

# The strategic role of the value chain in fish marketing

By

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Marketing of Seafood products: Trends and Challenges.

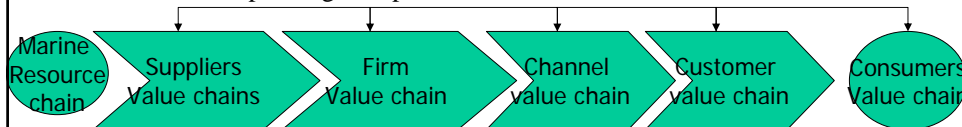
Zaragoza, 12-15 November 2007

## What is a value chain?

- Tracks of physical, economic and social logistics between raw material input and consumption
- Supply chain with a counter flow of payment
- Value adding chain transactions driven by entrepreneurs against profit
  - Exchange of money against fish products and services
- Value adding margin

## International trade goes through many value chains

- Is physical, economic and social transactions between firms crossing national borders
  - Transforming and moving products from raw material to final consumption against profit



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## Market power, the value chain energy

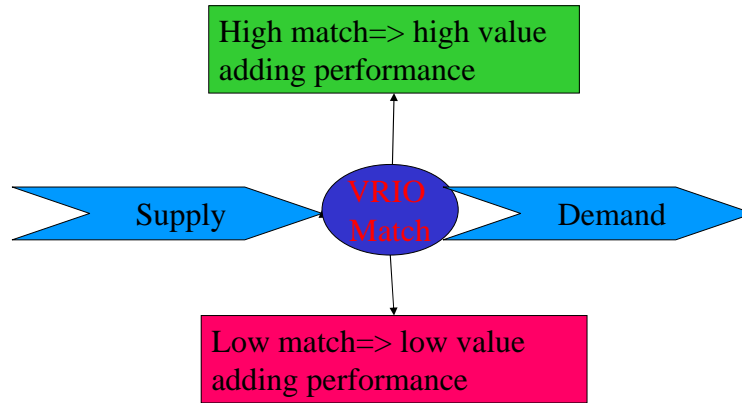
- Market power
  - Control over scarce resources demanded by others
  - Resources in the PESTEL environment
    - Political
    - Economic
    - Social
    - Technological
    - Ecological
    - Legal
- The VRIO power control of scarce resources
  - **V**= Supply of demanded values
    - Products/mix of product, prices, place/distribution, promotion, service and customer relations
  - **R**= Rare supply values compared to competitors
  - **I**= Imitation protection of rare supply values
  - **O**= Supply values protected by unique value chain organization & strategies

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# Value adding performance = f(SD, VRIO Match)



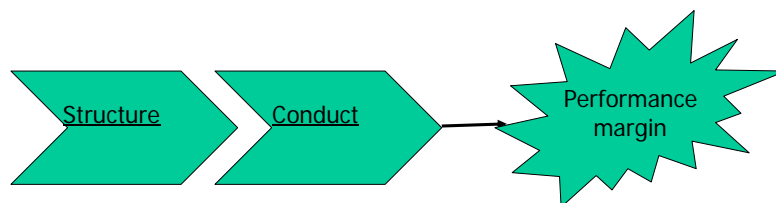
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# Performance margin

– SCP model from industrial economics



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Value adding margin= f (Competitive rivalry positioning towards external value chain structure)



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Value adding margin= f (positioning of internal value chain structure)

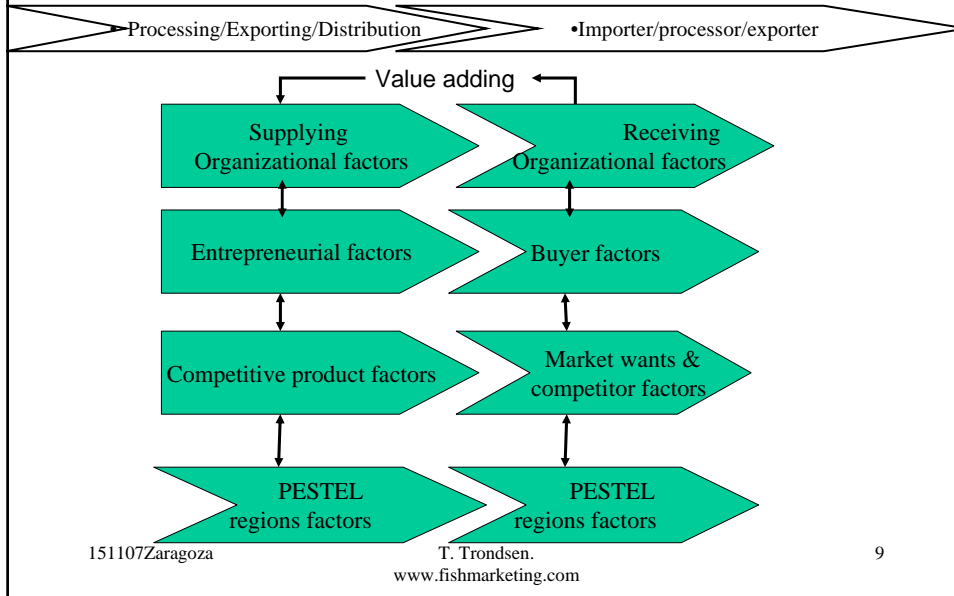


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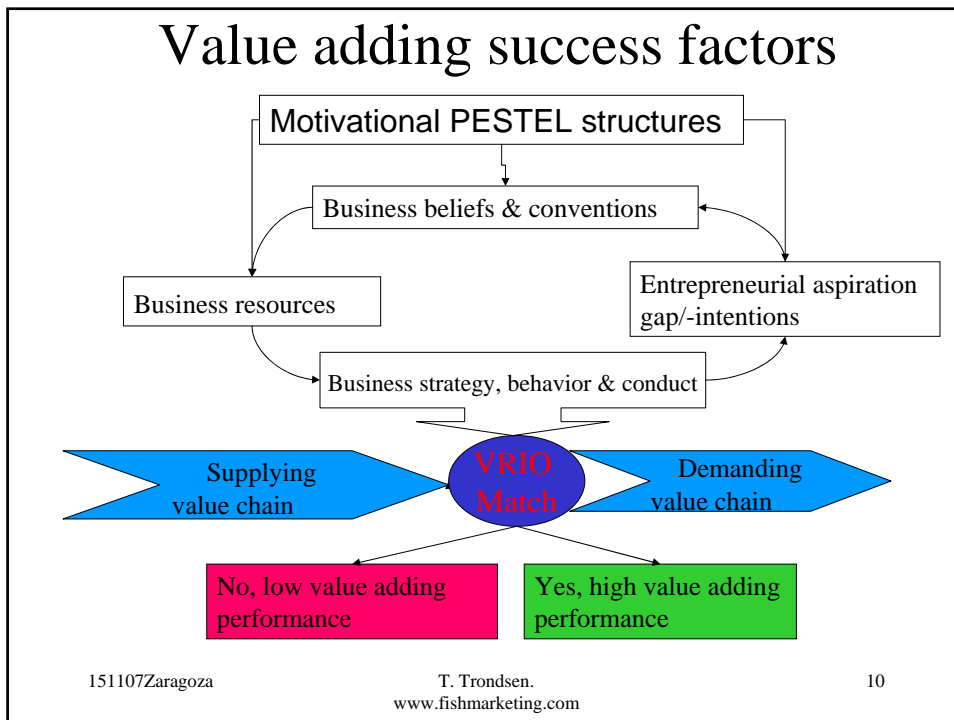
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## Performance: VRIO matches on different levels



## Value adding success factors



## *Business Conventions*

- : ... practices, routines, agreements, and their associated informal and institutional forms which bind acts together through mutual expectations” (Salais and Storper, 1992, p. 174).

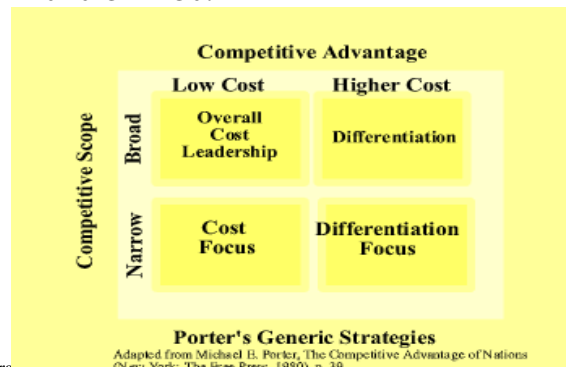
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## Porter's Competitive strategies

- All companies follow a strategy, either they admit it or not!

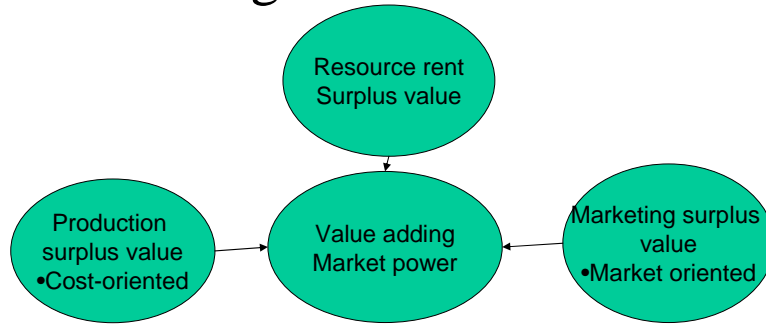


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# Many sources for value adding margins in seafood trade

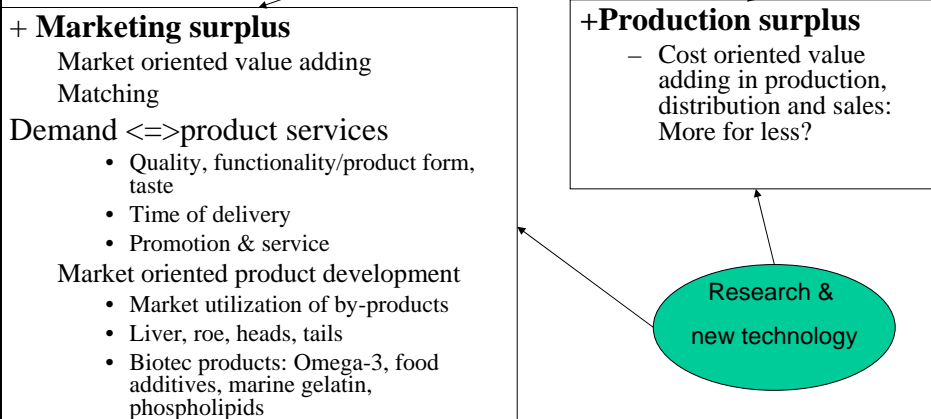


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## Value adding



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## Market power in seafood value chains

- Varies with relative control to limited demanded (bottlenecks) resources such as access to
  - Fish quotas
  - Catching and production capacity
  - Distribution network
  - Attractive customers
  - Marketing capabilities
  - Governmental regulations
- Changes over time are driven by alternations in the trade environment and in competition

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## Why is value chains important in fish marketing?

1. Globalization
  - Fish resources and main consumers located in different geographical areas and traded globally through specialized value chains
2. Sorting function
  - Heterogeneous catches are reallocated into specialized value chains satisfying homogeneous market needs
3. Buffer function
  - Storages and auction mechanism buffer catch and price variations across the value chain
4. Limit maneuver room for market oriented entrepreneurship and strategies
  - Practices in each unit limit practices in other units of the value chain
  - Value adding in one link of the chain restrict value adding in others
5. Communication and cooperation
  - Consumer oriented quality management are dependent of contribution from all units in the chain starting at the harvesting level.
  - Market oriented value adding requires vertical communication and management along value chains
6. Choice of customers and suppliers
  - Market oriented value adding increases in market structures where raw material, customer and suppliers can be substituted due to variation in harvesting and competitive pressure

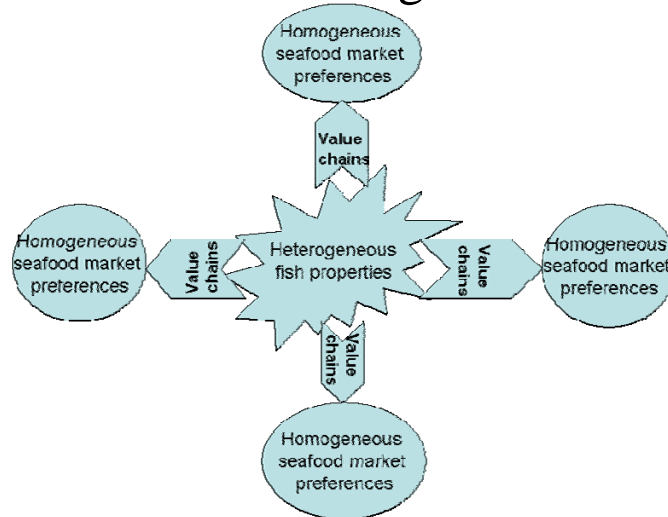
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## Marketing of multi-specie harvest Homogenization of heterogeneous raw fish

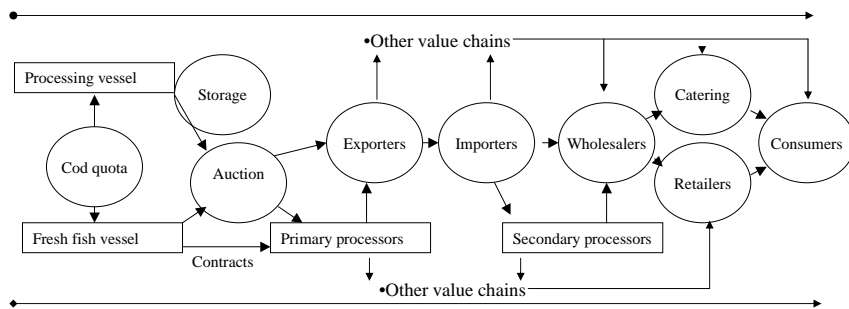


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## Value chain systems as a fish marketing chain



Firm Infrastructure, HR Management, Technology Development

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# Fish value chain

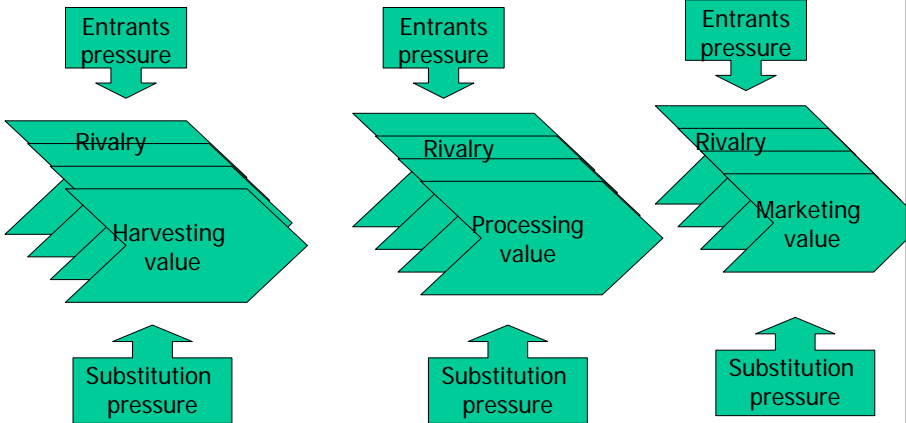


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# Strategic groups of value chains

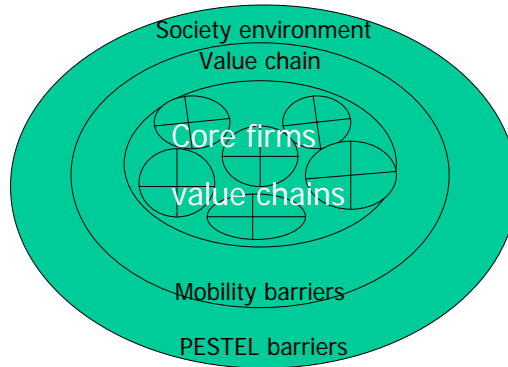


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# VALUE CHAIN TUBE



Value chain mobility barriers: Value chain specific PESTEL factors

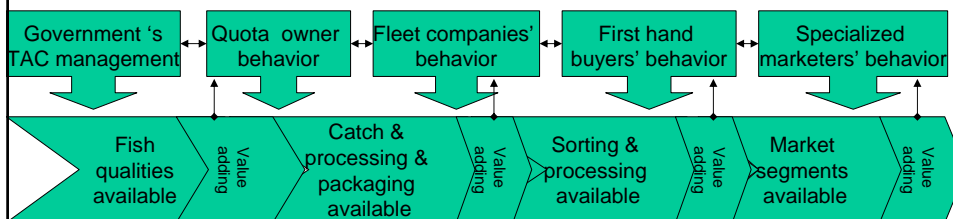
Society PESTEL Environment : Political, Economic, Social, Technological, Ecological, Legal conditions

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## Behavior factors influencing fish value chain

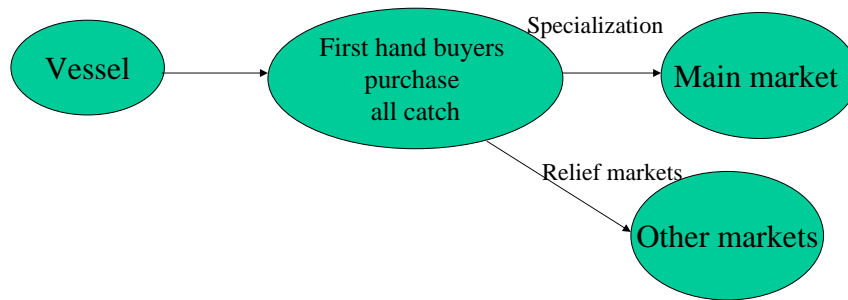


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## Norwegian minimum price system for first hand sales of fish

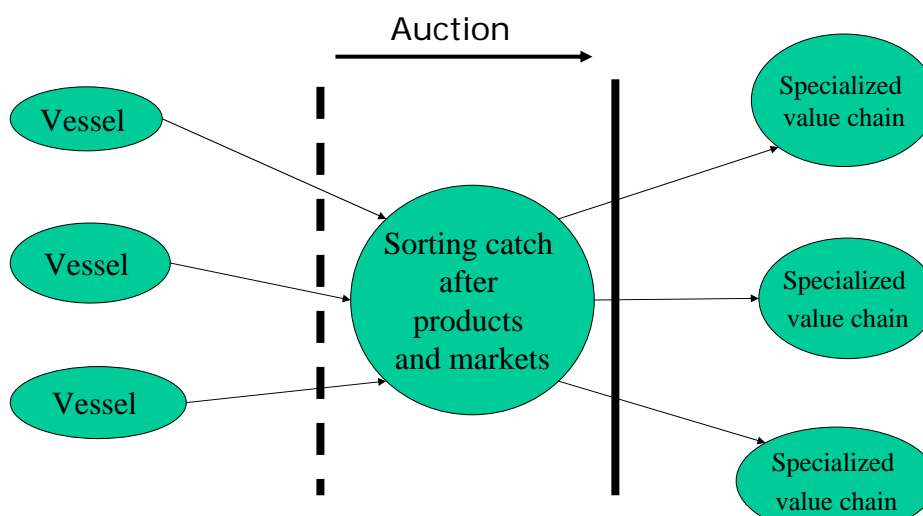


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## Fish auction

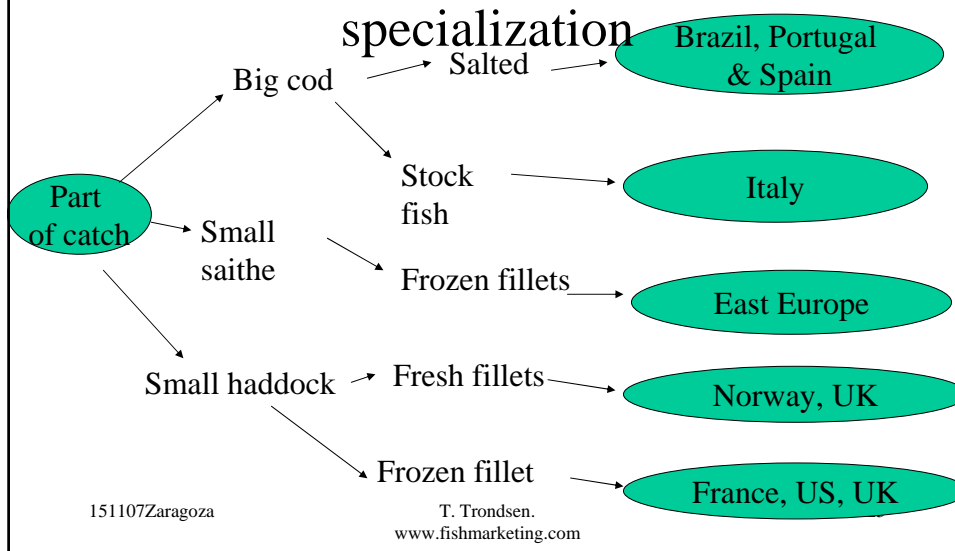


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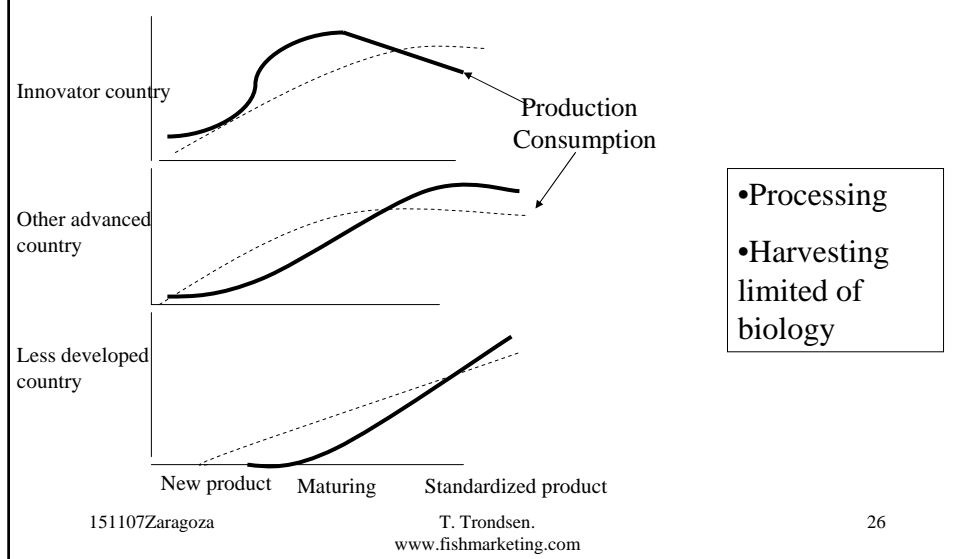
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## Fish auction allow fisher to gain value adding from market



## Value chains change over the product lifecycle?



## Analysing Key Success Factors of seafood value chains

- Performance data
  - profitability, margins, sales value, unit values etc.
- Operating strategic behaviour
  - COVA, Cost Oriented Value Adding
  - MOVA, Market Oriented Value Adding
- Input drivers
- The business organizations' drivers
- PESTEL regional & national drivers

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## Value Chain Development

### Trade conditions

1. Cost-benefits (profit margin)
  - Does trade gains greater than cost of development, trading, shipping and tariffs?
2. Perceptions across the chain
  - Are products equally acceptable in the mind of middlemen and consumers?
3. Network and competence
  - Are traders connected to networks communicating awareness of differences in cost, product attributes and services?
4. Middlemen margins
  - Does the differences provides profit for trading entrepreneurs?
5. Constraints
  - Are there other technical, financial or legal constraints for trading?

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## Conclusions

- Value chain analysis and strategies important in fish marketing
- Value adding by managing fluctuations and long term changes in the value chains
- More differentiations in fish value chains
  - Market oriented chains: More high valued quality chains value where “fresh” quality comes before price
  - Cost oriented chains: More frozen and dried/salted value chains where price comes before fresh quality
- Market oriented value adding requires
  - Competent entrepreneurial drive
  - Flexible value chain structure
  - Vertical cooperation
  - Market and product chain specialization

## Thank you

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