

## Marketing tools and strategies [aquaculture products]

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## Marketing tools and strategies

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**SUMMARY** - The purpose of these pages is to fix some points in the marketing of aquaculture products. We can consider two general groups of problems, one connected with the chain of added value, and the other one with the image and position of these products in the consumption mix. In the first group of problems, we analyse how the patterns of trade and distribution are in different countries, and if these systems are prepared to receive such a massive quantity of fish with a continuous flow and how to manage distribution in this case. In the second group of problems, we consider the position of products in the market and how to increase fidelity to a non-branded product or how to convert it to a branded one.

**Key words:** Aquaculture, marketing, promotion.

**RESUME** - "Stratégies et instruments de commercialisation". Le propos de ces pages est de présenter quelques points concernant la commercialisation des produits de l'aquaculture. Nous pouvons considérer deux groupes généraux de problèmes, l'un lié à la chaîne de la valeur ajoutée et l'autre à l'image et à la position de ces produits dans le mix de consommation. Dans le premier groupe de problèmes, nous analysons quelles sont les tendances du commerce et de la distribution dans les différents pays, et si ces systèmes sont prêts à recevoir une quantité aussi massive de poisson selon un flux continu, et comment gérer la distribution dans ce cas. Dans le second groupe de problèmes, nous considérons la position des produits sur le marché, et comment augmenter la fidélité à un produit sans marque ou comment le transformer en un produit de marque.

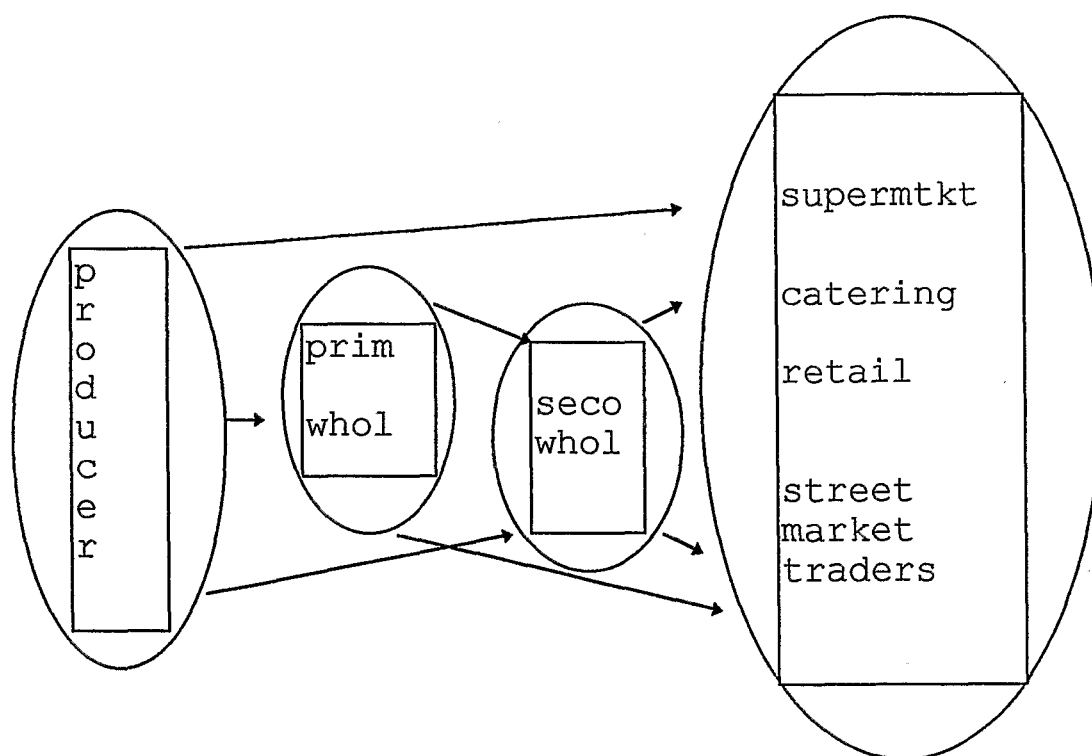
**Mots-clés :** Aquaculture, commercialisation, promotion.

### CHAIN OF ADDED VALUE

Now consider the chain of added value from production to the end consumer of an aquaculture product. In Italy, the products follow the different steps of distribution as shown in graph .1.

We have the following steps each of them with a particular added value:

- PRODUCERS ( P ): They are represented from the globality of fish farms.
- PRIMARY WHOLESALERS: Normally they are companies close to the production place they follow markets from different producers buying from them at the better price (usually they are mono-product).
- SECONDARY WHOLESALERS: They are secondary wholesaler place in the distribution market, selling to the end consumer and take their supplies from primary wholesalers maintaining competition among themselves (usually they are multi product)
- RETAIL & CATERING: In this area of the market we can include supermarket chains, caterers, retailers (fishmongers) and the street market traders.



Fish products are usually distributed following this pattern and each company in its position is working within its margin of profit. In time of economical crisis and increase of quantity available, the market is depressed by companies that are trying to gain margins playing different roles in the chain. Frequently producers try to directly arrive at the end user by overcoming wholesalers or also secondary wholesaler try to play the role of the primary one so competition moves from horizontally among different companies in the same role to vertically try to play different roles in the distribution chain.

In the following model I would like to suggest some criteria to define its own role and position in the market just to follow the correct policy.

## MODEL OF DISTRIBUTION

Suppose to have one firm acting in the market distributing fishfarming products. One of the costs we have to afford is the managing cost of distribution so that we can consider with the following function:

$$1. MG = C + AN^2$$

MG : MANAGING COST

C: FIXED COST OF INFRASTRUCTURE

N : NUMBER OF CUSTOMER TO MANAGE

We can easily suppose that our cost is increasing to the increase of the number of customer and they can think how higher cost of sellers ( increase number of sellers, risk of spin off, telephone cost , , cost of journey etc..). Therefore we can say that each time a company it is trying to play the role of another one in the distribution chain is affording an increase in this type of cost.

On the other hand our company has advantages in a wider market considering a decrease in the lower trade risk that we can represent in the following function:

$$2. TR = EX/(N-1) + K$$

TR: TRADE RISK

N: NUMBER OF CUSTOMER TO MANAGE

EX: TOTAL EXPOSURE (TOTAL SUM OF TRADE CREDIT)

K: SECTOR RISK

The trade risk can be calculated as a division of total credit exposure and number of customer considering that risk starts with at least one customers being very high decreasing very much with an high number of customers plus a risk connected with the health of the sector.

The equilibrium point of the model is the conjunction point between the managing cost and the trading risk. This point could placing our company in the market choosing the role to play.

Practically speaking the right feeling and calculation of managing cost allow to fix our marketing policy in the chain of value focusing our promotion policy, let us playing better our role.

From the formula shown below, we can find our point of equilibrium maximising the number of customers following our strengths.

Comparing formula 1 and 2, it follows:

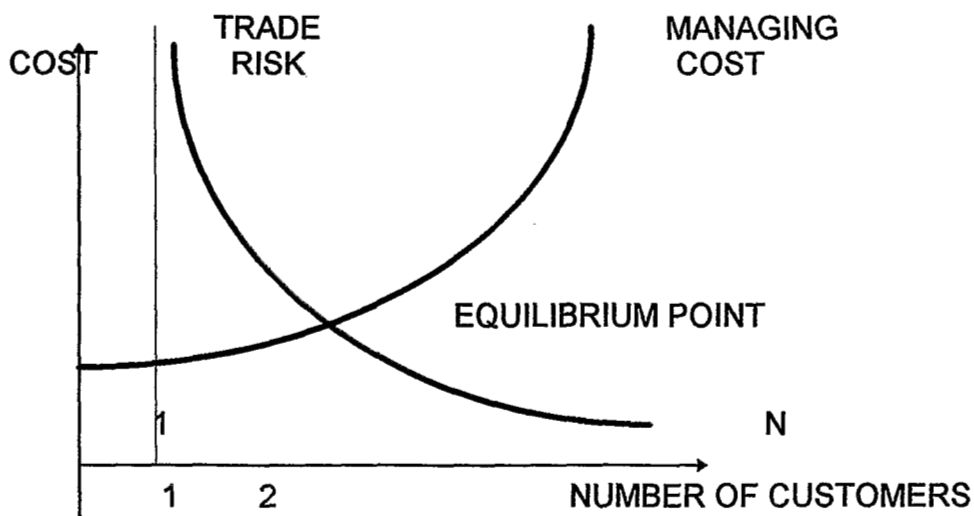
$$3. C + AN^2 = EX/(N-1)+K$$

$$3.1 C*(N-1)+AN^2 = EX+K*(N-1) \quad N-1 \neq 0 \quad N \neq 1$$

$$3.2 CN-C+AN^2 = EX+KN-K$$

$$3.3 AN^2+N(C-K) - (EX-K+C)= 0$$

$$3.4 N= - ( C - K )/2A \pm \sqrt{ ( C - K )^2 + 4A ( EX - K + C ) } / 2A$$



## PROMOTION

An aquaculture product can be promoted in different way distinguishing ways of conservation and distribution.

The same product can be distributed as a raw material or a branded product trying to catch fidelity of customer.

Usually the raw fresh product has got all the characteristic of non branded product and it is very difficult to distinguish its image to the end consumer.

Trials to brand this product are done putting plastic tag on the fish, but problems related to packaging cost and lose of tags makes it difficult to create its own image. The raw product can obtain a brand that can be recognise by wholesaler or retailer that are using this product but is unlikely that the end user can recognise it.

The raw product is branded by distributor and its skillness that can buy fixing contract assuring a certain way of farming. So it is up to the producer to diffuse the culture of right farming to the distributor granting a standard quality and paying for each mistake.

Packaging is the real variable that put product on the market and as more transformed and related to end consumer as easier is to brand the same product. So filmed fillets, frozen and smoked fish can be distributed on the market with a particular brand that status the ideas of nature and health.

Brand it is important to distinguish on the market way of farming and the ability of producer that take the courage to standardise their product taking their responsibility in front of the end consumer that on the other hand knows who is working.

Brand trough packaging it is surely a way to diffuse the culture of the product, how to consume it and its importance.

The choice of a good packaging diffusing the image of our brand and the choice of the right distributor that assure a polite way of sales and conservation are the secret for a certain success in the distribution of acquaculture product.