second homes in the country and Icelandic culture, especially music, becoming popular overseas (i.e. Sigur Ros)

### Weaknesses

- Potential to spoil the natural environment – over use at honeypot locations with poor management regimes, and unrestrained development of holiday homes in popular areas.
- Negative perception of food: seal clubbing, puffin eating, whale killing and eating.
- International tourist ignorant about food.
- Alcohol cost is very high.
- Chef’s skill set - training needed
- Marketing material; - lack of high quality: web and leaflet
- Ownership issues i.e. public on private, as is the case at Gulfoss and waterfall destinations. Public and private responsibility shared around the natural resource of geisers and the waterfalls.
- Lack of market research; food to market? What are the marketing objectives?
- All tourists need food, not are all food tourists.
- Range of food offerings and availability of ‘light/café’ food offerings at some locations
- From PKF; imperative to move from volume to high yield low impact tourism.
- Over-reliance on ‘Golden Circle’ route.
- Fragmentation of effort (i.e. 8 competing regional branding schemes in a country of 340,000 people).

### Opportunities

- Under developed food culture- lack of branding.
- Cheap flights from low-cost carriers’ works well for seasonality and extending market reach.
- Make more of storytelling linked to unique natural features- e.g. chef at Geysers/hot bread baking in the sand.
- Provision of scenic viewing points along the “Golden Circle” route with good interpretation to enhance the visitor experience.
- Making more of food production story and challenges in Iceland building on good example of the greenhouse project-interesting stories about short growing season and way Icelanders have adapted to make most of natural resources (energy etc)
- Greater and better marketing and orientation - mostly web base, satellite navigation in cars for example.
- Themed trails- combine food with natural features, using geographic routes and better signing and not just one dimensional food trails.
- Potential to capitalise more on souvenir food retail opportunities.
- Scope to make more of music culture links to food to reinforce authenticity experiences.
- Package holidays, food adventure accommodation.
- Development of thematic “apps” for phones and i-pads.
- Could be a greater tie-in between the capital and the remainder of the country- most tourists will want to experience both but how are they packaged? Is it an integral experience or is the area outside Reykjavik an add-on?

## Threats

- Access to finance for businesses in embryonic phase, role of government?
- Capacity to grow. Family run business very passionate, but growth dependant on family unit,
- Costs of production.
- Costs to come to Iceland
- Distribution networks although sourcing high quality produce locally by producer/business is commendable, it's not time efficient.
- Degrading land
- Introducing charges to individual trips/locations.
- Changing political policy back towards protectionism.

## **Conclusions**

There is clear evidence of high quality food tourism in the visits undertaken and a willingness to innovate to cater for specific market segments such as group tours. Also the marketing strategies outlined in the three presentations have much to commend them.

There is a question, however, over how widespread this good practice is and at individual company level in particular.

Food tourism, when embraced more fully into the product offering, can fit well with the natural environment that attracts leisure tourism, and offers a form of differentiation for the region (South Iceland). Culinary tourism has the potential to increase high spending arrivals in the shoulder periods, and fit with the strategy of growing tourism receipts while holding overall tourist numbers.

Tourism development in general lacks leadership and a genuinely joined up approach. There are a number of very worthwhile initiatives in place but perhaps these need a little more direction.

Funding- increased central government funding is part of the answer as funding availability at the local municipal level is limited and in part, is due to the very low population levels in comparison to the visitor volumes being hosted in honey pot locations out with the city. . There appears to be a lack of long term public sector funding for visitor infrastructure and visitor management initiatives.

There is a need for more resources and greater partnerships, with a lack of critical masses, and small scale operations over eight regions. Is there scope for a more joined up approach playing to strengths at national and regional levels? We believe there is potential for better national coordination without losing the distinctive strengths and diversity at regional level.

Regional organisation: eight regions should come together and be one united brand. Regulate the standards across the board, seeking a better efficiency. Food does offer a competitive advantage, so this needs to be recognised and nationally embraced and product development enabled.

Story telling is a particular strength of the tourism offering in Iceland and more could be made of this as a differentiator. This was physically evidenced in: the Icelandair hotel in Reykjavik, in the visits where family values were very much at the heart of the businesses and at the core of the Promote Iceland marketing strategy.

There disparity between Government investments in marketing when compared to investment in product development. Government funding is being used for marketing promotions overseas, yet their product needs developing if capacity grows.

There was little reference to inward investment. How does tourism tie in with wider economic development and in particular with new hotel build- which seems much needed?

With so much (nearly free) energy, is there a winter lighting policy (to illuminate attractions through the winter)? From the visits it was gleaned that the Northern Lights are seen as an important “pull” factor for tourism, particularly for Northern Iceland, but illuminated geysers or spa facilities could be improve the attractiveness of these attracting in off season.

Although not the focus of this visit, consideration should be give to the developing the business tourism market. This can sit comfortably beside the leisure tourism offering.

There is a spectacular convention centre in Reykjavik, but is it being used enough? Does it need subvention?

## **Recommendations**

Cultural experiences through food leave lasting impressions of a destination. The affective component associated with the consumption of local food at a destination assimilates into destinations image (Okumus, Okumus & McKercher, 2007; Lewis, 2003). So, by identifying and highlighting indigenous local cuisine and food related festivals, culinary tourism can be used to promote a destination, in this case Iceland.

There is of course a fit here with the story telling and music evident throughout the study visit, which combine to provide a strong and different authentic cultural offering for the tourist.

More investment into the Geyser area infrastructure and associated visitor management. There is an opportunity to showcase and manage the main natural attractions more effectively. The mixed public/private ownership appears to be a barrier to providing more integrated solutions and this requires to be addressed urgently to ensure honeypot locations are better able to meet market expectations and the very assets which appeal to tourists in the first place are more sensitively managed to cope with growth in visitor numbers.

There is some evidence of poor quality in marketing. It is important to invest in better and more innovative marketing materials and social media.

There was also clear evidence of a lack of visitor market profile and trend monitoring data at local level. It is recommended that more investment is made market research to understand markets and obtain customer feedback to assist with forward planning.

Provide incentives to create premier accommodation to encourage high spending guests. There are currently structural weaknesses in the range of accommodation available by location and type.

Roll out good practice, like using the Chef at Friðheimar (Greenhouse project) for product development.

Development of thematic “apps” for phones and i-pads – regional activity.



Secure a greater tie-in between the capital and the remainder of the country- most tourists will want to experience both but these need to be packaged.

Bring the groups together. ICELAND first. A cooperative network can be built to enhance the relationship among the core resources of culinary tourism, maximising the effect of culinary culture and cuisine resources, as proposed by Horng and Tsai (2012).

Fund the illumination of geysers and spa facilities to improve the attractiveness of these attractions in off season.

Food offering; needs to be more contemporary. More bistro style of dining required to fit with modern tourists needs/tastes.

Develop events and festivals to draw people out of Reykjavik. "Food and fun" a great initiative - on the road.

#### Consider:

1. "Geothermal cooking competition", including top chefs from across the world
2. Development tools to get the tourists more involved. Replicate the initiative of tourists participating in completing tapestry, as seen at The Icelandic Saga Center, Hvolsvöllur.
3. Bury your bread, do your spa day and then come back and enjoy. Promote the story telling, around the food- geysers cooking in the sand.
4. Food cues in destination marketing (images of food)
5. Hotel packages, bringing together food adventure.

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