



## London Food Hub

Over the past 2 years the South East Food Group Partnership (SEFGP) with the support of the East of England Development Agency (EEDA), the South East England Development Agency (SEEDA), and the Greater London Authority (GLA), have been investigating the need for a London Food Hub (LFH) to improve supply chains into London for local and regional food. The hub would also open up new markets for food producers and strengthen the link between London and its surrounding regions. A feasibility study was undertaken in 2009 and as a consequence, a business plan was commissioned.

The business plan proposes the development of a **commercial pilot** whereby an E-Marketplace Food Hub is developed, a business that acts as a matching agency using a web based portal, to facilitate trading between suppliers and buyers of local and regional foods. The business would be aimed primarily to meet the needs of foodservice sector buyers. The portal would incorporate the following functions:

- provide a sales platform for wholesalers and individual producers
- optimise logistics by developing IT systems that search for best performing distribution solutions

It is envisaged that the hub will by the end of the first year of trading be selling products from 100 suppliers to approximately 40 buyers. Whenever an order is placed by a buyer, the hub would generate a sale for both a supplier (the product) and a distributor (distributing it). The money collected from the buyer would be paid both to the supplier and the distributor with the hub retaining a margin from both for the provision of sales and services. This is the basic model from which the hub generates its income.

According to our forecasts, whilst a net loss after interest and depreciation is projected for years 1 and 2, as the business grows and loan repayments are made, the business moves into significant profitability.

The business concept has been thoroughly and exhaustively researched during which the market demand has been firmly established. We are now in the process of securing the required investment and making sure that the Food Hub is established in a commercial pilot by parties with the right knowledge and skills.

We have found a private sector investor to part-fund the commercial pilot and hope to attract RDPE funding to match this. We hope to start the London Food Hub Ltd in June 2011, with a trial run at the end of the year. Full roll out is envisaged for early 2012. For updates and more back ground information visit: [www.londonfoodhub.co.uk](http://www.londonfoodhub.co.uk)

*What follows is a synopsis of the Hub's functionality and is lifted from the Business Plan*

## **Commercial Model**

The hub will enter into contracts with a number of producers, wholesalers and distributors. In the case of producers, the contract will be based around them providing products for the hub to sell, at agreed wholesale prices (including price and quantity breaks). There will be contracts put in place with a range of distributors for their pick-up, consolidation and distribution charges. These charges are likely to be based on two separate variables; distance based (postcode to postcode or pence per mile) and space based (per item, per pallet).

## **Website content**

During the website development phase, a full process map needs to be developed in order to formulate the pages and the page content correctly. For example, when a buyer views a product they would need to see (or be provided a link to) the following information:

- what else buyers who bought the product also bought
- what else buyers (in their segment) who bought the product also bought
- link to other products from the county
- link to other products of the same type
- link to other products by the same producer
- their previous basket, with the ability to amend quantities and delivery date

In addition, when the buyer views a product they need to be able to click on a producer / product rating.

For buyers it would be necessary (per segment) to collate information on:

- what they buy
- from whom
- how frequently
- how much they spend
- payment timescales
- how they respond to offers
- what quality assurances they require

For producers it would be necessary to collate information on:

- who they sell to
- what they sell
- how frequently
- how much they receive for their goods
- what quality assurances they provide

### buyer logs in and will be able to:

- choose delivery areas
- view past order history and /or choose buy again

### buyer searches for product

- first for product categories, then subcategories, then product lines.
- Prices given are per case / pallet (wholesale delivered prices). The prices are advertised as being subject to discounted rates depending on order quantity, and subject to delivery date / time agreed
- Only product that is available will be showing
- The buyer then selects required product quantity and 'adds to basket'

### Arranging Delivery

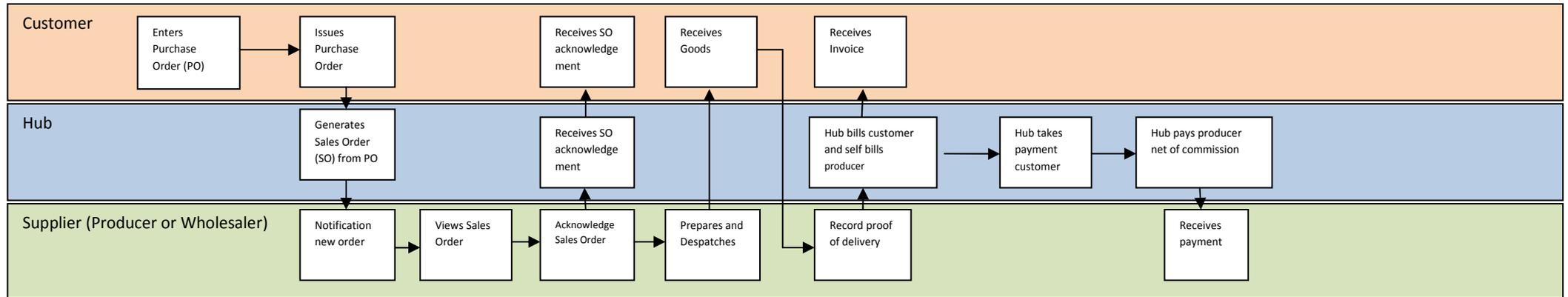
- buyer chooses delivery dates and times for all products
- can choose to consolidate delivery where appropriate
- or opt out and arrange privately

### Purchasing

- At the shopping cart stage, the buyer is presented with
  - a list of the products that he / she wants to buy. A price is given for each based on a lowest carbon delivery scenario
  - Outstanding late payment penalties (for last 3 months)
  - Any accrued incentives over last 3 months for CO2 optimised distribution
- At this stage the buyer has the option to select 'price optimised distribution' instead of the default 'CO2 optimised distribution'
- The buyer then makes decisions on required options and proceeds to checkout

There are many scenarios, please find two below for clarity

Scenario 1 End to End Process Flow, Buy & Sell Producer **Direct to End User**, LFH E-marketplace,



Scenario 2 End to End Process Flow, Buy & Sell, **Producer to End User via Distributor**, LFH E-marketplace

