
Marketing of Processed Fish

5.01 Introduction

Marketing is a very important aspect in business since it contributes greatly to the success of the organization. Production and distribution depend largely on marketing (exforsys, 2009). There is a feeling among many people that marketing is just a normal function to sell the products produced or acquired from somewhere else for sales. The present chapter is an attempt at understanding these aspects. (Hubpages, 2009)

The modern concept of consumer-oriented marketing is different from the age-old concept of production-oriented selling. The first step in the consumer-oriented concept of marketing to be practised by a firm in its day-to-day business operations is to identify the market by finding out: who the customers are and who could be the potential customers. Therefore, this chapter explores the marketing challenges for the Gujarat fish processing industry in Section One. Section two deals with overseas markets and section three deals with fish export pricing and conclusions.

Section – I

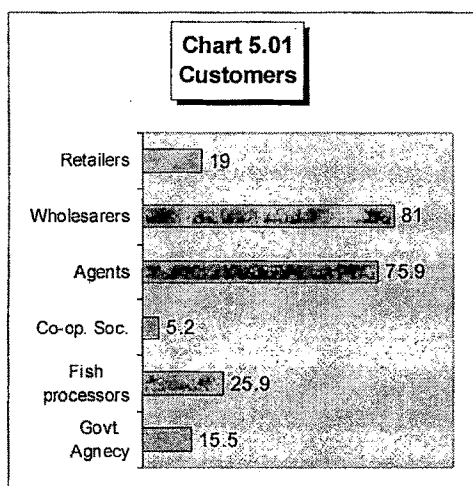
MARKETING

The present section provides basic facts related to marketing and also explores the challenges faced by the fish processing industry in the marketing of their products.

5.02 Customers

8% of the total processing units sell their products directly to the customers whereas nearly 40% of the units to the wholesalers. 32.1% of the firms market their products through agents and 2.2% through co-operatives societies. Some of the firms sell their products to large processing houses as well. Some of them even sell their products to the government agency that market their product in Saudi Arabia and South Korea.

Table 5.01
Customers



Customers	Responses		Percent of cases
	N	Percent	
Retailers	11	8.0	19.0
Wholesalers	55	40.1	81.0
Agents	44	32.1	75.9
Co-operatives Societies	3	2.2	5.2
Fish Processors	15	10.9	25.9
Govt. Agency	9	6.6	15.5
Total Responses	137	100.0	236.2

5.03 Duration of Sales

Production cost is dependent on the mode of selling. Fish products require cold storage facilities which involve high electricity cost. This energy cost is borne by the fish processing units. Electricity cost could be as high as Rs.30,000 per day. Quick sales will help reduce the electricity cost. If processing units save electricity cost for 10 days during the year, they can increase their profits by more than 10%. Of the total units surveyed, 25.8% sold their products immediately after processing. Another 47% sold their products in a week's time while some of them (about 20%) waited till prices rise.

Table 5.02
Mode of Sales

Mode of Sales	Responses		Percent of cases
	N	Percent	
Immediately after processing	17	25.8	29.3
In 2-3 days	5	7.6	8.6
In week	31	47.0	53.4
When demand	13	19.7	22.4
Total Responses	66	100.0	113.8

Hence, majority of the fish processors sell their product in the shortest possible time given the perishable nature of the product.

5.04 Sources of Market Information

A majority i.e., 72.4% of the fish processors locate potential customers through their own company personnel. 27.6% get support from MPEDA in getting customers. Agents and brokers a very important role in the industry. Many a times customers from Thailand, China and Singapore, directly come to Veraval and Porbandar to import fish. They give their order themselves to the processing units. 67.2% fish processing units also receive in this way.

“Fish exporters availed marketing assistance from MPEDA in the form of marketing information, marketing research and participation in fairs and exhibitions. The marketing assistance from MPEDA helps them in getting new markets and new customers and also make them adaptable to the changing marketing environment. However, the information supplied by MPEDA is sometimes of little value as they (the processors) could not obtain latest information about foreign markets and therefore not useful for business” (Rama Mohan Rao, K. and Vijaya Prakash, D., 2000).

“Fish exporters face problems in negotiation. The major problem being language as a barrier in communication. The exporters are not eloquent with the foreign languages and as such they are unable to participate in the negotiations. The exporters seek help from MPEDA for this. The apex body can build-up a team of negotiations on behalf of the exporters of the country. These specialist

negotiators shall take active part in arranging importer and exporter meets and facilitate for effective communication which yield fruitful negotiations” (Rama Mohan Rao, K. and Vijaya Prakash, D., 2000).

5.05 Maintaining Customer Relations

Maintaining customer relations is the key to effective marketing strategies. This can lead to sales increase by 50%, without increasing marketing budget. (Lake, L., 2008).

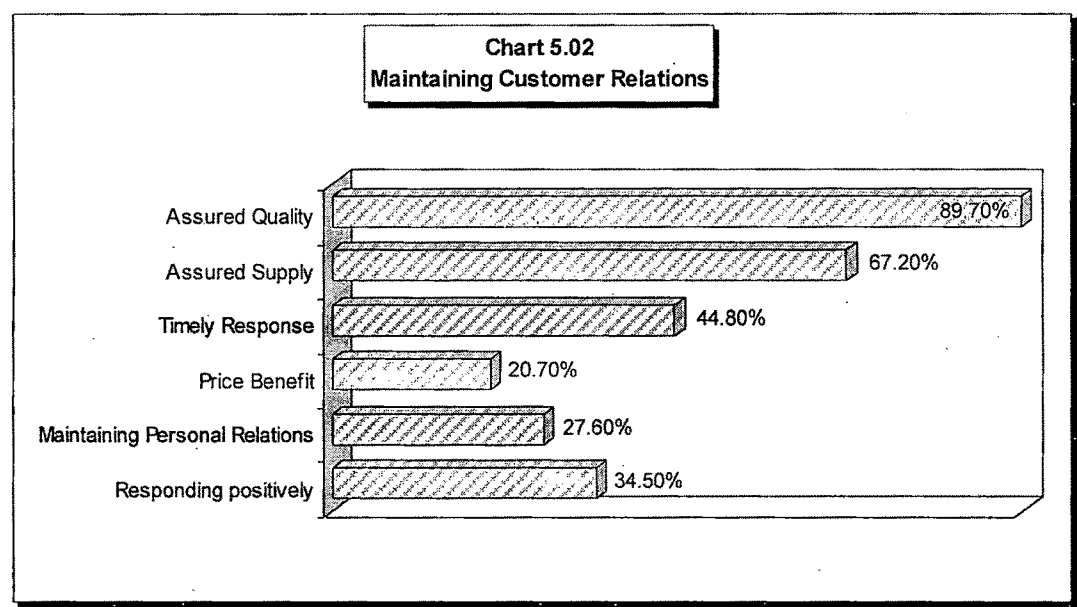


Table 5.03
Maintaining Customer Relations

Maintaining Customer Relations	Responses		Percent of cases
	N	Percent	
Assured Quality	52	31.5	89.7
Assured Supply	39	23.6	67.2
Timely Response	26	15.8	44.8
Price Benefit	12	7.3	20.7
Maintaining Personal Relations	16	9.7	27.6
Responding Positively to the Changes Suggested by Customers	20	12.1	34.5
Total Responses	165	100.0	284.5

It is very essential to maintain relations with existing customers for sustaining business. 89.7% fish processing units maintain relation by assured

quality, 67.2% by assured supply, 44.8% by timely response, 20.7% by offering fair price, 27.6% by maintaining personal relations and 34.5% by responding positively to the charges suggested by customers. In fact, they use combination of these strategies. Two variables play a significant role in customer relations. These are assurance of quality and timely supply.

5.06 Strategies to Increase Future Sales

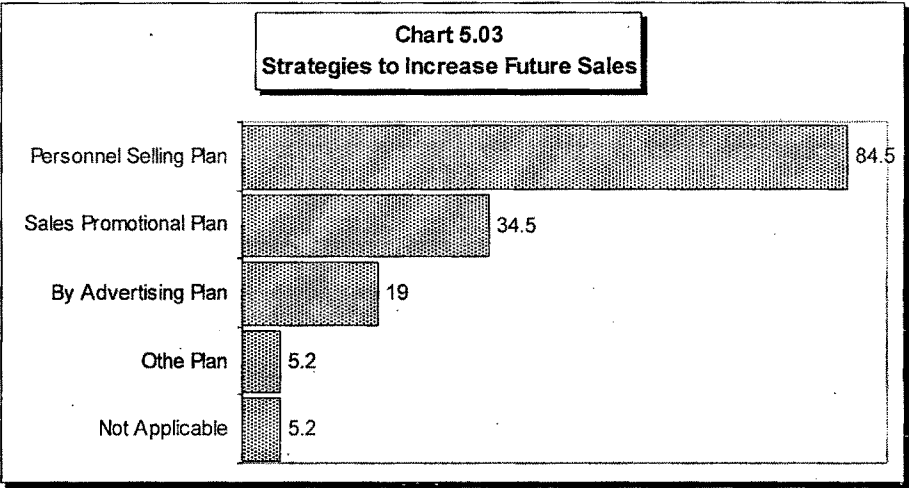


Table 5.04
Strategies to Increase Future Sales

Strategies to Increase Future Sales	Responses		Percent of cases
	N	Percent	
Personnel Selling Plan	11	12.8	84.5
Sales Promotional Plan	20	23.3	34.5
By Advertising Plan	49	57.0	19.0
Other Plans	3	3.5	5.2
Not Applicable	3	3.5	5.2
Total Responses	86	100.0	148.3

Most fish processing units (84.5%) want to resort to increase in sales using the personal selling plan method, which they have found effective. The firms want to hire the personnel themselves and undertake promotion of their products. 34.5% fish processing units want to enhance their sales through specific promotional plans. Advertisement is not a popular strategy of marketing in the fish processing sector. Only 19.0% of the fish processing units are using it.

Another 5.2% of the fish processing units want to increase their sales by other plans, such as the following:

- product diversification (Surimi)
- establishing the own plant instead of their present hired one
- Through agents and brokers

5.07 Product Diversification

A shortage of raw-material (fish) prevails across whole of Gujarat, and also across the country. According to an FAO study, in six countries including India, the production of low-value fish amounts to 25% of the total marine catch. In specific country, it is estimated to be higher than 50%. It is therefore recommended that low-value fish should also be utilised for human consumption (FAO, 2006).

In Gujarat only a few types of fishes are presently used for export. The data shows that only 22.4% fish processing units are interested in exporting other types of fishes, which they are not processing and exporting presently. The majority (77.6%) of fish processing units do not want to take the risk. Hence, majority of the processors want to continue with the traditional products. This is in contravention with the process of globalisation when product diversification is taking place on a large scale as discussed earlier. This may be because of the risk involved in introducing new products.

Research in conversion of low value fish to high value products, is very necessary as per 'Recommended Research Needs' in fishing industry. (Malhotra and Sinha, 2007). Few of them are willing to adopt. Fish processing units reported that they planned to process other types of fishes, as follows:

- New IQF fish product – 3.4% fish processing units
- Ribbon fish stick/chunks – 3.4% fish processing units
- Prawn item, consumer pack – 1.7% fish processing unit
- Cat fish – 1.7% fish processing unit
- Surimi – 1.7% fish processing unit

- King, fish and pomfret – 5.2% fish processing units
- Other types – 5.2% fish processing units

However, the majority of the processing units (77.6%) do not want to take any risk.

Section – II

OVERSEAS MARKETS

5.08 Price Information

“Marketing information relating to supply and demand positions in various traditional markets, changes in regulations, competitive positions, market expectations etc., are required by the exporters to orient their organization. Marketing information is the basic input for the organization in order to be adaptable to the changes in the external environment” (Rama Mohan Rao, K. and Vijaya Prakash, D., 2000).

A continuous flow of information is necessary to keep track of market changes around the world. “The information need of organizations is necessitated by two factors. Firstly, the size and complexity of today’s organizations leading to voluminous information gathering and processing before vital marketing decisions can be taken. Secondly, the marketing decision makers are located away from the field of activity, i.e., the market. In the nature of things, they mostly manage on the basis of the information that reaches them” (Ramaswamy and Namakumari, 1995).

Survival in today’s competitive business environment requires efficient management of market related information. This effectively contributes to the achievement of pre-determined objectives (Kumar, S., 1997). In the present study, it was found that 75% of fish processing units have information about prices in different markets of the world whereas 25.9% do not have. Hence, majority of the

processors are ignorant about the market conditions. This may have an impact on their sales and also the price that could be realised for the products.

To understand this, t-test has been used for those having information and not having information.

Table 5.05
Information about Prevailing Prices

	Mean	Std. Deviation	t-value (df)	Sig. (2-tailed)
Yes	158.39	90.83726	2.617	.011
No	90.03	74.82537	(56)	

The independent-samples t-test analysis indicates that those who had information could get a mean price of Rs. 158.39 whereas who did not have this information received mean of Rs. 90.03. It indicates that those firms that have information receive a better price for their product. Hence, it can be said that market information is useful in revenue maximisation.

The quality of marketing decisions depends a great deal on the quality of marketing information available to the decision maker (Ramaswamy and Namakumari, 1995). This could be through various sources. In the present study it was found that there are several sources of market information. The major source of information is the internet. Hence, availability of new technology is playing a significant role in the growth of market.

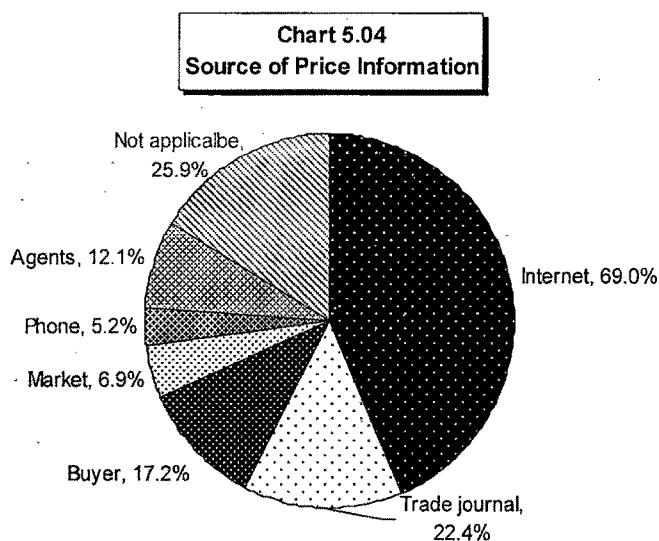


Table 5.06
Source of Price Information

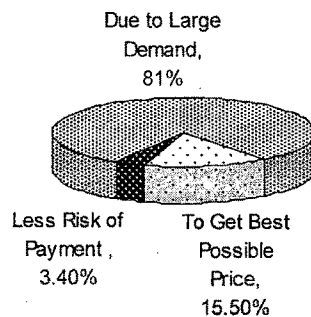
Source of Price Information	Responses		Percent of cases
	N	Percent	
Internet	40	43.5	69.0
Trade Journal	13	14.1	22.4
Buyer	10	10.9	17.2
Market	4	4.3	6.9
Phone	3	3.3	5.2
Agents	7	7.6	12.1
Not applicable / No information	15	16.3	25.9
Total Responses	92	100.0	158.6

At the same time journals are also an equally important source of information in addition to the buyers themselves.

5.09 Reasons for Selection of Overseas Markets

Proper market selection is an integral part of international business strategy. The opportunities accorded by various overseas markets must be carefully evaluated, keeping in view the resources, distinctive capabilities and constraints of the firm. Through careful market selection, opportunities can be fully exploited and the risk involved in international business can be minimised (Ramaswamy and Namakumari, 1995).

Chart 5.05
Reasons for selection of overseas markets



81% of the fish processing units selected overseas market due to great demand for the products. 15.5% fish processing units reported that each country

has its own particular taste. This could help the industry in Gujarat in capturing the markets for the products.

5.10 Problems Faced in Selling Fish in Overseas Markets

32.8% of fish processing units reported facing problems in selling in overseas market, while 67.2% did not face any problems. The nature of problems varies from payment related problems to low price realisation. Of course, there are contradictions so far as getting a fair price for the product in the international market is concerned. Those are unable to get a fair price are those who do not have sufficient information about the market. There are a few exporters that have been making efforts but find difficulty in locating customers.

Table 5.07
Nature of Problems

Nature of Problem	Percent
Lower Price Realisation	10.4
Payment Problem / Cheating	17.3
Difficulty in Finding Customers	1.7
High Freight	3.4
Not Applicable	67.2
Total	100.0

Section – III

STUDY OF FISH EXPORT PRICING

5.11 Introduction

Pricing is perhaps one of the most important areas in the field of marketing and decision making for a firm. Revenue of the firm and the firm's share in the market depends on price. It is therefore worthwhile to study this aspect.

The price for the products from Gujarat are valued at lower price in the international markets. Data shows that India's average export price is Rs. 136 and whereas that for products from Gujarat, the average export price of fish is only Rs.

67 (Government of Gujarat, 2008). Why? An attempt has been made here to understand this.

5.12 Product-wise Prices

Table 5.08
Product-wise Price 2006-07 (per kg / Rs.)

Frozen Shrimp	Frozen Lobster	Frozen Cuttlefish	Frozen Squid	Frozen Fin Fish	Surimi	Dry Fish Items	Others	Average fish export price
165.25	832.45	105.96	95.69	51.34	152.53	164.43	80.93	67.20

Source: Gujarat Fisheries Statistics *op. cit* and primary survey

The prices of fishes are different product to product and size to size. Table shows that price realisation per kg at abroad which exported from Gujarat that Rs. 165, 832, 105, 95, 51 and 152 for frozen shrimp, frozen lobster, frozen cuttlefish, frozen squid, frozen fin fish and surimi respectively. It can be also shows that frozen fin fish is realised lowest price whereas frozen lobster is realised highest price in the international market. That's why Gujarat gets lower price in the international markets. Frozen fin fish contain more than 65% share in Gujarat total fish export. Whereas the share of high value fishes in export is less than 3% such as frozen shrimp and frozen lobster (Government of Gujarat, 2008).

5.13 Market-wise Prices

Table 5.09
Market-wise Price 2006-07

Country	Price (Rs.)
Japan	91.7
USA	90.51
European Union	109.28
China	50.94
South East Asia	67.71
Middle East	106.07
Others	59.75

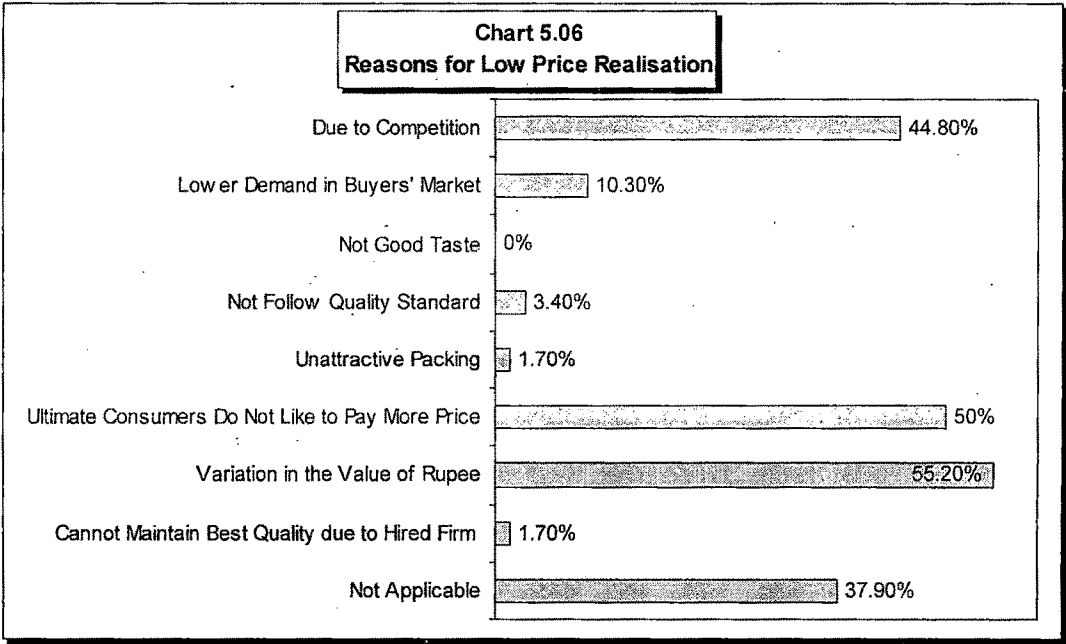
Source: Gujarat Fisheries Statistics *op. cit*.

The price realisation depends on direction of export. As is shown in the table that for the same products, the price that the exporters from Gujarat received is the highest in the European market and lowest in Chinese market. This justifies the adoption of quality standards.

Price is mainly decided by the market forces of demand and supply in the fish processing industry. Generally in fish processing industry smaller firms take the prevailing market price as given rather than setting their own prices.

“Developing countries like India have not been able to obtain better price realisation despite the comparative advantage they enjoyed in having a better catch position and low cost of labour” a study conducted by the Indian Institute Management , Calcutta, said. (Punnathara and Kumar, 2000). The low price realisation has discouraged many country boats and motor boats from venturing into the sea as the returns would not even meet the costs (George, J., 2008). Therefore, it is important to understand whether fish processing units in Gujarat get prices according to their expectation or not.

It was found that 37.9% of fish processing units were getting prices that meet their expectation, while majority do not get the expected price for their products. The reasons for the same are shown in the chart.



With multiple responses, majority feel that this is mainly due to competition (44.8%), lower demand in buyers' markets (10.3%), not following quality standards (3.4%), unattractive packing (1.7%), etc. Few of the fish processors were of the view that if the price of raw-material was fixed by the Fish Exporters Association, then the problem would be solved. This will also reduce competition among the exporters themselves. Hence, government intervention or through its agency is important in determining price. This will even facilitate small processors.

5.14 Conclusions

Fish processing units get information about demand and prices of different markets of the world through various sources like internet, trade journal, buyers etc. and export in countries like China, Japan, USA and E.U. Fish processing units choose to export their fish products where they get best possible price. However, fish processing units face some problems in selling in the overseas market such as high freight, trade cheating and lower price realisation.

Profit of the processing units depends on price received by them for their products. More than 50% of the units do not get price as per their expectation. This is mainly due to competition. Government can play an important role in regulating competition among the domestic processors.

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