farnet

GUIDE #3

Adding Value to Local Fishery and Aquaculture Products

European Commission
Maritime Affairs and Fisheries

EN

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Production:
DevNet geie (AEIDL/Grupo Alba)/Kaligram.

Editor: European Commission, Directorate-General for Maritime Affairs and Fisheries, Director-General.

Printed in Belgium on recycled paper.

List of acronyms

4 Ps	The 4 components of the marketing mix: Product, Place (distribution), Price, Promotion
AMAP	(French: Associations pour le Maintien d'une Agriculture Paysanne) (Associations for the Maintenance of the Family Farming)
Axis 4	4th axis of the European Fisheries Fund
CFP	European Union Common Fisheries Policy
DG MARE	European Commission Directorate-General for Maritime Affairs and Fisheries
DG SANCO	European Commission Directorate-General for Health and Consumers
EC	European Communities
EFF	European Fisheries Fund
EU	European Union
FAO	United Nations Food and Agriculture Organisation
FAP	Fishery and aquaculture products
FARNET	Fisheries Area Network (fisheries areas involved in Axis 4).
FLAG	Fisheries Local Action Group
FOS	Friends of the Sea
HACCP	Hazard Analysis Critical Control Point
HORECA	Hotel Restaurant Catering
IBO	Inter-branch Organisations
ISO	International Organisation for Standardisation
MSC	Marine Stewardship Council
OP	Organisation of Producers
PCBs	Polychlorobiphenyls, chlorinated aromatic compounds (chemical pollutants)
PDO	Protected Designation of Origin
PGI	Protected Geographical Indication
R&D	Research and Development
SMEs	Small and Medium-sized Enterprises
TSG	Traditional speciality guaranteed
UBD	Use-by date
WHO	World Health Organisation

Foreword

This guide has been developed as a tool to support local project promoters in planning and implementing projects that seek to add value to local fishery and aquaculture products. It does not aim to give an exhaustive list of all possible approaches to adding value, which are as numerous as the different types of market or local production processes. Rather, it is designed to enable project promoters to structure their endeavours so as to maximise their chances of success.

The guide can also be used by members or staff of FLAGs (facilitators, volunteers and other people involved in the work of the local development group), whose role is to facilitate the development of projects in the territory, and to provide advice to project promoters.

1. Introduction

1.1 Why add value to local resources?

At present, between 60% and 70% of fishery and aquaculture products (FAP) consumed in Europe is imported, and the trend is for continued growth in imports, which will continue to push the European Union's self-sufficiency rate[1] downward. Despite this high level of dependency on imported FAP, a substantial number of European producers find it difficult to sell their products. Some consider this situation unacceptable, while others see it as offering opportunities. Indeed, the EU has become the world's leading market by value for the consumption of FAP and this market continues to grow, adding new species and new products daily, driven by the increased per capita consumption. This trend opens up a multitude of possibilities for European producers, provided they can meet the expectations of today's consumers.

Fishermen often complain about structurally low prices and stringent selling conditions. It is true that the power in the relationship between fish producers and distributors is not stacked in favour of producers. Production is carried out by a large number of operators, while distribution is increasingly concentrated in the hands of a small number of players. The role of large supermarket chains in the sale of FAP varies from 60% to 80% of volume consumed, depending on the country concerned. Actions aimed at adding value can enable producers to recover part of the value of the product, which is usually generated further down the chain. Likewise, via the structuring action of certain initiatives based on collective bargaining, the power relationship with players downstream in the chain can be re-balanced.

But despite the growing demand for FAP, some business operators still encounter difficulties in selling their products. One of the reasons why imports are increasing and the price of local products is continuing to stagnate is that these local products are no longer sufficiently well-adapted to the demands of European consumers. Tastes and consumer habits change over time, and as lifestyles evolve. It is necessary, therefore, for producers to understand their market, so as to be able to adapt their products to the changing needs and expectations of consumers, and therefore to derive optimum value from their production.

Consumer habits have changed greatly in recent years with, generally speaking, an increasingly urban, dynamic lifestyle, and consumers who are more and more remote from the level of primary production. This disconnection from production has led to a lack of interest in, or even dislike of fresh whole fish, which have lost ground to easy-to-use products which only take a short time to prepare.

Pressure on producers comes not only from lower selling prices, but also from higher input costs. The various energy crises of recent years have highlighted the vulnerability of the sector to external conditions. Pressure on profit margins has been unbearable for some. Investing in actions aimed at adding value could enable producers to achieve higher profit margins, providing some breathing space in an economic sector under pressure.

[1] The self-sufficiency rate is the relationship between European domestic production and consumption of fish

The potential catch of many species has also been in decline for some years, and there is no likelihood of any immediate reversal in this trend. So catching more to compensate for increased input costs and stagnant selling prices is not a possibility. In this context, processes connected with adding value would appear to be one of the few options available to the sector to improve its economic situation.

Developing actions aimed at adding value to local products would seem to be a credible component in the strategy that the fishing and aquaculture sector needs to develop in order to meet current and future economic challenges. Such actions can also provide a way for the sector to benefit from the opportunities presented by the very dynamic nature of the European market for FAP.

Adapting to market trends does not always require enormous effort on the part of the producer, but a positive, pro-active attitude is necessary, and is the key to any action connected with adding value.

1.2 Scope of the guide

The aim of this guide is to support local players (fishermen, fish farmers, processors, project promoters) in putting in place a process for adding value to local products. The key element here is the product. The guide does not include activities aimed at the diversification of local activities, whether or not they are linked to the fishing sector (such as pescatourism). These will be dealt with in a subsequent FARNET publication.

It is important to realise that the issue of maximising the value derived from production applies to all levels of the fishing and aquaculture sector, whatever the size of the business or the species targeted. There are, therefore, as many possibilities for adding value as there are different types of production. However, the logic that is common to all actions to add value is to ensure that the product meets market requirements.

Maximising the value of production consists first and foremost of tailoring the product to the market. The market is a concept that is much talked about, and that appears to have a life of its own, but which nobody ever really manages to define or comprehend. Here, we propose to consider the market as the place where consumers and their demands meet producers and their products. It is important to bear in mind, however, that ultimately it is the consumer who decides what to buy.

In relation to the product, this is not limited to the physical product, which comes off the boat or out of the pond. Indeed, even in terms of fresh produce, what is sold on the market is represented by more than the fish itself. The product actually consists of a series of elements which contribute to its sale (availability, volume, quality, packaging, image, price…).

These various elements are developed all the way along the value chain, culminating in the end product. One of the key issues in the fishing sector is, therefore, to recognise the importance of not just selling fish, but selling a product that comprises different characteristics that allow maximum value to be derived from that fish.

The challenge underlying actions relating to adding value is to encourage the producer to become a fully-fledged player in the market, and not just a spectator/supplier. One of the criticisms often levelled at the fishing sector is that it "does not sell its fish, someone buys it". However difficult and demanding the fisherman's or fish farmer's job may be, that hard work is often not enough to guarantee a decent income. Maintaining sustainable local fishing must also involve actions to maximise the value-added generated locally.

The aim of this guide is to give local producers the elements necessary to become fully-fledged players in the market, and in so doing, add value to local production.

The first part of the guide contains methodological elements, which will enable the logical implementation of a project to add value, as well as an explanation of the tools that all producers have at their disposal to tailor their products to the market. For example, concepts such as the marketing mix and quality will be introduced. These methodological elements are intended to guide the producer in carrying out a project, and to maximise the chances of the project being a success.

The second part of the guide presents in greater detail a number of different approaches for adding value to local products. These strategies for adding value are illustrated by practical examples of projects that already exist in these various spheres of activity.

1.3 Axis 4 and adding value to fishery and aquaculture products

Axis 4 of the European Fisheries Fund is an instrument to support the sustainable development of fisheries areas. Adding value to fisheries products is one of the key activities encouraged by this new European Commission initiative.

Adding value allows for better margins to be made at local level, which contributes to improving the economic situation of local players, which in turn contributes to the development of the territory.

The specific nature of the actions supported by Axis 4 is that they encourage the integration of various projects into a development strategy for an entire area. This implies that the various projects contribute in a coherent way to achieving commonly-defined objectives for the benefit of the whole territory.

Moreover, via work carried out in a partnership that brings together the various players at local level, these projects benefit from the opinions and collaborations of all the parties involved. Starting from the proposition that “many heads are better than one”, this enables the partnership to avoid mistakes, to capitalise on the experience present within the group, and to generate ideas and new possibilities drawing on the diversity of the players involved. By involving other sectors of the local economy, not only can the experience acquired in these other sectors be put to good use, but also a process of reflection is initiated about possible new collaborations between these sectors, which opens the door to new opportunities for the area.

For example, one of these collaborations could aim to capitalise on the specific resources of the territory. Local fishing communities often have unique know-how, culture or traditions which underpin the quality, typicality and the image of their products, the value of which can then be enhanced in many ways. A coherent action to exploit these territorial assets seems logical and forms an integral part of the concept of sustainable development of fisheries areas promoted by the European Fisheries Fund.

The development of activities aimed at adding value via Axis 4 not only allows a sound economic framework to be developed or maintained, but it can also capitalise on all the resources (human, economic, cultural) present in the territory to foster sustainable local development.

2. Some basic principles to make your project a success

2.1 Be realistic and enthusiastic

Motivation as a key to success

The success of a project depends above all on the motivation of the people who have decided to implement it. The commitment of these individuals throughout the various phases, from reflection to practical implementation, is essential. The project must not be driven by an external organisation, but by the project promoters themselves. In the case of local projects that are in receipt of public aid, the support of a consultant or adviser can be beneficial, but they should not be asked, or allowed, to take the important decisions.

The road to success may present many challenges: finding partners, writing the applications for funding, complying with health regulations, or obtaining a loan. This succession of constraints should not sap the will of those involved to carry out a project to its conclusion.

Be realistic

While it is essential to be motivated by the project, the constraints and obstacles to be overcome must not be under-estimated.

Firstly, relevant rules and regulations have to be taken into account. With regard to FAP, the two most important areas of European regulation concern health and product labelling. It should also be borne in mind that national laws can sometimes go beyond the obligations imposed by the European Union.

It is also necessary to be aware of the personal investment that is required to set up and run a project. As indicated earlier, success can only come from the direct involvement of the project promoters. This involves attending information meetings, participating in exchanges of ideas with other players, and finding finance from banks, partners or public bodies, despite the complexity of the administrative procedures.

Finally, it is important not to over-estimate the market or technical potential of a project, to check its viability, and allocate resources commensurately.

Capitalise on your own resources…

Improving a product does not always require expensive investments in terms of time and technology. Improvements sometimes consist of small steps relating to the way the production is organised or even more simply, to how things are done. One of the most common mistakes made by local producers, who often work with small teams, is one that is common to all SMEs: not taking the time to think about what they are doing. They have their "heads down" and don't look up enough to see where they are going. Invariably, there is not enough time to do everything that has to be done, and there is no desire, therefore, to take time to undertake work that might seem unproductive. However, quite often, by taking the time to analyse how things are done, producers can see potential for improvements, which could simplify the production process, or enable them to improve margins or add value. Moreover, collective actions enable people to compare the way they work, compare experiences and share good practice.

… but recognise your limits

It is good to be an expert at what you do, but another view from the outside also allows some detachment from what you have always done. One of the difficulties facing producers is to understand and accept that the practices of the past, which provided prosperity for many fishing areas, have to change to keep pace with fast-changing markets.

Certain activities require specific expertise. Bringing specialist assistance on board as and when needed enables additional know-how to be acquired for a limited investment, thus avoiding making mistakes that are easy to avoid and could otherwise cost a lot of time and money. The role of the FLAG is very important in this regard. It can either provide technical advice directly, if it has the resources in-house, or point the project promoter towards potential sources of support.

2.2 Adopt a project process

The time that elapses between the birth of an idea and its practical implementation can be significant; it can take several years. To complete a project, it is necessary to adopt a structured approach, in order to avoid losing sight of the main objective.

The major stages that should not be neglected can be defined as follows:

Before getting started:

Define the objectives:

In the context of this guide, we consider that the main objective is to add value to FAP. However, beyond this ultimate economic goal, other aspirations of the project promoters may also influence the process. For example, establishing a direct link with the consumer may be an additional motivation for producers, rather than a deterrent. Likewise, there may be a desire to work as part of a group.

The objectives pursued might include:

> creating a job, whether for a spouse or an employee (by developing processing and/or direct sales, for example);

> participating in the life of the local community, or in a tourism project, etc.;

> improving the sustainability of certain practices,

> …

Taking these objectives into account in the definition of the project can help to avoid running into difficulties at a later stage.

In addition, if a project involves multiple players, or several levels in the supply chain, it is important to make sure that the objectives of each stakeholder are taken into account. For example:

> increased value-added for producers, as well as for partners downstream (win/win strategies);

> better quality raw material for processors;

> a guarantee of supply, or diversification or segmentation of supply for distributors.

Identify the options:

To achieve the objectives, several different options can usually be considered. For example, to create a job, direct sales or a new processing stage are two options that could be considered. To identify what options are possible, the successful initiatives of enterprises operating in a similar field, or in the same geographical area, could be examined (transnational cooperation projects or field visits can therefore be organised through Axis 4. Market demand is also an important element to consider when selecting a project.

For increasing the value of FAP, some of the main initiatives are listed in part 3 of this guide.

Define the project idea:

A comparison of opportunities, objectives and preferences of the project promoter(s) should enable the outline of the project to be defined: the products concerned, the business strategy, the main target market. The choices made at this stage must be consistent with the objectives and options and be presented in a logical framework.

Check the technical feasibility of the project idea:

Before going further with project implementation, it is important to ensure it is feasible from an operational perspective.

For example, in the development of a new product, carrying out a production test will allow for an assessment of the quantities that can be produced, the costs involved, and the quality standards that can be achieved. If the project involves direct-selling, a feasibility study will enable the workload to be evaluated, as well as the investment in equipment required for the project to succeed.

The results of these tests will help those running the project to decide if it is feasible, or if it should be abandoned or amended.

Check the viability of the project idea:

After having checked the technical feasibility of the project, the next thing to check is its viability. If it is assumed that the main objective is to add value, then it is important to determine if there is a market demand. Market research is the most widespread means of surveying consumer demands and expectations. Depending on the size of this research, it may be delegated to a specialised external organisation. The main characteristics of market research are set out in the next section.

In addition to the existence of a market, which provides some assurance about the sale of the product, the viability study also involves an evaluation of the costs/benefits of the project, in order to make sure it is economically viable. The golden rule in any project is that it must be profitable, i.e. the costs of production must be below the selling price, in order to make a profit.

Establish the marketing mix:

Once market research has determined the main trends in terms of demand, the next step is to match the project to that demand. Launching a product on the market requires the definition of its positioning, via the marketing mix, as established via the rule of the 4 Ps: product, price, place and promotion. This is defined in greater detail in the next chapter.

Draft the business plan:

The different points above have to be brought together in a coherent business plan, which will explain the strategy chosen to meet the objectives, based on strong evidence, and translated into a financial plan. This latter will present the financial projections of the project for the first 3-5 years of its existence. The business plan will also identify the sources of finance possible, as well as the training and external assistance needed. A well researched and documented business plan is usually a pre-requisite to securing funding for the project, be it from private or institutional sources.

Implementing the project:

Once the feasibility and viability of the project have been verified, it is time to move on to implementation. However, as market research is not an exact science, it is generally prudent to start small:

> devote a limited proportion of your production to the project;

> defer major investments (for example, rent a refrigerated vehicle to visit markets rather than buying one);

As far as larger, more complex projects are concerned, it may be possible to start with pilot projects, which could involve either implementing only part of the project, or developing a smaller-scale version of the actions planned (for example, test a new product in a local supermarket before embarking on region-wide or nation-wide distribution).

Monitor progress:

Check the results obtained:

In order to evaluate the extent to which the project enables objectives to be achieved (i.e. knowing whether the value of the product has been increased), it is essential to monitor turnover, profit, frequency of purchase, customer loyalty, etc., without overlooking the time spent on the activity.

This latter is very often overlooked, and the producers do not think to charge for their time, which can be very substantial, when making their calculations. Every business activity has an opportunity cost: time devoted to one activity is not available to do something else, which could be more financially rewarding.

Adapt and develop the project:

Analysis of the indicators defined above (turnover, profit margin, time, customer satisfaction,…) should help to inform decisions about how the project moves forward.

> If all indicators are negative: stop the project because it is not achieving the objectives set;

> If all indicators are positive: develop the project as it is;

> If the picture is mixed: amend the project taking account of the problems encountered.

Perform a market-watch:

Projects undertaken must not be set in stone for all time, but need to be responsive to market changes. To do this, constant vigilance is essential. It is important to continue to listen to customers, to monitor market trends and the competition. For example, it is possible to carry out customer satisfaction surveys, check the prices of competing products, read the trade press regularly, or monitor the launch of new products.

Manuals giving more details about the process of developing local projects have been published by the LEADER programme. Readers who are interested may refer to these publications via the following address:

(http://ec.europa.eu/agriculture/rur/leaderplus/library/leadercap/methodology_en.htm)

Box 1: Weathering the storm, steering together and landing a success

Association of Handline Fishermen from the tip of Brittany
Country: France

In the early nineties, the bass fishermen of Brittany experienced heavy losses when the value of their catch dwindled by 30%, mainly because of the sudden growth of competition from farmed bass sold on the same market at a much lower price. A decision was made to develop a collective process, involving local fishermen, to develop a strategy to adapt the local catch to the evolving market situation, and to communicate the value and quality of the catch to consumers.

The idea involved the setting up of a traceability scheme, to facilitate the marketing of line caught fish. In 1993, 120 skipper-owners from four local fisheries committees teamed up to launch a collective brand, based around the tagging of line caught bass with a "fish ID tag". This unique ID tag enabled customers to identify the origin of the fish, how it was caught and, through a system of searchable database, even the fishermen who caught it. Within a few months, the product differentiation had triggered an increase in the market value of line caught bass, doubling its sale price and repositioning it as a "high end" product. This improvement in the sale price enabled fishermen not only to recover revenue levels equivalent to the pre-crisis situation, but also to improve their margin by approximately 20%. In 2006, out of 500 000 line caught bass, 400 000 fish were tagged, which testified to the popularity of the initiative. In terms of price points, whereas the market value for net or trawler caught bass was €8.50/kg, line caught fish could reach €15/kg at auction.

Still active after 15 years, the project has developed an innovative communication strategy to bring fishermen together and to "identify" the product with the community who produce it. By promoting handline, it promotes sustainable fishing practices and, through an innovative and diversified communication strategy (website, press campaign, photograph book…) contributes to the modernisation of the local SMEs involved.

This initiative is a good example of a well developed project that followed a logical framework: a problem was identified (collapse of market price), an opportunity identified in the market (possibility to market handline fish as a speciality product), and a credible production process, certified by a traceability scheme, was set up and linked to an excellent promotional strategy. All this was driven, from the start, by the fishermen themselves, thus ensuring a successful outcome.

http://www.pointe-de-bretagne.fr/index.php

http://www.cnrs.fr/cw/dossiers/dosbiodiv/index.php?pid=decouv_chapC_p4_d2&zoom_id=zoom_d2_7

2.3 Meet a market demand

Adding value boils down to tailoring a product offering to a market demand. As mentioned in the introduction, the market is the place where the product is "offered" for sale to the customer, who may be the final consumer or an intermediary (restaurant, fishmonger, processor), depending on the different modes of distribution.

Customers are the players who determine the market through their buying behaviour. Therefore, it is very important to know the customer, as they have a life-experience, a history and characteristics that determine their buying behaviour. Age, gender, place of residence, level of income and education are just some of the parameters that combine to influence this behaviour. A person over 50 years of age, living in the countryside, may not buy the same things as a 35 year-old couple living in a large city, for example. Clearly, there are many different types of customers and, in turn, many different markets.

Every potential customer will perceive the product offered to him/her differently. This depends on personal factors, which are specific to that individual, as well as characteristics of the product offered for sale. Affordability, ease of use, durability, availability, effects on health, and quality in the broad sense are the main factors that people consider when purchasing FAP. The perception that an individual has about how the product fulfils these criteria will help to determine whether or not they buy the product. Given that the personal attributes described above (age, place of residence, etc.) cannot be influenced by the producer, the only way to influence purchasing behaviour is through the product offering.

Box 2: The major trends in terms of the perception of FAP in the European Union

DG MARE recently commissioned a study on the perception of FAP in the European Union. This study highlights some characteristics common to the image of these products across the Union, but also highlights important specific regional features. Readers may refer to the full study (see link below) for more information on the situation at regional level.

Generally speaking, the perception of products of the sea, lakes and rivers in the European countries surveyed is positive. Fish is perceived by all European consumers as a healthy product with health benefits.

The downside is that, in general, fish is considered to be a relatively expensive product. The price, risk of contamination (microbiological and chemical pollutants), environmental impacts (ecosystem and animal welfare concerns) and concerns with regard to dwindling fish stocks are the main factors inhibiting consumption of fish in Europe.

Barriers to consumption of FAP vary considerably, depending on the type of processing and the country concerned. Fresh fish enjoys the best image overall, and the best image in terms of health benefits. However, this type of product has a poorer image in terms of value for money (mainly due to its price, as its perceived quality is good).

Frozen fish has a slightly lower "health image" than fresh fish, but is deemed to be better value for money, as well as being more widely available. Canned fish has an image of a product of average quality, but its price makes it better value for money. It is also the product considered to be the most readily-available.

Ready-meals made with fish have the lowest image in terms of health benefits, as well being rated as offering the worst value for money. They are, however, considered to be very convenient.

The perception of FAP also varies considerably, depending on the type of consumer and the products on offer. As a result, there are a vast number of consumption trends that cannot all be reflected here. The full study on the perception of FAP provides additional information about the different consumption pattern, and is available on the site of DG MARE at the following address: *http://ec.europa.eu/fisheries/documentation/studies/image_survey/index_en.htm*

A product offering is a series of elements that combine (or preferably are combined) to form a coherent whole that meets the consumer's expectations. In the case of FAP, the product is rarely just the fish itself. Even when sold fresh, the fish only represents the physical material that is sold. The product consists of a series of elements connected with its sale, i.e. its presentation (on ice, in good condition), its place of sale (directly on the quay-side or in a supermarket), its price (per fish, by the kilo), its visual appearance and smell. It is the combination of these elements that the consumer buys, or better still, which encourages the consumer to buy.

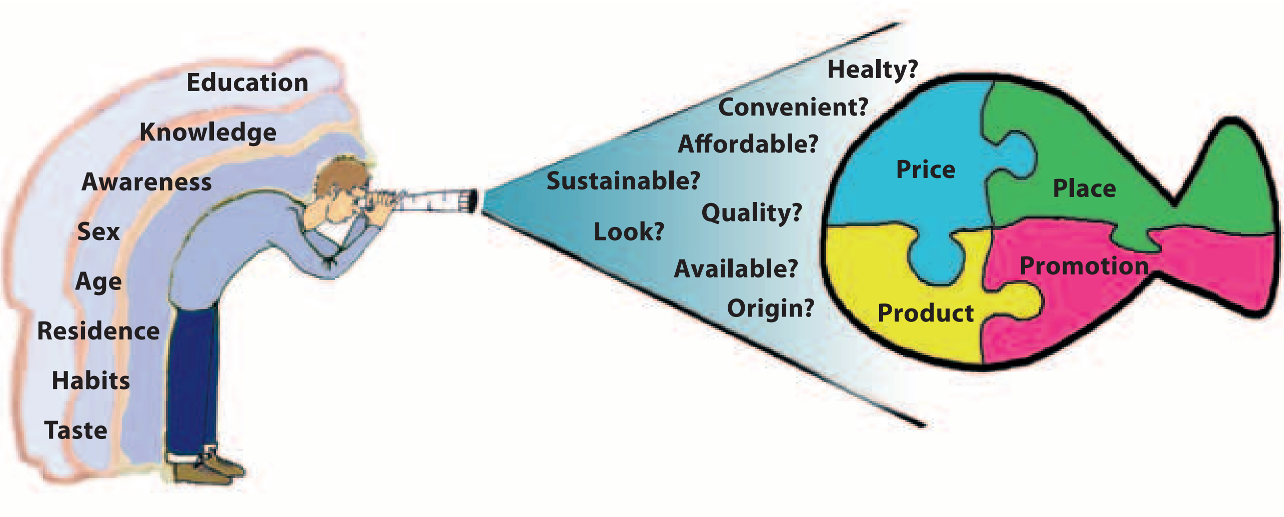


***Figure 1** – This graphic shows how each consumer will have a different vision of the product offering, depending on their own specific attributes (age, place of residence, level of education).*

The key steps in any process connected with adding value must, therefore, involve clear identification of the market and the customer's expectations. This can be evaluated using market research techniques.

The actual product can then be adapted to or developed for the market, for example, by using the marketing mix technique.

Market research

Market research should help the project promoters to make important decisions, by informing them about the characteristics of their market and the preferences of the customers that they want to reach. The information gathered can be very diverse: reasons for and frequency of purchase, mode of distribution used, importance of brand or a quality labels, profile of purchasers, etc. Therefore, the purpose of the research needs to be clearly defined (i.e.: what information is wanted?) before identifying existing sources of information and the tools to be used to target new sources.

Existing sources of information:

An initial literature survey will already give a picture of the target market, in terms of consumer trends and volumes sold. The main sources of information are the panels of distributors and consumers monitored by specialist firms such as Kantar Worldpanel, AC Nielsen or GfK. If the data sold by these companies is too expensive for local projects, they can be found in summarised form in the trade press, which regularly devotes articles to the situation in the marketplace.

A synthesis of this information can give an overall picture of the target market.

Market research tools:

> Shelf survey:

This is a survey of products on shop shelves that are potential competitors for your product. Take note of details such as the selling price, the way the products are packaged and the quality.

This data will allow for an assessment of the range of prices charged, the standard of packaging, and the differences between supermarket chains, if this is the focus of the research.

> Study of the catchment area:

The catchment area corresponds to the area around the sales outlet from which it can attract customers. This varies, depending on the size of the sales outlet, the ease of access, and the proximity of other shops. For example, it is estimated that customers for farm produce will travel up to 20 km to make their purchases.

The population density of the area is a criterion to evaluate the development potential of a project. By way of comparison, in France, it is estimated that a population of 25 000 within a radius of 25 km around a sales outlet is necessary for a project to be viable.

It is also necessary to take account of the location of the sales outlet (urban area, urban-rural fringe, rural) and the population flows in the catchment area (tourist area or not).

In order to evaluate the local competition, one can survey the various producers in the catchment area, as well as the various sales outlets, whether they are independent shops, branches of large supermarket chains, markets or producers selling direct.

A summary of this information can show whether the catchment area is suitable for carrying out the project or not.

> Surveys:

Surveys can provide answers to precise questions about consumers' expectations, and are particularly useful when the problem initially stated has not been adequately answered by the previous methods. Surveys can be carried out directly on consumers or on intermediaries. The later choose their suppliers and "prescribe" products for their customers by making a pre-selection. This includes wholesalers and distributors, buyers for large stores, grocers or restaurant owners.

Consumer surveys yield detailed data about the profile of potential customers: socio-professional category, budget, consumption habits, places where they shop, and expectations in terms of products and services. However, this kind of survey requires a rigorous methodology and a sizeable investment in time and money. It is estimated that at least 400 completed questionnaires need to be collected to have a meaningful result.

On the other hand, a survey of intermediaries can include around fifteen interviews with wholesalers, buyers for large stores, department managers or restaurant owners. These players are usually very familiar with the market, and will be able to provide a critical appraisal of the project. While the data collected is qualitative rather than quantitative, it constitutes a good foundation and can also help to develop relationships with downstream players. The participation of project promoters in these interviews is essential, so that they are involved in the project and have direct contact with the intermediaries.

There are also other tools for understanding the market, such as consumer focus groups, the observation of behaviour and the setting-up of experiments. These methods require specific logistics and know-how, and are probably unsuitable for individual local projects. However, they may be considered when implementing projects via collective actions, which have sufficient funds available.

The information collected must then be summarised and analysed to identify the advantages of the product in comparison to potential competitors, and its potential applications (everyday product or for special occasions), in order to define its positioning.

Marketing mix

The marketing mix encompasses the elements that the producer can influence in order to adapt his product offering to a specific market.

These variables are collected into four groups, known as the 4 Ps: product, price, place, promotion.

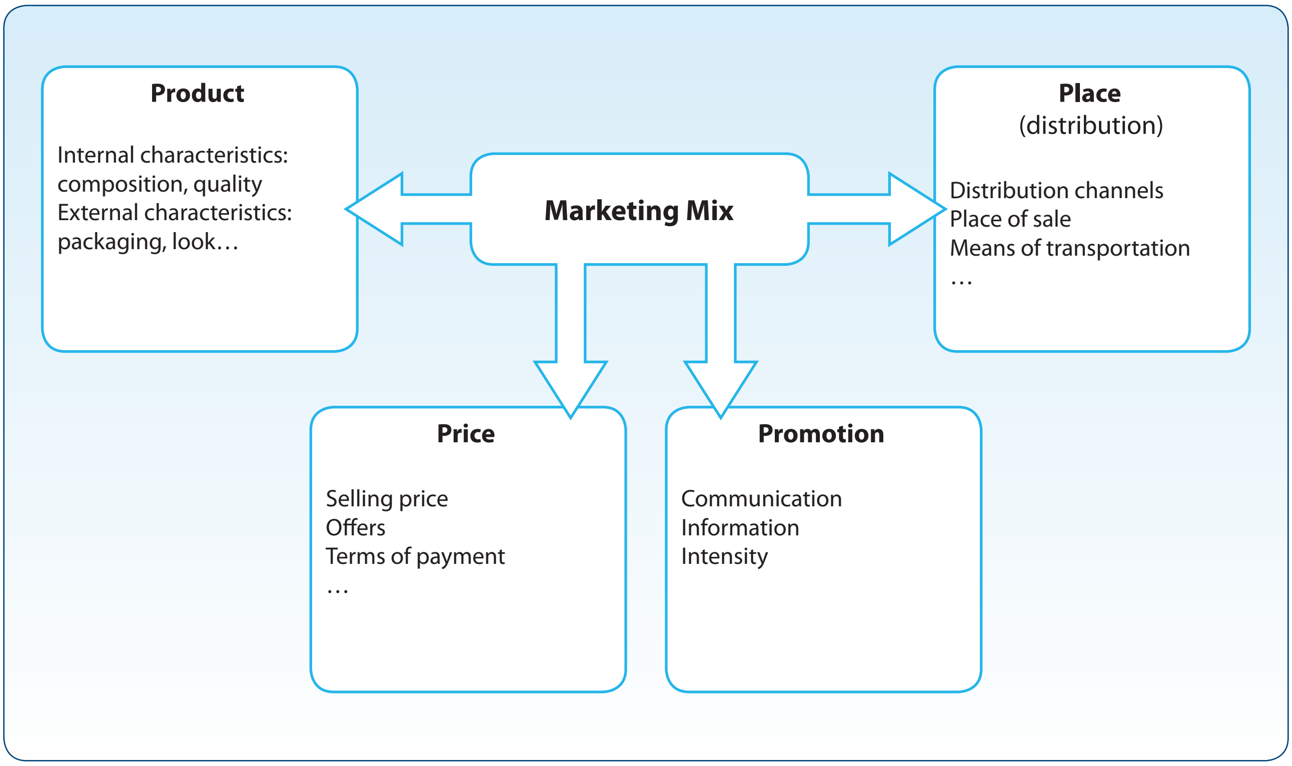


***Figure 2** – The variables in marketing campaigns: the 4 Ps (Kotler and Dubois)*

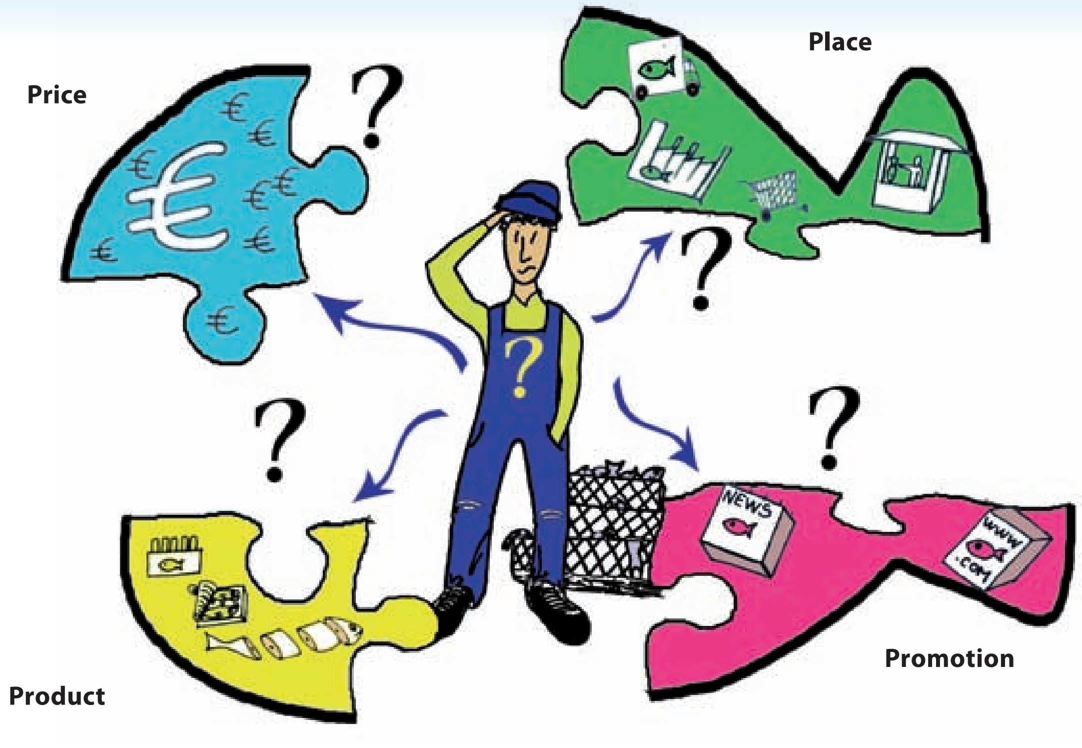


Figure 3 – *The 4 Ps represent the pieces of the puzzle: by adjusting these various parameters, the producer can adapt his product to a specific market. This allows the producer to "position" the product in the market.*

The "product" is one of the richest parameters in the marketing mix. Often, it is also the one over which the producer has most control, since they are the closest to it. But sometimes the producer is too close, to the point of having a clouded judgement, and forgetting that the product is nothing without a market. Ultimately, a product only realises value if it is sold and, therefore, meets the requirements of a customer. There are many elements that make up the product. The producer can vary the degree of processing, the type of packaging, the visual appearance (freshness), the nutritional aspects, etc., which will enable it to meet the expectations or influence the perceptions of particular customers. Ready meals, fillets or cans are considered by many consumers to be more practical than whole fish, for example. But for other customers, a can will score less in terms of the health benefits. Therefore, it is up to the producer to choose between the product variables, according to the market that they want to reach.

The "price" remains one of the most important elements in the purchasing decision for fish products. Fish has a default image as a relatively expensive product, in comparison with other foods (see Box 2: The major trends in terms of the perception of FAP in the European Union above).

The price level is connected to the type of product offered (luxury product or basic commodity, for example), or the degree of processing and sophistication of the product. A product which requires more work and know-how will have a higher production cost and, therefore, a higher selling price. But the price must remain at an acceptable level for the target customer, because according to market surveys, it remains one of the most important factors in the purchasing decision.

Price also depends on the price of competing products. If competitors are able to offer similar products at a lower price, the customer will not hesitate in changing supplier. The price can then be a possible indicator of the producer's efficiency, if competitors can produce similar products at a lower price. Linked to price, we can also find the elements of discounts or special offers, as well as payment terms, both in terms of payment periods and means of payment.

The "place" parameter corresponds to the mode and means of distributing the product. Will the distribution channels be short, with a maximum of one intermediary between the producer and the final consumer, or will a longer chain be used to reach other types of consumers? Or perhaps a combination of the two? The various possibilities are discussed in more detail above and in part 3.3 below.

As regards "promotion", the business operator has to develop a communication strategy consistent with the positioning of his product via the other parameters. A festive or luxury product will be positioned as a product to buy for special occasions or during the holidays. Affordability or health benefits will be emphasised more for an everyday commodity product. The promotion of products intended for local markets will be different to the promotion of products sold via long supply chains, etc. The various communication strategies will use different promotional channels such as the local press, radio or attendance at trade fairs.

The producer has a range of elements at his disposal, which he can use to adapt his marketing strategy and reposition his product on a particular target market. From the viewpoint of a rapid response to a market change, it is important to remember that "price" and "promotion" are parameters that are easier to adjust quickly. Changing the "product" or the "place" that it occupies are longer-term measures, but ones that should still be considered regularly. The producer must listen to the market and be ready to react in order to continue to offer a product that meets market demand.

2.4 Adapt to the local context

Support for fisheries areas under Axis 4 is a new approach for the European Fisheries Fund. This approach has the advantage of encouraging the development of fisheries areas by exploiting, in a sustainable way, all the resources of the territory. This enables new doors to be opened for the fisheries sector, doors that may lead to new opportunities.

Via Axis 4, the projects developed will be an integral part of a wider development strategy for the territory as a whole. This strategy will seek to mobilise all the strengths of the area in order to develop the local economy. This wider collaboration will generate new ideas and new opportunities to derive maximum benefit from the resources of the territory. The role of Fisheries Local Action Groups (FLAGs) is paramount here, to bring together the different sectors and interests in a joint strategy, and ensure that the projects selected fit this integrated development logic.

By capitalising on all the resources of the territory, links can be created with other sectors which are currently benefiting from a faster growth dynamic than the fisheries sector. Renewable energy or tourism are examples of sectors that are performing relatively well in coastal areas, with which the fisheries sector can find synergies.

Axis 4 can facilitate the development of joint projects, which could enable objectives to be reached that would not be reached individually, for reasons of budget or complexity of implementation.

Box 3: Teaming up to promote a territory, while also raising the profile of a local species

Dni Karpia! (Carp days)
Country: Poland

September and October, the harvest season for carp in Poland, is typically a busy period for Polish fishermen, who gather around large, slowly draining ponds to collect this precious fish. In Barycz Valley (South Western Poland), "Carp Days" now bring even more activity to the villages surrounding these ponds.

In 2006, the Leader-funded local action group (LAG) decided to promote the local fishery, its surrounding environment and the local gastronomy in a proactive way that would "add value". It started the "Carp Days" initiative with the aim of promoting the territory through this flagship species, developing local products of high quality and eco-tourism opportunities. The area is a Natura 2000 designated site, shaped by the extensive production of carp over many centuries.

Since 2006, Carp Days have evolved and now attract up to 5000 people every year. In 2010, 25 events and 17 restaurants selling different carp products were involved. This innovative concept provides a means for producers to add value to their product through direct sales, and has also led to the development of new products, such as smoked carp, which has proven to be very popular with tourists visiting the area.

In a second phase, the Carp Days experience was extended with a year round initiative: the development of a local brand. The label "Barycz Valley recommended" is awarded to local producers promoting high quality, distinctiveness, cooperation between producers or service providers, and environment friendliness.

From there, it was not difficult to couple the Carp Days to the quality label. This was achieved through the organisation of cookery competitions. During the most recent events, around 12 restaurants took part in the competitions and prepared different carp dishes. The best restaurants were nominated, "Mistrz Karpia", or "Master of Carp", and awarded with the right to use the sign "Barycz Valley recommended". This initiative was instrumental in promoting different ways of preparing carp and as a result, carp is now proposed in almost every local restaurant on a year round basis, instead of just being served as a typically seasonal Christmas dish.

This example shows how cooperation and integration of local actors into a common project can "open up" a territory and lead to the development of new opportunities for local products, thereby generating added value within the territory. This approach may now be further developed, thanks to the recent application of this Leader LAG to become an Axis 4 FLAG.

2.5 No compromise on product hygiene and quality

Definitions of quality

Quality is another important product attribute. However, we wanted to devote specific attention to this subject, as quality must not just be considered as a product attribute, but as a key condition for any action relating to value-added. It is one of the only product variables with which the producer cannot "play". Any producer who wants to embark on a new action to add value must first and foremost assure the quality of his product.

The success of actions to increase the value of FAP implies that customers will be prepared to pay more for these products than before the projects were implemented. Here, customers are consumers, of course, but intermediaries in the food chain such as fish merchants, wholesalers, processors and distributors are also customers from the point of view of the producer.

But being prepared to pay more for a product presupposes that the product in question is worth the money, i.e. the quality is sufficient in the opinion of the customer. But quality is not something that is inherent in the product. For example, a product is not necessarily of good quality just because it is produced locally or comes straight off the boat.

A product attains a higher level of quality thanks to the efforts of the producer in respecting certain principles during the production process. Proper icing and not piling too much fish into the boxes are some examples of the elements that can contribute to product quality. This quality can be assured by setting up a quality system, which can be certified by an external body (for example, an ISO certification body), or more simply, for smaller producers, managed in-house, particularly through the observation of a code of good practice. The European Commission recently published a set of EU best practice guidelines for voluntary certification schemes involving food, which present best practice in the functioning of the many schemes that have developed in the last decade (see hyperlink at the end of the chapter).

There are several levels at which quality can be evaluated:

The organoleptic level (the five senses):

Here, we are talking about the elements perceived by the consumer via their five senses (sight, smell, taste, touch, and hearing) and the pleasure associated with these. These five aspects are important, even though for products of the sea, lakes and rivers, it is the first three that matter most. For example, the appearance and smell of fresh products are decisive in influencing the purchaser, because they are good indicators of freshness. The control of these visual and olfactory elements is very important for FAP, particularly when trying to reach an audience that has limited knowledge, and can easily be deterred by a smell being too strong, for example. In the EU common marketing standards[2] there are three acceptable freshness categories for fish based on smell: Extra, A and B, Compliance with basic hygiene principles (outlined in the next section) contributes to controlling these elements.

Taste can also influence customer loyalty. In fact, there is little chance of a consumer making a repeat purchase of a product that he/she didn't like. These properties can be "measured" during taste tests. On the other hand, the notion of pleasure relies on more subjective, psychological and social criteria. Also, some products have an upmarket (line-caught fish) or festive (oysters/lobsters) connotation.

[2] Council Regulation (EC) No 2406/96, OJ L 334, 23.12.1996, Annex 1

It is equally important to evaluate the organoleptic quality of the product in relation to its potential use. Some fish lend themselves more readily than others to certain types of processing. Not all fish are suitable for filleting, for example, and the flesh of some fish changes appearance (colour, firmness) after cooking, which may deter some consumers.

The food safety level:

This concerns the sanitary quality of products, which constitutes an unavoidable prerequisite: it is essential that foodstuffs do not poison consumers. As a priority, the cold chain must be maintained. This is not only an important requirement for health, but it is also essential for ensuring product quality. The cleanliness of the ice used and the hygiene of the people working throughout the chain are also vitally important.

For fishery and aquaculture products, the risks have 3 main origins:

> presence of contaminants in the environment:

a. chemical pollutants (heavy metals (lead, cadmium, mercury), dioxins, PCBs…) which become concentrated as they progress through the food chain and end up in carnivores and fish (tunny, eels);
b. biological contaminants: phytoplankton producing toxins (like Dinophysis, Alexandrium, Pseudo-nitzschia), bacteria and viruses are most often associated with shellfish cultivation, while certain parasites, like anisakis, can also be found in the flesh of fish;

> Contamination by pathogens during the various stages of handling (processing, transport, icing, cleaning…),

> Production of allergens during the degradation of the product (example: the production of histamines in bluefish).

The producer cannot control contamination of the environment, except in the case of aquaculture systems, where they can influence water quality (fish farming in a pond, for example). Therefore, the means of combating contamination often involve a ban on fishing or picking in the affected areas.

Contamination and rapid degradation of aquatic products, on the other hand, can be influenced by observing basic hygiene rules and, in particular, by maintaining the cold chain. The regulation on this subject is very strict, especially since the European Union adopted the "hygiene package" in 2004 (Regulations (EC) 852/2004, 853/2004 and 854/2004 of the European Parliament and the Council). The principles of European health legislation are developed in greater detail in the next section.

The health level:

Here, we are talking about the nutritional quality of the product: does it contribute to a balanced diet or, on the other hand, does it have harmful effects on health, due to containing excessive cholesterol or sugar, for example? Fish have a number of benefits that can be emphasised in this regard, particularly concerning their low fat content (in comparison to meat) and the nature of these fats (rich in polyunsaturated fatty acids including the omega 3s, particularly in pelagic species of fish). The positive health benefits (particularly in relation to the heart and the brain, as indicated by recent opinions from the European Food Safety Authority) and the recognised nutritional qualities of FAP are undoubtedly key drivers behind the growth in the consumption of these products in the European Union in recent years. A guide to the nutritional aspects of fish is available from BIM, the Irish Sea Fisheries Board (see useful links section at the end of this chapter).

Note on regulation: hygiene package and codes of good practice

The production of foodstuffs is regulated by a body of standards and legislation aimed at protecting consumer health. This legislation governs and prescribes rules concerning the safety parameters of the products described in the preceding section.

It is important for the business operator to realise that concerns about the health of consumers and food safety have become global, particularly due to the various food scandals that have erupted in recent years (mad cow disease, the dioxin crisis, foot-and-mouth disease, etc.). Health regulations are not a whim of nitpicking authorities but a real requirement for consumer protection.

The worldwide standards are laid down in the "Codex Alimentarius", the food code developed by the World Health Organisation (WHO) and the Food and Agriculture Organisation (FAO) of the United Nations. The standards and codes of practice making up this code are the benchmarks for safety and quality against which national food measures and regulations are evaluated within the legal parameters of the World Trade Organisation. This means that there are basic principles that every country and every producer must observe with regard to food production.

At European level, legislation on food safety introduced for the Single Market project in 1993 was revised in the early 2000s, which led to cross-sector regulation on food production, i.e. the legislation proposes basic principles applicable to all food production, supplemented by elements specific to certain products, particularly fish and molluscs.

The most important European regulations relating to food production are:

- Regulation (EC) 178/2002, which defines the general principles of food law.
- Regulation (EC) 852/2004, which lays down the basic principles of food hygiene.
- Regulation (EC) 853/2004, which lays down specific hygiene rules for food of animal origin (including FAP).
- Regulation (EC) 854/2004, connected with official controls on products of animal origin intended for human consumption.

The European regulation is based on several principles, one of the most important being that food safety is the responsibility of the business operator. It is up to the operator to ensure the safety of their production. The legislator supervises production via regulations, requires the use of procedures based on HACCP principles (see box opposite), and encourages the development of codes of good practice, but ultimately, it is up to the business operator to ensure the safety of their products.

Besides the regulatory constraints, it is important for local operators to take on board the need to observe basic hygiene rules. Unless hygiene becomes a reflex and a philosophy, businesses involved in the production of food are putting their entire operation at risk.

Box 4: The HACCP system

As soon as somebody mentions food safety for fisheries products, the term HACCP is very likely to crop up in the conversation. But very few people actually know what these initials represent, and why it is involved in health management of animal products.

HACCP is actually a method of identifying, evaluating and controlling health risks (see above for the description of potential health risks). This method is complementary to the basic hygiene measures that any food business must observe and which are usually referred to as the "prerequisites".

Regulation (EC) 852/2004 mentions that food businesses must set up a permanent procedure based on HACCP principles. However, it is important to bear in mind that this risk management method is most appropriate for businesses that prepare or process food. The primary producer (see definition in Regulation 852/2004) is exempted from this obligation.

A guide on the implementation of HACCP procedures was developed by DG SANCO and is accessible via the links provided below. In its Annex II, the guide contains a specific section on the implementation of HACCP principles in small food businesses for which a certain degree of flexibility is allowed.

The application of HACCP principles implies that the business operator performs an analysis of the production process, from the raw material to the finished product and its delivery to the customer, identifying all the potential hazards that could arise along the whole chain.

Once all potential hazards have been identified, as well as the point where they could occur, the operator must evaluate their seriousness in terms of potential threats and their likelihood of occurrence.

This enables an evaluation of the risk associated with the hazard. A hazard with a high threat associated with a high likelihood of occurrence represents a high risk for consumers' health, whereas a low threat which has little chance of occurring does not present a major risk to the consumer.

Based on the hazard analysis (HA), critical control points (CCP) will be established all along the chain at the various stages of production where significant hazards can be checked, eliminated or reduced to an acceptable level by corrective actions. The hazard analysis, all the corrective measures and the monitoring plan must be documented and updated by a team trained specifically for that purpose, and kept at the disposal of the health authorities. Regulation 852/2004 mentions clearly, however, that the requirement for documentation and monitoring dossiers must reflect the nature and size of the firm.

Regulation 852/2004 encourages national authorities to develop codes of good practice which can serve as the basis for business operators in their food safety and hygiene procedures. The European Commission's DG SANCO has developed a register containing the national codes of good practice for food production, some of which have specific sections for FAP, for all or part of the production chain. Local operators should consult this register (see link below) and obtain the codes of good practice (usually published in the national languages) from the relevant food safety authorities in their country.

Another source of useful information for local business operators is the hygiene guidance documents developed by DG SANCO (see link below), which aim to provide explanations about the application of health legislation and include, in particular, specific information for small firms or those engaged in direct selling.

An important point to highlight is that Regulation 852/2004 does not apply to "the direct supply of small quantities to the final consumer or to a local retail establishment supplying the final consumer". Every term here is important, and the reader should refer to the text of Regulations 852/2004 and 853/2004 (and the corresponding guidance documents which make them much easier to read, see link below) to better understand the definition of "producer", "final consumer", "retail establishment" and "primary products". Fisheries products are still considered to be primary products, even after killing, bleeding, gutting, the removal of fins and refrigeration (but please note, not filleting!), for example.

As for the concept of "small quantities", Regulation 852/2004 leaves it up to the national legislator to define this concept more precisely, depending on the local situation. Each business operator must find out the permitted volumes from the relevant national authorities. However, it is generally accepted that this concept of small quantities must be sufficiently broad to enable the sale of primary products direct to the final consumer on local markets or to local restaurants.

Useful Links

Guidance documents on the introduction of European rules on hygiene developed by DG SANCO for business operators in the food industry

http://ec.europa.eu/food/food/biosafety/hygienelegislation/guide_en.htm

EU: register of guides on good practice in hygiene for FAP developed by the Member States

http://ec.europa.eu/food/food/biosafety/hygienelegislation/good_practice_en.htm

Codex Alimentarius: Code of practice for fish and fishery products

http://www.codexalimentarius.net/web/publications_fr.jsp

FAO: Assessment and Management of Seafood Safety and Quality (in particular, contains good information about HACCP principles)

http://www.fao.org/docrep/006/y4743e/y4743e00.htm

Seafish: Guide to good hygiene practices (pelagic, demersal, live crustacea,…)

http://rfs.seafish.org/good_practice

EU best practice guidelines for voluntary certification schemes

http://ec.europa.eu/agriculture/quality/policy/quality-package-2010/certification-guidelines_en.pdf

A guide to nutritional aspects of fish, Irish Fisheries Board (BIM)

http://www.bim.ie/uploads/text_content/docs/553Nutritional%20Aspects%20of%20Fish.pdf

3. Different approaches to enhancing the value of fishery and aquaculture products

This section presents a number of possible approaches that local operators could use to maximise the value of their production. It is not an exhaustive list, because as stated earlier, there are as many different possibilities as there are types of production and markets. So we decided here to concentrate on three main themes:

> the innovation process, which is a cross-sector process applicable to all possible processes to enhance value-added;

> the various methods linked to the differentiation of production, an aspect which seems to be particularly appropriate for local products in Europe; and

> the optimisation of marketing, which is a particularly difficult challenge for local producers.

The various possibilities are accompanied, wherever possible, by actual case studies, which illustrate the ideas set out in each chapter.

3.1 Innovation, a necessary step, that is simpler than it appears

Innovation is a key aspect of actions connected with the process of adding value. Adopting an innovative approach is possible for any activity envisaged, or for any project. Above all, it is a question of creativity.

The term innovation comes from the association of two Latin words: "in", the same meaning as in English and "novus" = "new"). It can mean a mere update or minor modification to a product, or revolutionising it or inventing something totally new. In the former case, it would be referred to as an incremental (step by step) innovation, and in the latter, a radical innovation.

Innovation is a broad concept, and can be defined as: "the introduction of new things, ideas or methods…"

Innovation is a permanent process made necessary by socio-cultural and economic change in European societies, which are reflected in needs and purchasing behaviour that is changing at increasing speed. Because of this, the life-cycle of a product is limited, and businesses constantly have to anticipate the decline of their traditional products, by updating and innovating their product range.

Two main approaches to innovation can be envisaged in the aquaculture and fisheries sector to increase the value of products:

Market-driven innovation, which implies a thorough understanding of the needs and expectations of consumers (see point 2.3 above). In this approach, the innovation emanates from an analysis of the needs of buyers, and results, as the case may be, in a mere adaptation of the product, an update of pre-existing products, a far-reaching modification of the products, or a genuine invention of new products, which better respond to the needs identified (and sometimes this opens up new markets).

Technology-driven innovation. This dimension of innovation is based on the development and transfer of scientific and technical knowledge for the development of new products. It generally requires access to research and development capabilities, which most aquaculture and fisheries businesses do not have inhouse, but can sometimes acquire from various research and technical support centres, with co-financing from public funds or the EFF.

Innovating also means adapting your products to changing markets

Europeans' eating habits have changed a lot in recent years, with a move towards convenience foods that are practical and quick to cook. The time spent on cooking meals has fallen, particularly on weekdays. While there are still disparities between Member States, this is a general trend, particularly pronounced among younger generations. However, FAP are often perceived as being time-consuming and more complicated to cook. This is particularly true of fresh whole fish.

This trend has given rise to a growing demand for more processed and more pre-prepared products, which constitute a real source of value-added for fishermen and fish farmers. This value-added lies in the switch from the more traditional sale of raw material (whole fresh and unprepared fish, shellfish, molluscs) to the sale of prepared products (cut, filleted, in consumer portions), often in packaged form (smoked, in brine, semi-preserved or canned). It is also linked to more elaborate products (products for delicatessens, ready meals) and/or pre-packed meals (consumer portions, long-life packaging, etc.), all aimed at meeting evolving consumer expectations (locals, tourists, socio-professional categories) and targeted distribution channels (direct sales, long distribution channels, fresh seafood, self-service products, etc.). The range of possibilities is broad and accessible to many producers, provided that their plans are realistic, i.e. they meet a genuine market demand, and are compatible with their production capacities (investment, personnel, skills).

Box 5: New tastes for known species: Developing new products from local and traditional production

"Le Brin d'Océan"
Country: France

Delphine Brin launched her own artisanal cannery, 'Le Brin d'Océan' in Le Teich, on the banks of the Arcachon basin (FR) in 2005. Delphine, an excellent cook, who is married to a sailor and fisherman, decided to launch her business when she discovered that "there were no canneries for the fish from the basin." With an initial investment of €300 000, she purchased a unit in the local business park in 2006, and took cooking classes to obtain the qualification required to turn her passion into a professional and profitable enterprise. In 2007, she won two regional awards for entrepreneurship, while also finalising the construction and set up of her new plant.

Today, in addition to traditional products such as fish soup and patés, her product range also offers "new tastes". For example, she has developed a paté-like preparation from the liver of monkfish, a fish which is traditionally valued for its flesh, and thanks to her ingenuity, the cuttlefish is now presented curried, in its own ink and in a tomato sauce. Direct sales account for 10% of her revenue, while the bulk of the production is sold to around 100 specialised shops (delicatessens, wine stores…).

After two years in existence, the cannery is entering the critical phase of a business reaching adulthood. At this stage, choices must be made between different marketing strategies, while also keeping an eye on market developments and new trends. Indeed, catering for individual customers through direct sales and supplying local resellers can sometimes generate unwanted "endogenous" competition between the two marketing options. A third group of actors, namely supermarkets, have also expressed interest in the products, but they require different volumes and different types of packaging.

Cooperation with other local actors sometimes looks like a natural step to take, but one has to ensure that these activities are allowed by the existing legal frameworks. This is how Delphine realised that, legally; "oyster cabins" were not allowed to sell her products along with their own "tasting" products without having set up a specific trading company. This hindered a potentially fruitful cooperation. FLAGs, which by definition develop a multi-stakeholder territorial strategy, can act as facilitators in this respect, and develop new approaches to foster cooperation between local actors that generate a multiplier effect.

Innovation through research and development, an avenue that should not be overlooked

The development of new products or the improvement of existing products may involve a research and development (R&D) stage. This process corresponds to the concrete application of the results of laboratory tests, intended to develop innovations that can be commercialised. While large companies all have specialised departments in this field, it often require levels of investment that are beyond the scope of small organisations.

Collective structures (technical institutions, business incubators, universities, etc.) exist to assist projects by small firms, projects which can also be supported by FLAGs. Some of them are more active and dynamic than others and these will have to be identified. Indeed, there is sometimes a mismatch in terms of imperatives and implementation between the private sector and research institutes, which are not always under the same pressure in terms of commercialisation and the practical applications of the results of R&D projects.

In addition to the research budget required, it should be borne in mind that the desired results are not guaranteed. Many ideas are never put into practice, and a substantial proportion of new products launched each year have a limited life-cycle. Site visits to similar companies operating in different sectors of activity or in different countries often allows for the identification of ideas that are potentially usable in your own business, and this requires a relatively limited investment in time and money.

***Table 1** – Advantages and disadvantages of Research and Development*

	Advantages	**Disadvantages**
Improvement of existing products	Adapting the offering to market demand	Need for support for small organisations
Development of new products	Adapting the offering to market demand	Need for support for small organisations Many projects abandoned
Exploitation of by-products	Finding new market openings	Need for support for small organisations

3.2 Differentiating your products

Differentiating products means making them stand out from the mass of existing products. This enables you to highlight the characteristics of your products, facilitate recognition by consumers, and possibly increase customer loyalty.

In a market inundated with imported products, and with consumers who are ill-informed about FAP, but increasingly sensitive to the issues and consequences of their purchasing behaviour on the environment and fishery resources, production within the EU, which is by definition more “local”, has many advantages, provided that it can be distinguished from that of third countries. Likewise, the logic of seeking to maximise the value-added of local production by targeting the most rewarding market segments (rather than niches) requires the clear identification of local products and qualitative attributes that will prompt consumers to accept to pay more.

The characteristics to be highlighted can then be linked to the physical characteristics of the product, such as the degree of practicality, quality, taste, freshness, as well as the method of production (sustainable fishing or responsible aquaculture, for example). Other characteristics that allow a local product to be distinguished from the vast range of European products are the cultural aspects to which the product is linked (centuries-old tradition, such as the cultivation of mussels) or geographical criteria, which refer to specific production areas linked to a strong image (large inland lakes, for example) and to local products specific to a particular region.

Improving the product

Processing your product

There are several forms of traditional processing used by producers: filleting, salting, drying, smoking, etc., carried out by individual establishments or by cooperatives of fishermen and fish farmers. These activities usually allow an increase in the value of a product that is restricted in quantity, and they often use only part of the overall production.

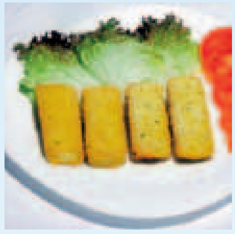
Activities to prepare and process fishery products are strictly regulated by European food safety legislation. A certain degree of flexibility does exist in this legislation for businesses using traditional production processes, and those which combine a retail establishment, but this flexibility is generally at the discretion of national legislators. Readers may refer to the rules which apply at national level to find out what room for manoeuvre is available locally.

Investment in a plant or workspace that complies with the legal standards is expensive. So it might make sense to consider the advantages of working collectively, where the workspace is shared but each business is responsible for its own production, rather than everyone duplicating the investment required.

Processing is an activity that takes time. If the objective is to supplement a part-time job or create a full-time job, this can be considered an advantage. On the other hand, if primary production itself already takes up a lot of time, it may be risky to embark on a processing operation without additional support. Here too, a joint solution could be considered, with several producers pooling resources to employ one person to carry out the processing.

It should not be forgotten that this is a line of business in its own right, which requires trained staff. If it is not planned to employ a specialised worker, and the processing is carried out by the producer, it may be necessary to undergo training.

Box 6: Lake Trasimeno croquettes



Lake Tresimeno fishermen's' cooperative
Country: Italy

Once upon a time, full-time fishermen plied their trade on Lake Trasimeno, in Umbria, Central Italy, catching perch (perca fluviatilis), or "persico reale" (royal perch) as they are known in Italian. Until the 1980s, the catch was 500 to 600 tonnes of perch per annum. Today, the 37 fishermen who remain have formed a cooperative (Cooperativa Pescatori del Trasimeno) and are contending with two "curses": competition from the Nile perch, and the invasion of the crucian carp (carassius carassius), introduced to the lake by anglers, and which has virtually wiped out the other species.

Perch production has fallen to less than 150 tonnes, and has been largely replaced by catches of crucian carp, a fish that is not readily edible in its natural state. To save the lake's economy, the fishermen, who were aware of the nutritional potential of this fish (particularly its high omega-3 content), launched a project to produce crucian carp hamburgers, fish sticks and croquettes, in collaboration with the University of Perugia and the association, Slow Food. The target distribution channels are school canteens, where sales have already been made, and the cooperative's sales outlets. A wholesaler in the region, Circeo Pesca, has also agreed to collaborate with the project.

Improving the appearance and packaging of your products

The practicality of products depends on several factors, such as their appearance, their storage life, or their packaging. Initiatives can be carried out in these areas, but this often require a preliminary phase of research and development (see point 3.1 above).

As with processing, European regulation implies that a public health permit must be obtained.

Investments can also be sizeable, and may require working in groups, for example, using collective workshops.

Box 7: Revolution in a pack – when changing a box opens up a new market

Vette en Verhaart
Country: The Netherlands

The Vette en Verhaart company is based in Yerseke in the Netherlands. Like most businesses located in the Dutch shellfish capital, it produces oysters and mussels. But Vette en Verhaart has been able to set itself apart by using an innovative packaging concept.

This concept involves the vacuum-packing of mussels in pure, salt water. Compared with traditional vacuum packs, this system has the following advantages:

> the water enables a stronger vacuum to be obtained, and the mussels remain closed;

> the mussels do not lose their moisture or proteins during transport to the consumer;

> the mussels stay fresh longer and are less sensitive to variations in temperature.

The longer storage life guaranteed by this packaging also means logistical advantages, and this has enabled Vette en Verhaart to expand its exports to Belgium, Germany, Poland, Austria, Switzerland and the United Kingdom.

Table 2 *– Advantages and disadvantages of processing*

Advantages	**Disadvantages**
Eliminates certain disadvantages of the fresh product (smell, perishability, etc.)	Investment in equipment required
Stabilisation of the product	Extra work
Value-added	Preliminary R&D phase
Practicality	
Opens up of new markets	

Using a label

Brands and labels can be used to differentiate a product, highlighting specific characteristics and transferring certain information (mode and place of production, compliance with quality standards, etc.) throughout the value chain, all the way to the final consumer.

Four major forms of labelling can be discerned:

> official quality marks, linked to origin or organoleptic properties;

> collective brands;

> private, independent brands;

> environmental labels, of the eco-label and organic aquaculture variety.

These various procedures can be the result of an individual initiative (private label and organic aquaculture), but usually involve a group of producers. It is important to bear in mind that these arrangements are not mutually exclusive. Certification of a product via a quality label can also reinforce the prestige or the reputation of independent or collective brands.

Official quality symbols

> Linked to origin

These quality markings are regulated at European Union level. They are:

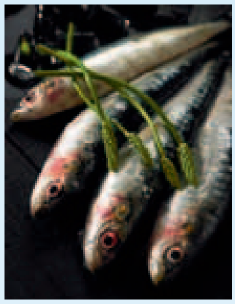
a. Protected Designation of Origin (PDO): products produced, processed and finished in a defined geographical area with a recognised and verified know-how;
b. Protected Geographical Indication (PGI): products closely connected with a geographical area, where they are at least produced, processed or finished;
c. Traditional speciality guaranteed (STG): products produced using a traditional technique or with a traditional composition. This marking is less frequently used and less familiar to consumers than the other two.

As regards FAP, 4 PDOs and 16 PGIs have already been registered, while 6 applications for PDOs and 3 for PGIs are pending. These procedures, based on the link between the territory, local know-how and product quality, require the setting-up of a highly-motivated project group, as the registration process is usually long (from 5 to 10 years). Moreover, they imply compliance with specifications and agreement to regular inspections.

Aquaculture production, for which the link to the territory is easy to verify, and traditional processed products such as salted, dried or smoked fish are better suited to these quality markings than fresh fish products.

These markings have the advantage of being common to the whole EU, which facilitates trade between Member States. On the other hand, with the notable exception of Scottish Farmed Salmon, the level of production of the existing PDOs and PGIs is low, or even zero. In fact, these labelling procedures are often undertaken in a top-down approach, without involving producers in setting them up, or ensuring that they really correspond to a motivation on the part of producers or a market opportunity, which means that they are sometimes of limited use in practice.

Box 8: Developing a "Protected Geographical Indication" and ensuring the highest quality



"Cornish Sardines"
Country: United Kingdom

Cornish sardines (Sardina pilchardus) are metallic green or olive coloured fish caught around the Cornish Coast by a fleet of vessels operating from the busy fishing ports of Newlyn and Mevagissey, in Cornwall, the UK.

The "Cornish Sardines" project aimed to achieve recognition for the products of this fishery under the "Protected Geographical Indication" (PGI) label. The project was initiated in 2004 by the "Cornish Sardine Management Association", a group of Cornish fishermen and processors who came together to develop common standards for catching, processing and marketing Cornish Sardines.

The objective of the project was to promote quality, sustainability, traceability and generally improve the marketing of Cornish sardines. In terms of "image", the first step was to rebrand the "Cornish Pilchards" to "Cornish Sardines". This was because of the somewhat negative perception of the word Pilchard, which was commonly associated with relatively low quality canned fish in tomato sauce. Another factor put forward was that British people were eating sardines when they were on holiday in France, Spain or Portugal but not continuing the habit when they returned home.

The certification process took around three to four years, with Cornish sardines finally gaining PGI recognition in December 2009. The project was supported by the Seafood Cornwall platform, which was set up in 2003 with the purpose of raising and strengthening the profile of quality, sustainable Cornish fish and fisheries (notably amongst retailers and caterers) and to act as a focal point for development activities and ensure funding was accessible to producers and processors.

The Cornish Sardine fleet currently consists of 6 vessels using ring nets and 10 vessels using drift nets. Cornish Sardine landings today total around 2 000 tonnes (compared to less than 10 tonnes in 1997) and the fish are proving popular with restaurants and retailers.

Moving forward with their fishing standards, the Cornish sardine fishery was certified by the MSC label as a well managed and sustainable fishery in August 2010. The MSC assessment process was backed up by SEAFISH and by the major UK retailer Marks and Spencer, which also helped to develop new recipes and guaranteed a minimum price to producers.

However, the biggest factor in leading to the revival of this traditional and historical Cornish fishery was the relationship between the skippers and the processors. This is an example of where fish are essentially 'caught to order', with the fishermen speaking to the processor before going to sea to find out how much the processor can sell or process that day. In this way, supply is matched to demand and prices fluctuate less and stay within levels that are viable for both the fishermen and the processors. This system has allowed the fishery to grow steadily year on year, without the traditional boom and bust (feast or famine) that can be all too common in fisheries.

www.cornishsardines.org.uk

www.seafoodcornwall.co.uk

> Linked to the quality of the product

Some countries and regions also have official quality marks which emphasise the superior organoleptic characteristics of a product. Examples include the French Label Rouge and Marca Q in Catalonia.

Label Rouge responds to a demand in the French market, and is also used by producers in other countries to sell in this market. For example, Scottish and Irish salmon farmers have acquired the rights to use this label. Having the Label Rouge implies compliance with certain standards and agreement to regular inspections, in particular sensory tests to verify the "superior" quality of the product in comparison with similar products.

Collective brands

Some collective brands are regional brands, which may concern FAP (for example, the PescadeRías brand in Galicia) or all local agro-food products (like Fuchsia Brands in west Cork, Ireland). They rely on a commitment to enhancing the value of local products, and less often on their reputation outside the region.

Other collective brands are the result of initiatives by fishermen or fish farmers, who work together to promote joint production. An intensive process of reflection on the match between the product and market expectations is essential for this kind of action to succeed.

The main advantages and disadvantages of the collective brand are summarised in the following table:

Advantages	**Disadvantages**
Allows businesses that are too small to benefit from an individual brand to become known and have easier access to certain markets.	Weaker protection than PDO/PGI
Provides a guarantee to the consumer	Incompatible with certain EU requirements if it contains a geographical term
Less cumbersome procedure than PGI/PDO as less evidence is required	
More flexible inspections	

Independent brands

Businesses can also develop their own brand. In this case, the businesses' reputation with consumers is essential so that this brand is associated with a quality product. At local level, producers can develop a reputation linked to their know-how and the quality of their production, which can be similar to that of a brand. Their name or the name of their firm acquires a reputation which can earn them a loyal clientele.

However, this reputation is usually difficult to create, and requires a strong focus on the quality of production and communication, with word-of-mouth usually the preferred channel for promoting small-scale production. Reputations can also be lost, however, either due to consumers losing interest, or through a quality-related incident (food-borne infection, for example). On the other hand, owning your own brand does give considerable freedom, both in terms of making a product and its promotion. There is no compulsory adherence to external standards, and there is no risk of suffering from the poor quality of products from a colleague who operates under the same brand.

Box 9: Modernisation and authenticity

La Paimpolaise
Country: France

The «Paimpolaise» is an artisanal cannery from Brittany set up by Yann Trébaol. Yann is a former chef who was eager to pass on his expertise to sectors other than the HORECA. He therefore developed a small outfit in 2002 to test and try recipes showcasing products from his region. After 5 years of small scale trials, he decided to start with the production of a range of "spreads from the sea".

The Paimpolaise's products are decidedly modern while managing to keep the authenticity often associated with local products. Examples include razor shells in a cider based liquor and sardines in a tomato confit. This initiative not only helped to promote unknown or underexploited local products (e.g. razor shells, red mullet, pout and limpet) but also managed to change the somewhat outdated image generally associated with the cannery sector.

Yann distributes his products under his own easily recognizable brand which was developed with the help of a professional graphic designer. His main distribution channels are specialized shops (wine cellars, local/rural products shops etc.) and delicatessen outlets so as to keep the authentic character of the production.

http://lapaimpolaise-conserverie.com

It should be pointed out, however, that some types of product are better suited to being sold under a brand name than others. For example, fresh fish is notoriously difficult to sell under a specific brand name. Selling under a brand name implies the possibility of differentiating your product. However, the options for differentiating fresh fish are limited, given that they are often sold on ice, and without packaging, and that one fish looks very much like another, especially to uninformed consumers. Packaged products such as frozen fish, jars, cans or breaded fish are much more suitable for branding.

Environmental labels

The growing demand for products that respect the environment offers attractive prospects for products that can make this claim. Fishermen can, for example, apply for eco-labels, while fish farmers can aim for organic certification.

> Eco-labels

Several eco-labels certifying the sustainability of fisheries have emerged in the last decade. The most widely-known are the Marine Stewardship Council (MSC), Friends of the Sea (FOS), Naturland and KRAV (for Germany and Sweden). While the requirements of these certification systems are not homogenous, they are all based on the FAO guidelines, and concentrate above all on the state of fish stocks and the fishing techniques used, which must allow the long-term survival of stocks.

The most widespread label in the European Union is the MSC, with 25 fisheries already certified, mostly in the United Kingdom, Denmark, Sweden and Germany. Applications are also pending for a further 38 fisheries. A review of the first ten years of operation of the MSC shows that certification rarely has a direct effect on prices, but does open the door to new markets, where sellers are keen to offer their customers guarantees of sustainability. The demand for these products is higher in Northern Europe than in Southern Europe, but it is expected to grow quickly. The main European fisheries that have been certified (in volume) are pelagic fisheries, particularly the mackerel fisheries of the Scottish Pelagic Sustainability Group (140 000 tonnes), the North Sea herring fishery of the Pelagic Freezer Trawler Association (65 000 tonnes) and the North Sea herring fishery of the Scottish Pelagic Sustainability Group (15 000 tonnes). The main demersal fishery concerns pollack in the North Sea (9 700 tonnes) caught by the German fleet.

Ecological certification is relatively easy to obtain where practices are already sustainable. This is the case for traditional fisheries using passive gear, or lake fisheries, where stocks are regularly maintained.

Box 10: Knowing the where, how and what: sustainability as a quality marker

Official quality mark – Ecolabel
Country: Sweden

The gill-net and fish-trap pike-perch fisheries in Sweden's Lake Hjälmaren have become the world's first freshwater fisheries to be certified under the Marine Stewardship Council's (MSC) environmental standard (in 2006). MSC certification seeks to maximize the ecological health and abundance of fish species, as well as to maintain the diversity, structure and function of the ecosystem on which they depends.

On Lake Hjälmaren, the minimum legal size of pike-perch was increased voluntarily to 45cm (compared to 40 cm elsewhere) and the mesh size of gill-nets to 60 cm, which means even larger fish can escape and mature for longer.

The fishermen wanted healthy fish stocks, as this is the key to a healthy lake. They also limited licenses to 25 boats of about 6 m long. The average annual production of the fishery amounts to around 150 tonnes.

The benefits of this certification include increased prices and greater environmental awareness. Currently, 80% of the pike-perch catch goes to Hjälmarfisk in Gothenburg, a supplier within the MSC chain, which sells them on, mainly to Germany. The certified fishermen get a slightly higher price per kilo, but MSC certification has brought subtler longer-lasting benefits: environmental awareness and the sustainability of the fishery.

> Organic aquaculture

The first standards for organic aquaculture date from about fifteen years ago, and were initiated by organic agriculture organisations (Naturland, Soil Association), or certain countries (France). Commission Regulation (EC) 710/2009, applicable since 1 July 2010, introduced common arrangements throughout the European Union.

Limited data is available on production, but according to a study by Naturland, world production for all species reached 53 500 tonnes in 2009 (corresponding to a turnover of €230 million), or 0.1% of global aquaculture. The European Union is home to 123 certified production units and generated half of all world production.

Organic production is, therefore, still a niche production, which mainly concerns salmon. Using this certification, Irish and Scottish salmon producers have been able to differentiate themselves from Norwegian salmon. Organic production is also significant for some other continental or marine species such as trout and bass.

The market demand is currently mostly in France, Germany, the UK and Switzerland, with growth estimated at a minimum of 40% per year by 2011.

Table 3 *– Advantages and disadvantages of the various forms of labelling*

	Individual or collective projects	**Products concerned**	**Advantages**	**Disadvantages**
Official quality markings	Collective action	Products of aquaculture Processed products	Recognised at European level Links product/territory	Lengthy procedure Not always response to market demand Sometime imposed top-down
Collective brands	Collective action	All products	Regional brands: link to territory Over-arching brands: comprehensive range	Sometimes top-down approach Possible regulatory restrictions on origin statements
Independent brands	Individual action	All products	Identification of producer No specifications	Difficulty of firmly rooting the brand: long-term task, high communication expenditure No official recognition
Ecolabels	Collective action	Fishery products	Demand from downstream (processing and distribution) Access to new markets	Diversity of labels Cost of certification
Organic aquaculture	Individual action	Products of aquaculture	Demand from consumers	Specifications to be met Modification of practices

Communication and promotion

Communication is an essential aspect of any process to enhance the value of a product. The product may be of excellent quality, tailored to a particular market, and certified by a quality label, but this is all in vain if the information is not passed on to the consumer and if the information about the product does not convey the appropriate message.

A communication strategy which is coherent with the product and the market to be reached is vitally important. The communication strategy must influence the various stages of the marketing of the product. It must guide the development of the packaging and the type of package; ensure coherence with the presentation at the point of sale, or with promotional tools (leaflet, internet site, stands, posters) and the choice of a label or brand.

Contacts with the local press and local development agencies can also help to boost visibility and consumer awareness. If long distribution channels are used, it is more difficult to pass on information to the final consumer. In this case, labels and brands can facilitate the transmission of information to the final consumer. Otherwise, substantial work has to be done, in collaboration with those downstream in the distribution chain (wholesaler, distributors, etc.) who, especially in the case of large supermarket chains, often ask producers to get involved in the promotion of their products.

There are also trade fairs, which enable producers to promote their products to potential distributors. Taking part in a trade fair as an exhibitor requires a relatively large investment and involves substantial logistics. Therefore, it is necessary to prepare, and to select those events which correspond best to the product/market. It is probably more sensible to firstly attend these trade fairs as a visitor. With a limited investment, this enables you to evaluate the potential of the event, and to set up initial contacts with potential customers. In order to maximise the return on investment, a list of potential customers and interesting contacts should be drawn up in advance of the event, based on the exhibitor guide. Appointments on the spot can be agreed beforehand, in order to make sure that the discussions definitely take place. Remember, the most interesting contacts usually have a busy schedule.

Participating in trade fairs on a collective basis enables participants to have greater visibility than they could achieve individually. Some of these events are so big that a stand that an individual could afford often does not allow a sufficient degree of visibility. Participation via regional stands is also an effective way of benefiting from economies of scale in financial terms and in terms of visibility.

3.3 Better marketing

Choose the right distribution channel

Adapting your distribution channel to your product can also be a good way of adding value. A distinction is made between long and short distribution channels depending on the number of intermediaries involved. Short distribution channels have no more than one intermediary between the producer and consumer and, therefore, include direct sales. Long channels have more than one intermediary. These two main types of distribution are not mutually exclusive, and diversification of sales opportunities is a way of increasing the certainty of your sales.

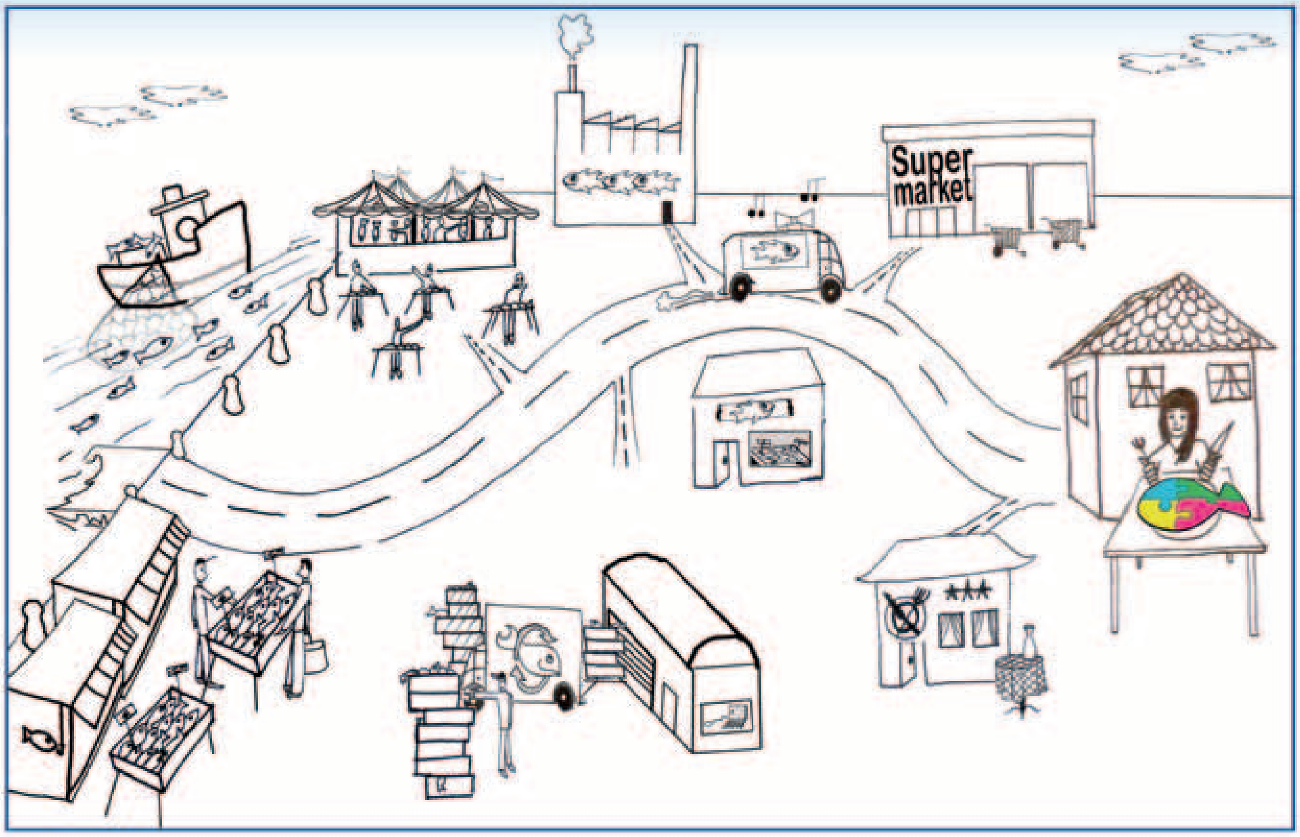


***Figure 4** – The various distribution channels are complex. Choosing the right distribution channel is an important decision and must take account of individual objectives and possibilities.*

Short distribution channels

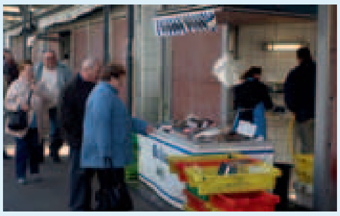
> Direct sales

Direct sales are characterised by direct contact between the producer and the consumer. This includes sales at the place of production or landing, as well as sales at markets, mobile sales or sales in the producer's shop.

This approach is frequently used by coastal fishermen, shellfish farmers and small fish farmers to sell part of their fresh produce. Some also carry out processing using traditional methods (often smoking), which they also sell in this way. This is a good means of diversifying sources of income. However, such initiatives are usually launched by individual companies, and are generally not the result of a collective approach, except in the case of collective shops.

Box 11: Direct sales and local heritage: giving customers a taste of "the real thing"

Direct sales cabins in Boulogne sur Mer
Country: France



In Boulogne sur Mer, one of the main fishing ports in France, situated at the intersection of the Channel's busiest shipping lanes, a number of fishermen have increased the value to their catch by using a direct sales system. For decades, the "aubettes" (little kiosks situated directly above the moorings) have attracted local residents, who came to buy the catch of the day. In the early 2000s, the municipality renovated these facilities, enhancing hygiene and quality standards for product handling, and the working conditions of the fishermen and women selling their catch.

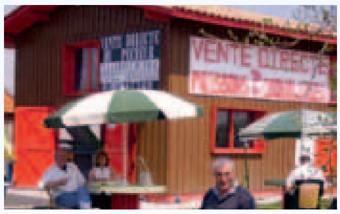
Today, 25 of these kiosks are allocated to individual boat-owners, who pay a yearly rent of €4000. This represents 20% of the 125 fishing boats in Boulogne. In 2009, a study by Agrocampus Ouest showed that approximately 25% of the income of the participating fishermen came from direct sales at the kiosks.

Whereas no precise data is known on the value gain for fish sold in this context, it appears that the operation provides a positive outcome for the fishermen, who, in addition to the rent, have also invested in sales materials and transportation. With these sales outlets positioned at one of the town's main entry points for local visitors and occasional tourists, fishermen benefit from increased visibility and access to customers and in turn, provide the town with a cultural and touristic hotspot for the promotion of local heritage.

Oyster cabins in Arcachon
Country: France

Producers in the Arcachon basin have led "Oyster discovery" initiatives for a number of years now. Such initiatives, often combined with direct sales, can be run on a community or individual basis, but always aim to promote the "unique" quality, environment and know-how that characterises this iconic product of the region.

Hervé Bojon, a fisherman, and his wife, an oyster farmer, run an oyster cabin in La Teste de Buch. Their goal is to offer a true immersion in the authentic maritime world, a complete educational package with boats, cabins and accommodation. Each oyster farmer has a cabin in which he stores his equipment, but many are also used for tasting sessions as well as for direct sales. "In-cabin tasting sessions are clearly a good way to promote the product," says Hervé. "A dozen oysters normally sold to wholesalers for €4.30 can make €9.50 in the cabin."



http://lacabanedelaurinette.free.fr/

http://www.lacabanedelaiguillon.com/

While direct sales cut out the middleman between the producer and final consumer, it requires a sizeable investment in manpower, particularly in terms of time spent selling. In the fisheries sector, this activity is traditionally undertaken by the wives of the producers.

In order to determine the viability of direct sales, it is necessary to take into account all the associated costs (purchase/rental of equipment, vehicle, premises, cost of compliance with public health requirements, etc.), as well as the working time involved (preparation of the products, loading and unloading before and after markets, selling time, etc.).

Direct sales mostly rely on the local market. By way of comparison, it is estimated that customers for farm produce travel up to 20 km to obtain their supplies. So it is important to ensure that the population of the immediate area is sufficient to support a viable business. This local population consists of local inhabitants, but also tourists and locals who have moved away but return to the area during holiday periods. The latter represents what is known as seasonal demand.

It is also possible to make a distinction between the coastal population and the population of large urban centres, even if they are located in coastal areas. These different categories of customer do not have the same knowledge of fisheries products, nor the same needs. Therefore, tailored marketing strategies should be put in place, in terms of both the type of direct sales used and the types of product proposed. What species are in season is something that will be familiar to the local population, for example, but this has to be explained to tourists and urban consumers.

Interestingly, direct selling by fishermen at ports, whether on the coast or at the lakeside, often increases the tourist appeal of these areas, and can easily be part of a wider integrated territorial development initiative. However, with any direct sales initiative it is important to be aware of the limitations imposed by EU legislation. Some limitations arise from the food safety and hygiene rules, as mentioned in section 2.5. Others relate to the control regulation (see Art.59 of Council Regulation (EC) N° 1224/2009 in particular). It is advisable, therefore, to check beforehand with the national competent authorities the volumes and species allowed for direct sales in the region concerned.

A crucial point in direct sales is the proximity of the producer to the final consumer. The story that goes with the product is as important as the product itself, and it forms part of the value-added of direct sales. Here, it is not just a matter of buying an everyday product, but of creating a link to the producer. This imaginary and the emotional dimension it creates increases customer satisfaction. For consumers, there is a general perception that a product bought directly from the producer will be of better "quality" than the same product bought from the fishmonger, which in turn will be of better "quality" than a product bought in a supermarket. However, it is important that this perception of superior quality is actually related to the real value of the product. As mentioned previously, in the section about quality, this is not an inherent characteristic of the product, even if the consumer may perceive it as such when making a first purchase. Indeed, consumers will not return to a producer if the taste, freshness or flavour of the product was disappointing, even if it is accompanied by the most beautiful story in the world.

***Table 4** – Main characteristics of the various forms of direct selling*

Target customers	Form of sales	Types of product	Seasonal fluctuation
Tourists	Direct sales at ports or at production premises Shops at tourist sights	Festive or typical products Everyday foods	High
Emigrants	Direct sales at ports or at production premises Markets	Traditional typical products	High
Local seaside population	Direct sales at ports or at production premises Markets	Everyday products	Low
Urban population	Shops in town Markets in town	Festive products Extensive range of products	Low

Source: The LEADER European Observatory. "Selling local products: short and long distribution channels" – Innovation in rural areas, booklet No. 7, July 2000

Direct sales also concern processed products, particularly in cans and jars, which can be sold at the production plant. These sales are often associated with a tour of the premises, and are aimed specifically at tourists. Canned products are also particularly suitable for long distance selling, either by e-mails, or via an internet site.

However, care is required with processed products. While European food safety legislation allows a certain degree of flexibility with regard to direct sales of small quantities of primary products, that flexibility does not apply once the selling goes beyond the stage of primary products, as defined in EU legislation (see the note on EU seafood hygiene regulation p. 26).

> Other short channels

Short channels other than direct sales imply, at most, one intermediary between the producer and the consumer. This could be a retailer (local fishmonger or supermarkets) or a restaurant. Bed & breakfast and other forms of rural tourism can also be prime distribution channels for local fishery products, due to the type of accommodation and services offered.

These other short modes of distribution enable producers to limit the number of middlemen, without becoming a seller themselves. Indeed, selling products is a different discipline, which does not necessarily match the aspirations or abilities of all producers. However, communication about the products is then entrusted to a third party. In this situation, ad hoc interventions at the point of sale could help to reinforce the proximity between the consumer and the producer.

These actions, like those of direct selling, are usually undertaken by individual companies rather than collective projects.

The case of fish baskets:

The concept of fish baskets is based on a mutual commitment by producers and consumers: the producer provides a regular supply (weekly or fortnightly) of a given quantity of fishery or aquaculture products to customers who have agreed to purchase them for a given period (throughout the fishing season, for example).

This idea is based on "Community-supported agriculture" projects, which has also translated into "Community-supported fisheries" projects on the East Coast of the United States.

This concept exists in France under the name AMAP (Associations pour le Maintien d'une Agriculture Paysanne or Associations for the Maintenance of Family Farming). Some producers have joined existing AMAPs to offer products from the sea, rivers and lakes, as well as agricultural produce. There are also some AMAPAPs (AMAP aquaculture et pêche), which extend their remit to aquaculture and fisheries.

These systems establish a strong link between consumers/citizens and producers in the same territory, but there are several issues that can inhibit their development. First of all, if the products on offer are the same every week, there is a risk that customers will get bored and may not come back next season. Fishery products are often seasonal, and the same producer rarely has a varied range of species available at a given time. Likewise, fish farmers often specialise in a single species.

Another criticism often made, is the lack of knowledge on the part of consumers about how to cook products of the sea, lakes and rivers. Selling ready-filleted fish is probably more likely to engender consumer loyalty than selling whole fish, which are considered complicated to cook. In this case, however, the food safety regulations must be followed. In any case, the advice from the producer is essential. This could, for example, include putting recipe suggestions inside the baskets. As the system is based on an exchange between the producer and the customer, there is an ongoing opportunity to listen to customers and change the product offering on the basis of their proposals.

To respond to the need to vary the products on offer in the baskets, it is sometimes more appropriate to use several producers. That is why baskets are also offered by wholesale fish merchants, who can diversify their sources of supply and mobilise the logistics necessary for distribution.

It is also of the utmost importance that these projects are driven by local producers themselves. The fishermen must be involved in the project, and this should happen from the very early stages. Fishermen must not see these new modes of marketing as just another way of selling their products, but rather as a way of developing links with consumers and enhancing their production and their livelihood. Without this active engagement of the producers, there is a real risk that this type of distribution system could collapse if the organisation behind the project disappears, or if the quality of the products supplied is not assured because of a lack of interest or absence of personal commitment on the part of producers.

Box 12: Direct sales, building closer relationships between producers and customers

Eastman's Fish Market and Eastman's Local Catch, New Hampshire Community Supported Fishery Country: United States

"It's no fish ye're buyin', it's men's lives"
Sir Walter Scott, 1816

The Eastman's Local Catch Community Supported Fishery (CSF), set up by Carolyn and Ed Eastman, is centred on strengthening the link between fishermen and families. It acts as a "life-line" between a general public that knows little about what is happening to the fishing industry and fishermen, hard working people, but not famous for speaking up on their own behalf.

The CSF enables community participation in the harvesting process and the provision of information about seafood to local customers, through the local fish market or a system of direct sales to which customers can sign up to receive local fish products. The CSF system is modelled on farming CSAs (Community Supported Agriculture), with local consumers having the opportunity to become shareholders in the harvest of the fishing vessel. In return, they receive the highest quality local seafood directly from the boat to their table and the fishermen, in return, receive a higher price for the fish they catch.

The Eastman's impact on customer awareness and territorial integration of the fisheries sector is tangible. In the summer of 2010, the scheme had 400 shareholders, distributed all along the coast of New Hampshire, travelling from between 10km and 100km to pick up their fish.

Furthermore, their direct sales system now involves other producers in the territory, such as farmer's market and local CSA farms where customers can pick up their order. This is helping to integrate fisheries activities with other economic sectors in the territory and to develop stronger ties between fishermen and local farmers.

http://www.eastmansfish.com/

In order to ensure the coherence of their action, consumers who are active in this type of project often prefer the fisheries that they are supporting to be sustainable. However, buying local does not mean buying sustainable, which may cause disappointment.

On the other hand, pressure from consumers may also change producer practices. Those who get involved in such actions tend to be open-minded and therefore ready to engage in dialogue.

Long channels

The use of long channels is often essential, particularly where consumption centres are a long way from production centres. Long channels imply higher volumes and more producers than short channels. In these systems, there is at least one intermediary (often a wholesaler) between producers and the point of sale to the final consumer. These points of sale could be traditional fishmongers as well as large supermarkets. The latter should not be overlooked in the distribution of FAP, as their market share is often at least three-quarters of volumes sold in the various countries of the EU. The marketing mechanisms for the produce of the sea, lakes and rivers differ from one Member State to another, particularly with regard to the presence, or not, of fish auctions. These mechanisms are becoming more complex, and the producer's clout in the negotiations is limited. Pooling the supply through cooperatives could be a good way of increasing that clout.

However, large supermarkets impose many constraints: there are precise specifications to be followed concerning the quality and traceability of products; and deliveries have to be regular, whether in terms of quantity or quality for each species. Fines are imposed in the case of non-compliance with agreements, while the supermarket chains also reserve the right to change supplier if their existing one does not live up to expectations (for example if the product does not sell). Moreover, the payment arrangements are complex; the profit margins for suppliers are low, and the payment periods long. At the same time, producers are required to contribute to promotional campaigns for their products.

That is why producers rarely deal directly with large supermarket chains, but often sell through fish merchants and wholesalers, who combine supplies from multiple sources and offer comprehensive ranges. Although the proliferation of middlemen limits the producer's value-added, it does have the benefit of providing a nationwide logistics system that would be impossible to develop alone, and producers can sell all or part of their production through this channel.

Table 5 – Advantages and disadvantages of the various distribution channels

	Individual or collective projects	Advantages	Disadvantages
Direct sales	Individual or collective action	Direct contact with consumers (and therefore control over information and knowledge of the market) Higher prices	Investment in time Investment in equipment (transport, storage, presentation,…) Health constraints Need to offer a diversified, regular range Limited volumes Variations in local regulations Conflicts of interest possible with those downstream in the chain Absorbing the cost of unsold products
Short channels	Individual or collective action	Higher prices	Need to offer a diversified, regular range Limited volumes Acceptance of financial risk (in the event of non-payment or payment delays)
Long channels	Individual or collective action	Pooled offering Constant level of demand Sale of large quantities Little investment in actual selling	Many middlemen Difficulty of negotiating with large supermarket chains Sales terms and conditions of large supermarket chains are very tough: need for minimum and constant volumes (penalties in case of breach), short ordering deadlines, responsibility for volume of sales, (possible obligation to contribute to promotion,…) Reduced profit margins Limited control over communication

Collaborating with those downstream in the distribution chain

Players further down the distribution chain must not be regarded a priori as an obstacle by producers when trying to enhance the value of their production. It may be in the interest of all players to promote local resources. Partnerships can be established between producers, processors, fish merchants and the distributive trades in a common project.

Producers can thus benefit from a sizeable logistics network, with better geographical coverage, while those further down the distribution chain benefit from the brand image of small-scale fishing.

Table 6 *– Advantages and disadvantages of upstream/downstream collaboration*

Advantages	Disadvantages
Regular information about the needs of downstream players and the possibility to adapt the product to meet demand at all times	Additional workload
Possibility of influencing communication	Sometimes divergent interests
Guaranteed volumes	

Box 13: MJ Seafood, linking the HORECA with local boats

MJ Seafood is a large scale fishmonger supplying the UK market. The company has positioned itself as a supplier of high quality fish with a strong emphasis on local and sustainable sourcing. MJ Seafood set up the British Skippers Scheme, which aims to develop a special relationship between selected boats and customers. Through a range of local buyers, it creates a direct link with boat owners, which allows them to know in advance what is being caught. This information can then be passed on to certain customers such as restaurant chefs, who are interested in getting the freshest catch and knowing in advance what will be on offer for their menus. Local producers benefit by securing a special channel for promoting and selling their products at a premium price.

http://www.mjseafood.com/

Inter-branch organisations (IBOs) are an EU initiative to promote vertical collaboration throughout the fisheries sector. These IBOs are established under Regulation (EC) 104/2000 on the common organisation of the markets in FAP.

To be recognised and assisted, these organisations, which bring together representatives of organisations linked to production, marketing and/or processing of FAP, must represent a significant proportion of the production and trade and/or processing of fishery products in the region(s) in question, but must not carry out these activities themselves. They must engage in two or more of the following activities:

improving knowledge of and the transparency of production and the market,

> helping to better coordinate the way fishery products are placed on the market, in particular by means of research and market studies,

> studying and developing techniques to optimise the operation of the market, including through the use of information and communication technology,

> drawing up standard contracts which are compatible with EU rules,

> providing information and carrying out research needed to channel production towards products more suited to market requirements and consumer tastes and expectations, in particular with regard to product quality and exploitation methods which contribute to the sustainability of resources,

> developing methods and instruments and organising training schemes to improve product quality,

> exploiting the potential of, and protecting designations of origin, quality seals and geographical designations,

> laying down rules on the catching and marketing of fishery products which are stricter than EU or national rules,

> exploiting more fully the potential of fishery products,

> promoting fishery products.

The Italian IBO, "Filiera Ittica", which is partly supported by EU funds, was established to implement a traceability project for the Italian fisheries sector, and to create a collective brand of the same name, "Filiera Ittica". The organisation brings together producers (10 producer organisations (POs)), processors, fishmongers and restaurants and guarantees consumers complete product traceability throughout the production chain.

Despite the availability of EU assistance, only a small number of IBOs have been recognised so far. The existing framework has not always convinced professionals of the usefulness of such a structure in helping to overcome the divergence of interests between the various professions. Support for inter-branch organisations will be reinforced in the reformed Common Fisheries Policy.

Exploiting new technologies

New technologies, and particularly the omnipresence of the internet, offer new prospects for the distribution of FAP. The most obvious application is in the placing of orders, whether for mail order or for customers who travel to collect their purchases. This type of system has the same disadvantages as direct sales: the need to offer a varied range and sufficient volumes to meet demand.

Present-day means of communication also enable small boats to communicate their catch before they actually return to port, allowing downstream players to anticipate the availability of fish. This requires the boats to be equipped with the appropriate technology.

The use of new technologies as a means of marketing is limited by the degree of penetration of these technologies in the markets concerned, and by consumer behaviour. For example, some consumers can be reluctant to buy over the internet. Likewise, telephone or internet sales platforms have to rely on a complex logistics organisation, which may be difficult to develop, especially for fishery products which have to meet very exacting hygiene standards.

Box 14: Local sourcing for nationwide demand

Lonxanet Direct
Country: Spain

Galician seafood can achieve very high prices on the Spanish market, where species like lobster or goose barnacles have luxury connotations. However, after passing through a large number of intermediaries, the return to the producer is ultimately very small, despite assuming all the risks associated with the extractive phase.

Lonxanet Directo SL is a direct sales company focusing on the marketing of Galician seafood coming from artisanal fisheries, partially owned by six "Cofradías"[3], entities which are thus both shareholders of the company and providers of the seafood it markets. This provides a direct link between customers (restaurant, retailers) throughout the country and local producers (fishermen belonging to the Cofradías), enabling the latter to target their fishing effort according to the demand of the market.

The tool developed by Lonxanet to achieve this social and economic change is a web and phone based marketplace, integrating marketing and logistic services, and enabling the Cofradías to sell directly to restaurants and other final consumers. This gives the Cofradías greater control over the whole commercial cycle of their products, thus facilitating the switch from an opportunistic approach to an economically sound planning mentality. December 2001, signalled the beginning of commercial operations. Some coordination problems were experienced with the Cofradías and the time needed for customers to "adapt" to this mode of distribution (e.g., with very few restaurants having an internet connection, buyers not used to placing orders by internet, etc..). Eventually, Lonxanet started to gain knowledge about customer's behaviour, etc., and started creating the feeling of belonging to a common project.

Today, Lonxanet caters for around 360 restaurants located throughout Spain, with 60 of these being regular customers. Apart from the HORECA sector, Lonxanet also delivers its products to around 500 private customers who place great importance on the quality of the fish they purchase.

The scheme has suffered recently from the impact of the economic crisis, mainly because it offers the freshest and best quality fish, whereas some corporate customers tend nowadays to focus more on cost reduction and, therefore, favour cheaper options (e.g. frozen fish). Furthermore, delays in the time taken for customers to pay are increasingly common, which highlights the financial risks associated with any distribution process.

Still, Lonxanet shows how IT and communication technologies can be used to foster social change and transform a very traditional sector.

http://www.lonxanet.com/que_es.php

http://profesores.ie.edu/enrique_dans/download/IT_social_change_Lonxanet.pdf

[3] "Cofradías" are fishermen's unions which are responsible for local management of fisheries resources

Table 7 *– Advantages and disadvantages of new technologies*

	Individual or collective projects	**Products concerned**	**Advantages**	**Disadvantages**
Announcement of catches to be landed	Collective action	Fishery products	Link with down-stream players in the distribution chain Planning of sales	Investment in equipment
Sales via internet	Individual or collec-tive action	All products	Broadening the client base Sales platform is also an efficient means of communication Limits the number of middlemen	Need to offer a diversified, regular range Complex logistical support Heavily dependent on the degree of penetration of the internet Potential reluctance of some consumers to buy online

4. Conclusion

Activities aimed at adding value can, potentially, increase the income of fishing communities. There are many different ways of achieving this, as outlined in this guide. The role of the FLAG in identifying these possibilities and in supporting the development of new projects is crucial.

Technical support in terms of advice and guidance, the development of guides and thematic factsheets (on specific subjects such as local conditions with regard to direct sales, for example), the transfer and search for information, and thematic training courses are just some of the activities that FLAGs can implement to support project promoters in their territories.

The FLAG's role is also essential to fostering cooperation between the various players in the territory and to the development of integrated projects, making good use of all the resources available at local level. The FLAG can create favourable conditions for businesses from various sectors or regions to meet (by organising workshops or ad hoc working groups, for example), particularly through intra-FLAG collaboration.

The FLAG can contribute to the financing of projects relating to value-added, projects of an individual or collective nature. As for individual projects, the FLAG will ensure their integration into the strategy for the territory, particularly via selection criteria that could, for example, encourage the use of raw materials of local origin. Collective projects for their part will ensure that the benefits accrue to a whole range of businesses. Such activities could include, for example, the development of a collective stand at specialised trade fairs, market research or feasibility studies for local products, the development of labels promoting the quality of local products, or the development of new points of sale for local products (direct sales cabins, local markets,…).

It is important to bear in mind that support by the FLAG must not be limited to just providing funding for a particular activity, but must be aimed at supporting the project promoters throughout the project. The FLAG can then continue to capitalise on the experience acquired throughout the process, and become a genuine partner for those operating in the field.

Nevertheless, value-added processes only represent one of the possibilities of integrated local development. It is with this in mind that the FARNET Support Unit will explore a range of avenues for developing the local economy of fisheries areas over the comingyears. Our next publication will deal with the subject of diversification of activities within fisheries areas in the European Union.

Finally, it is important to stress that while this guide on adding value gives some ideas and tools to producers and FLAGs to help them in their endeavours, it is not a substitute for the key elements of any development action, which remain the enthusiasm and dynamism of the project promoters, combined with a professional approach.

If you have found this guide useful, we would like to hear about you and your project, so that your experience can be added to the examples of good practices that the FARNET Support Unit will continue to compile and disseminate on the theme of adding value to fishery and aquaculture products.

We wish you a fair wind, and every success in your endeavours.

KL-32-11-679-EN-C

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ISBN 978-92-79-19615-7