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# FOOD HUBS AS TOOL FOR DEVELOPING ENTREPRENEURSHIP IN GASTRONOMY: THE CASE STUDY OF DUBROVNIK<sup>1</sup>

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### **Abstract**

*As the planning profession begins to embrace food and agriculture as important opportunities for sustainable cities and towns, planners are searching for ideas that can be implemented at the local level. Food hubs are gaining popularity as a way to build strong local food systems and healthy communities. Food hubs are innovations in local food systems that serve as an alternative to the conventional food distribution system. Hubs help connect small farmers with local markets and increase food access for local residents. But it is clearly that focusing on the local cuisine as a tourist destination product is worthwhile. Food hub operators are skilled business people who have identified a challenge how to satisfy retail and institutional market demand to source from small and middle size producers and have deftly come up with regionally appropriate solutions that not only result in positive economic outcomes but also provide valuable services to producers and their wider community. Food hub operators represent a new kind of food entrepreneur, one that is increasingly demonstrating a financially sound business model that can be both market and mission driven. This paper examines the importance of the establishment of a food hub for the development of entrepreneurship and innovation in gastronomy, i.e. for the development of the gastronomic offer in Dubrovnik. The survey was conducted in June 2022 among 93 graduates of the School of Tourism and Hospitality to find out their opinion about the establishment of a food hub and whether they are inclined to become its users. Research has proven that most graduates would use food hub services and as such they are necessary for business creation and innovation in the food service industry.*

**Keywords:** food hub, entrepreneurship, gastronomy, Dubrovnik

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## 1. INTRODUCTION

Food hubs are an innovative model for which there is increasing interest in the last 10 years. The United States National Food Hub identified 222 food hubs in a survey (Fischer et.al., 2013), compared to more than 400 in 2015 (Hardy et.al., 2016) and 542 in 2017 (Colasanti et.al., 2018). In Canada, for example, a 2016 survey identified 187 food hubs in Ontario alone (Levkoe et.al., 2018). In Europe, the best example of food hubs in the restaurant industry is Spain, where they have become known for their local cuisine through food hubs, where a large number of restaurants supply local products through food hubs to restaurateurs who offer them on their menus. Long before the term 'food hub' came into use, farmer's marketing cooperatives and later, worker's and consumer's cooperatives, and community support agriculture (CSA) formed around the failure of mainstream markets to address specific needs. These networks organized to solve problems related to aggregation, distribution, and marketing of food products and services (Kloppenburger Jr., et al., 2000). Food hubs are also a "way to market" because they are seen primarily as a way to increase farmers' incomes and expand their markets, improve logistics, and mediate and maintain trade relations. They are also tools for developing entrepreneurship and innovation, especially in the hospitality industry, i.e., for restaurateurs, because they allow for a better supply of local food produced by local farmers and for finding new ways to offer local food to diners in restaurants. Food hubs would be financially sustainable because they would provide an infrastructure for food aggregation and offer a number of benefits to local growers, restaurant owners, as well as future entrepreneurs and innovators for whom food hubs would be a springboard to commercialize their ideas.

The aim of this paper is to present the existing characteristics regarding the formation of units that can be used as guidelines for their establishment in Dubrovnik. There are a handful of opportunities that the local community could take advantage of by establishing centers, especially Dubrovnik, which is one of the most famous tourist destinations in the world. For this paper, a survey was conducted among the graduates of the School of Tourism and Hospitality in Dubrovnik to analyze the need for the establishment of a local food hub.

## 2. FOOD HUBS

The term "food hubs" is generally adopted to describe an intermediary business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to both strengthen their ability to satisfy wholesale buyers as institutions, restaurant, farmers, retail outlets and end consumers or guests as well. Berti and Mulligan (2016) defined "the Food Hub as an intermediary organisation or business (the Food Hub Intermediary Organization) which works as the supply chain manager and provides a logistical and organisational platform for the aggregation and distribution of source-identified food products from local and regional producers to both wholesale buyers (institutions, food service firms—restaurant, hotel, pubs, etc.—retail outlets) and end consumers (individuals and groups). Every destination that aims to stand out with its gastronomy brand and product quality will focus its efforts on connecting local producers of food, groceries and other products in the best possible distribution network with entrepreneurs in the location (Prost et al. 2019). The creation of hubs is based on the visible placement of knowledge and competences within an established system that tends to connect all necessary aspects in order to their function. Such a way of functioning is related to Gastronomic engineering (GE), which represents the use of a large amount of knowledge gathered by the science of nutrition, which will try to stimulate the curiosity and creativity of entrepreneurs on ecological sustainability and technical feasibility (Aguilera 2017).

Improving the local food hubs is also discussed as an innovative strategy to develop the sustainability of the local agricultural system and the local communities. Local food hubs is designed to support the increase in value competitiveness of the local food products (Berti and Mulligan, 2016; Fardkhales and Lincoln, 2021). Local food hubs is used to support the local

producers or farmers to meet the owners of restaurant and hotels or pubs especially their guests requirements through providing production, logistics, marketing services and quality local products. It is also designed to increase the value of local products by increasing the quality and forecasting the availability of products in the market so the local producers can estimate the demand for the products (Manikas et.al., 2019). Local food hub also develops, based on the community approach, the business process based on social entrepreneurship (Hyland and Macken-Walsh, 2022).

Moreover, the role of food hubs can have a strong influence on the comprehensive branding and positioning of local products of a certain tourist destination. Food is a component of destination marketing cause of tending to create a sense of location and enables visitors to actually taste the destination, getting up close and personal with the local tradition and culture (Horst et al. 2011; Roustana and Jamshidi 2020). Precisely in destinations that are characterized by a strong local component, marketing effects represent the strength of entrepreneurs who give priority to social and environmental over economic goals, which is certainly a fundamental challenge for those who have a business idea (Cleveland et al. 2014).

Local food hub offers entrepreneurs the opportunity to commercialize their products, that is, to facilitate the process "from idea to market" in terms of financial, administrative and technical support. It allows them to share ideas through co-working, market their products as efficiently and effectively as possible through mentoring, and helps them with administrative tasks. There is a great opportunity to market new products and services in the field of gastronomy in the Dubrovnik region, especially local autochthonous products that will become recognizable in the menus of local restaurants, enriching the offer and increasing its quality. For this very reason, a survey was conducted among students who are future entrepreneurs in the field of gastronomy.

### **3. AIMS AND METODOLOGY OF RESEARCH**

On the basis of studied research on the importance of food hubs in destinations and the very initiative among young people for entrepreneurial ideas, there is a motive for conducting research that can gain insight into the representation of these elements in Dubrovnik. The aims of this study was to analyze the attitudes and intentions of graduates of the School of Tourism and Hospitality in Dubrovnik regarding the establishment of their own business in the field of catering, as well as the possibility of benefits for them through the establishment of hubs. The research was conducted through the online system [www.skole.hr](http://www.skole.hr) on a sample of 93 high school graduates. All graduates of this school are included in this research. As mentioned earlier, an online survey of high school graduates was conducted for the purposes of this research.

### **4. RESULTS**

Survey data from 93 high school graduates were collected and analyzed. The majority of respondents were women (67%). The majority of respondents indicated that their place of residence is Dubrovnik (46%); Župa Dubrovačka (12.9%); Konavle (8.6%); Mokošica (7.53%) and Primorje (8.6%). A few respondents are from the island near Dubrovnik, the town of Metković, 100 km from Dubrovnik. When asked if you have an entrepreneur in your immediate family, the majority of graduates (49) answered "yes", of which 71% have their own business in tourism and hospitality. When asked if they would be willing to start their own business, 78 respondents answered yes. The following figure shows the sectors in which they would start their own business.

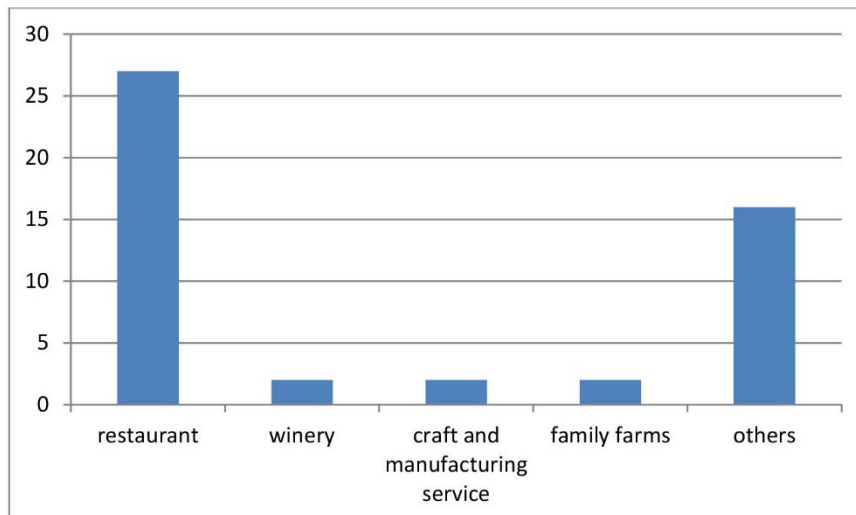


Figure 1 Sectors in which graduates would start their own business after graduation

Most of the respondents are thinking of starting their own business in the hospitality industry, which is not surprising since they are educated in the field of tourism and catering. However, it should be emphasized that in addition to accommodation, a family business in Croatia can include the production of their own agricultural products and a tavern or restaurant where they offer their own products: cheese, ham, honey, various liqueurs, vegetables and fruits.

The obstacles mentioned in the survey that could prevent them from starting their own business are: loss of invested capital - more than 39% of respondents answered that this is in the first place, followed by constant stress - 32% of respondents mentioned this obstacle in the second place, while 29% of respondents answered that unlimited liability is in the third place.

In order to be able to analyze how important the establishment of a food hub in the Dubrovnik region is for the promotion of entrepreneurship in the catering industry, the graduates were asked whether they would use the services offered by the food hub. The following figure shows how many of those who want to start their own business would use the services offered by the food hub.

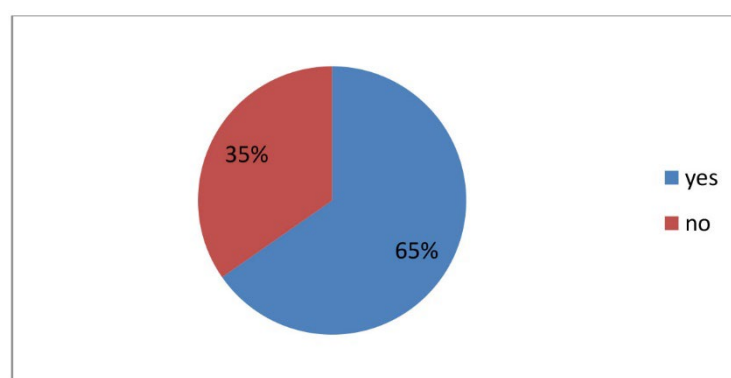


Figure 2 Establishment of a food hub in the Dubrovnik region

Considering the fact that there is no food hub in Dubrovnik, the data collected among the graduates show how helpful it would be for them to be assisted in starting their own business due to their youth, inexperience and lack of financial resources. Those who would not use the food hub's services include those who already have an entrepreneur in their family, so they will continue to work in the family business. The following figure shows which services they would use most as food hub future members.

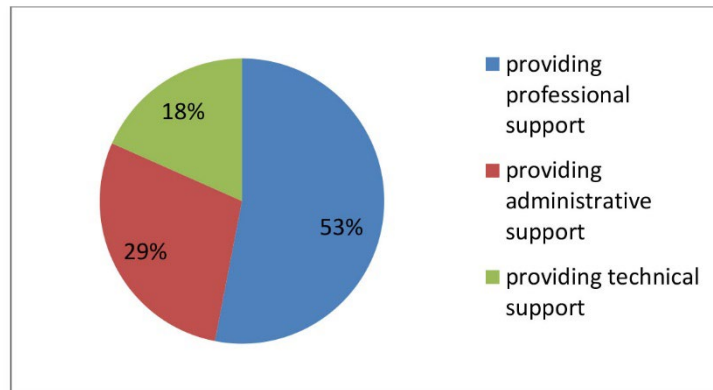


Figure 3 Food hub services

From Figure 3, it appears that what graduates lack most to place their idea in the market is professional help that would facilitate important operations in the creation of their own business, whether it is just a product, an improvement of an existing one, or an innovative idea that would make it qualitatively better and more recognizable. Another important service provided by the food hub is help with administrative tasks, which is not surprising since Croatia has lost important foreign investors due to bureaucracy, while technological help would ensure that future entrepreneurs turn their idea into a finished product due to lack of financial resources.

## 5. DISCUSSION

Dubrovnik is a world famous tourist destination, which has a history in its gastronomic offer. Guests who use restaurant services are increasingly demanding and strive for the recognizable gastronomic offer of the destination in which they are staying. From the research conducted among School of Tourism and Hospitality graduates, it is clear how many opportunities there are to develop new ideas and bring them to market. They are also future hospitality human resources who can improve existing production processes and make the offer more valuable and recognizable. What would give them easier access to the entrepreneurial process, in addition to the business incubator that has been operating in Dubrovnik for several years, is the establishment of a food hub exclusively for the development of entrepreneurship in gastronomy and the development of future human resources, because there they would get all the necessary support and technology to be able to develop their products, and for this they primarily lack the financial resources. In the catering and hospitality industry, the majority of high school graduates are also trying to start their own business, which was revealed by the analysis of the research conducted among all high school graduates. Some of them also indicated that they would start their own business as a family business, combining the production of local products, hosting guests and providing food and beverage services in one place. There are many small farmers in the Dubrovnik area who could offer their local products to restaurants. It is only necessary to establish a food hub, which would shorten the supply chain and allow the development of the local community, as more stakeholders could be involved in the food hub business.

## 6. CONCLUSION

Food hubs are food centers that jumpstart local communities and engage all stakeholders in the process of producing a quality product, but they are also physical spaces that make it easier for entrepreneurs and entrepreneurial innovators to turn their innovative ideas into a real functional solution. Hub means providing a space where the local community, entrepreneurs, agricultural producers, and others in the supply chain can come together, identify various challenges, and collaborate to create a quality product, a new innovative product, or an innovation in production or service processes. In the restaurant industry, hubs are a pillar of development because they provide access to local food and other products that can be offered in restaurants, reducing their supply and therefore price over time. They are also important for entrepreneurs and innovators who have an idea but no way to implement it. The analysis of the data obtained in the research among the graduates of the School of Tourism and Hospitality shows how much the creation of a food hub would help their ideas find their way to the final consumer, and how much it would help them, given the lack of financial and technological resources that would facilitate this process. It would also allow other stakeholders in the local community to network and sell their products to restaurants, which in turn would offer them to diners, enriching the existing offer. The data presented show the importance of the food hub as a tool for the development of entrepreneurship in the restaurant industry.

The limitations of the research stem from the fact that the surveyed respondents are high school graduates who may not yet have a true impression of how important it is to have local components in the products of the destination and what efforts should be made to social and ecological goals fought with economic ones. Also, for research, it would be desirable to listen opinions of the tourists or tourism workers who can more objectively provide an insight into whether there are sufficiently efficient elements for the establishment of the mentioned centers and what benefits they could provide to the destination.

### Recommendations

This research should be extended to analyse the views of other stakeholders in the local community in Dubrovnik, as well as the students of the Professional study in hotel industry, restaurant industry and gastronomy at the University of Dubrovnik, in order to gain insight into the thoughts of all those who can contribute to the development of entrepreneurship in gastronomy through the establishment of a food hub.

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