International industrial buyers survey

WP 27.2.3

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INNOVATION
TECHNOLOGY
ENTREPRENEURSHIP &
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Goal of WP 27.2.3

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- Action 27.2.3 (DLO; TU/e): International survey industrial buyers
  - Aim: investigate buying preferences in order to gain insights into their buying criteria, cultured fish perception.
  - Sample: Purchase managers of up to 10 retailers and food service companies in each country (i.e., UK, F, ES, D and I).

Method

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- Multisource study
  - Secondary data: e.g., market data; reports Ministry of External Affairs (www.cbi.eu).
  - Primary data: Interviews with buyers (e.g., retail and food service)
    - Analytical method
      - Template analysis (Nvivo software)
        - » Within country analysis
        - » Between country analysis

Secondary data

Overview of Market (1)

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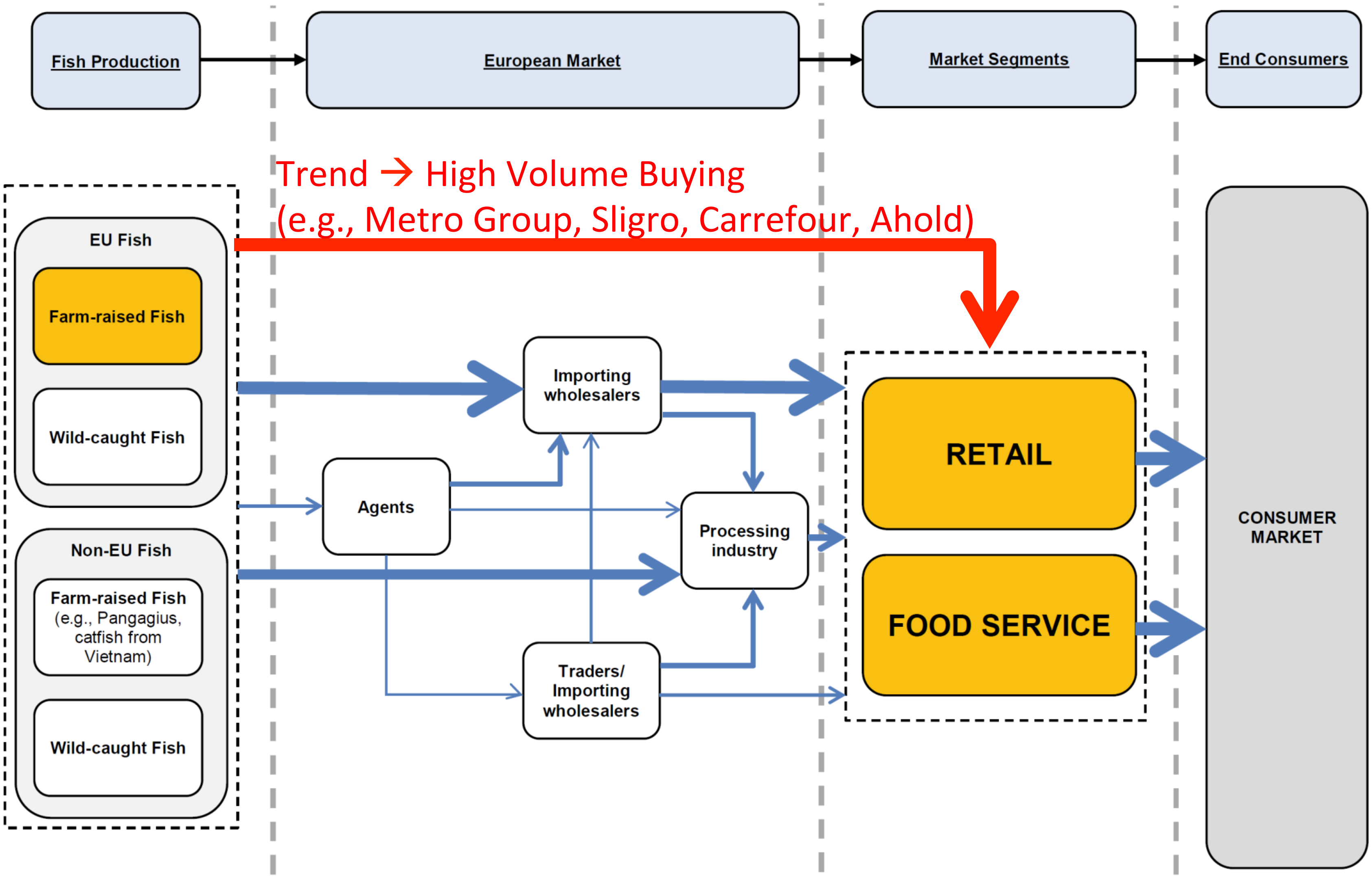

Overview of Market (2)

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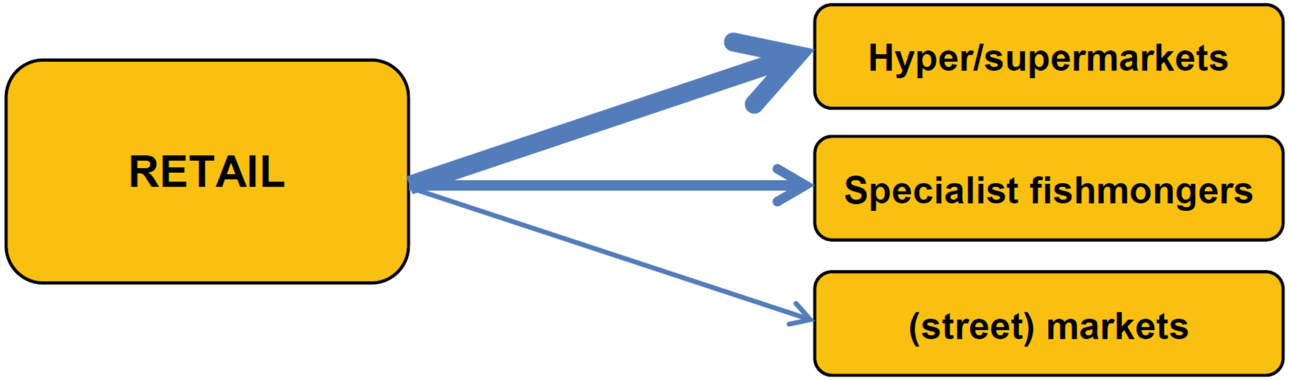
- Important trends in market channels
  - Overall growing market
  - 75% seafood product come from capture fisheries.
  - Consumption patterns differ throughout Europe
    - Southern Europe: High seafood consumption, traditional consumption habits, know-how on fish preparation
    - Northern Europe: Less experience with fish and prefer portioned and ready-to-eat products
  - Direct sourcing by retailers and wholesalers
    - Retailers buy bulk products (high volume) direct from fish producers (e.g., tilapia, pangasius)
    - Low volume product (e.g., yellow fin tuna or clams) are bought via specialist traders

Overview of Market (3)



- Increasing domination by supermarkets
  - > 80% in Northern & Western EU
  - > 50% in Southern EU, but increasing (one-stop shopping)
- Consolidation in number of super market chains
  - > 420.000 non-specialist food retail stores
  - Dominated by 220 large supermarket chains (600 stores)
- Quality & sustainability focus
  - Strict quality and sustainability standards
  - Strict delivery agreements (service, packaging, health, safety)
  - Impose penalties if agreements are violated
  - BRC and IFS certificates are prerequisite
  - Need to sell sustainable seafood (at minimum Global G.A.P.; ASC).

Overview of Market (4)

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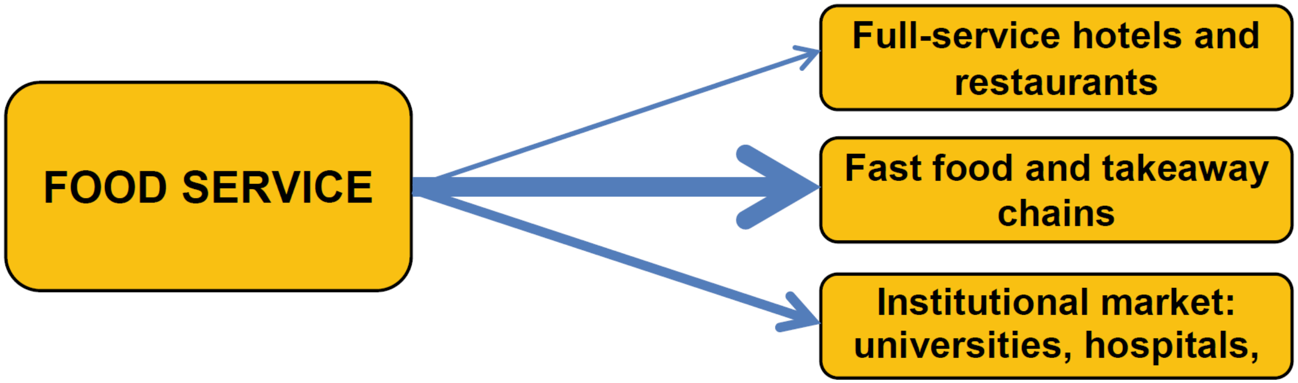

- Demand for authentic *and* fast-consumable food with a healthy food message.
- Importance of flavors
  - Southern Europe: traditional southern Europe flavors (e.g., France, Italy)
  - Northern Europe: exotic flavors (e.g., UK, Germany)
- Consumption in full-service restaurants in southern Europe declines (is expected to recover in long term).
- Increasing demand for value-added products.

Primary data

Coverage

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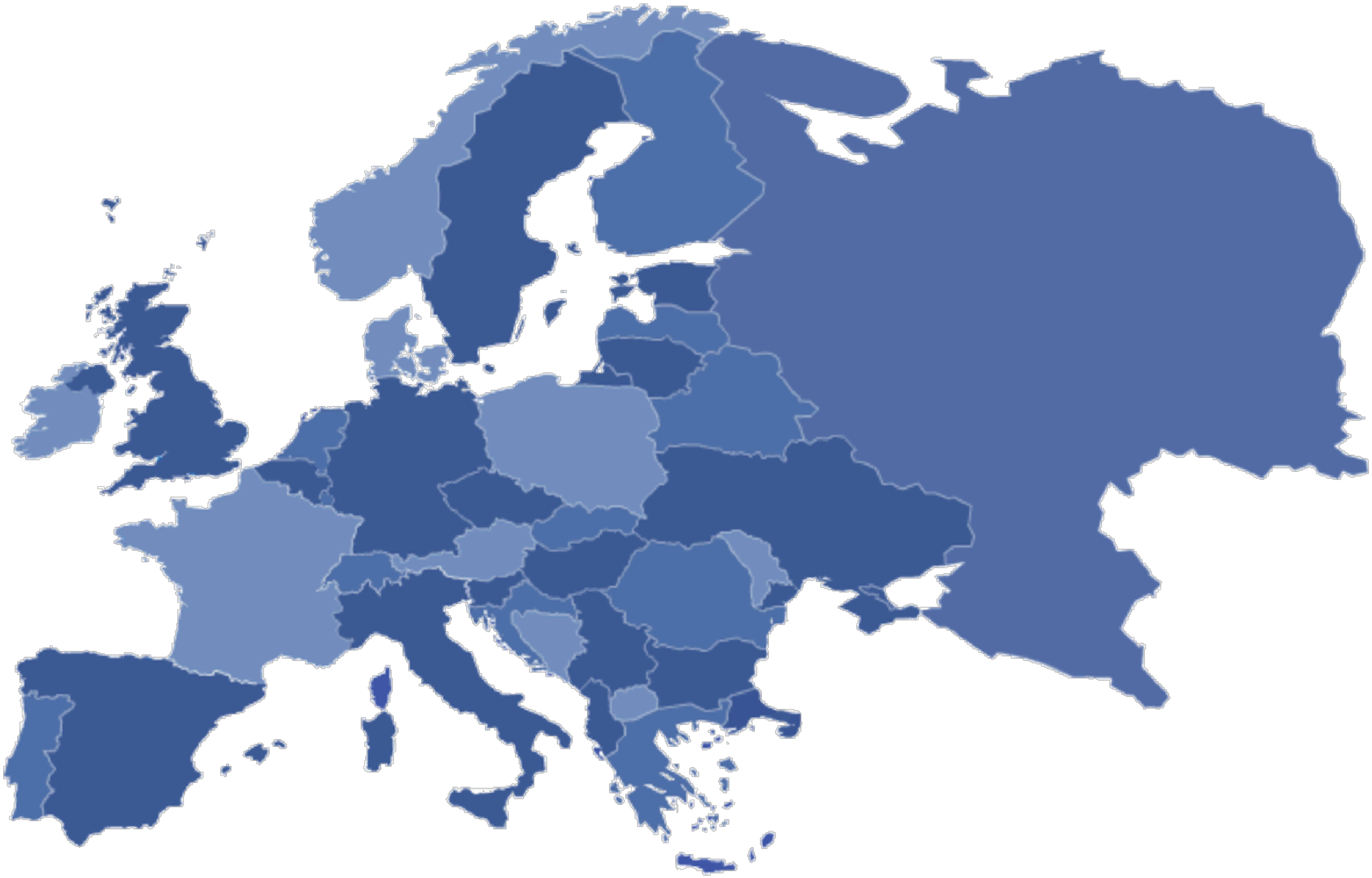

Coverage

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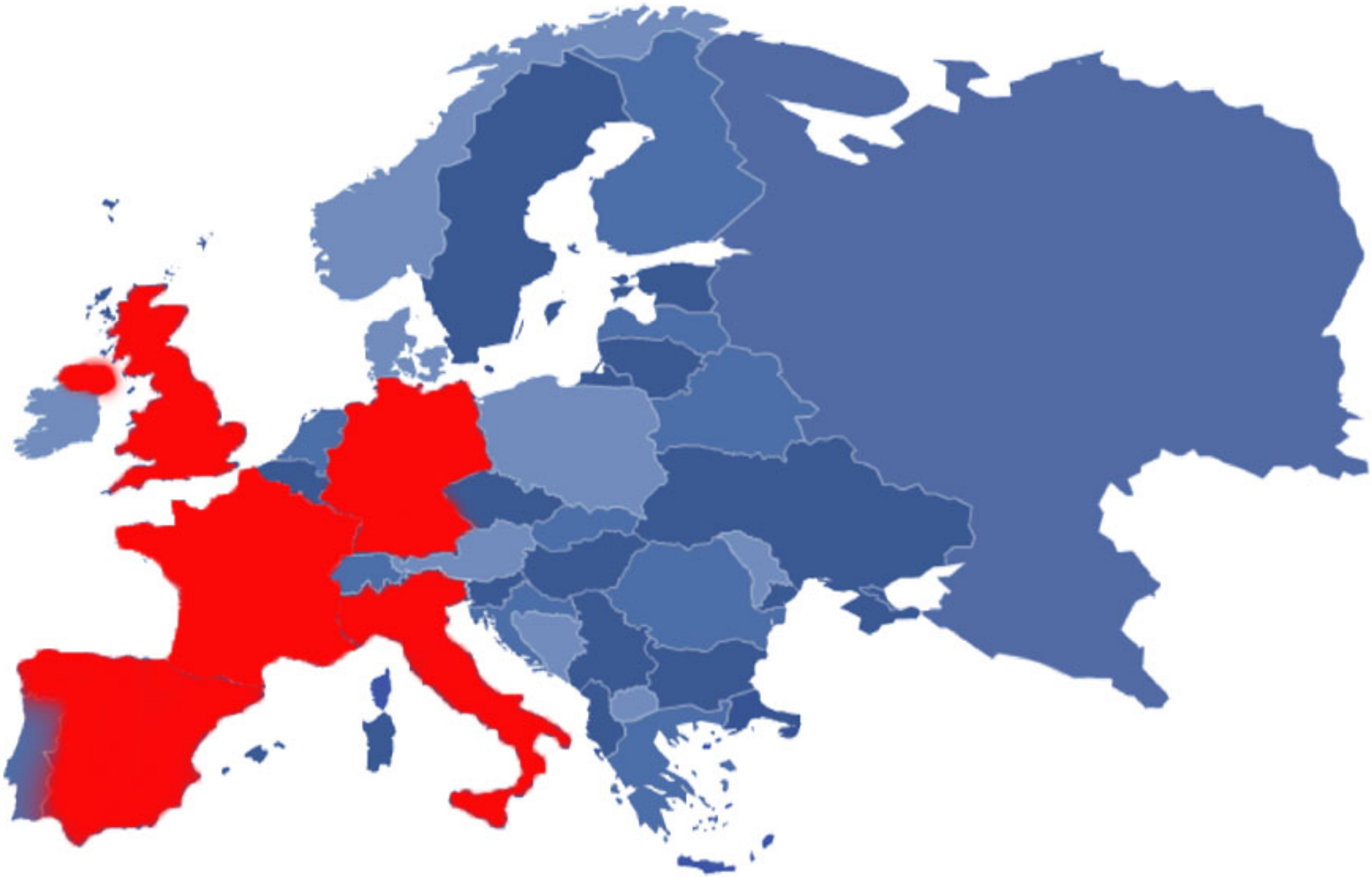

Preliminary Results: Overview

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- Generally positive attitude towards farmed fish.
  - Buyers always look for opportunities to expand the fish category
  - Fish should be different (don't cannibalize current products), but not too new (difficult to sell).
- Important attributes for adding new products to category:
  - Customer/market demand (main driver),
  - (expected) sales volume,
  - Supply capacity (should be large); economies of scale,
  - Price (margins),
  - Sustainable (feed, diseases, water contamination)

Preliminary results: Supply chain demands

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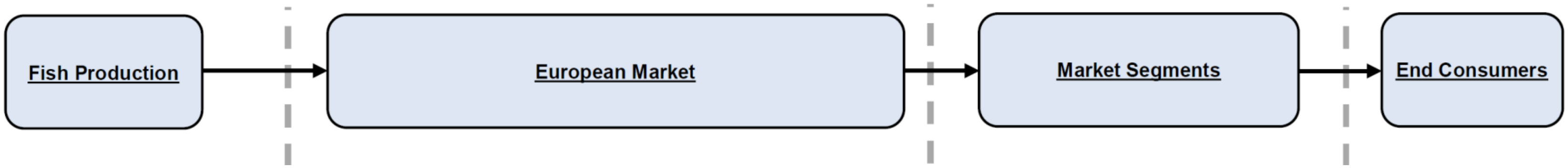

Market buyer needs

- Fresh fish (15% margin)
- Supply predictability
  - Product uniformity (e.g., size, taste, structure)
  - Just-in-time-delivery (lowers financing, storage)
  - Stable transport costs
- Packaging (less-is-more)
- Established relations (trust)

These USP's give farmer power

High volume
Low risk (contract)
Stable price

Consumer needs

- Authentic *and* fast-consumable food
- Country of origin: Important for Mediterranean countries (e.g., Spain, Italy).

Increasing must haves

- Sustainability labels/certifications: Quality indicator
- Chain of evidence (where did the fish come from?)

Motives of industrial buyers

- Retailers
  - Interested to expand range of products with new species
  - Look for constant and predictable supply (standardize); planned promotions
  - Certificates necessary
- Food service
  - Open to innovate in high-end segments
  - New species can be launched in cooperation with large customers (e.g., banks, hospitals)
  - Tendency to follow trends of restaurants and TV-chefs (e.g., 24-kitchen) → educate consumers

Buyer response to species of Diversify Project

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- Pikeperch (Sanders lucioperca)
  - Already sold (e.g., Germany), might be interesting when cheaper than wild catch.
- Atlantic halibut (Hippoglossus hippoglossus)
  - Well established as wild catch; farming interesting (e.g., lower price).
- Greater amberjack (Seriola dumerili)
  - Interest in UK, Germany (3th week of trial sales: €40/kg).
- Grey mullet (Mugil cephalus)
  - No interest in UK (no fresh water fish), unknown in Germany. Suggestion of buyer: "*farm grey mullet as fish food for other species*"
- Meagre (Argyrosomus regius)
  - Low familiarity in most countries.
- Wreckfish (Polyprion americanus)
  - Low familiarity in most countries.

What buyers need to know

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- For the 6 fish species it important to:
  - Provide samples (for taste, structure, freshness)
  - Benchmark the species against ‘mainstream’ fish (catch & farmed)
  - Indicate (potential) production volumes
  - Guarantee continuity of high-quality fish supply
  - Provide necessary certificates.

Summary & Next steps

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- This study mapped…
  - Motives of buyers
  - Innovation attitude buyers
  - Succes factors (e.g., USPs, certification, supply chain perspective)

- Perform within country analyses
  - Summary of characteristics of buyers within a country in terms of buying criteria and cultured fish perceptions

- Conduct cross-country analysis
  - Identify similarities between countries
  - Identify differences between countries

  → country/geo segments

Tomorrow: Workshop SME

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- 27.3.2 (DPO; TU/e): Business model and supply chain analysis
  - Aim: identify the presence or absence of the identified critical success factors and opportunities for improvement (TU/e).
  - Sample: The participating SME's of the Diversify project
  - Method: Survey (interviews); Template approach (use Business Model Canvas)

- See you tomorrow at 9:00 – 11:00, Room 3.

Thank You