

NEW CROPS

Cooperative and social enterprise Case study

Biosabor SAT: Taste and freshness. A commitment to organic agriculture and "healthy" fast food

Executive summary

BioSabor SAT, is a 100% organic vegetable family firm producer founded in 2008 in the province of Almeria, in the town of Nijar next to the Natural Park of Cabo de Gata – Nijar, declared a Biosphere Reserve by the Unesco. This company is created thanks to the philosophy of its five partners that seek to promote an organic agriculture that is environmentally-friendly and healthy, and capable of recovering the traditional organoleptic features of the tomato (taste, smell, color and texture). This company, whose headquarters and farms are located in small rural towns in the province of Almeria, plays an important role in the socio-economic development of the area (e.g., job creation, social inclusion, sports activities promotion, nutrition awareness).

The company exports 90% of its production of the European markets, mainly to Germany, Switzerland, France, The Netherlands and Italy. In only seven years, BioSabor SAT has undergone an intense growth and has become a reference in organic vine tomato. This spectacular growth has been based in an innovative business model and a specialization and vertical integration strategy.

In 2012, the company decided to incorporate a new business unit consisting in the production of prepared and ready to eat organic products elaborated from organic vegetables as a means to capitalize the surplus of products, add value to its products potfolio and exploit the economic opportunities arising from new market trends. In 2015, the company went further with the incorporation of an organic functional product, its juice of tomato and pomegranate, to its product portfolio. The company aims to invest heavily in this new business unit because "healthy fast food" is regarded as the future in the fruit and vegetable market. Although these products are being well accepted in the European markets, and even in the Asian markets, this product line is still in an introductory stage.

Therefore, although BioSabor SAT has undergone an impeccable growth since it was created, it has been operating only for a short period of time and more time is needed to determine whether its specialization strategy can lead the company to a continuous growth and to establish it as a leader in the highly competitive and dynamic sector where it operates. In addition, whether the organic prepared and ready to eat products can become a profitable and core business unit remains an open question.

Section 1: Description of the case

1.1. Context and history

BioSabor SAT is a 100% organic agricultural family company founded in 2008 by five partners, and whose president is Francisco Belmonte. The partners had more than 20 years of experience in the sector. Before founding BioSabor SAT, they had actively participated in the foundation of SAT Costa de Nijar in 1997, the main trading agricultural company in the area. In fact, Francisco Belmonte was its president. After 10 years in the charge, and due to the impossibility of having the post again as it was prohibited by the company statutes, in 2007 there was a change in the direction of SAT Costa de Nijar. This direction change also implied a change in the management of the company that led to a new product portfolio strategy in which organic production lost prominence.

This change in the strategic direction of the SAT clashed with the philosophy of the five partners consisting in promoting a type of agriculture that was profitable but also respectful with the natural environment. Their farms had always been managed to produce tomatoes and other vegetables using growing techniques that allowed growing and protecting the natural environment at the same time (e.g., biological control, natural fertilizers, pesticide-free production, etc.). Their farms are located in the province of Almeria, in the town of Nijar near the Natural Park of Cabo de Gata – Nijar, from where the partners are originally. This is a natural area with enormous biodiversity, geology and landscape wealth, that has been recognized as a Biosphere Reserve (1997) and Geopark within the worldwide network by the UNESCO (2001). The birth and growth of the partners in this natural setting and in this small town has helped to instill in them a philosophy of environmental protection and commitment to their area.

Figure 1: Cabo de Gata - Nijar natural park, Unesco Biosphere Reserve



This area has also been recognized for providing key conditions for the production of tomatoes and vegetables. The tomatoes grown in this area are characterized by superior organoleptic features (taste, smell, texture and color), and thus, are better received by the national and international consumer compared to the tomatoes from other locations. The soil, water and climate of the area provide very optimal conditions for cultivation (e.g., more than 3000 hours of light, and almost no winter). These conditions not only have a positive effect on the quality of the tomatoes, but also allow organic production. This is important because organic agriculture requires optimal conditions for cultivation because it is more sensitive and is more exposed to pests and plant diseases.

In addition, trends in foreign markets seemed to suggest that there was a growing demand for organic, healthy and quality products. A large and growing segment of the population in the European countries was increasingly concerned about health and the natural environment, and willing to pay more for these products. However, agriculture in the province of Almeria had been much focused on productivity gains and high-volume production, which many times had caused the loss of the organoleptic characteristics of the vegetables (taste, smell, texture, color). Therefore, the five partners identified organic agriculture as a business opportunity that fit very well with their philosophy of life.

Given this scenario, the five partners decided to leave SAT Costa de Nijar and invest in a 100% organic production, with the aim of strengthening the freshness, flavor and traditional characteristics of the tomatoes. Thus, BioSabor SAT was founded with the aim of meeting new emerging market niches and contributing to the sustainability and development of their small town.

1.2. Life cycle

Foundation

BioSabor SAT has a short life cycle because it is a young company that started its economic activity in 2008. The company started as a small family firm founded by five partners, and only with 40 cultivation hectares. The company was located in the small town of San Isidro (Nijar) near the farms. The legal form chosen was a SAT (Agrarian Transformation Society) because they were only a few partners and this form makes the management and capital fund raising easier compared to a cooperative form. In addition, they did not aim to function as a cooperative since it was a family business that owned the production. However, the SAT form is considered to be a social enterprise form in Spain, as it still has a democratic governance system based on farmer membership, not capital investment.

The name BioSabor SAT was selected to emphasize their product positioning in the market as fresh, tasty and with the traditional organoleptic features of the tomato. In fact, from the beginning, the company positioned itself as 100% organic company specialized in the production of organic vine tomato. Through their commitment to organic and quality production, BioSabor SAT wanted to offer a different value proposition, compared to local competitors, in order to gain a foothold in such a saturated sector. The agrifood sector in Almeria is very mature and competitive, and the company had found it difficult to differentiate from the rivals with conventional products. Furthermore, in spite of being a growing market, the organic product line was not developed. Only, a few cooperative had tentatively started to produce and sell organic tomatoes.

As many of the key cultivation processes were environmentally friendly in the farms, the implementation of a certified organic farming only implied the taking of one more step. Farms conversion to a 100% and certified organic production was relatively easy and fast. Moreover, this transformation process was favored by the fact that the property

was theirs or belonged to the relatives of the partners (e.g., parents, siblings), which also contributed to ensure a real implementation of ecological techniques and quality controls. Thus, true to their philosophy of life and taking advantage of the opportunities offered by their environment, the five partners decided to invest in a 100% organic agriculture.

Since the company was set up, most of its production has been destined to the European markets, especially to Germany. Given their previous experience, the partners had a good knowledge about the sector and they were aware that the Spanish organic market was not developed, whereas in other European countries such as Germany the demand of organic, fresh and quality vegetable was growing. Thus, fresh products were more valued and better paid in the European markets. In addition, the experience of Francisco Belmonte, as former manager of SAT Costa de Nijar, helped them to establish commercial agreements with relevant European distributors.

Growth and expansion

BioSabor Sat has undergone an extraordinary growth in just seven years thanks to the good acceptance of their products in the European markets and its innovative business formula.


















The company has been constantly innovating and expanding its product range over the years. Although BioSabor SAT began selling only organic vine tomato, and it still represents 80% of its production, over the years, a wider range of fresh vegetables has been included in its portfolio: other tomato varieties (e.g., cherry tomato, vine cherry tomato, vine cocktail tomato, Angelle pear cherry tomato), cucumber, watermelon, zucchini, and recently Palermo pepper (a variety of sweet pepper that stands out for its productivity and resistance to low temperature). BioSabor SAT invests in I+D+i with the aim of finding and developing more optimal varieties in terms of both organoleptic properties and productivity and resistance to weather conditions and pests.

In addition, the company has grown its presence in a greater number of international markets. BioSabor SAT exports 90% of its production. Along these seven years, its fresh organic products have conquered the European markets, being its main clients: Germany (60%), Switzerland, France, UK, the Netherlands, Italy and Andorra. Its main clients are large supermarkets such as Lidl, Carrefour France, Rewe, Edeka, Metro, etc.

In 2012, SAT BioSabor launches a new line of products, the healthy prepared and "ready to eat" products elaborated with organic vegetables and some of them gluten-free. The firm starts selling cooked tomato sauce and typical products of southern Spain such as gazpacho (a cold vegetable soup), gazpacho (a cold vegetable cream) and pisto (a vegetable sauce). This line of products comes from the idea of using the surplus of products that was not sold, adding value to its products and as a way to differentiate its products even more and start developing a brand image. This was an important innovation, because the agrifood sector in Almeria has been always characterized by a low added value of its products.

In 2013, the company introduced a tomato soup, tumaca (grated fresh tomato), and the low-sodium gazpacho. At the beginning of 2015, the company also invested in functional food with the launch of its 100% organic and natural tomato and pomagranate juice. This product line has also served to strengthen its position in healthy products and to better exploit the growing niche market of consumers concerned about food and health, or even having food intolerances (gluten-free and low in sodium products). The distribution process of the ready-to eat products differs from the fresh products as they are sold in small specialized stores in organic products or gourmet products. These products are being well accepted in the European markets, and for example in Belgium they are sold in 350 distribution centers. Nevertheless, this product line only represents 5% of the company turnover (about 1 million euros). Moreover, in recent years the company is beginning to enter the Asian market, selling its products in countries such as Taiwan, Japan and United Arab Emirates.

Table 1: BioSabor SAT's Product portfolio

Fresh organic products					
Vine tomato	Cherry tomato	Vine cherry tomato	Rebellion tomato	Vine cocktail tomato	
					
Round tomato	Angelle pear cherry tomato	Cucumber	Watermelon	Zucchini	Palermo pepper
					
Main organic prepared and ready to eat products					
Gazpacho	Gazpacho low in sodium	Salmorejo	Tomato and pomegranate juice	Cherry tomato juice	Tomato soup
					

Self-elaboration with data compiled from www.biosabor.com

A growing demand of its ecological products has led the company to enlarge its farms, rent others and to include new partners to the enterprise (13 collaborating partners). In recent years, BioSabor SAT has opted more for the own property, devoting a substantial amount of their benefits (along with obtaining subsidies obtained) to create more of their own farms that incorporate the latest advances in technology (for example, a farm of 25 ha. in a nearby town), and the continuous renewal of farms that they already had. In addition, in 2012 BioSabor SAT created its own I+D farm to develop new crops varieties. These investment efforts have culminated with the construction of a new headquarters in the last year. The new facilities include the offices, a new 10,000 m² handling warehouse with modern machinery, three refrigerating storage units to keep fresh their products,

and infrastructure to improve working conditions (café place, terrace, bathrooms with showers, lockers, etc.); all in owned by the enterprise and its members.

1.3. Core business model

The business model of BioSabor SAT is based on a specialization in a limited number of fruit and vegetable products of high quality and in a particular market segment. Its value proposition consists in offering customers 100% ecological products, with high nutritional value and free of chemicals, which the traditional essence and properties of the vegetables (flavor and freshness). According to the words of its president: “for us the ecological component represents a covenant between human beings and nature, a commitment whereby the man respects the natural environment, and the nature provides him with an extraordinary source of health and flavor in the shape of organic food”.

All practices and processes carried out by the company are environmentally friendly and help ensure food security for its products along the product life cycle: seeds produced and obtained through ecological means and free of genetic modification; crop rotation of varieties from the same family to avoid soil impoverishment that is originated by intensive monoculture; biological control (use of insects and natural substances to prevent and combat pests); hermetic and well equipped greenhouses to prevent the spread of plant diseases and plagues entry (high-structures, airy and clean greenhouses with double doors and anti-insect meshes), efficient use of water and nutrients (fully computerized and motorized greenhouses); plant waste management (plant debris is taken to a composting plant to be processes into a natural fertilizer); etc. All these processes contribute to help the natural environment at the same time allowing the production of tomatoes with more quality and better properties, which increases their added value.

Figure 2: Example of the structure of a greenhouse of BioSabor SAT



Furthermore, BioSabor SAT has direct contracts with clients that favor the freshness of its products. A direct service to its customers has been an innovation in the sector traditionally characterized by intermediaries. Generally, the vegetables are harvested, and then the farmers carry them to the cooperatives or SATS. Once there, the

cooperatives look for customers to serve. However, the business model of BioSabor SAT is different. The company works on an order basis. Its tomatoes are not harvested and packed until they receive an order from their clients. Before the annual campaigns starts (around six months before), BioSabor SAT closes contracts with its customers that establishes the quantity to buy within such campaign and the sale price. During the campaign, the clients receive the goods through orders. Until the customer does not give the order, the tomato remains on the vine. When the customer order arrives, the order is given to farms to harvest tomatoes, they are then packed in the handling warehouse, and just in a few hours the tomatoes are loaded in the special trucks for organic products in direction to their destination. In this manner, the freshness of the vegetables is guaranteed with respect the conventional operating form of the sector. This system also helps improve the strategic planning of the company, provides greater security to the production, and reduces costs through eliminating distribution intermediaries. This operating form is possible because BioSabor SAT has been successful in the development of stable agreements with loyal customers in international markets. Thus, BioSabor SAT overcomes one of the main criticisms of the agriculture of the area: its production orientation, instead of market orientation.

Another key factor to ensure the quality of products is the fact that all its production is cultivated in member owned farms or comes from the farms of the collaborating partners, who are their relatives and friends. This allows having a rigorous quality control of its products. Moreover, there is a constant contact with the farms. BioSabor SAT has about 30 technicians who visit the farms and advise farmers. Furthermore, all its production is certified as 100% organic, and has specific quality certifications demanded by its major international customers (e.g., IFS, BRC).

The firm is also characterized by an organizational culture that encourages innovation to improve the quality of its products and processes, and to reduce its environmental impact. A substantial part of its profits are reinvested with that purpose. As mentioned above, BioSabor SAT has its own I+D farm where they experiment to find more resistant and with better quality properties crop varieties before the partners grow them in their farms. The company also innovates in improving production processes and techniques. An example is its ability to supply its customers the 12 month of the year, breaking with the seasonality that characterizes the sector.

In recent years BioSabor SAT has continued strengthening its differentiation strategy through the development of another business unit: the sale of prepared and ready to eat products elaborated from 100% organic vegetables. This business unit, which has allowed the firm to capitalize its product surplus, is opening the door to other international markets and offers greater margins (higher added value). In addition, it is also easing the entry and penetration into the Spanish market, especially in the North and Catalonia (its main markets). They are sold exclusively in specialized stores and through direct sale in its website, due to the difficulty of competing in large supermarkets.

Finally, the primary marketing activities of BioSabor consist in attending international trade fairs. These activities allow establishing direct contact with clients to know better their requirements and needs, make new contacts, identify new trends in the sector and

know the competitors' activities. Examples of fairs attended are Fruit Logistica, Fruit attraction, Biobach, Milan's world fair, etc.

1.4. Institutional/governance structure

BioSabor SAT is a member owned firm, where the members are of the same family where the ownerships is divided between five member partners. The president and general manager is Francisco Belmonte. A SAT (Agrarian Transformation Society) is a hybrid legal form between a cooperative and a commercial company applicable only to all agricultural activities. This legal form had its roots in the Colonization Union Groups formed during the Franco regime to act as intermediaries between the state and the farmers and to "transform" the Spanish agriculture and rural areas. This type of entity is subject of a specific legislation at the national level and is considered to be a "social economy" entity due to its objectives of agricultural and rural development, member ownership and democratic governance. This business form is an interesting example of how the regulatory measures can aid companies in the transition to one regime to another. Although not free of problems, it has been proved to be a useful legislative tool and the business form has been adopted by new enterprises who find the hybrid form useful. Recent amendments to cooperative legislation have included some of the characteristics of the SATs.

Although BioSabor has adopted a SAT legal form, the governance structure of this company is particular and does not strictly work as such. The main reason is that it is composed by only a few members with family ties. Thus, although theoretically each member has a vote (in matters of financial investments, the votes are weighted by capital contribution), decisions are generally made by consensus and unanimity. The five members form part of the management board and deal with the firm administration and human resource management.

The company comprises four main areas or departments: (1) Production and quality, which is in charge of the quality control of the farms and production advice and support to the farmers; (2) Handling and packaging, responsible for the final result of the product according to customer requirements; (3) Marketing and communication, which is responsible for orders and sales, promotion and communication activities, and logistic and customers relationships management; (4) Nutrition and health, a new area created to provide information on nutrition and health related to its products and conduct research in this regard. The four areas are closely interrelated and interact through constant communication in all directions.

The SAT is supplied by 20 farms that have taken the legal form of LLC (limited liability company). Farms belong to the five members and their relatives (siblings, parents) and 13 collaborating members (neighbors, friends and people they trust). The I+D farm is also owned by BioSabor. Therefore, it is a first-level SAT because its members are small family businesses.

There are no obligatory reserve funds, promotion funds or education funds as required in the cooperative legal form. In BioSabor SAT, the funds are reinvested according to the company needs

1.5. External relations

BioSabor has developed strategic alliances with various stakeholders that are key to its business model.

- Contractual agreement with the multinational seed company *Syngenta* for the exclusive cultivation of the organic variety cherry Angelle tomato for 5 years. This variety that is characterized by a very strong and sweet flavor has been well accepted in the international markets and especially by children. This seed has also ended up being richer in nutritional properties than other varieties. In fact, recent studies show this tomato variety stands out for its antioxidant capacity (high concentration of polyphenols).
- Strategic alliance with the company ArteOliva for the processing and packaging of the product line of prepared and ready to eat products. BioSabor harvests the tomatoes and vegetables that subsequently are transported to Córdoba where the processing plant of ArteOliva is located. This company employs an innovative process that transforms fresh vegetables in prepared products with a fresher taste and that needs less treatment time. The prepared and ready to eat products are packaged in carton containers. The footprint of carton packaging is small than the glass containers.
- Strategic alliances with large supermarkets in European markets to sell their products such as Lidl, Carrefour France, Rewe, Edeka, Metro and Mercacenter. BioSabor SAT has stable contracts with them that are closed before the annual campaign and that specify the quantity or products bought and the sale price, because as explained in the business model section, the firm operates under an order basis. These contractual agreements help shorten the supply chain and gaining economies of scale.
- Sales agreements with green specialized and gourmet stores for selling its organic prepared and ready to eat products in the Spanish market (e.g., the ecological supermarket chain Veritas).
- Collaboration with other companies and cooperatives in the sector to establish a certification of origin. In 2012, SAT BioSabor joined the IGP (Indication of Geographic Protection) Tomate La Cañada develop to ensure the quality of the tomatoes of the local area. This certification has prestige at EU level because it is one of the two main areas of cultivation and production of tomatoes of excellent quality conditions recognized by the EU. Therefore, the IGP supports the companies adhered to it, which makes them more attractive in the European markets.
- Partner of the technology center Tecnova of the auxiliary agricultural sector composed of more than 120 companies. This technology center has been set up with the aim of carrying out R&D, training, promotion and internationalization activities as to support its members.

- Member of COEXPHAL (Association of Fruit and Vegetable Producer Organizations of Almería), the main association of the Almería agriculture sector in terms of export volume and length. It comprises sixty fruit and vegetable companies.
- Contracts with public authorities at regional (Junta de Andalucía) and provincial government levels (Council). For example, a contract to supply vegetables to some public schools in the region, or organization and participation of events to promote regional products (e.g., selected to represent Andalusia in the Milan's world vegetable fair). BioSabor SAT has also received aid, administered through COEXPHAL, for its organic production through the F&V Producer Organisation Operating Program.

1.6. Economic data

Although BioSabor SAT has a short history, its progress has been unstoppable as indicated by the figures shown in Table 2. It was founded in 2008 and in only seven years, the firm has managed to create space for itself in a sector characterized for its fierce competition.

Its production has increased from 9.5 M kg in 2008 to 20 M kg in 2015, thanks to the enlargement and inclusion of new farms (20 farms in total in 2015) that has supposed an expansion of its productive capacity. BioSabor SAT started with only 40 ha of cultivation and in 2015 this figure has increased to 120 ha. In peak moments, the workforce has reached 500 workers.

It is also noticeable the growth experienced by the turnover of the company. It is derived of the efforts devoted to enlarge its business units: both the fresh product line and the prepared and ready to eat product line. In only seven years BioSabor SAT has become a reference for organic tomatoes in EU markets.

Nevertheless, although it is still a young company with many opportunities for further growth, there are also challenges emerging that BioSabor SAT will have to face and deal with in the coming years.

Table 2: Economic evolution of BioSabor SAT

	2008	2011	2012	2013	2014	2015
Production (volumen of product)	9.5 M kg	11.9 M kg	13.7 M Kg	14.4 M kg	16 M kg	20 M kg
Turnover	-	8 M €	12.4 M €	17 M €	20 M €	28 M €

1.7. Policy environment

The policy environment of Andalucía, the region in which BioSabor is located, is favourable to the agricultural region. In recent years several subsidy and aid programs have been introduced to support and encourage organic production (creation of new

infrastructure and buildings, reconversion and modernization of farms, improvements in packaging, etc.) These programs are usually co-financed by European Union funds (FEADER) and fund from the Regional government of Andalucia and the Ministry of Agriculture, Food and Environment. However, BioSabor is of the opinion that although these initiatives are necessary and helpful, more support is needed.

BioSabor is also a producer organisation and thus may benefit from the European F&V operating programs.

Section 2: Analysis of the case

2.1. Impact analysis

BioSabor's philosophy consists in seeking a balance between the economic performance and the respect for the natural environment and the people.

Its commitment to the natural environment and social welfare, is not only manifested in the development of green and healthy products, but also in carrying out activities to improve its environmental impact and protect the natural environment, fuel the socio-economic development of the rural area and improve the social welfare of its employees and local people.

Environmental impact

Environmental sustainability is a central pillar in the business model of BioSabor SAT. Its production is based on techniques that respect nature because it implies a more optimal use of natural resources (e.g., water efficiency) and also reduces the environmental impact of agriculture (no polluting emissions derived from the use of chemicals, soil pollution prevention and less generation of waste because plant wastes are transformed into compost) with regard to conventional agriculture.

BioSabor Sat tries to reduce its environmental impact along the whole lifecycle of the product. Nevertheless, the main challenge that faces the company is its high environmental impact in the distribution stage. Its primary European clients demand products in very small packages. This means a greater amount of packaging than non-organic products. The reason for these requirements are that consumers are increasingly demanding smaller packages (with only two or three tomatoes or peppers) due to the growth of single-parent families and that organic products require adequate packaging that ensures that during transportation and distribution the products are not exposed to chemical agents. This excess of packaging implies a high environmental impact in terms of resources consumption but also waste generation (plastics).

BioSabor SAT is committed to the protection of the Natural Park of Cabo de Gata – Nijar. In collaboration with other environmental organizations, the company organizes voluntary activities for waste collection in beaches protected areas, inventory the park habitats, analyze environmental problems and threats, etc.

Social impact

BioSabor SAT plays a prominent role in the promotion of the social and economic development of the area. It is one of the main sources of job creation for its inhabitants and economic revitalization. The company employs 250 people throughout the year, while in peak moments of the season this figure increased to 500 jobs. This is key for the economic revitalization of the area because the farms and the headquarters are located in small rural towns that offer few job opportunities for the local population, which in turn fuels the abandonment of the area. Another important aspect is that BioSabor SAT helps to improve the image of the agriculture of the area and contributes to add value to the vegetables and fruits grown there. Another example of its social commitment is the priority given to local suppliers. For example the acquired machinery and equipment for the new handling and packaging plant have been bought from local suppliers.

Another positive social impact derived from the activities of the company is its promotion of healthy habits and the raising of awareness about the importance of a good nutrition to prevent health problems and diseases. Specifically, BioSabor Sat has developed diverse programs on nutritional education to foster a greater consumption of fruits and vegetables among children. Recently, the company has incorporated an online health consultation to its website in which an expert gives answer to issues related with health and the consumption of fruits and vegetables. In addition, the firm collaborates with non-profit organizations such as ARGAR which is an organization to support children with cancer. As well, the Food Bank receives part of the production surplus of BioSabor SAT to be distributed between people in need.

In line with this, BioSabor SAT also promotes sports in the area and sponsors sport events and young people, which helps to implement healthier habits among local people and provide opportunities for local young athletes. In addition, sports act can act as a cross-cultural "glue".

Finally, the company is committed to the social well-being of its employees and its social integration, especially in cases of high risk of exclusion. For example, BioSabor SAT offers housing and other services to the workforce coming from countries with low purchasing power. Moreover, 80% of the workforce is women. BioSabor SAT also provides good working conditions: no more than 8 hours per working day, the creation of facilities to improve the work environment (dining room, showers, terrace, lockers, etc.). Overall, BioSabor SAT tries to build a good and close relationship with the employees based on respect and equality. They think that these actions had positive effects on the company because employees get more engaged and motivated.

2.2. Looking towards the future

Although BioSabor SAT has undergone an impressive evolution since its inception and its business model has key strengths, it is a young and small company that faces a number of challenges to continue its growth trend line and consolidate its position in an agile and highly competitive sector.

Organic ready to eat products: The forward-looking strategy

The main goal of BioSabor SAT is to convert the business unit of organic prepared and ready-to eat products launched in 2012 into the core pillar of its business model. This business unit is still in an introductory stage. This product line is being acceptance well in the European markets according to the promotions made in international fairs; albeit in the present it only account for the 5% of the turnover of the company.

The company is investing heavily in this business unit because according to the financial director, Maria Dolores Morales Vicente, "healthy fast food is the future of the sector." Although it is related to its core activity, it is still a somewhat uncharted area. The partners have over 20 years of experience in the sector, but this experience is on the sale of fresh vegetables. The prepared and ready to eat products target different clients and the distribution channels also differ from the ones used to sell the fresh vegetables. The new line of products is sold in specialized stores in organic and gourmet products because, according to the managers, their sale in large supermarkets is not currently feasible, given the strong competition. In addition, this new business unit requires a different way of operating, because products are not distributed through clients order (as the fresh products do).

Besides making this business unit a strong central pillar of its business model, the company faces several challenges. First, the consumption of these types of products (gazpacho, salmorejo, etc.) is frequently linked to summer months, even in the domestic market. Will be they able to break with seasonality of these products? Second, the fact that most European countries are characterized by colder weather and consumption is geared more toward hot products, especially in the winter months, is an added problem. Third, the company is expanding its target markets and is beginning its internationalization strategy in Asian markets such as Taiwan, Singapore, UAE, etc. However, it is still too early to provide an assessment of the potential acceptance of products, especially because they are very linked to Mediterranean flavors. Moreover, the product concept might be challenging there, because the gazpacho and salmorejo tend to be categorized in other countries as a soup.

Another objective is to increase the market share in the coming years. Despite the efforts devoted over the past two years, BioSabor SAT has only managed to penetrate in northern Spain (particularly in Catalonia) so far, although still on a small scale. The main barrier is that the organic domestic market is still at a nascent stage. Another barrier comes from the categorization of organic products as much more expensive than conventional products, given that the Spanish consumer is very price sensitive. Moreover, the economic crisis that has shaken Spain in recent years has resulted in a lower purchasing power, which has worked against the acquisition of organic products. The economic situation has shakily improved somewhat. In addition, the number of consumers who wish to consume higher quality products, with greater concern for the health, and environmental issues is exponentially growing. With the aim of improving the accessibility of these products, BioSabor SAT has added a new sales channel, the direct exclusive sale through its website. The direct sale offers free shipping and assures the reception within the following 48 hours.

Finally, as part of the ready to eat organic products line, BioSabor SAT has started to introduce itself in the sale of functional food products. In 2015, the firm launched its organic juice of tomato and pomegranate, a complete innovation in the sector. The firm seeks to give importance to functional organic products in the coming years. The label functional food product is given when the components of a food product can have beneficial physical and psychological effects on people's health, thanks to its content in essential nutrients. According to studies conducted on this product, the juice might have desirable properties for the prevention of certain diseases, such as cancer. Nevertheless, this functional products line is in an experimental phase and there is still a long way to go to prove scientifically its effects, and even certify them, and positioning as such in the markets and in the consumers' mind.

Development and recognition of their own brand image

Another main objective is to create a strong brand image. The fresh products are sold under the brand name or packaging of the retailers (e.g. Biotrend for Lidl). In this way, the final consumer does not know the origin of the products and are unable of recognizing the quality of either the company or the production area. The lack of brand recognition makes the company more vulnerable and more exposed in crises moments and market shocks, despite their strict quality controls and their environmental and quality certifications. For example, when the sector was alarmed with the E.coli problems, the sales of the company were sharply affected in spite of BioSabor SAT produces mainly tomatoes.

Moreover, the creation of a strong brand image can be a strategic asset when establishing agreement with clients, especially given the increasingly growth of competitors. In recent years the number of producers of organic tomatoes has substantially increased with a corresponding fall of the prices. The management board of BioSabor SAT believe that the development of prepared and ready to eat organic products, where the name of the company appears in the labels and packaging, can play a key role in creating a strong brand image that might be extensible to its fresh products line.

Additional material

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