APPENDIX E: SEAFOOD MARKET BASICS

How Seafood Gets Distributed

Because seafood distribution channels are relatively complex and can be confusing, any village fish plant must know what the roles of the various companies are that buy and sell Alaska fish. This will help you understand where you are most likely to find markets for the fish you plan to produce.

Seafood reaches consumers in most countries through a multi-level system, which may involve at least three or four transactions before a product is purchased by a consumer in a supermarket or fish market or eaten in a restaurant. In most countries, the channels of distribution incorporate locally caught and processed seafoods with items imported from around the world. For example, in the U.S. and Japan, the two largest markets for Alaska seafood, almost two-thirds of the seafood consumed is imported.

In some cases, the lines between the roles of companies in the seafood distribution channel get blurred, particularly when one company performs two functions, such as an importer that also manufactures seafood into consumer products or a distributor that also imports seafood directly.

In addition, seafood is processed into a wide variety of product forms (head on, head off, steaks, fillets, portions, smoked). Seafood can also be packaged either minimally or extensively and sold live, fresh, frozen or canned. Products may move directly from fish plant to end-user or through a myriad of sales and distribution channels where value may be added through additional processing.

Here’s a brief guide to the kinds of companies that buy and sell fish and an explanation of how they fit into the distribution system.

Exporters – Seafood exporters purchase a product and sell it to a buyer, known as an importer, in another country. The seafood an exporter buys can be purchased from a seafood processor, or a trading company that has purchased the product from a processor. Many large seafood processors in Alaska do their own exporting and sell their seafood directly to buyers in other countries.

As a rule, exporters will not purchase a product until they know they have a buyer for it. Exporters are usually paid for their products by a Letter of Credit (LC) or by a direct bank wire transfer (TT). Depending on the terms of the sale, an exporter may be paid either when the product is shipped or when it is received by the importer.

Importers - Seafood importers purchase products from foreign suppliers that export seafood. Importers normally purchase products outright and pay for them either on shipment or on receipt of the products in their own countries. In many cases, though, payment will be subject to clearance by local health authorities, such as the FDA in the U.S.
Most well-established importers have long-standing relationships with their foreign suppliers and may or may not be looking for additional sources of supply. Often, an importer will look for additional suppliers only if his current supplier is unable to fill his needs, or if he can get a lower price from a new supplier.

In some cases, large seafood distributors, restaurant chains, or supermarkets will do their own importing and buy direct from foreign suppliers. The Red Lobster restaurant chain, for example, operates a buying office in Singapore that sources shrimp from processors throughout Southeast Asia. Red Lobster buys this shrimp directly from shrimp processors and imports it into the U.S.

**Seafood Processors** – Primary seafood processors (which include Alaska village fish processing plants) buy fish and shellfish from fishermen and aquaculture producers. How much processing a processor does can vary greatly, depending on the product and the market. In the case of fresh salmon and halibut, for example, a large volume of fish is simply headed, gutted, washed and put into a box before it is sold to a buyer. In the case of other products, such as crab or canned salmon, the processing is more extensive.

Although processors usually must pay for their fish as soon as they receive it from fishermen, they may not sell their fish for as long as a year after they pay for it. As a result, processors must have access to loans from banks to finance their inventory. The cost of financing inventory and paying to hold it in a cold storage normally costs between 1 and 2 percent of the value of the product each month.

Secondary seafood processors buy products from seafood processors and do additional processing into more convenient product forms. A secondary processor in Seattle, for example, may buy H&G salmon from a fish plant in Alaska and have it processed into skinless, boneless salmon portions. Traditionally, secondary processors did their processing in the U.S. More and more secondary processing, however, is being done in developing countries like China and Thailand, due to lower labor costs and a large, skilled work force.

Many primary Alaska seafood processors also perform secondary processing functions. In this case, primary processors reprocess their own product, as well as raw material they buy from other primary processors. Primary processors will also buy raw material from traders, since processors will not always sell directly to competing processors.

**Brokers** act as the sales agents for the actual owners of the product (foreign or domestic processors in many cases, or importers) and receive a commission on any sales they transact. Brokers, who do not normally take title to goods, often work a specific region of a country where they have developed relationships with buyers. Brokers normally sell to wholesale distributors or to higher-volume end users such as restaurant chains or supermarket chains.
Traders purchase seafood and sell to other traders, exporters, importers, distributors, foodservice operators or retail supermarket chains. Traders usually specialize in a few specific seafood commodities and minimize market risk by doing “back-to-back” deals where they do not buy products until they have identified a customer. While brokers earn commissions from sales, traders earn a profit on the margin between their purchase price and their sales price. Volume is important for traders because of the small margins realized on each sale.

Distributors - Distributors purchase products from processors, traders, importers or wholesalers and provide physical delivery of products to foodservice operations (restaurants, hotels, schools, hospitals) or retail markets (supermarkets, fish markets). In general, distributors do not spend a great deal of time “selling” new items and species or developing new markets. Two types of distributors handle seafood: broadline distributors and specialty seafood distributors.

Broadline Distributors - Broadline distributors, who usually specialize in either the foodservice or supermarket markets, sell a very large range of food and non-food items. Foodservice broadliners sell thousands of food, table, and kitchen items to restaurants, hotels, and food operations at hospitals, schools, cruise lines, and other outlets where food is prepared and sold or served. Retail broadliners, on the other hand, will supply supermarkets with a comprehensive, although less extensive variety of items. In a number of cases, retail broadliners are a cooperative owned by a regional group of independent supermarkets.

While seafood is but one of many food items offered by broadline distributors, it is an important commodity. The largest national broadline distributor in the United States, Sysco Corp., sells approximately $1 billion worth of seafood annually to its foodservice accounts. Generally, broadline distributors do not purchase seafood directly from foreign suppliers but deal with importers, processors, and brokers. Most of the seafood carried by broadline distributors is frozen. However, a growing number of broadline distributors carry some fresh seafood items that are available on a regular basis.

Specialty Seafood Distributors - Specialty seafood distributors, as the name indicates, specialize in seafood or seafood-related products, with an emphasis on fresh products. Specialty seafood distributors sell to both foodservice and retail accounts. Most major U.S. cities have one or two specialty seafood distributors that dominate the market and a number of smaller seafood distributors. Seafood distributors normally make deliveries directly to individual restaurants or retail stores as often as five days a week. In the case of larger supermarket chains, though, a seafood distributor may deliver to a central warehouse and the chain will make deliveries to its individual units. Specialty seafood distributors purchase seafood from importers, processors, brokers, traders and other distributors.

Foodservice Buyers - The foodservice industry includes restaurants and institutions (including hospitals, schools, factories, and large offices). The restaurant segment of food service includes large seafood chains, such as Red Lobster, Long John Silver’s and
Captain-D’s; family restaurants such as Chili’s, Perkins and Denny’s; and casual dining and independent restaurants. While most foodservice operations buy from distributors, the purchase decision is often made after a sales presentation of a new product by an importer, processor or broker. Each foodservice operation has individual requirements as to price, product form, packaging, frequency of delivery, and other factors.

**Retail Buyers** - The retail market segment for seafood consists primarily of large regional supermarket chains. However, in recent years mergers have created some powerful chains with national reach. For example, Kroger Stores, based in Ohio, has purchased major supermarket chains in California, Washington, and Oregon, while Safeway and Albertson’s have increased their holdings across much of the U.S. In most cases, seafood purchasing decisions, particularly for fresh products, are made at the national or regional division level. Rarely are purchasing decisions made at the level of the individual supermarket.

Of the 31,000 supermarkets in the U.S. with annual sales in excess of $2 million, approximately 10,000 have full-service seafood counters. As a rule, a supermarket will not operate a full-service seafood counter unless it can sell at least $5,000 worth of seafood a week, since the labor costs associated with running a full-service counter are high. A full-service seafood counter in a busy store in an affluent neighborhood can sell $20,000 to $40,000 worth of seafood a week.

Large volumes of fresh and frozen seafood are also sold through warehouse/club stores such as Costco and Sam’s Club. Most seafood purchasing decisions for club stores are also made at the national and regional levels. For some fresh seafood items—like farmed salmon—that are readily available, club stores will sign a contract for guaranteed pricing for a 3- or 6-month period. Depending on the product, club stores will buy direct from processors, importers, or seafood distributors. As a general rule, club stores buy fresh seafood from seafood distributors and frozen seafood directly from processors and importers.

Independent fish markets are still important retail outlets on the East Coast of the United States, but less so in the West. A retail fish market will generally move considerably more seafood than a seafood counter at an individual supermarket.

The seafood distribution system is complex. For every rule about how things work, there are exceptions. Knowing how, where, why, and to whom your product is sold is critical to developing and understanding a successful marketing strategy.

**Seafood Pricing Basics**

When discussing seafood prices, it is important to understand that the price of a particular seafood is very often a moving target. Because supply and demand for many seafood commodities change often, the price for many seafood commodities is relatively volatile and will fluctuate considerably.

E-4
On any given day, the market price for a particular seafood commodity can vary as much as 10 or $.25 cents a pound, depending on a variety of factors. So when you do the market research and financial analysis for your fish plant, make sure to include a range of prices.

One of the most important reasons for this difference in fish prices is the knowledge of a particular buyer or seller. A fresh fish distributor in Seattle, for example, can sell the same amount of wild Alaska king salmon to two different customers in Sun Valley, Idaho for a price difference that might be 50 cents a pound or more. Obviously, the buyer who is not as up to date on the market will pay the higher price.

Not all processors get the same price for their fish. If a processor is not up to date on the most current market conditions, he may end up selling his fish for a price that is less than the prevailing market price. In addition, if a processor needs to sell fish quickly to generate cash – perhaps to make a payment on a bank loan he took out to finance the purchase of his fish – he will probably have to lower his price to a level that is below the prevailing market to generate a fast sale.

Timing also determines how much your fish plant may get for its fish, especially H&G fish that is sold as a commodity. For example, if your fish plant is producing good volumes of fresh salmon in late June, when other areas of Alaska are producing very few fish, you will likely get more money for your fresh fish then you will later in the summer, when most other parts of Alaska are also producing large volumes of salmon.

Timing is also very critical with frozen fish. Typically, if Alaska fishermen catch large quantities of a certain species, the market price will decline after the season is over and buyers begin to understand the size of the catch. In years where catches are very good, processors who sell their fish relatively early in the season will often get a higher price than processors who sell after the season is over and the market price has declined.

On the other hand, in a year when catches are lower than average, a processor who sells early in the season may well end up getting a lower price than a processor who sells later, after the market has risen because of the reduced supply.

**Margins and Mark-Ups**

Profit margins and mark-ups vary greatly throughout the seafood distribution system. A trader, for example, may mark up a truckload container of salmon or cod 5 cents a pound or less.

Here’s a description of the typical margins and mark ups of companies in the seafood distribution chain. Keep in mind that this is only a general analysis, and in some cases these margins and mark ups may be quite different, depending on the individual circumstances. Also, it is important to understand that the seafood industry is not considered to be a high-margin business. Many companies in the seafood business are quite happy if they generate a net profit of 3 to 5 percent on their sales.
**Exporter and Importers:** Exporters and importers often specialize in certain high-volume commodities, such as salmon, cod, squid, or shrimp. These companies need to deal in high-volume commodities since their margin (the difference between what they buy and sell product for) is normally relatively low. The margin for an importer or exporter will vary, depending on the volume of the transaction. Most importers and exporters will work on a margin that averages between 2 and 4% of the value of the seafood. In some cases, importers will hold on to their product and take a market risk. In cases like this, importers can make (or lose) 20% or more. Increasingly, though, importers will minimize their market risk by selling the product as quickly as they can.

**Seafood Processors:** Unlike most other companies in the seafood distribution chain, primary seafood processors do not work on a set margin. Processors generally have to pay a competitive price to fishermen or fish farmers to get fish, which they will then try to sell for as much as they can. In some years, when market conditions are in their favor, processors will do very well. It is not unusual in a good year, for example, for a processor to make a gross margin of 20% or more on some seafoods. In bad years, however, processors may absorb losses that can amount to 20 or even 30% of the value of their product.

Secondary seafood processors, on the other hand, will try to work on a set margin because they know what their raw material and marketing costs are and they know what they have to charge to their customers to make an adequate profit. How much a secondary processor marks up his product is a function of costs, which can vary widely.

A big company like Gorton’s – a large producer of branded value-added breaded fish products – that markets its products nationally with a large, branded advertising campaign, will have to have a much larger mark up on its products than a small Seattle company that sells battered halibut to a club store chain like Costco.

**Traders:** Traders will make whatever margin they can on any given transaction. Because most traders have very little overhead and often work independently in small offices, they can work on a very small margin if the volume of the transaction is large enough. A trader selling 1,000 metric tons of Alaska cod to a buyer in China, for example, can make $22,050 on the sale if he marks up the price just a penny a pound. On smaller volume transactions, though, a margin of 5 cent a pound, is typical. For example, a trader selling a truckload of fresh Alaska chum salmon to a supermarket buyer in Boston will make $2,000 on a 40,000-pound truckload if he marks it up 5 cent a pound.

Traders can also make a higher margin, if they see a special opportunity that can arise when either the companies they are buying from, or the companies selling to, are not fully aware of the market conditions. In cases like this, it is possible for a trader to make 10 cents or more a pound.

If a trader has to invest a lot of time and effort into a sale, or find a market for a new product, he will normally require a higher margin. A trader trying to develop a new
market for, say, a skinless, boneless chum salmon fillet, may not be interested in committing the necessary time and effort unless he thinks he can make a margin of at least 25 or 50 cents a pound on the initial orders. As the business is developed and the volume increases, however, a trader is normally willing to work on a lower margin.

**Brokers:** Depending on the product, a broker may earn a sales commission between 2 and 7% of the sales price. As a rule, the commission on high-value frozen items like crab or shrimp will be 2%. Broker commissions on fresh fish, though, can be as high as 7%, since the volume is usually smaller.

**Distributors:** The size of the mark up on seafood taken by broadline distributors will vary considerably. A broadline distributor like Associated Grocers that delivers to supermarkets will typically mark up frozen seafood items 5 to 10%. Fresh seafood items, on the other hand, may be marked up 15 to 20%, since they require more handling. In addition, the “shrink” – seafood that must be thrown away because it has gone bad – is much higher with fresh seafood. Broadline distributors that sell to supermarkets can mark product up less, because they deliver a very large volume of orders per stop.

Although broadline distributors with foodservice accounts will generally try to get a 15 to 20% mark up if they can, the average mark up typically ranges between 10 and 20%. However, the actual size of the mark up will fluctuate widely. If they have to compete with seafood distributors on a certain product, broadline distributors may take a very small mark up to get the business on that item. In some cases, this markup may only be 3% on an expensive item like shrimp. After broadline distributors have the business, though, they will normally try to increase the mark up. How high the distributor can mark the product up is largely a function of the knowledge of the buyer. Since sales people for most broadline distributors are paid largely on a commission basis, they will charge their customers as much as they can.

Because their deliveries are limited to seafood, specialty seafood distributors have a higher delivery cost than broadline distributors, because the total dollar value of their order is usually lower. However, the higher delivery cost is offset by the fact that seafood distributors have lower overall operating costs. As a result, specialty seafood distributors will normally mark up seafood products about the same amount as broadline distributors, usually in a range between 10 to 15%, depending on the value of the product.

For expensive products, such as shrimp or crab, which sell for $10/lb. or more, a seafood distributor will take a lower mark up if necessary, since he will generate the same profit dollars. For example, a seafood distributor can make a margin of 50 cents a pound on king crab that costs him $10 a pound, if he marks it up 5%. On the other hand, on chum salmon that costs the distributor $2 a pound, he will make just 30 cents a pound if he marks it up 15%.

It is important to keep in mind, though, that a distributor can make more money selling an inexpensive seafood item because the sales volume will be much higher. For example, a distributor may sell 5,000 pounds of king crab to a small supermarket chain in a month,
generating a gross profit of $2,500. On the other hand, the distributor can sell 40,000 pounds of chum salmon to the same chain over the same period and make a gross profit of $12,000.

There is also a growing trend for seafood distributors to supply large customers such as supermarket chains on a cost plus basis. Under this arrangement, a distributor will mark product up a negotiated amount above the distributor’s actual cost. Typically, this markup can be anywhere from 6 to 10 percent above cost, depending on the sales volume of the customer and the level of merchandising support the distributor has to supply.

**Foodservice Operators:** Most restaurants try to operate with a food cost that runs between 30 and 35%. That means for a $12 entree, the cost of the food will typically be around $4. A restaurant that pays $8 for a pound of a king salmon fillet, will typically price that salmon portion of that entree (seafood portions are typically six- to-eight ounces) at about $12. By the time the vegetables and starch are added, a king salmon entree may run $16 to $20, depending on the restaurant. Restaurants need a high mark up on their food to cover their high operating costs, which include labor and real estate.

**Retail Markets:** Supermarkets with full-service seafood departments typically mark up the price of seafood between 35 and 45 percent. To arrive at a retail price, a supermarket takes the price its pays for fish and divides it by the remainder of one minus the desired margin. For example, to get a margin of 40 percent on a fish that it pays $2 a pound for, the supermarket will divide by .60 (1 minus .40 = .6), yielding a retail price of $3.33 a pound.

A supermarket’s high mark up is necessary to cover its high overhead costs, including the labor required to staff a full-service seafood counter. In addition, supermarkets, like other buyers, have to account for the “shrink” associated with seafood. When a supermarket does a product demonstration and hands out cooked samples, for example, this product is considered shrink. Product that cannot be sold and has to be discarded is also considered shrink. Furthermore, seafood – which is over 70 percent water – will dehydrate over time and lose moisture, which is, of course, weight. In a refrigerated case, this dehydration can be as much as 1% a day.

When a supermarket has a special advertised promotion – such as a July 4th grilling promotion – it will take less of a markup, in an effort to draw more traffic to its stores. A supermarket selling fresh chum salmon, for example, on a special promotion may pay 85 or 90 cents a pound for whole chums and retail them for 99 cents a pound. As more and more supermarkets are under pressure to make their seafood departments profitable, however, the tendency is for retailers to put less emphasis on these “breakeven” promotions and generate acceptable margins instead.

Because of their higher sales volume and lower overhead, club stores will take a much smaller mark up on items. This markup is typically 10 to 15 percent.
Talking to Potential Customers

After you have an idea of the products your fish plant could produce, when it could produce them, and what it would cost to produce them, then you need to talk to a wide range of potential customers throughout the seafood distribution chain to learn what their needs are and how you can meet those needs. Different buyers have different needs, so you’ll have to do the necessary work to find buyers for your products.

Determining which buyers are most likely to buy your fish is relatively simple, but it will take considerable time and effort. One way to start is by purchasing a directory of buyers. Here are examples of Buyer’s Directories which can usually be purchased for under $500:

**Progressive Grocer’s Marketing Guidebook** (Lists the buyers for more than 800 supermarket chains and wholesalers). Contact: Progressive Grocer, 770 Broadway, New York, NY 10003. Phone: (646) 654-4500. Fax: (646) 654-7463. [www.grocerynetwork.com](http://www.grocerynetwork.com)

**Chain Store Guide** (Lists buyers for both restaurants and foodservice wholesale distributors). Contact: Lebhar-Friedman, Inc., 425 Park Avenue New York, NY 10022 Phone: (212) 756-5000. [www.lf.com](http://www.lf.com)


Be sure to take advantage of the Alaska Seafood Marketing Institute (ASMI). It has very good lists of both foodservice and retail buyers who sell Alaska seafood.

While directories and buyer lists are a very useful starting point to identify potential buyers, it will take a lot of old-fashioned hard work and perseverance to make contact with potential buyers. As a rule, the bigger the buyer, the busier the buyer. In most cases, it will take more than a few calls before you will likely have a conversation with them. Although you may get frustrated, have patience and don’t be afraid to be persistent. Many buyers are open to hearing about new products and new sources of supply. Like you, they are always looking for ways to increase their sales.

Be sure to leave detailed messages on potential buyers’ voice mail that clearly explain why you want to contact them and what products you think they would be interested in. You may also want to obtain their e-mail addresses from their secretaries, so you can e-mail them detailed messages. One advantage of e-mail is that you can also attach an information sheet or a product brochure to a message. The more information you are able to provide a potential customer about your company and your products, the better chance you have of ultimately getting them as a customer.
When you talk to a buyer, make sure you take the time to ask questions so you can learn how he uses products and who he buys from. A medium-sized seafood restaurant chain in Dallas, Texas, for example, may be interested in buying your fish, but it may not want to buy directly from you. Most individual restaurants and restaurant chains will buy seafood only from distributors. In this case, you will sell your fish to the distributor, who in turn will sell it to the restaurant.

Keep in mind that most restaurants use relatively small volumes of seafood. Even a relatively high volume restaurant will use less than 200 pounds of any particular fish in a week. For that reason, it is more than likely that you will want to sell most of your fish to distributors that sell to a large number of restaurants.

Supermarket chains, on the other hand, can move large volumes of fish, especially when they feature seafood in a promotion. A chain with 100 stores, for example, can sell 40,000 pounds, or one truckload, of whole fresh salmon in a week-long summer promotion.

Even though they can move large volumes, many supermarkets will still want to buy their fresh seafood through a seafood distributor because of the logistical complexities involved with buying and selling a highly perishable commodity like fresh fish. Other supermarkets, on the other hand, will buy fresh fish directly from primary processors. When you talk to buyers, make sure you learn whether they like to buy direct, or whether they prefer to buy fish through a distributor. Typically, a supermarket chain will buy all its fresh fish from one or two distributors.

Finding Out What Your Customers Want

The buyers you talk to will have certain requirements and expectations that you must be able to meet. These requirements can vary from buyer to buyer.

Take quality, for example. The quality of the fish your plant produces will probably vary somewhat, even if you make the extra effort to produce the highest quality product possible. Some salmon, for example, may have darker skin and paler flesh than other salmon. Because of this, you’ll have to find different buyers for the various quality grades your plant will produce.

Buyers for supermarket chains, for example, may want to buy only bright fish with good, red meat color. Buyers for the lower quality grades, on the other hand, could include other Alaska processors that send H&G fish to China for reprocessing into skinless, boneless fillets and portions.

Buyers will also have certain expectations when it comes to how your product is packaged. Some supermarket chains, for example, won’t accept fish in any box that weighs over 50 pounds. In the case of fresh fish, many buyers will also require you to use enough gel packs or ice to ensure that your fish arrives with a core temperature no higher
than 38° F. If your fish arrives at a temperature higher than what the buyer specifies, it will be rejected.

If your fish is rejected because it doesn’t meet your customer’s requirements – which is not that uncommon – your sales staff will have to be prepared to find another customer who doesn’t have such stringent requirements. If you’ve had fresh fish rejected and your sales staff can’t find another customer relatively quickly, you may end up having to dispose of your fish and you will receive nothing for it.

Having to throw fish away is one of the unpleasant realities of the seafood business that proper planning, communication, and execution can almost always avoid. Nevertheless, because it does happen, your company should factor in some product loss when doing financial projections.

When you talk to potential buyers, you should try to learn the following information.

- The types of seafood products they buy that are similar to the products you plan to produce.
- Their quality expectations.
- Their purchasing frequency and the level of service they expect.
- The volume of product they are likely to sell of your products (this will help you determine how many customers you will need) at different price levels.
- The price they are likely to pay for your products (remember, price will affect sales volume).
- Who they buy similar seafood products from now (know who your competitors are so you can determine what your strengths and weaknesses are).
- How you can meet their needs better (for example, better service, higher quality, better price, better product forms, more merchandising material such as recipe cards).
- How they like to buy products (i.e., would they want to buy your products from a distributor, or would they buy direct).
- Their typical payment terms (do they pay in 15 days? 30 days? By Letter of Credit)?
- The type of inspection they require (some buyers, especially supermarket buyers, will require your company to pay for an inspection by the U.S. Department of Commerce or by a private independent inspection service).
It’s Your Responsibility to Market Your Fish

Even though you will likely end up selling most of your fish plant’s production to a distributor instead of an end user like a supermarket or a restaurant, you will need to develop relationships with end users yourself and get them motivated to buy your products. This is known as “pull-through” marketing.

Very few distributors will invest the time or money to develop new markets for you. They are too busy handling the day-to-day challenges of their business, which involves selling hundreds (in some cases thousands) of different products. However, they will be happy to sell your product to a restaurant or a supermarket if the end users say they want to buy your product.

As a primary producer, it is in your best interest to develop relationships with as many buyers as possible. Ultimately, no one is in a better position – and no one has more motivation – to sell your fish than your company. You are in the best position to explain your company’s background, how it operates, and your product’s benefits.

In addition to contacting end users such as restaurant operators and supermarket buyers, it will be worthwhile to talk to potential brokers, traders, and even other Alaska processors to determine the best marketing and sales strategy for your fish. Exporters, brokers, traders, and processors will already have relationships with buyers and they may be interested in selling your production, too.

It is wise, however, not to rely completely on any one company to sell your fish. For various reasons, a company that wants to sell your fish may end up promising more than it can deliver. If that is the case – and it’s not that unusual – your fish plant will be in a difficult position, as you will be producing fish that you no longer have a buyer for.

As a general rule, people you talk to who say they are interested in selling your fish will tend to be overly optimistic about their ability to sell your fish. Some of the people you talk to about selling your fish may want an exclusive territory where they are the only people allowed to sell your fish in a certain geographic area. They may also want your company to sign a contract to this effect. Be very careful when signing these contracts, unless you are very certain that the company you are talking can deliver the sales results. Be sure to get names of other seafood processors that these companies sell fish for. Then make some calls and see how well the company that wants to sell your fish has performed for these other companies.

Analyze the Cost of Selling Your Product

Selling fish costs money. Some seafood producers figure it costs them as much as 25 cents a pound in salary and overhead to sell their fish. As a result, when developing a sales and marketing strategy for your fish plant, make sure your planning process takes into account how much it will cost you to sell your fish. How much it will actually cost you to sell your fish will vary considerably, depending on your sales and marketing strategy. These costs will need to be included in your budgeting process.
If you decide to sell most of your fish to buyers in the U.S. – especially if most of it is frozen – it probably makes sense to have an in-house sales staff with at least one full-time sales person employed by your company. You’ll also have to decide if it makes sense to locate your sales staff near your fish plant, or if it would be more advantageous to have your sales staff located nearer your potential customers, perhaps in a city like Seattle.

The amount of service your sales staff has to provide will vary, depending on the type of buyer you decide to sell to. Broadline distributors, for example, usually require their suppliers to keep a steady supply of product moving in to their distribution system on a regular (often weekly) basis. This means that your staff will have to be constantly filling orders and ensuring that the product gets shipped on time to the distributor.

Most customers have very little patience with seafood companies that cannot meet the required commitments they have agreed to. Always keep in mind that your company will be operating in a “buyer-driven” environment, which means that you will have to adapt to meet the requirements of your customers to be successful.

You may decide it makes more sense for your company to sell its fish through a network of brokers and traders. Many seafood companies, especially smaller ones, decide this is the best strategy for them, since it reduces the time and money company management has to spend hiring and managing an in-house sales staff. If that is the case, be sure to factor the fees that brokers typically charge into your business plan. These commission fees will typically range from 3 to 7 percent of the value of the seafood they sell.

And if you plan to rely on traders to sell your fish, you will want to take into account the fact that you may have to sell your fish at a slight discount to the prevailing market price so the trader can make a satisfactory margin when he sells your fish.

Regardless of what sales strategy you ultimately decide is best for your fish plant, your company needs to understand that fish no longer sells itself. In the past, that may have been true and Alaska processors could focus primarily on producing fish, which they could easily find buyers for. These days, though, seafood buyers have a lot of alternatives and your company will have to work hard to find buyers if you want to get the most money for your fish.

**Develop a Marketing Plan**

Finally, after you have done your preliminary market research by talking to potential buyers about your company and what types of seafood products you plan to produce, you should develop a marketing plan. This marketing plan will be an important part of whether or not you decide to build or operate a fish plant. Being able to execute a good marketing plan is critical to the success of any business.

As you prepare your marketing plan, make every effort to be conservative in your projections. As previously mentioned, the people you talk to will naturally tend to be optimistic in their projections, whether it’s the price they will pay for your product or the
amount of your product they tell you they will be able to sell. It’s best to discount these projections. It’s much better to have positive surprises than negative ones.

Elements of the marketing plan should include:

- **A Description of Your Target Market.** This will include a list of your most likely customers, the products they are likely to buy, and the volume they are likely to buy.

- **A Pricing Strategy.** After you determine what types of products your fish plant can produce and what it costs to produce them, you’ll need to determine the market prices for these products. Then, you’ll have to determine how you want to price your products so you can make a profit. For example, if you believe your quality is higher than your competitor’s, you will probably want to price your product higher than your competitor’s products. On the other hand, if you have the ability to produce fish at a lower cost than your competitor, you may want to price your fish under your competitor’s so you can have a competitive advantage.

- **Competitive Analysis.** This will include a description of who your competitors in the market are, including an analysis of their strengths and weaknesses. This should also include an analysis of your company’s strengths. For example, why should a buyer buy from you instead of another processor?

- **Description of Your Products.** This will include an analysis of your products from your customer’s perspective. Is your fish a higher quality than he has been able to buy previously? Do you have better quality? A unique product? A better price?

- **A Promotional Strategy.** How do you plan to make potential customers aware of your company and your products? There are a number of options, including advertising, trade shows, networking, and trade missions.

- **A Merchandising Plan.** Some buyers will expect you to provide merchandising materials that will help them sell your products. Supermarkets, for example, may ask if you have recipe cards they can use. Restaurants may ask for cards describing your product that they can clip on to their menus.

- **A Marketing Budget.** Marketing takes money, and you’ll have to include money in your operational budget for marketing. Types of items that should be included are trade advertising, trade show participation, and direct mail promotions.

**Choosing People to Sell Your Fish**

It’s not easy finding good people to sell your fish. It is important to understand that selling seafood successfully depends to a great degree on the relationship that a sales person has with a buyer. Since so many of the seafood products they buy from suppliers are very similar, buyers will often buy mostly from people with whom they have a good relationship. To a certain extent, this is human nature. That is why good salespeople tend to be very outgoing and friendly.

Most seafood companies will hire sales people or brokers that already have a good record selling the kinds of products they produce. This is generally a low-risk proposition, as
these people will already know who the buyers are for these products and they will have good relationships with many of these buyers. Depending on the types of products you produce, this may be best for your company.

However, you may also want to consider hiring someone who is new to the seafood industry if your sales position requires a lot of new market development. Often times, people who are new to the seafood industry will be more motivated and will work harder at developing new markets for your products. While experienced seafood salespeople can be quite good at selling to buyers with whom they already have relationships, they are often not willing to make a lot of “cold calls” that are needed to find a lot of new buyers.

Keep in mind that by their very nature, salespeople tend to be optimistic. If you are interviewing prospective brokers or salespeople, for example, they will probably tend to give you overly optimistic sales projections. They are in effect trying to sell you that they are the best person for the job. While that may be true, it’s wise to discount any projections you get from salespeople before putting them in your business plan.

Before you select a person to sell your fish, be sure to take the time to do some background checking. Ask for a list of customers they have been selling to as a reference. Then call these people to see what they have to say about the person you want to have represent your company. You may be surprised at what you learn.

Hiring the right people to sell your fish is critical to the success of your company. You may even want to hire a professional recruiter if you decide to have an in-house sales staff. Regardless, though, make sure you put a lot of time and effort into this task. It could make or break your company.