Arctic Development

Opportunities In The Smoked Salmon Market In Italy, France And Germany
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1. TERMS OF REFERENCE, RESEARCH OBJECTIVES AND METHODOLOGY

1.1 Terms of Reference

The terms of reference for this report were set out in a proposal for research dated October 1990 and prepared for The Fisheries Council of British Columbia by AGB Dialogue, AGB European and International Division and IMR.

1.2 Research Objectives

The objectives of the research as agreed with the Fisheries Council of British Columbia were the following:

- to illustrate the flow of products from import through processing into the retail and catering trades
- to explore attitudes within the trade to Canadian versus other salmon when smoked, in terms of appearance, texture, flavour and product quality
- to explore what are the views amongst the trade on their perceived attitudes of consumers to Pacific versus Atlantic and in particular Canadian versus competitive smoked salmon
- to investigate why there is such a marked difference in price between “ Pacific and Atlantic smoked salmon
- to explore attitudes in the trade to farmed versus wild salmon

- to obtain an image profile for Canadian produce versus Scottish, Scandinavian and American produce

- to explore marketing opportunities and suggest ways in which The Fisheries Council of British Columbia can influence importers to buy Canadian salmon in preference to that of competitive producers and how they can influence retailers and caterers

- to provide information as an input to developing marketing ideas for increasing sales of smoked salmon through supermarkets, fishmongers and other retail outleta

1.3 **Research** Methodology

The research methodology comprised two key components, a desk research phase and a telephone interviewing programme.

Desk **research**

Background data on the market structure for smoked salmon in Italy, France and Germany was generated using all relevant sources of information including trade associations, trade journals, governrnent statistics and industry experts. This desk research phase concentrated on the distribution of smoked salmon to the retail, wholesale and catering trades.

Telephone **interviews**

The telephone interview programme comprised 50 interviews in each country across all trade sectors. Interviews were also conducted with trade associations and other industry , experts including the editorial staff of the major fish journals. Table 1 summarises interviews completed, by trade sector.

TABLE 1
INTERVIEWS, BY TRADE SECTOR

	FRANCE	GERMANY	ITALY	TOTAL
Importers	9	7	9	25
Wholesalers	9	7	9	25
Multiple retailers	8	8	8	24
Specialist retailers	7	10	8	25
Caterers	8	10	8	26
Smokers	6	5	5	16
Informed opinion	3	3	3	9
Total	50	50	’50	150

Source: IMR

2. EVALUATIONS AND RECOMMENDATIONS

The evaluations and recommendations section of the report first looks at the characteristics of the market for smoked salmon in each of the countries under, consideration. This section attempts to point out specific opportunities and barriers for increased sales of Canadian smoked salmon in each country. Section 2.2 considers the implications the research findings have for the marketing and promotion of smoked salmon across all three countries.

2.1 Market Characteristics of Italy, France and Germany

2.1.1 Italy

Italian consumption of smoked salmon is relatively low compared to France and Germany, standing at approximately 3,769 tonnes in 1989. Although Italians have traditionally eaten less smoked fish than some other European nations, it is also true that the marketing and promotion of smoked salmon is less well developed. Norwegian producers, which have marketed their product very aggressively in France and Germany for some years, are only just beginning to turn their attentions to the ItaIian market.

To some extent, the Italian smoked salmon trade considers Pacific salmon to have been the first to enter the market, and Canadian products still retain a strong market position both in terns of market share and awareness amongst trade and consumers. It is clear from the research surveys that, compared to France and Germany, Italyss image of Canadian smoked salmon and indeed fresh salmon, is favorable.

Canadian smoked salmon was rated higher than Norwegian in appearance, flavour, texture and product quality. Scottish salmon was perceived as superior to' Canadian, a perception which is largely due to the particular reputation of Scottish food products in Italy.

In terms of appearance, the Italian trade and consumers prefer smoked salmon that is distinctively red in **colour.** Italian fishmongers also showed a preference for Canadian salmon for display purposes as it is larger than Atlantic farmed fish and creates greater impact with the consumer.

Unlike the French and German trade, Italian respondents preferred the drier taste of Canadian salmon to Norwegian-farmed salmon. Taste is linked to the texture and to the fat content of smoked fish, something which emerged as an important consideration for Italian consumers, who prefer fish and meat with very low fat content. In this respect, Canadian salmon has a clear advantage over that farmed in the Atlantic.

Awareness of Canadian salmon as a **'wild'** fish appears high amongst the Italian trade and consumers. Several respondents criticised farmed fish for its uniformity of taste and size. In general, the variety of Canadian species is perceived .as a strong selling point.

Within the Italian trade, smokers, caterers and specialist retailers were particularly favorable towards Canadian smoked salmon. Italian smokers account for approximately 50 percent of supermarket sales of smoked salmon, much of this Pacific salmon. However, multiple retailers are currently putting Italian smokers under pressure to increase supply of Atlantic smoked salmon.

2.1.2 France

France represents the largest market in Europe for smoked salmon, with consumption estimated at 12,749 tonnes in 1989. The market is dominated by Norwegian and Scottish , suppliers which have a large and permanent promotional effort in France. Before the introduction of famed salmon, it is estimated that Pacific products supplied 60 to 70 percent of the French market. Canadian producers of smoked salmon currently face significant barriers to the increase of their sales in France.

The necessity for Canadian salmon to be frozen before export is perceived as a serious disadvantage within the French trade. Smokers, especially, claimed that freezing affects the quality of smoking. Smokers also complained that there was a lack of advice from Canadian producers as to how to smoke their salmon correctly. Some French smokehouses, as well as importers and wholesalers, thought that Canadian salmon can be of superior quality to Atlantic, but that this quality is lost during freezing. Labeyrie, the third largest smokehouse in Europe now prints on its labels the day the fish was caught, the day it was smoked and the date of expiry, in an effort to differentiate smoked salmon made from fresh salmon and that made from frozen salmon.

The Labeyrie case highlights the quality consciousness of French consumers who are prepared to pay large sums for the quality they demand. Indeed, both fresh and smoked salmon prices are between five and ten percent higher in France than in other European countries. According to the trade, French consumers cannot distinguish between different types of salmon and certainly do not make the distinction between wild and farmed. Consumers are most influenced by the origin of smoked salmon and, according to the trade, they have been convinced by promotion that salmon of Norwegian and Scottish origins are the best quality. Advertising and promotion concentrating on the national origins of smoked salmon have been very successful in creating a quality image of Atlantic salmon. , If French consumers regard Pacific salmon as inferior, attitudes within the trade are more mixed. Smokers, importers and wholesalers which handle both Pacific and Atlantic smoked salmon rated Canadian products significantly higher for appearance, taste, texture and product quality than those handling only Atlantic salmon. The French trade to some extent , perceived Canadian smoked salmon not as inferior to Atlantic but of a different species altogether.

2.1.3 Germany

German consumption of smoked salmon stood at approximately 5,181 tonnes in 1989. The market is dominated by Atlantic smoked salmon, either through Norwegian imports to German smokehouses, or imports of ready smoked salmon from Denmark. The research surveys found that Pacific salmon is relatively unknown amongst the trade, and many respondents did not handle Canadian smoked salmon.

In Germany, Norwegian smoked salmon is regarded as the 'standard' product by both the trade and by consumers. The consistent quality of Norwegian salmon is highly regarded, against which, the perceived uneven quality of Canadian salmon in size, text&e and taste was repeatedly criticised.

The German trade believe that consumers prefer the high fat content of Atlantic salmon to what they perceive as the dry taste and texture of Pacific smoked salmon. However, several respondents did raise the possibility of promoting Canadian smoked salmon as a healthy, low fat source of protein.

Many trade respondents thought that Atlantic salmon has such a stranglehold on the German market because it has been promoted so aggressively and due to the lack of any alternative. The **professionalism** of Norwegian promotion is widely respected and led one respondent to suggest that Canadian producers should do the same in order to gain a significant market share. .

2.2 Marketing **Requirements** and Marketing Mix

As IMR stated in the United Kingdom salmon report, the strategy which The Fisheries Council of British Columbia should adopt regarding promotion of Canadian salmon will depend largely on whether they decide to market smoked salmon to both the consumer and the trade.

A marketing and promotional **strategy** for smoked salmon selling through supermarkets and the trade would have to contain the following elements:

- in-store promotion, including tastings
- free leaflets with recipe ideas
- national television advertising
- building of a generic image for Canadian salmon through specifically designed packaging and advertising in housekeeping and food magazines
- attendance at major trade exhibitions, including the pan-European exhibitions Sial and Anuga

A strategy aimed at consumers would be particularly expensive. The research revealed that the Alaskan government has a budget of $2 million a **year** to spend on promotion in France. IMR believes that a carefully targeted mixture of information and promotion that concentrates on the trade but also includes packaging design and “supermarket promotion would be the most effective method of increasing sales of Canadian smoked salmon.

Any promotional campaign should pay particular attention to the following elements:

Selection of salmon

Canadian smoked salmon has a reputation for inconsistent quality, ranging from the best on the market to very poor. To regain a reputation for quality, Canada must export only high grade salmon.

ConsumerS in all three countries under consideration prefer smoked salmon that is pink in colour rather than pale like much Canadian smoked salmon. Canada should select the salmon species which is most acceptable in Europe in terms of colour.

Size of salmon is an important consideration. Fishmongers expressed a preference for large whole sides of salmon which make effective displays. Supermarkets insist that slices of salmon in controlled atmosphere packs are of a consistent size.

Freezing of salmon

The freezing and defrosting process that Canadian salmon goes through is perceived as a fundamental disadvantage for smoked as well as fresh salmon. Canadian producers should look closely at the freezing and defrosting cycle and try to minimise this before freezing salmon, Canadian producers should consult their customers, the smokers, and freeze according to their standards.

Wild versus farmed salmon

Although the trade perceives Pacific salmon as a wild product, it is clear that the vast majority of European companies are oblivious to such a distinction. Canadian salmon should be promoted as a. wild product much in the same way as free range eggs are currently promoted in Europe. It cannot be ruled out that current isolated criticism of farmed salmon could increase as production methods used become widely publicised.

Promotion of Canadian salmon as a wild, natural product should emphasise the natural diet of the fish in the wild and absence of any artificial colorings. The fat content of Pacific salmon should be publicised and underlined in the same way as other smoked fish and some meats have fat content marked on their packaging.

Packaging

The salmon trade in all three countries under consideration underlined a need for a range of controlled atmosphere packs (CAP) from 50g for one person households up to 200g party packs. As IMR suggested in its report on the United Kingdom salmon market, the packaging of Pacific salmon should be redesigned to highlight the country of origin, with designs that relate to the positive image of natural beauty and wide open spaces that Canada has in Europe. Packaging is also an ideal and cost effective tool for promoting salmon through recipe ideas on the back of packs.

Pricing

In the past, price cutting of Canadian smoked salmon has been self-defeating, resulting in a reputation for cheap products which runs counter to the image of smoked salmon as a quality, luxury product. IMR believes that Canadian prices should aim to be on a par with Scandinavian salmon.

It is essential that prices Canadian producers charge the trade are stablilised. One Italian smoker who buys salmon exclusively from Canada claimed that prices in the last eight months had fallen from US $7.10 to US $3.50. Trade respondents across all countries stated that they preferred suppliers with stable pricing structures.

Image

It is essential that Canadian salmon is differentiated both from other Pacific salmon and from Atlantic salmon. Consumers are currently mostly unaware of the differences between the species apart from price and colour differences. Consumers must be informed and educated as to the variety of Canadian salmon. The research in Italy showed that consumers were curious to know more about the many different Pacific species. The variety and even the irregularities of Pacific salmon could be used as a positive selling point in all three countries and could be compared favorably with the uniform farmed products.

3. ITALY - MARKET SIZE AND STRUCTURE

3.1 Imports and Exports of Salmon

The Italian smoked salmon market is made up of both imports of ready smoked salmon and imports of fresh and frozen salmon processed by domestic smokers.

Imports of smoked salmon are shown in Table 2. Denmark and France are by far the most important suppliers. Italian exports of smoked salmon are negligible, amounting to only five tonnes in 1989.

TABLE 2
ITALIAN IMPORTS OF SMOKED SALMON
(TONNES)

	1985	1986	1987	1988	1989
France	343	474	618	636	723
Belgium	1 1	25	43	31	51
Netherlands	67	56	65	38	31
Germany	4	3	13	46	34
United Kingdom	74	119	193	316	443
Ireland	10	9	16	24	22
Denmark	395	535	830	886	962
Canada	12		42	56	26
Others	43	162	108	125	85
Total	959	1,383	1,928	2,121	2,415

Source: Eurostat

Italian imports of fresh or chilled salmon has increased almost six times since 1985, standing at 3,424 tonnes in 1989. Seventy eight percent of these imports originated from Norway.

TABLE 3

ITALIAN IMPORTS OF FRESH OR CHILLED SALMON

(Tonnes)

	1985	1986	1987	1988	1989
France	282	24	13		51
Netherlands	8	2	5	13	5
United Kingdom	3		2	26	53
Ireland	1		8	6	8
Denmark	131	29	159	1,827	487
Faroe Isles				27	135
Norway	165	106	510	879	2,660
others	5	2	21	69	25
Total	595	163	718	3,478	3,424

Source: Eurostat

Overall, imports of frozen salmon have declined since 1985. Canada% share of import has dropped during this period, while Norway has significantly increased its share.

TABLE 4

ITALIAN IMPORTS OF FROZEN SALMON

(Tonnes)

	1985	1986	1987	1988	1989
France	7	8	38	79	68
Netherlands	14	8		5	49
United Kingdom	12	11	4	35	2
Denmark	59	87	149	202	143
Faroe Isles			34	105	73
Norway		40	6	135	305
United States	470	142	115	450	144
Canada	2,240	1,511	1,767	1,095	985
Argentina	97				121
Singapore		21		37	
Chile					29
others	2 “	298	39	317	2
Total	2,901	2,126	2,159	2,460	1,921

Source: Eurostat

TABLE 5

ITALIAN EXPORTS OF FROZEN SALMON

(Tonnes)

	1985	1986	1987	1988	1989
Total		29	4	66	111

Source: Eurostat

Industry sources estimate that approximately 40 percent, or 2,100 tonnes of fresh and frozen salmon imports go for smoking by Italian smokehouses. After smoking, 1,359 tonnes in finished product weight is available for consumption. When net imports of ready smoked salmon are added to production, the total Italian market for smoked salmon stands at about 3,769 tonnes.

Italian imports of other smoked fish included 981 tonnes of smoked herring in 1989. According to the industry sources contacted during the research, distribution routes for other smoked fish are similar to those for smoked salmon.

3.2 Distribution of Smoked Salmon

The main channels of distribution for smoked salmon are shown in Figure 1. A total of 3,769 tonnes of smoked salmon was available for consumption on the Italian market in 1989. Tonnages have been calculated from estimates by the trade of the different proportions of salmon distributed via each channel and is not intended to be 100 percent accurate. Of this total, 39 percent is estimated to have been sold through multiple retailers, 37 percent through the catering trade and 24 percent through specialist retailers.

Salmon Importers

There are relatively few large importers of smoked salmon in Italy. These companies include Berselli, Best Food, Norcom Trading, Renja and Sorba, the main clients of which , are the Italian supermarkets. Other importers which also act as wholesalers are Bema, Previ and Rince, which distribute mostly through specialist retailers and the catering trade.

TABLE 6

ORIGINS OF SALMON SUPPLIED TO IMPORTERS

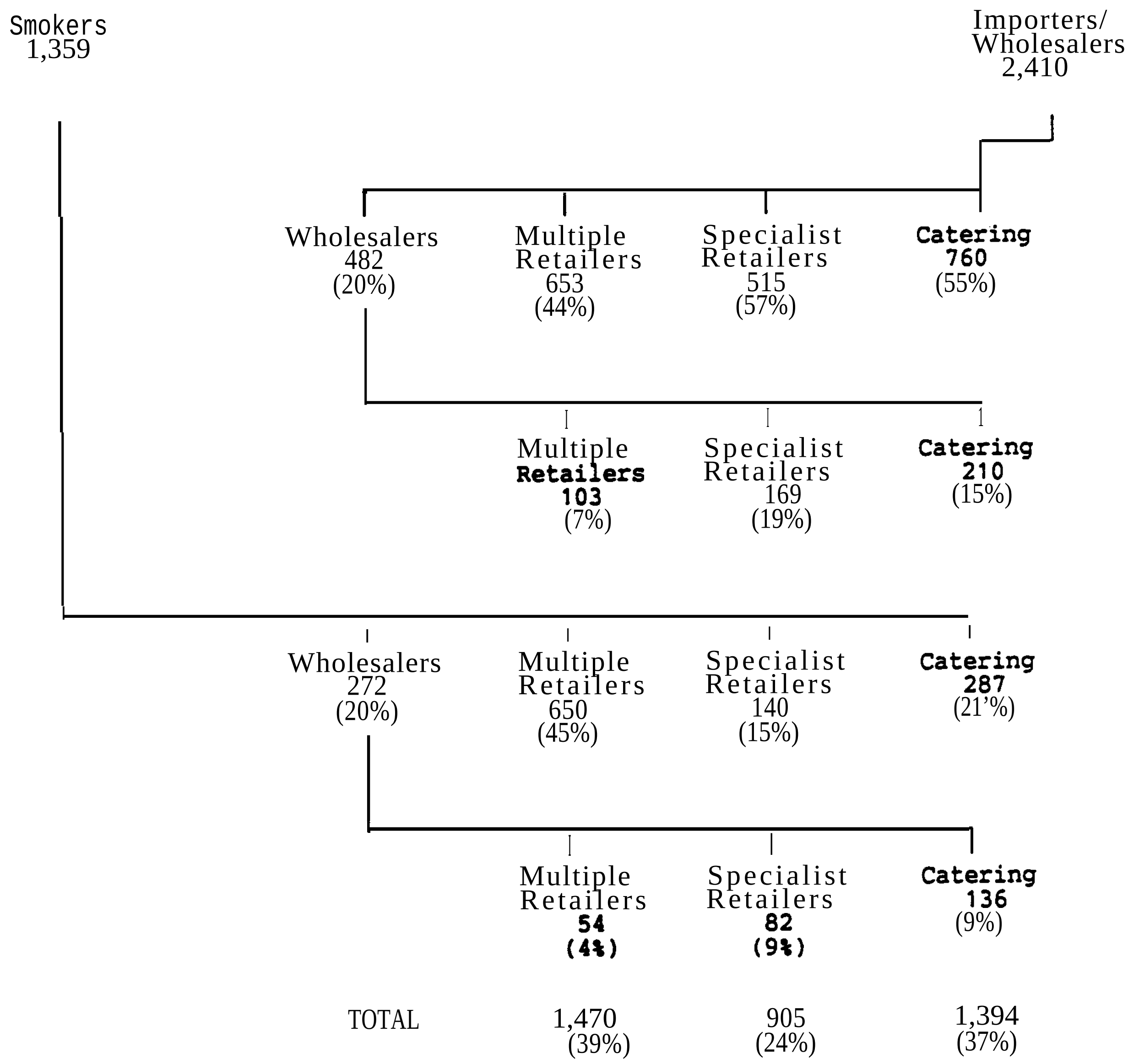
IMPORTER	FRANCE	CANADA	SCANDINAVIA	SCOTLAND	UNITED STATES
Europesca			*	*	
Ittimport			*		
Gadopesca	*		*	*	
Ittica Rossi		*			
Ferrari Adeobata	*		*		
CPC Imperial		*	*		
Fiorital			*	*	
Ital Derrate		*	*	*	
Dan Co International		*	*	*	

Source: IMR

FIGURE **1**

ESTIMATED FLOWS OF SMOKED SALMON IN ITALY

Total Available in 1989
3,769



Source: IMR

Importers source salmon from at least two different countries, to have alternative sources of supply. One importer which buys almost exclusively from a French smoker stated,

> 'One supplier can give us products from Scandinavia, Scotland and Canada, so we can offer a wide range of fish without the problem of dealing with different suppliers. France is also close to us which is convenient'

1ttica Rossi, Ital Derrate and Dan Co 1nternational supply Canadian salmon because they claim it is cheaper and because consumers demand it.

Other importers source their salmon from Norway and Scotland as an alternative to French suppliers which are regarded as dominating the Italian market for smoked salmon.

The larger Italian importers distribute to multiple retail chains, while the smaller companies tend to supply specialist retailers and caterers (including hotels and restaurants). Importers also supply small wholesalers, often regionally based, which redistribute to local specialist retailers, caterers and, more rarely, to smaller supermarkets.

Wholesalers

The distinction between importers and wholesalers is often blurred in any distribution study. The research found that within Italy, up to half of wholesalers dealing in smoked salmon import direct from the producer outside Italy, while comparatively small quantities are sourced from Italian smokers which prefer to sell direct to the retail and catering trades.

Wholesalers contacted during the research included the following:

TABLE 7

ORIGINS OF SALMON SUPPLIED TO WHOLESALERS

WHOLESALER	FRANCE	CANADA	SCANDINAVIA	SCOTLAND	UNITED STATES
ASCA			*		
Ranieri			*	*	
Versil Pesca		*	*		
Guerci			*		
De Bei Aldo e Manlio Bonacil	*	*	*		
Fredditalia International		*			
Pedrol Nario e Figli			*	*	
Palimex			*		
Romexport			*		

Source: IMR

Smokers

Approximately 35 percent of smoked salmon sold in Italy is processed by domestic smokers. The largest Italian smokers recognised by the trade are the following:

- International Salmon Company
- Wax and Vitale Holding
- COAM
- BIFFI
- La Piernontese
- Vismara

These companies dominate the Italian smoking industry, accounting for over 50 percent of output. There are up to 20 smaller smokers which operate only during the Christmas period when demand is at its highest.

All these major smokers import salmon from Canada; Vismara, COAM and Wax and Vitale also import from Scandinavia and Scotland. La Piemontese claimed that United States salmon is common in Italy but it commonly called Canadian salmon.

Wax and Vitale, a leading Italian smoker for over 30 years, smoked Canadian salmon exclusively until 1984-85 when pressures on salmon prices forced them to buy cheaper Scandinavian and Scottish products.

Smokers receive supplies of wild Canadian salmon in September and October and farmed salmon all year round. One smoker mentioned that the preferred size of fish, two to three kilogrammes are not always available when required, whether farmed or wild fish.

Smokers supply 50 percent of their output to supermarkets in the form of controlled atmosphere packed products.

Multiple Retailers

Multiple retailers source their smoked salmon from either Italian or foreign smokers or domestic importers according to their requirements. PAM buys whole fish from importers which it sells from its wet fish counter, but buys vacuum packed products from Italian smokers because they can provide flexibility in ordering and delivery. The Coop 1talia buys from foreign smokers through a French broker. The Coop chooses the smoker and selects the products, while the broker ensures distribution to Coop branches. Another retailer mentioned that it buys fresh Norwegian smoked salmon from Italian importers, but Canadian products through smokers as their prices were perceived to be more competitive.

Most Italian multiple retail chains currently only cover one or a limited number of regions within Italy. However, there is evidence of a greater concentration of the industry within the hands of relatively few national companies.

All except two of the retailers contacted sell Canadian salmon. Standa claimed that the Canadian product was too expensive and that the freezing process results in a loss of quality. PAM use Scottish smoked salmon, over the wet fish counter and Scandinavian for vacuum packed products as PAM claims the price is lower. PAM considers Canadian salmon cheaper than Scandinavian but of a poorer quality.

Those retailers selling Canadian salmon have done so for some time.

> ‘We started years ago with Canadian as it is cheap; it has now become a habit, and customers prefer its colour and taste. Consumers like Scandinavian as well, but don’t buy it, as they are used to Canadian’

TABLE 8

ORIGINS OF SALMON SUPPLIED TO SUPERMARKETS

SUPERMARKET	CANADA	SCANDINAVIA	SCOTLAND	UNITED STATES
Standa		*	*	
PAM		*	*	
Coop Italia	*	*	*	
Superal	*	*	*	
Corial	*	*		
Magazzini Gabrielli	*	*	*	
Coop Toscana Lazio	*	*		

Source: IMR

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Caterers

Caterers, including hotels and restaurants, account for approximately 36 percent of smoked salmon sales in Italy. As caterers use relatively small quantities of salmon, most , are supplied by wholesalers or the smaller importers mentioned previously which supply salmon only at Christmas.

Many caterers claimed to use specific Suppliers out of habit. Scottish smoked salmon was mentioned as excellent for slicing, with minimal waste, but was also considered to be too expensive and of too high a quality for caterers. Canadian and Scandinavian suppliers were thought to be best suited to the catering sector, although caterers often follow the advice of their suppliers, the wholesalers and importers.

Specialist Retaikra

Italian fishmongers tend to buy salmon from importers, wholesalers and occasionally smokers, depending on price and delivery requirements.

> 'We use wholesalers when we are short on stock or require small orders delivered quickly to our premises. Importers offer better prices than wholesalers or smokers'

Fishmongers who require whole sides of smoked salmon tend to use importers, while fillets and packaged saImon are sourced from wholesalers or smokers. IMR estimates that specialist retailers account for approximately 23 percent of smoked salmon purchased in Italy.

The research surveys revealed that fishmongers clearly preferred salmon originating from Canada, largely because its larger size makes good displays.

> 'I buy whole sides of about five kilos as they look better and slice easily. , Scandinavian salmon is all farmed and too fatty, whereas Scottish quality is good but the fish are too small, and so harder to display well and slice'

Salmon from Scandinavia was found to be purchased by specialist retailers either if Canadian was unavailable or if cheaper salmon was required, allowing retailers to offer *lower* priced salmon to consumers who are not so concerned with quality.

4. ITALY - ATIITUDES AND PERCEPTIONS TOWARDS DIFFERENT TYPES OF SALMON

4.1 Attitudes Towards Canadian, Scottish, Scandinavian and North American Salmon

In order to establish an image profile for salmon from each major producing region, respondents were asked to rate the different salmon by country of origin against certain factors on a scale of one to five, where one is poor and five is excellent.

The factors included the appearance of the salmon, size of fish and markings, texture, flavour and a general factor of overall product quality.

Overall, Scottish smoked salmon was rated highest across all factors, followed by Canadian salmon and lastly Scandinavian. The significant gaps between Scottish and Canadian ratings suggest that Scottish salmon is regarded as a premium quality product. A similar gap between Canadian and Scandinavian overall ratings suggests that Norwegian fish is held in comparatively low esteem. However, there are interesting differences in attitudes to salmon from the different countries within individual trade sectors that are of significance to the marketing strategy of The Fisheries Council of British Columbia .

TABLE 9

RATINGS OF CANADIAN SMOKED SALMON

TRADE SECTOR	APPEARANCE	TEXTURE	FLAVOUR	PRODUCT QUALITY
Smokers	4.4	4.8	4.8	4.8
Multiple retailers	3.6	3.3	3.3	3.6
Importers	3.5	3.4	3.1	3.3
Wholesalers	4.0	3.5	3.5	3.7
Specialist retailers	4.4	4.0	4.0	4.3
Caterers	3.8	3.8	3.8	4.0
Total	4.0	3.8	3.8	4.0

Source: IMR

TABLE 10

RATINGS OF **SCANDINAVIAN** SMOKED SALMON

TRADE SECTOR	APPEARANCE	TEXTURE	FLAVOUR	PRODUCT QUALITY
Smokers	4.0	3.0	2.8	2.8
Multiple retailers	3.4	3.7	3.6	3.3
Importers	3.3	3.4	3.6	3.6
Wholesalers	3.4	3.4	3.6	3.4
Specialist retailers	3.4	3.1	3.1	3.3
Caterers	3.2	3.3	3.3	3.2
Total	3.5	3.3	3.3	3.3

Source: IMR