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Marketing of sea-bass and sea bream in France

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SUMMARY - This text deals with the marketing of sea-bass and more particularly focuses on one of the most strategic keys of success in the field: the critical size of the companies.

Key words: Marketing, aquaculture, France

RESUME - *Cet article traite de la commercialisation du bar et étudie plus spécialement l'un des éléments-clés de réussite les plus stratégiques dans ce domaine : la taille critique des entreprises.*

Mot-clés : *Commercialisation, aquaculture, France*

INTRODUCTION

One must admit that aquaculture firms are selling all over Europe today, so being in France or in another European country does not really make any difference. Therefore, this article will discuss production in the north and in the south of the Mediterranean.

Marketing of sea-bass is, in general, no different than that of other products, therefore this article will make a very classical presentation consisting of two parts. The first part will deal with the common aspects of the marketing of sea-bass and other species such as salmon, whereas the second part will address the specific characteristics of sea-bass marketing in the south and in the north of the Mediterranean.

PART ONE

In the marketing of sea-bass, the components of the marketing of other raw materials can also be found. The firm can act upon the four parts of what is commonly called the "marketing mix".

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Market scope

All companies, even the small ones, are interested in selling their goods all over Europe in the near future, and throughout the world. In our study of the European market in 1992, we noticed that different places were not buying the same product at the same price. Initially, Germany, England, France and Spain did not buy large quantities and Italy was taking 80% of the French production, not only because Italian people needed this product, but in particular because they were able to pay a higher price. Supply was smaller than demand, and sea-bass was sold by auction. As the Italians were paying more, they were able to buy up all the goods, however at that time this did not necessarily imply that the French and the Spanish markets had an inferior demand to the Italian one.

With the increase of production, especially from Greece, prices on the Italian market went down quickly. Able to buy at this new price level, the French and the Spanish markets started to increase rapidly.

The farms which did not anticipate this change, especially in terms of sales and logistics, did not realize the better price they could obtain in other markets.

Product diversification

The market has proved that, as with other species, large sea-bass was a different product from the smaller one. Some places in Europe were willing to buy larger sizes. The price for the large and small sizes was the same at the beginning when both sizes were in short supply. Since producing the smaller fish was better for the farmer, it became rapidly abundant and their price dropped rapidly, however large sized fish maintained their price.

The farms which did not anticipate this evolution within the market, again were less efficient.

Price variation

Contribution can be increased through segmenting by price, place, size and type of buyer. Details on size and place will not be discussed here but the different buyers will be addressed briefly. The French market is composed of importers, wholesalers and supermarkets. The supermarkets are organized with local and national buyers, and represent 50% of the demand. Farms, with their own sales team, have been selling directly to the wholesalers and the local buyers of the supermarket, increasing their prices and their margins.

Distribution

As mentioned previously, the marketing and sales department of fish farms are trying to reduce the length of distribution channels in an effort to be closer to the consumer.

Communication

Communication and publicity are probably the most undeveloped part of the business today.

PART TWO

Despite these academic considerations, which are very important in helping marketing in aquaculture to be analysed, this article offers the particular perspective of the French firms in marketing today. Many subjects could be analysed, however, this article will mainly address the following three points:

- Does a farm located in France offer a competitive advantage?
- Stock management
- The critical size

Does a farm located in France offer a competitive advantage?

Proximity to the European consumer market obviously represents an advantage for the firms located in France. If the firm is located in Corsica, in order for it to deliver goods throughout Europe, an average cost of 4 french francs less than any other firm located in Morocco or in Turkey will be incurred.

Furthermore the price of labour is lower in the south, especially for non-skilled labour. On the French farms, the cost of labour will be reduced to 20% of the total production cost. If this cost reaches a price of 30 ff in the near future, the competitive advantage for labour, for the southern countries, is reduced to 4 or 5 ff maximum.

This fact definitely balances the advantage of being close to the market, and allows us to conclude that there is a competitive balance between the two zones, from the north and the south of the Mediterranean, with equivalent setting, size and management.

Stock management

Correct stock management in aquaculture is probably one of the most important sources of profitability. As the evolution of the sea-bass market has been very fast, the quality of the selling function has been very dependant on the exact and precise knowledge of production variables.

In order to take maximum benefit of the evolutions of the different markets, the marketing department must have access to all data in relation to production simulation, as regards cash flow, quantity, size and packaging.

This has forced the production centres (there are often many production centres for one marketing and sales department) to manage data on each cage and on each setting.

Having a stock of fish with a size of 300 g, initially anticipated to be 400 g, to sell on the Spanish market this year could have been a disaster for a company, cutting down her margins. If one takes into account a very long production cycle and climatic conditions, it becomes evident that an exact anticipation of the production is not so easy to obtain.

The critical size

In business strategy, it is of utmost importance to design the critical size of the company. It must be efficient as regards economy of scale, the learning effect, highly qualified personnel and the ability to face the demand on the market.

A particular aspect of sea-bass production today are the three sizes, corresponding to production, packaging and marketing and sales respectively.

The critical size of production

This will of course depend on the type of cage used, the characteristics of the setting and the country of location.

However, in our case, in Corsica, the cost of production per unit is always decreased by moving the harvest from 10 tons up to 150 tons. Above 150 tons, it is always the same structure that is being doubled. In fact, for 150 tons, both the manager and the basic material are appropriate to work properly. Regarding our technology today, the cost of production per unit will not be affected significantly by increasing the quantities.

This critical production size is very low, and environmentally suitable, thus avoiding, to a certain extent, political problems.

The critical size of packaging

In packaging, the critical size is slightly greater. To be efficient, a processing plant in compliance to the EEC norms and a machine to grade the fish are necessary. This means that the same overheads are probably necessary to grade 200 tons and 1000 tons. As a result, the unitary packaging cost will possibly be brought down by increasing the quantity packaged. Therefore, the critical size for packaging is approximately five times that of our unit in Corsica. The same thing occurs in other countries. Increasing the size of packaging is one of the key issues of success in the field, considering that packaging is more than 10% of the total cost.

The critical size of commercial activity

If the previous two points are easy to achieve, this third is the more competitive, simply because the level of performance that is needed as regards the commercial part of the

business is obviously fixed by the competitors. It is competition which fixes the quality of supply to the buyer. The meaning of quality here includes the price and the quality of the product and also the delay and the form of the order, the adapted packaging, the publicity, the size, the range, and the delivery date. In fact, a good size for the firm is that which allows it to satisfy the variable demand of the client in terms of product, services, date and prices. In this context, the firm should be in a position to propose many different supplies at the same time. For example, there is a large difference between a supply of one ton of sea-bass of 250 g arriving in Milan on Monday night and 2 tons of sea-bream and salmon of 2 Kg on Monday morning in Japan.

The capacity to adapt supply will determine the price of the total harvest. Adaptation depends on the size and organizational capabilities of the firm. Within its size, the company must:

- be able to cover the international market, which means that it must be possible for the product to be sold in all the EEC countries and in America at the same time, in order to take advantage of new positions.
- stay closer to the consumer, as with all industries, in order to be more profitable, avoiding "middlemen" and making weekly deliveries to clients on request.
- be able to afford, and pay, a good commercial team, which is not possible with a production of less than two or three thousand tons.

If these requirements are not met, the farm will be obliged to depend on just one or two clients located on a specific market, in the hope that it will not become too competitive.

As there are very many small-sized farms, one of the ways to success is for them to regroup in commercial companies, thus uniting their competition and their size.

CONCLUSION

With the critical size, a good setting and a good management team, some farms are going to be profitable in the future, but only to a certain extent, due to a production surplus.

In fact, when one considers the large number of small farms in existence, together with the tremendous increase in production, one can imagine that the processing industries that are already set up and well established are going to capture the margins and the other farms are not going to be able to keep up, because of the non concentrated structure of their industries.