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***A Review And Assessment Of The Marketing  
Operations Of Freshwater Fish Marketing  
Corporation***

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Thorne  
Riddell

Associates Ltd. MANAGEMENT CONSULTANTS

A Review and Assessment of the  
Marketing Operations of the  
FRESHWATER FISH MARKETING CORPORATION

September, 1978

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Thorne  
Riddell  
Associates Ltd.

MANAGEMENT CONSULTANTS

November 10, 1978

Mr. John G. McFarlane,  
Chairman, Marketing Committee  
Freshwater Fish Marketing Corporation  
c/o Burch, Findlay, McFarlane & Co.  
101 - 219 Kennedy Street  
WINNIPEG, Manitoba  
R3C 1S8

Dear Mr. McFarlane:

It is a pleasure to submit this final report describing the results of our review and assessment of FFMC's marketing operations.

As you know, we prepared a draft report and discussed it with the Marketing Committee in October. At that time, the members of the Committee requested certain additional information which we have included in the final report.

As we stated during our various meetings with the Marketing Committee, ~~we firmly believe that it would not be in the best interests of the Corporation to publicly release the contents of this report.~~ It contains detailed information on FFMC sales, prices, inventory levels, purchases by major customers and proposed marketing strategies for the future. If this information is made available to competitors and customers, it will almost certainly have a detrimental effect on FFMC's future marketing operations.

In closing, we wish to thank you and the members of your Committee for your invaluable assistance and support throughout the study. We would appreciate it if you would also extend our thanks to FFMC's management personnel for their generous cooperation.

Yours sincerely,  
THORNE RIDDELL ASSOCIATES LTD.



Mr. P. Stuart Aikman,  
Consulting Director

PSA/cl

## INTRODUCTION



## I NTRODUCTION

This report describes the results of a review and assessment of FFMC marketing operations conducted for the Board of Directors by Thorne Ridden Associates Ltd.

The terms of reference for the study are stated in our proposal of June 9, 1978, to the Marketing Committee of the Board. This section of the proposal is reproduced in Appendix A, and can be summarized as follows:

*"To conduct an examination of the total marketing operation of the Freshwater Fish Marketing Corporation (FFMC) with a view to advising the Board of Directors of the adequacy of present procedures and, if required, to recommend changes on a priority basis to attain the objectives of the FFMC."*

We conducted the study in accordance with the methodology described in our proposal, and reproduced as Appendix B; however, we modified the proposed approach in one significant respect. Once we had started the study, we found it would be possible to obtain the necessary information on the market and the producer sector of the industry by means of personal interviews. We therefore abandoned the original plan to supplement these interviews with mail surveys. Appendix C consists of a list of the persons interviewed, and

Appendix D shows the interview guide which we used for our discussions with brokers and customers.

Many of those whom we interviewed obviously regarded our study as an all encompassing review and assessment of the Corporation; thus we found it necessary to discuss and analyze various issues which, strictly speaking, did not fall within our **terms** of reference. These included:

- **FFMC** relationships with fishermen and provincial government officials,
- **FFMC's** processing operations and its policies with respect to the use of processing facilities other than the Transcona plant, and
- criticisms of the overall manner in which the Corporation is being managed.

We believe we obtained a clear understanding of these and similar issues; however, we have dealt with them in **our** report only to the extent that they have a direct impact on the **FFMC's** marketing function.



We maintained contact throughout the study with Mr. R. Kabaluk, Chairman, Interprovincial Committee on the Freshwater Fish Marketing Corporation , in an attempt to ensure that our recommendations would not needlessly conflict with those of the Committee.

The results of our study are presented in the following main sections of this report:

- Findings and Conclusions
- .Recommendations
- .Appendices

- .....
1. *The Interprovincial Committee on the Freshwater Fish Marketing Corporation was established by the provincial governments whose fisheries are served by the Corporation, to review the composition and functions of the FFMC's Board of Directors and to recommend changes when deemed appropriate.*

FINDINGS AND CONCLUSIONS

## FINDINGS AND CONCLUSIONS

### 1. OVERVIEW OF FFMC MARKETING OPERATIONS

#### 1.1. *Strengths*

We concluded that the Corporation has achieved generally good marketing results over the past five years (1972/73 to 1977/78) as evidenced by the following performance indicators:

- .1 Selling price per pound: 7.5% average annual increase.
- .2 Total dollar sales: 9.2% average annual increase.
- .3 Price per pound paid to fishermen: 11.5% average annual increase.
- .4 Total payments to fishermen: 12.4% average annual increase.
- .5 Percent of net sales paid to fishermen has increased from 51.5% to 59.4% over the five year period, (based on payments F.O.B. delivery points) . These figures would be 2.3% higher if F.O.B. Transcona payments were used) .

These performance indicators compare quite favorably with those of similar organizations in the private sector.

It should be noted that only a minor portion of the increases shown above is due to the fact that the mix of the total catch has changed, with relatively high priced pickerel, lake trout and sauger increasing somewhat in proportion to whitefish, tullibee, mullet and carp.

Appendix E consists of a more detailed statistical analysis of the marketing results achieved during the five year period under review. Reference to this analysis shows that the favorable trend started to reverse in 1978 when the selling price per pound and the price per pound paid to fishermen declined significantly.

## 1.2 Weaknesses

On the other hand, we noted a number of actual and potential weaknesses in FFMC's marketing operations, the most significant of which are as follows:

- .1 Inventory levels have increased out of proportion to quantities of fish bought and sold. We concluded that this growth in inventory was due mainly to a series

of management decisions to increase selling prices too rapidly and to maintain these higher prices in the face of buyer resistance. It should be noted that other **factors** such as the increased catch in 1978 contributed to the growth in inventory levels; however, we believe that the major factor was the inflexible pricing policy adopted by management.

- .2 FFMC appears to use a "seat-of-the-pants" approach to marketing management. The Corporation has not engaged in systematic market research and analysis; and it has not developed comprehensive written marketing plans and programs for the year ahead. (We are not implying that the Corporation **does** not presently develop detailed forecasts and budgets) .
- .3 FFMC has failed to make full use of its brokers and distributors to increase its penetration of the stable and growing market segments which they serve (restaurants, institutions and retail food stores) .

More specifically, the Corporation does not:

- .take advantage of the market **information** possessed by these organizations,
- .plan and execute joint marketing programs with them,
- .support **their** efforts with advertising and promotion, and
- employ Field Sales Representatives to service them regularly.

.4 Despite its efforts, FFMC has not yet been able to induce fishermen to increase the winter catch and thus enable the Corporation to sell more fresh fish during the winter months when demand exceeds supply.

In summary, FFMC has produced steadily increasing returns for fishermen in recent years; however, it has achieved these results mainly through a trading operation<sup>1</sup> in the traditional markets for freshwater fish, such as the New York ethnic market segments. Unfortunately, some of these traditional markets are stagnant or declining as ethnic consumers' values and requirements change. As a result, we see the need for the Corporation to make better use of its brokers and distributors to fully exploit the growth segments of the market, such as the food service market segment in the North Central United States (restaurants, institutions and caterers) .

.....

1. In this context, "a trading operation" refers to the process of negotiating individual orders with each customer on a day-to-day basis (usually by telephone).

2. THE INDUSTRY

The Canadian freshwater fisheries industry suffers from the fact that it is a relatively minor segment of the overall Canadian fisheries industry. It represents only 3.6% of the total commercial catch and 5.1% of the total marketed value. Only 6.0% of all fish consumed in Canada is freshwater fish - the remainder being saltwater species and shellfish.

As a result, the federal and provincial governments maintain very little useful marketing data on the freshwater fisheries industry. There is even less market data available in the United States, where the government no longer keeps a separate record of per capita consumption of fresh-water fish.

The freshwater fisheries industry must compete directly with saltwater species for available distribution channels<sup>1</sup>. This means that freshwater fish and fish products receive little attention from brokers, distributors, wholesalers, retailers, or food service outlets (restaurants, institutions and caterers) . In a broader sense, the marketing and distribution

.....

1. See Appendix F for a detailed description and chart of the distribution system used by FFMC.

of freshwater fish and fish products is ancillary to other, larger scale operations such as the distribution of saltwater fish and fish products, and the distribution of food products in general.

Whilst the freshwater fisheries industry has no specialized distribution sector, it is highly organized and concentrated at the processing and primary marketing level. Between them, FFMC and Omstead in Ontario process and/or market an estimated 80% of the Canadian freshwater commercial catch, The remainder of the catch is delivered to a large number of smaller processors, brokers and distributors in Canada and the u.s. We were unable to obtain exact poundage figures for Omstead, but FFMC received 44,894,000 pounds, or 44.3% of the total commercial catch, in the 1977 calendar year.

Although FFMC and Omstead dominate the processor/primary marketer level, and are approximately the same size they compete with one another for markets, but not for sales of specific species. More specifically, they do compete with one another for certain market segments such as the Canadian and North Central U.S. food chain markets, but in most cases



they are offering different species. Based on 1977 figures supplied by the federal government Department of Fisheries, FFMC handled 83.8% of all whitefish, pickerel, pike, sauger and lake trout which were caught that year. On the other hand, Omstead handled large volumes of smelts, perch and other species which are not offered by FFMC.

Most Canadian and U.S. buyers whom we interviewed regard FFMC as by far the largest and most reliable supplier of freshwater fish and fish products on a year round basis. Despite this position of leadership, however, FFMC is vulnerable in two important respects:

- .North American buyers have ready access to the large volume of whitefish available from the Great Lakes fishery in summer time. As a result, the Corporation is faced with severe price competition from Great Lakes fishermen selling direct to brokers and distributors and finds it very difficult to sell adequate quantities of fresh whitefish at reasonable prices during the Great Lakes season.
- .At present FFMC receives an inadequate supply of fresh fish in the winter months when demand exceeds supply and the Corporation could sell larger quantities at very good prices.

Finally, we concluded that, although FFMC is recognized as the largest Canadian supplier of freshwater fish and fish products, it has failed to win the confidence or loyalty of many of its large customers. As a result, they regard the Corporation as a trading adversary and do not hesitate to switch to other suppliers whenever the price or other conditions are favourable.

3. ORGANIZATION OF THE FFMC MARKETING FUNCTION

We believe it is evident that the FFMC is currently operating with an inadequate marketing Organization. The Corporation has only four individuals engaged in marketing and sales activities on a full time basis (supported by three clerical personnel who also have accounting duties) .

Admittedly, the Chairman and Acting President spends a good deal of his time on marketing problems and activities; however, we do not believe he has had either the time or the resources to provide the strong and continuous marketing management which is required.

Responsibilities and authority are not clearly spelled out for any level of management or staff including:

- .The Board of Directors
- .The Chairman and Acting President
- The Sales Manager
- .The Sales Representatives

Members of the Board have been uncertain of their functions and responsibilities . It has been difficult, if not impossible, for them to exercise any real control over the marketing function. This is because management has not been submitting to them comprehensive and specific marketing objectives, plans and budgets for the year ahead, which they can review and approve, then use as a basis for monitoring performance throughout the year.

The Chairman and Acting President had, in fact, been making most of the key marketing decisions, particularly with respect to pricing and the disposal of items in inventory.

Very little authority has been delegated to the Sales Manager and other sales personnel. In practice, their decisions and actions are often overruled or reversed by the Chairman and Acting President.

It is important to note that the Chairman and Acting President is **presently** in a "conflict of interest" position by virtue of the fact that he **is** functioning as de facto Marketing Manager, while holding the **position of** Chairman, whose responsibility it is to see that the Board of Directors monitors and assesses the performance of the Marketing Manager.

In summary, we concluded that the FFMC's marketing organization needs strengthening. More specifically, a senior executive must be appointed to assume **overall** responsibility for the marketing function; responsibilities and authority of all levels of **management must be** clarified and spelled out in writing; the Chairman must not become" involved in day-to-day marketing management; and additional sales personnel must be hired or **appointed** to facilitate adequate market coverage and broker and distributor **support**. We shall deal with these topics in greater detail in the "Recommendations" section of the report.

4. MANAGEMENT OF FFMC MARKETING OPERATIONS

We concluded, that **the** Corporation **currently** uses a "seat-of-the-pants" approach to marketing management. More specifically,

we noted the following weaknesses:

- .1 There is a lack of systematic market research and analysis leading to the identification of marketing opportunities and the early recognition of potential problems in the marketplace.
- .2 There is insufficient forward planning. As stated earlier, management does not develop specific objectives, plans and programs for the marketing function. For example, there should be specific sales objectives for each species and each product in each market segment. There should also be quantified objectives for: quantities of fresh fish delivered in winter; maximum and average inventory levels for each product; accounts receivable and other similar aspects of performance. There should also be written plans stating how these objectives will be achieved.
- .3 In recent years management has attempted to increase the prices of two "products too rapidly and to maintain an inflexible position in the face of buyer resistance. This has caused inventory levels to rise and has forced a significant decline in the average selling price of these products in the year ended April 30, 1978 (see Appendix G for a statistical analysis of inventory levels and Appendix H for an analysis of product pricing) .

.4 The Corporation has failed to make full use of its brokers and distributors. Most of the brckers, distributors and major customers whom we interviewed told us that FFMC seems reluctant to work in close cooperation with them. They claim that the Corporation does not provide adequate support through Field Sales Representatives; it is unwilling to plan and execute joint marketing programs with them; and it does not support its products with adequate advertising and promotion.

As a result of failing to make full use of its brokers and distributors, FFMC is denying itself access to the best source of market information and, in our view, is missing the opportunity to penetrate the more stable market segments and possibly obtain annual commitments or contracts from major buyers.

.5 We concluded that FFMC should redouble its efforts to increase the quantity of fresh fish caught and delivered in the winter months. As stated earlier, the Corporation could sell larger volumes of fresh fish in winter at attractive prices if more fresh fish was available. In fact, we believe this represents FFMC's most promising opportunity to achieve further increases in payments to fishermen in future years.

At present, approximately 75% of the annual catch is delivered in the summer months and 25% in winter. The Corporation would be in a far better position to exploit the winter demand for fresh fish if these proportions could gradually be changed to 65% and 35% respectively. We estimate conservatively **that** this change would increase net revenue by about \$270,000 per annum.

In addition to its present practice of offering **winter** premiums, the Corporation should continue working in close collaboration with the provincial government authorities responsible for regulating commercial fishing. It should also ensure that fishermen are fully aware of the financial benefits of increasing their winter catch. We shall discuss this topic further in the "Recommendations" section of our report.

In summary, there is a need for a more systematic approach to marketing management. The FFMC should do more forward **planning**, strengthen its marketing personnel, improve its relationships with brokers, distributors and major **customers**, and spend more on advertising and promotion to support its products. This would lead to greater penetration of the

more desirable and stable market segments and reduce the vulnerability of the Corporation to fluctuating market conditions and small price cutting competitors.

5. THE PRODUCT

Basically, FFMC's product policy is to sell as much fresh fish as possible at or above the "break-even price"<sup>1</sup> for each species, and then to process and freeze the remainder. Virtually all species are processed into a limited range of conventional products such as "pan redi", fillets and minced blocks.

We judged that management is doing a good job of estimating the quantities of each product which will be required in the various market segments which the Corporation presently serves. In other words inventory build-up is not due to the fact that the wrong products have been produced, but is generally caused by a reluctance to reduce prices at the appropriate time.

.....

1. The "break-even price" is the estimated price at which the sale of fresh fish will yield the same net return as the sale of that fish after processing and storage. Once the price of fresh fish falls below this level, it becomes more profitable to process the fish before selling it.



The customers whom we interviewed advised us that the quality of FFMC products has improved considerably in recent years; however, they claimed that there **are** still some quality problems. The principal quality complaints were as follows:

- .fresh fish is not properly iced and often arrives with little or no ice in the containers,
- some products **are** not properly **descaled**,
- .frozen products sometimes show obvious signs of freezer burn, and
- .the wrong sizes of fillets are sometimes delivered.

We concluded that there is a need to continue to improve quality control throughout the Corporation's receiving, storage, processing and shipping operations. Later in the report we shall recommend that FFMC concentrate on achieving greater penetration of the growing food service market segment. **if and when** it attempts to do this, quality control will become even more important because the Corporation will be competing against established suppliers {for example **the** supplier of Icelandic cod) whose products are of excellent quality.

6. PRICING AND INVENTORY CONTROL

In recent years the Corporation's policy has been to force selling prices up as rapidly as possible and, in many cases, to hold firm in the face of strong buyer resistance. (Appendix H consists of a statistical analysis of product pricing from 1974 to 1978) .

We concluded that the Corporation has attempted to push prices too high **too** quickly with the following consequences:

.inventory levels have increased quite sharply and significant quantities of product have remained in inventory for over one year. (See Appendix G for an analysis of inventory growth by major species, and Appendix I for an aged analysis of inventory as at August 31, 1978).

.Some buyers have actually switched to other species. (During the course of our field interviews, we were told that some sauger buyers actually switched to perch when the Corporation announced its last price increase) .

.The FFMC has had to reduce prices in an effort to clear inventories, thus causing the average selling price to decline from 89¢ per pound in 1976/77 to 86¢ per pound in 1977/78.

The approach to pricing is explained in greater detail in Appendix J which consists of a specific case history which we documented.

Appendix K consists of an analysis of inventory costs. This shows that in the 12 month period ended March 31, 1978, the average cost per pound per month of holding inventory rose 8.6%. In March, 1978, this cost was 1.142¢ per pound per month.

It is obvious that there is a need to revise the Corporation's pricing policies and procedures in order to reduce and control inventory levels. We shall cover this topic in the "Recommendations" section of the report.

7. NEW PRODUCT DEVELOPMENT

This marketing activity falls into two basic categories as follows:

- .1 The modification (improvement) of an existing product and/or package to produce a more saleable **item** for a well established market.
- .2 The development of an entirely new product (in this case using coarse fish) for a new market in which the demand must be created.

FFMC is not presently engaged in a major product improvement program; however, we believe that there is a definite need for the Corporation to **devote** time, effort and funds to this activity. More specifically, it should be attempting to develop high quality, deboned fillets for the restaurant and institution market, and later for the retail trade.

FFMC is also not attempting to develop entirely new products (using coarse fish) , and it **is widely** criticized for failing to do so. We cannot agree with this criticism **because** of the high cost and great risk involved in developing **an** entirely new product and creating a demand for it in the marketplace.

It is not unusual for a large organization to spend several hundred thousand dollars developing and testing a new product and, when it is launched, to spend in excess of \$1,000,000 per year creating a demand for it.

In addition, it should be noted that over 75% of all new products introduced in North America fail within the first year.

In view of these facts, we do not believe that FFMC can justify the major cost and high risk of new product development using funds which would otherwise be paid to fishermen.

On the other hand, if the development of new products based on coarse fish is judged to be a sound and practical means of strengthening the economy, we believe that the interested provincial governments should fund and organize this type of project, with matching financial assistance from the federal government. Needless to say, if such a project is undertaken, those responsible should use FFMC personnel to conduct the necessary market research and test marketing.

During our field survey, we **did** not discover any **promising** opportunities to market new products derived from coarse **fish**. On the other hand, such opportunities may **exist**; however, we believe that the **identification** of these opportunities would require an intensive market research study designed for **this specific** purpose.

8. DISTRIBUTION

We concluded that the **FFMC's** present distribution **practice is** basically sound. It sells **direct** to those market segments in which there are a limited number of relatively large and easily identifiable customers. Examples of **these** market segments are the **gefilte** fish producers, the smoked whitefish processors and the fresh fish wholesalers who supply the ethnic population in New York.

On the other hand, the **FFMC** sells through brokers or distributors to other **market** segments **in which** the **brokers' sales forces** and other facilities are **needed to cover** a large number of relatively small customers. For **example**, **FFMC** uses brokers to cover the food service and retail food store market segments in Toronto, Montreal and a **number** of cities **in** the U.S. **Mid-West**.

As stated earlier, we do not believe that **FFMC is making** the best possible use of **its** brokers. We interviewed the brokers and concluded that they are all competent. Two or three of them expressed an interest **in** working more closely **with** the Corporation to increase market penetration **in** their areas. One of them suggested the formation of a marketing advisory group consisting of the **FFMC Marketing Manager and** a representative from each brokerage **house**. The group would **meet** two or three **times** a year to exchange information and to plan marketing strategy and **joint** promotional programs. We believe that a marketing **advisory** group of **this** type would facilitate the **Corporation's** marketing **planning** and serve as a means of strengthening relationships **with** the brokers.

We' reviewed the **FFMC's** physical distribution system and concluded that the transportation and warehousing functions are satisfactorily managed.

The Corporation's accounts receivable position has been relatively stable. There appears to have been a close watch kept on the accounts that **become** overdue. The bad debt expense for the years ended April 30, 1977 and 1978

represented 0.3% of sales in each year. This compares favourably with the experience of other company's selling in similar markets. The average collection period was about 46 days for the year ended April 30, 1978, which is slightly higher than other typical food processors. This is due to the large number of foreign accounts (primarily New York) which take longer to collect. Appendix L consists of an analysis of aged accounts receivable.

A review of the credit notes indicated some problems in the smoker accounts with whom there were substantial pricing disputes. Other credit notes were of a routine nature, and in the 1977/78 fiscal year amounted to 1% of sales or \$258,346. Appendix M contains an analysis of " credit notes.

Commencing this year, the Corporation established a formal credit policy to assist in the administration of accounts receivable. We judged that this function is being satisfactorily managed and controlled.



9. PROMOTION

We concluded that FFMC's advertising and promotion efforts are inadequate. The Corporation distributes some attractive literature such as the Product Information brochure and the booklet entitled "Recipes From Freshwater Country". Beyond this, however, it does little to promote its products on a selective basis in specific market segments.

During the 1977/78 fiscal year, FFMC spent only \$51,000 on promotion. By contrast, many manufacturers of consumer goods spent in excess of 3% of sales annually on advertising and promotion simply to sustain the demand for their products.

We believe that FFMC should be prepared to spend at least- 1% of sales, or approximately \$250,000 per year, on advertising and promotion. This budget should be spent to selectively promote the Corporation's products in the more attractive market segments. Suffice it to say here that we do not believe that FFMC should necessarily spend heavily to support its products in the Canadian retail food chain market. It is extremely costly to stimulate consumer demand to the point where a relatively unknown product will move off the chain store shelves in a satisfactory manner. Furthermore,

if the product does not move, most chains will quickly **delist** it to make room for a faster moving item. (It should be noted that Steinbergs in Montreal has already delisted certain **FFMC** products) .

During our review of **FFMC** promotion activities, we checked with both the Federal and Manitoba governments to determine whether the Corporation **makes full use of** their promotion assistance programs. They assured us that **FFMC** does, in fact, participate in appropriate programs such as trade shows.

10. THE MARKET

For purposes of defining, analyzing and discussing the market for freshwater fish, we have chosen to break it down into six easily identifiable market segments. These, together **with** our estimates of market potential, are as **follows:**

See diagram on following page.

MARKET SEGMENT	ESTIMATED POTENTIAL '000 LBS/YEAR
1. New York Fresh Fish Market	3,000
2. U.S. Retail and Food Service Markets (selected geographical areas <sup>1</sup> )	31,600
3. Canadian Retail and Food Service Markets (selected geographical areas <sup>2</sup> )	17,800
4. Smoked Whitefish Market	2,500
5. Gefilte Fish Market	5,000
6. European Market	not available

As stated earlier, the U.S. and Canadian governments gather virtually no statistics on the freshwater fish market. As a result, we had to develop the above **estimates** on the basis of information obtained from brokers and customers, and by making certain assumptions. The retail and food service estimates are based on the following per capita consumption figures provided by the Canadian and U.S.

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1. Illinois, Minnesota, **Michigan**, Ohio, Wisconsin, and Buffalo area
2. Quebec, Ontario, Manitoba, Saskatchewan and Alberta

governments respectively:

.Canadian consumption, all fish (1976) : 16.09 lbs

.Canadian consumption, freshwater fish: 0.57 lbs  
or 6.0% of total fish consumed

" U.S. Consumption, all fish, (1976): 13.0 lbs

In the absence of statistics on U.S. consumption of freshwater fish, we assumed that (as in the case of Canada) 6.0% of all fish consumed is freshwater fish.

Later, when we break out the food service segment of the market separately, we used a U.S. Department of Commerce estimate that 60% of all fish consumed in the U.S. is consumed outside the home (i.e. in restaurants and institutions) .

It is very important to note that the first five market segments listed above do not represent the total Canadian and us. markets for freshwater fish because we have confined the retail and food service segments to "selected geographical areas" which, we believe, represent the most promising market areas for FFMC.

The table below compares the estimated potential in each segment with actual 1977/78 FFMC sales.

MARKET SEGMENTS	ESTIMATED POTENTIAL '000 LBS/YEAR	1977/78 FFMC SALES ' 0 0 0 LBS	% OF POTENTIAL
1. New York <b>Fresh</b> Fish Market	3,000	<b>1,000</b>	33%
2. U.S. Retail and Food Service Markets	31,600	<b>10,500</b>	33%
3. Canadian Retail and Food Service Markets	17,800	<b>4,200</b>	24%
4. Smoked Whitefish Market	2,500	1,700	68%
5. <b>Gefilte</b> Fish Market	<b>5,000</b>	4,200	84%
6. European Market	-	<b>5,100</b>	--

These figures show that FFMC's present market penetration is lowest in the growing U.S. and Canadian retail and food service segments.

Appendix N contains a detailed description and analysis of the six market segments listed above (including information on distribution channels, brokers, customers, consumers, competition, and FFMC's position and future prospects) . Exhibit 2, attached to Appendix N, consists of a detailed analysis of FFMC sales by species in each of the market segments.

After studying and analyzing these market segments, we concluded that:

.Over the past five years, the Corporation has been able to sell most of the fish delivered to it, with the exception of significant quantities of whitefish and sauger which remain in inventory because they were overpriced. It has disposed of its **products at increasing prices** without appreciable expenditures on advertising and promotion, **using a very small sales force.**

.Looking to the future, however, we see a definite need to strengthen the Corporation's position in certain market segments - principally the U.S. and Canadian food service markets. This **will permit FFMC** to sell gradually increasing quantities of fresh and frozen products in these markets, as other segments such as the New York ethnic markets continue to decline.

By providing stronger support for **brockers and** distributors in the food service field, and by improving its **reputation** for quality and service, **FFMC** will be in a better position to continue to increase prices in the face of lower priced

alternatives such as Icelandic cod fillets. We shall discuss this subject in greater detail in the "Recommendations" section which follows.

## RECOMMENDATIONS



## RECOMMENDATIONS

This section contains specific recommendations aimed at overcoming the principal problems which we identified and discussed in the "Findings and Conclusions" section. Readers of the report may therefore find it helpful to refer once again to the "Findings and Conclusions" section for the rationale underlying some of the recommendations.

It is very important to note that various members of FPMC's management have already started to implement some of the recommendations discussed below, entirely on their own initiative. (For example, the Corporation is currently attempting to recruit and hire a senior marketing executive ) .

### 1. ORGANIZATION OF THE MARKETING FUNCTION

#### 1.1 *Structure and Staffing*

There are two alternatives for strengthening the structure and staffing of the Corporation's marketing function. These are as follows:

- .1 Hire a President and Chief Executive officer who is a highly qualified general management executive, but whose main expertise lies in the marketing management field. He would then

assume overall responsibility for planning, directing and controlling marketing operations. He would have to devote approximately 75% of his time to this function and would thus have to have highly competent Vice Presidents responsible for the other major functions - production and finance.

- .2 Hire a competent and highly experienced Vice President **Marketing** to **assume** overall responsibility for the marketing function on a **full** time basis. **He would report to the** President, and he would have the sales staff reporting to him through the Sales Manager.

We favour the latter alternative described above because we consider that the **FFMC's** marketing function is vitally important and requires the full time attention of a senior executive.

The Corporation must be careful to hire a **highly** qualified marketing executive with a proven track record. In our view, it **would be completely** in order to recruit the Vice President Marketing from a different industry such as the meat packing industry or one of the large food processing and distribution companies. We also believe it will be necessary

to offer **an** annual salary in excess of \$40,000 to attract /  
the right person.

**We** are aware that the salary level proposed here for the Vice President Marketing is above the limit currently established by the federal government for senior management personnel in **FFMC**. We believe, however, that this restriction can legitimately' be circumvented by **making** use / of Interchange Canada - the federal government's executive interchange program. This program facilitates the temporary transfer of management personnel between the **federal** service and the private sector. {Further details and assistance can be obtained from Mr. B. Schumacher, Director Interchange Canada and International Programs, Public Service **Commission** of Canada, Ottawa) .

At present, there is a **Sales** Manager and three **Sales** Representatives (the Frozen Fish **Sales** Coordinator the **Fresh** Fish Sales Coordinator **and** the Manager **Cleveland** Office) . We recommend that initially one additional Sales Representative be added to this group. This would permit far better market

coverage as follows:

- one Sales Representative managing the sales desk,
- two Sales Representatives covering the brokers and customers in the U.S. Mid West and California,
- one Sales Representative covering the brokers and customers in Canada, and
- a Sales Manager supervising the Sales Representatives, assisting on the sales desk, visiting the agents in Europe and calling on the customers in New York.

Appendix O shows the recommended structure and staffing in chart form, and Appendix P contains proposed position descriptions for the Vice President Marketing, the Sales Manager and the Sales Representatives.

1.2 *Functions and Responsibilities of the Chairman and Members of the Board*

The basic responsibility of any Board of Directors, including the FFMC Board, is to ensure that the owners' interests<sup>1</sup> are properly looked after or, in other words, to ensure that satisfactory results are achieved by management.

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1. In this case, the participating governments (Manitoba, Saskatchewan, Alberta, N.W.T., Ontario and the Federal Government) should be regarded as the "owners".

It is important to note that the Board of Directors is there to monitor and assess overall results, and not to become involved in detailed decision making. It follows that the Board should not be expected to determine or approve such things as individual selling prices, prices paid to fishermen for each species, etc. Detailed decision making of this type should be delegated to management, and the Board should concern itself with total revenue generated, the total amount paid to fishermen each year, and the overall average price paid to fishermen.

We recommend that the Board should assume the following specific responsibilities in order to ensure that FFMC management produces satisfactory results:

- .1 Approve the hiring and appointment of the President and all senior members of management reporting to the President, in order to ensure that the top management group is highly competent and properly qualified.
- .2 Establish the compensation to be paid to the President and other members of senior management reporting directly to him.
- .3 Review and approve the objectives, plans and budgets developed by management for the year ahead.

- .4 Monitor performance throughout the year to ensure that objectives are being achieved or exceeded within budget.
- .5 Instruct the President to take corrective action whenever this is deemed necessary to correct an adverse trend.
- .6 Review and **approve** corporate policies and policy changes recommended **by** the President.
- .7 Evaluate and approve major expenditures not provided for in approved capital or operating budgets.
- .8 Establish new bylaws or revise existing bylaws when deemed necessary.
- .9 Keep the participating governments advised of **FFMC** performance. Each Director **should** be responsible for keeping the government that appointed him advised of **FFMC** performance, and for ensuring that **FFMC** is responsive to the requirements of his government (provided overall results are not adversely affected) .
- .10 Provide management with advice and guidance when needed.

.11 Assist management with the development and maintenance of a favorable FFMC **public** image. Each Director should be responsible for assisting management in its efforts to communicate effectively with fishermen, government officials, the press and the public in his province. When warranted, Directors should criticise management in the privacy of the boardroom; however, **they should** support management and **the Corporation as** a whole in public. Any **Director who feels it** necessary to criticise the Corporation in public should first resign from the Board.

.12 Assume ultimate accountability for overall results achieved by the Corporation.

The Chairman of the Board is responsible for ensuring that the Board as a whole, and the **individual** Directors, carry out the responsibilities listed above. More specifically, we recommend that the Chairman's responsibilities should be **as** follows:

.Assume all responsibilities listed above for members of the Board.

.Ensure that the Board and the individual Directors, carry out their responsibilities.

- .Plan and call regular and special meetings of the Board.
- .Prepare agendas for all Board meetings and circulate them to the Directors well in advance.
- .Chair Board meetings.
- Ensure that adequate minutes are kept for each meeting and that minutes are circulated to all Board members promptly.
- Maintain **close and** cordial working relationships with participating provincial **governments**.

In our view, the Chairman should definitely not become involved in the day-to-day management of the Corporation.

### 1.3 *Qualifications of Board Members*

We recommend that the federal and provincial government officials who are responsible for appointing members to the FFMC Board take particular care to ensure that they recommend properly qualified persons. Those appointed to the Board should possess most of the following qualifications:

- .broad management experience, preferably in one or more sectors of the focal processing and distribution industry,
- .in-depth experience in a specific field of management such as finance, marketing production, physical distribution, personnel, labour relations, etc.
- .technical or professional qualifications, for example: accounting, law, economics, engineering, etc.



- .experience in commercial fishing and/or fisheries management,
- .experience in dealing with senior government officials, and
- .experience in public relations.

There should be liaison among those responsible for appointing Board members to ensure, if possible, that a variety of skills is represented on the Board. At the very least, there should always be one Board member with extensive marketing experience, one with financial management experience, and one with production management experience.

#### 1.4 *Committees of the Board*

So far members of the FFMC Board have not seen fit to establish committees of the Board.

We recommend that the Board establish at least two committees as follows:

- .a Marketing Committee, and
- .a Finance Committee.

Each committee should consist of three suitably qualified members of the Board, one of whom should serve as Committee

Chairman. The Marketing Committee should be responsible for :

- .keeping abreast of changing market conditions,
- .screening and analyzing FFMC marketing objectives, plans, programs and budgets, and
- .closely monitoring marketing performance and results.

Needless to say, the Marketing Committee would be carrying out these responsibilities on behalf of the full Board of Directors, and would report to the Board at each meeting. It would interpret marketing results and trends for all Board members, and make recommendations for Board action (or management action) when necessary.

The members of the Committee would have to devote a good deal of time to their responsibilities and would thus have to be paid higher fees than the other Directors. In our view, however, they would be performing a very valuable service for the Board by providing more thorough monitoring of the FFMC's marketing operations, and by keeping the other Directors more fully informed.

Finally, the Finance Committee would assume similar responsibilities with respect to the FFMC's financial management function.

2. PLANNING, DIRECTION AND CONTROL OF THE MARKETING FUNCTION

Prior to the commencement of each fiscal year, the Vice President Marketing, in consultation with the President and Vice President Finance, should develop detailed objectives, plans and budgets for the year ahead. The objectives should include, but should not necessarily be limited to:

.sales of each product in each market segment, expressed in pounds and dollars,

.selling price range for each product in each market segment. (We shall discuss pricing in a later sub-section; however, it should be noted here that we are recommending the setting of pricing objectives in **the form of ranges to allow** management some flexibility during the course of the year ) ,

.maximum, average and minimum inventory levels for each product,

- .initial prices to be paid to fishermen for each species, expressed as a price range and including winter premiums,
- .initial payments to fishermen for each species, and
- .final payments to fishermen for each species.

The plans for the year ahead should include: a discussion of market conditions and trends; a description of how the various objectives will be achieved (including a preview of the advertising and promotion program) and an indication of who will be responsible for carrying out the various programs.<sup>1</sup>

The Vice President Marketing should submit the marketing objectives, plans and budgets to the President for review and approval. Once approved, the President should submit them to the members of the Board, at least one month before the meeting (or series of meetings) at which the Board

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1. See Appendix Q for a detailed description of the format and contents of the proposed annual marketing plan.

would review and approve the objectives, plans and budgets.

During that month the members of the Marketing Committee of the Board should carefully screen the objectives, plans and budgets, and should come to the meeting fully prepared to assess them for the other members of the Board and **recommend** changes if necessary.

The Vice President Marketing should be required to attend the Board meeting (or meetings) at which his objectives, plans and budgets are reviewed. He would then be available to answer questions, explain his rationale, and modify his plans if required to do so by the **Board**.<sup>1</sup>

Once the Board has approved the marketing objectives, plans and budgets, the Vice President Marketing and his staff should execute the **plans and the Marketing Committee** of the Board should monitor progress. The **Board** should meet

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1. *It is important to note that the process described above refers only to the development, review and approval of marketing objectives, plans and budgets. We envisage that appropriate members of senior management will also develop objectives, plans and budgets for other key functions such as finance and accounting, field operations, processing operations, etc. All objectives, plans and budgets will then be consolidated and reviewed by the President, and presented to the Board for approval.*

every two months to review progress versus objectives, and to receive a briefing from the Marketing Committee.<sup>2</sup>

All members of the Board should receive the following monthly reports:

- .an operating report showing sales by species (in pounds and dollars) and a breakdown of operating expenses. The report should show the actual figures compared with objectives and budgets for the month and year-to-date.
- .an exception report from the Vice President Marketing showing any significant deviations from the approved objectives and budgets, explaining the reasons for these deviations, and describing what corrective action he is taking.
- an aged inventory report showing inventory by species, 0 to 6 months, 7 to 12 months, 1 to 2 years, over 2 years, and
- .an aged accounts receivable summary showing totals overdue and a list of customers who are in arrears for major amounts (over \$10,000) .

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2. *We are in fact recommending that the Board should hold regular meetings every two months throughout the year; however, when objectives, plans and budgets are being reviewed and approved each spring for the year ahead, we believe the Board will have to hold two or three additional meetings for this purpose.*

3. MARKETING STRATEGY

It is obvious that marketing strategy must be changed from time to time as market conditions and/or the supply situation changes; however, we recommend that the Corporation adopt the following strategies for the foreseeable future. We shall list these strategies here and discuss them more fully in later sub-sections of the report. It should be noted that FFMC has already started to use some of these strategies on its own initiative.

- .1 Make every possible effort to induce **fishermen** to increase the winter supply of fresh fish.
- .2 Concentrate on strengthening **FFMC's** position in the food service market segments in the U.S. Mid-West and Canada, in order to increase the volume of fish sold to these market segments by approximately 10% and to continue to obtain price increases each year.
- .3 Improve market coverage in all North American market segments; increase the use of **Field Sales** Representatives to call regularly on brokers, distributors, wholesalers and **end** user customers.
- .4 Increase spending on advertising and promotion; develop and implement advertising and **promotion** programs aimed specifically at the U.S. and Canadian food service market segments.

- .5 Undertake a product improvement program aimed at developing higher quality deboned and boneless frozen fillets (Particularly whitefish) for the restaurant and institution trade.
- .6 Continue to selectively increase **selling** prices each year, but use a more flexible approach to pricing (i.e. permit the **Sales** Manager and his Sales Representatives to vary prices within approved limits as **demand** and supply fluctuate throughout **the year**) .
- .7 Make more effective use of the Corporation's brokers; use them as a source of market information and advice on marketing strategy; involve them in joint promotional programs.
- .8 Make a concerted effort to improve communications with fishermen and to generally strengthen the Corporation's public image. (Note: We consider public relations to be an important aspect of the marketing function in its broadest sense; thus we believe the President or Vice President Marketing should assume responsibility **for** planning and coordinating PR programs) .

Appendix R consists of two sales forecasts for 1980/81 -

✓ **Forecast A** is based on the assumption that **110 changes** are made, while Forecast B is based on the assumption that



all the above recommendations are implemented. A comparison of the two forecasts shows that the implementation of the recommendations should produce a net revenue increase of about \$2.4 million by 1980/81.

4. SPECIFIC RECOMMENDATIONS

4.1 *Increase Winter Supply of Fresh Fish*

Our discussions with provincial and federal government spokesmen, fishermen and others in the industry convinced us that there are complex technical, biological, sociological, and political problems involved in increasing the proportion of fresh fish caught in winter. Nevertheless, we believe that FFMC should take the initiative in doing everything possible to gradually increase the winter catch by 10 percentage points (i.e. from the present 25% up to 35% of the total catch) .

FFMC should proceed as follows:

- .1 Develop much closer working relationships with the provincial government and N.W.T. government officials who are responsible for regulating the catch in each province.

- .2 Explain in detail to these officials what is required and exactly what the benefits will be to fishermen in terms of increased payments.
- .3 Establish mutually acceptable annual targets for increasing the winter catch in each province and the N.W.T. over the next five years.
- .4 Continue to offer the fishermen winter premiums for those species which are required (mainly whitefish) .
- .5 Ensure that the situation and annual targets are effectively communicated to all fishermen, and that they fully understand the benefits that will accrue to those fishermen who increase their winter catch.

In our view, this program can only succeed if provincial governments support it fully and, where necessary, enforce<sup>?</sup> winter quotas which are not presently being enforced.

Finally, we wish to point out once again that this program represents the most promising opportunity to increase payments to fishermen in future years.

#### 4.2 *Strengthen FFMC's Position in the Food Service Market Segments*

We see the need to identify and exploit a stable market segment in which **FFMC** can sell gradually increasing quantities of its products and increase its prices annually. This is needed to dispose of the growing quantities of fish that have been building up in storage, and to gradually replace the traditional ethnic market **segments** which are starting to decline and **in which there** is great resistance to price increases.

We have selected the food service industry (restaurants, institutions and caterers) in the U.S. and Canada as the most promising market segment on which to concentrate.

Our reasons are as follows:

- .1 It is a large market segment. According to the U.S. Department of Commerce, 60% of all fish is consumed outside the home, **i.e.** in restaurants, institutions and other places served by caterers. There is little reason to doubt that this holds true in **Canada as well.**
- .2 It is a growing market segment. **Both** population and the proportion of total **food eaten** outside the home are increasing.

- .3 FFMC is currently selling a substantial proportion of its total volume to this <sup>337</sup> and user market segment.
- .4 It is far less costly to effectively advertise, promote and **sell** to the food service industry than to the retail food chain industry. (Selling through the retail food chains requires extensive mass media advertising aimed **at** the consumer. By comparison, thorough coverage of food service industry buyers can be achieved **by** means of a **modest advertising** program in a handful of trade journals.)
- .5 We believe that if FFMC can strengthen its reputation in the food service industry (as a dependable supplier of quality products) it will be able to achieve annual price increases which would not be possible in **other** market segments.

Most of the specific recommendations which **follow** are aimed at strengthening FFMC's position in the food service market segments in the U.S. **Mid-West** and in Canada.

4\*3 *Improve Market Coverage*

We have already recommended an increase in the number of Field Sales Representatives used by FFMC. **This** will permit

the use of two Representatives to cover the U.S. Mid-West (and California) on a full time basis, and one representative to cover the Canadian market on a full time basis.

These Representatives should perform the following main functions:

- .call regularly and frequently on FFMC's brokers and distributors to: train and work with their salesmen; keep them advised of product availability, price changes and other developments,
- .work with brokers and distributors on FFMC promotions,
- .call on key customers (usually with the broker or distributor salesman) , and
- .gather and feedback market information continuously.

Needless to say, a large proportion of the Field Sales Representatives! time should be devoted to brokers and distributors who cover the food service industry, and to end users in the industry.

#### 4.4 *Increase Spending on Advertising and Promotion*

As stated earlier, we recommend that **FFMC** should spend no less than 1% of sales (or about \$250,000 per year) on advertising and promotion. At least 75% of this amount, or \$190,000, should be spent on a series of programs aimed specifically at the food service industry in the U.S. and Canada. These programs should include:

- .1 A series of hard-hitting advertisements in the trade journals that go to restaurant and institution management personnel.
- .2 Preparation and circulation of two attractive brochures written specifically for restaurant and institution management personnel. and chefs.
- .3 A series of high quality direct mailings sent to selected customers and prospects. These should be planned in conjunction with brokers and distributors.
- .4 A series of receptions for selected restaurant and institution managers and chefs (staged in collaboration with brokers and distributors) at which **FFMC** products are prepared and served.

The specific goals of these advertising and promotion programs should be to:

- .make customers and prospects more keenly aware of **FFMC** as a year-round, dependable supplier of freshwater fish products,

.emphasize the high quality of **FFMC** products, and

.establish the belief that **FFMC** products are distinctly different in taste and appeal, thus should not be compared on a Price Per pound basis with saltwater fish products.

Finally, **FFMC** should engage **the** services of a reputable advertising agency to assist **with** the **design** and production of advertising and promotion material, and the selection of media.

#### 4.5 *Undertake a Product Improvement Program*

We recommend a product improvement program in two phases as follows:

- .1 Upgrade the quality control function throughout the plant to ensure that the quality of all products shipped out **is improved and maintained at a high level.**
- .2 Undertake **the** development of a series of improved products for specific **end users.** Start with the development **of** 4 - 6 oz and 6 - 8 oz frozen **deboned** and/or boneless whitefish fillets suitably packed for the restaurant and institution trade. Later,

similar products should be developed using other species, specifically pickerel and sauger.

4.6 *Selectively Increase Selling Prices Each Year*

We recommend the adoption of a more flexible pricing policy. As stated earlier, the Vice President Marketing should set price ranges for each product for the year ahead. More specifically, he should set a minimum price and an average price for each product. The average price should represent the target to be achieved by the Sales Manager and Sales Representatives; however, they should be authorized to sell above the average price when possible, and below it when necessary, provided they do not go below the minimum price.

As a general rule, the Corporation should attempt to increase average prices each year by the estimated percentage increase in the consumer price index;<sup>1</sup> however, there are certain market segments in which it will not be possible to apply this guideline, notably the market for fresh whitefish in summer, the smoker whitefish market and the gefilte fish market.

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1. We are not recommending the use of the food price index because we believe it is currently increasing too sharply to serve as a practical yardstick for FPMC price increases.



We estimate that the consumer price index will increase by 8% in the U.S. and 10% in Canada during FFMC's next fiscal year - 1979/80. We therefore recommend adoption of the following pricing objectives for that year:

- frozen processed products sold in the U.S. and Canadian retail and food service market segments . . . . . 9% increase
- frozen processed products sold in European markets . . . . . 9% increase
- all fresh fish sold in the winter months  
..\*\* . . . . . 9% increase
- fresh fish, particularly whitefish, sold in the summer months, should be offered for sale at or above the average price achieved in the summer months during the current year.
- In the case of smoker whitefish and frozen blocks for the gefilte fish market, there is great buyer resistance to price increases. Nevertheless, we believe that FFMC should attempt to negotiate a nominal increase (say 5%) for the year ahead. The main goal should be to obtain firm commitments from the principal buyers for the entire year at a predetermined price. It may be necessary for FFMC to offer the buyers some incentive such

as a quantity discount in order to obtain firm commitments. In the longer term, FFMC will have to develop a more cooperative working relationship with the smoker whitefish and gefilte fish processors in order to jointly exploit the two market segments, and to avoid confrontations of the type which occurred last year.

We cannot make specific pricing recommendations beyond the next fiscal year; however, we believe that FFMC should make every possible effort to obtain annual price increases which are at least in line with the inflation rate.

#### 4.7 *Make More Effective Use of Brokers*

Apart from obtaining market information from the brokers on a continuous basis (through the Field Sales Representatives) , we endorse the suggestion made by one broker that FFMC should establish a "Marketing Advisory Group" (MAG) consisting of:

- .the Vice President Marketing and the Sales Manager representing the Corporation,
- .a representative from each of FFMC's U.S. and Canadian brokers.

The MAG should meet two or three times per year to: exchange information and ideas; to give the brokers' representatives an opportunity to advise FFMC on marketing strategy; and to plan specific promotional and other programs involving FFMC and broker personnel.

4.8 *Improve Communications with Fishermen and Strengthen the Corporation's Public Image*

We recommend that a proportion of FFMC's advertising and promotion budget should be used in an effort to improve communications with fishermen.

In addition to the newsmagazine "Freshwater Country", the Corporation should send all fishermen a **simple** quarterly report showing results for the quarter and year-to-date and, where appropriate, highlighting improvements over the previous year.

The President (or Vice President Marketing) should include in his plans for **the year** ahead a schedule showing when each major meeting with fishermen's groups will take place, and who will represent FFMC. In our view, the Corporation should always be represented at such meetings by two senior officials, preferably the appropriate member of the Board and the President.

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Ridden  
Associates Ltd.

Turning to the broader subject of strengthening the Corporation's public image, we believe FFMC should issue a news release whenever there is a newsworthy development (or achievement) involving the Corporation. In addition, if and when the Corporation is unjustly criticized in the media, top management should take whatever steps are necessary to obtain equal coverage of FFMC's rebuttal or denial. If it becomes absolutely necessary, we believe the Corporation **should** place paid advertisements in the press to tell its side of the story and thus keep the record straight.

APPENDIX A  
TERMS OF REFERENCE

## TERMS OF REFERENCE

### Introduction

The Terms of Reference provided by the Marketing Committee define the parameters of the study. We agree **with** these *Terms* of Reference and have included them **in** subsequent paragraphs. The following statement of objectives has been included as a supplement **to the** Terms of Reference indicating the specific purposes of the study.

### Statement of objectives

These objectives were extracted **from** the document which accompanied the Terms of Reference. They discuss the need for the study **and** indicate specific **goals** which must be achieved to ensure the success of the study.

The objectives are:

- .to *obtain an appreciation for the extent of the market for fish harvested in the Freshwater Fish Marketing Corporation area of operation....*
- . *(to develop) an understanding of the prices at which the volumes of traditional fisheries products will clear national and international markets....*
- . *(to identify) the opportunities available to develop markets for "coarse" fish species....*
- . *(to develop) a comprehensive understanding of fisheries marketing problems....*
- . *(to develop) strategies (which will) be recommended to eliminate current problems....*

These objectives can be met within the context of the Terms of Preference.

#### Statement of the Terms of Reference

*To conduct an examination of the total marketing operation of the Freshwater Fish Marketing Corporation (FFMC) with a view to advising the Board of Directors of the adequacy of present procedures and, if required, to recommend changes on a priority basis to attain the objectives of the FFMC.*

#### Detailed Description of the Assignment

- 1. The Industry: To review the FFMC's position in the industry relative to size (e.g. production and value of production), number of firms, level of concentration, nature of competition, leadership and institutional constraints.*
- 2. The Firm: To review the marketing objectives, procedures and the organization employed to implement policies and attain objectives including documentation of responsibilities and authority vested in the Board of Directors, Chairman and senior management as they relate to the marketing function. Of particular concern is the division of responsibilities between the Board of Directors, the Chairman and senior management relative to the marketing function, and the degree to which these responsibilities are adhered to.*
- 3. The Market: To review the structure of the market, including the number of customers and geographic distribution. Of particular concern is the performance of the FFMC in market development in terms of penetration and segmentation of the Canadian domestic market and the international market.*

4. *The Product: To review the FFMC 's product policy relative to prices, inventory control, quality, share of the market, product line sizes and growth, new product policy and product deletion policy.*

*Of particular concern is the FFMC 'S:*

- (a) Inventory policy and the criteria used relative to the sale of production or the retention of production in inventory*
  - (b) New product policy relative to product development (e.g. mullet and cutter whitefish)*
5. *Distribution: To review channels of distribution, distribution policy and physical distribution system including an assessment of accounts receivable, average collection period, bad debts and disputed invoices which may result in adjustments to invoiced prices. Of particular concern will be the development of customer profiles for major customers.*
6. *Promotion: To review the adequacy of the FFMC's product promotion activities, resources allocated to marketing and the sales information reporting system and organization. Of particular concern is the FFMC's product promotion goals relative to the development of domestic markets and the promotion of coarse fish. Has FFMC availed itself of government promotion programs and facilities.*
7. *Pricing: To review the FFMC's product pricing, policy, the basis on which prices are set and the flow of pricing decisions within the FFMC.*



APPENDIX B  
APPROACH AND METHODOLOGY

## APPROACH AND METHODOLOGY

We plan to conduct the study in three broad phases, using the methods and techniques described below. We expect that there will be some overlapping of these phases because each will consist of several tasks which will be performed in parallel, but over varying periods of time. The three phases are:

### Phase I - Personal Interviews and Survey

As the title implies, we will begin our work by conducting interviews with a variety of people concerned with the future of the Corporation. The list of people includes:

- .members of the Board of Directors
- members of the Advisory Committee
- members of senior management including, but not necessarily limited to, the President, the Sales Manager, the Field Operations Manager, etc....
- members of the sales staff
- .brokers representing the FFMC
- .customers including large and small buyers of FFMC products
- representatives of the producers, possibly through the Inland Commercial Fishermen's Association
- representatives of the provincial agencies whose mandates give them authority to regulate seasonal and individual quotas, duration of the harvest period, etc.... and whose attitudes and decisions have an impact on the marketing operation of the Corporation.

The purposes of these personal interviews are:

- .to receive input from a wide variety of interested parties who are directly or indirectly involved with the marketing of freshwater fish products
- .to develop a basic understanding of the roles of the Board of Directors, the Chairman, the President, the Sales Manager and the sales personnel and their inter-relationships and influence in the marketing operation of the Corporation
- .to examine the results of the current marketing programs of the FFMC in order to assess the impact of these programs on the producers and customers

These interviews will be performed by qualified members of our project team. These consultants will use interview guides specifically prepared for each group of subjects.

Upon completion of these interviews the results will be compiled and consolidated. Preliminary conclusions can then be developed concerning the environment and effectiveness of the marketing operation of the Corporation in the domestic and international market place. It should be noted that the overseas agents of the FFMC will be contacted by long distance telephone and if further information is necessary? written requests, prepared by the project team, will be sent to them.

We plan to supplement the information obtained during these interviews by means of two mail surveys, one covering customers, the other covering producers: Each of these

surveys will be conducted by means of questionnaires which ask the respondents to reply to a series of questions pertaining to their operating relationships with the Corporation. The customer questionnaire will also contain questions which will examine the perceived quality of product and service provided by the FFMC and its brokers. Our experience with similar surveys indicates that we can expect to receive between a 20% and 40% useable response. As a result, our survey sample will have to be large enough, (possibly 150 to 250 pieces) to be statistically sound and representative of the groups surveyed. The information provided by these surveys will be used to further validate the preliminary conclusions derived from the Personal interviews.

At the conclusion of this phase of our work we will have developed an accurate profile of conditions in the market place as perceived by:

- .the Producers
- .the Provincial government agencies
- .the FFMC management, staff and agents
- the Customers

The results of this type of research are invaluable when attempting to analyze and interpret the causes of marketing problems within any organization or industry.

In order to have a full understanding of the market, it is necessary to examine it from a quantitative viewpoint. This examination will be carried out in the next phase of the study.

Phase II - Statistical Research and Analysis

The activities of the preceding phase will result in a comprehensive examination of current operating conditions and the impact of the operational relationships within the Corporation and its sphere of influence. In Phase II we plan to extend the limits of our research to include the domestic and international markets which have the potential to absorb the production of the FFMC fishermen.

Our research into these markets will be based upon an analysis of statistical data and other information supplied by:

- the Corporation
- the Freshwater Institute, Fisheries and Marine Services
- Provincial government agencies
- State and Federal government agencies in the U.S.
- Statistics Canada
- Private research agencies, such as the Maclean Hunter and Southam Market Research bureaus.

Our approach will be to obtain and scrutinize data from these sources, in order to establish supply and demand volumes, patterns of seasonality, product preferences, pricing structures, etc... This will enable us to identify opportunities to expand the Corporation's share of national and international markets and, if possible, identify opportunities to develop markets for "coarse" fish species.

When either of these opportunities have been identified on the basis of statistical data, we will begin a preliminary investigation of the current conditions in each market segment to obtain further information on the demand, pricing and current supply situation for the various species. In this instance, we plan to use long distance telephone as the communications medium. We will request supporting documentation as necessary.

We plan to continue these preliminary investigations only until we have obtained enough information to enable us to develop conclusions on the probable success of the FFMC products in each market segment. As a result, our subsequent recommendations on the development of new market segments will be based on more than statistical data, and will in fact reflect actual operating conditions.

After having completed the statistical research and analysis and other relevant research, we will consolidate our findings and develop an accurate outline of the domestic and international markets.

At this point we will have completed our research and will move into the final phase of the study.

### Phase III - Report Preparation and Presentation

We plan to review our findings and preliminary conclusions, consolidate and refine all available data, and develop final conclusions and recommendations, prior to drafting our report.

Our project team will draft a report which will present the results of our study under seven major headings, corresponding to the key items in the Terms of Reference:

1. The Industry
2. The Firm
3. The Market
4. The Product
5. Distribution
6. Promotion
7. Pricing

In our report we will address the points specified in the Terms of Reference under each of these headings. Our Recommendations will be included in a separate section of the report. Each recommendation will relate to a specific point mentioned in the Terms of Reference. We will prepare a draft report and present it to you for your review, prior to the conclusion of the assignment. We plan to meet with you to discuss this draft and to make any changes in wording or emphasis which you deem necessary. Following the meeting, we will prepare a final version of our report and submit it to you.

APPENDIX C  
LIST OF PERSONS INTERVIEWED



LIST OF PERSONS INTERVIEWED

D I RECTORS

J. G. McFarlane	Manitoba
Wm. G. Brese	Alberta
D. Cauvin	<b>Manitoba</b>
J. D. Nicholson	Alberta
D. M. Stewart	Northwest Territories
P. Carriere (by phone)	Saskatchewan
D. Valgardson	<b>Manitoba</b>

SPECIAL ADVISORY GROUP

R. Kabaluk	Manitoba
M. J. Paetz	Alberta
C. A. Bennett	Northwest Territories

PROVINCIAL & FEDERAL GOVERNMENT OFFICIALS

Hon. Ken McMaster, Minister of Northern Affairs Minister of Renewable Resources and Transportation Services	Government of Manitoba
W. A. Klassen, Director of Resources Branch	Dept. of Northern Saskatchewan
L. Ringham Assistant Deputy Minister Dept. of Natural Resources	Ontario
G. E. Cooper, General Manager	Parkland Regional Development Inc.

**BROKERS/CUSTOMERS**

H. Ackerman, Bell Fish Co.	New York
A. Messing, Max Messing & Co.	New York
<b>S. Suttenger</b> Montrose Smoked Fish. Co.	New York
J. Brownstein Acme Smoked Fish Co.	New York
M. Nash I. <b>Rokeach</b> & Sons	New York
M. Rabinowitz Union Fisheries	New York
<b>L. Vitale</b> Los Angeles Smoking & Curing Co.	Los Angeles
V. de <b>Corpo</b> International Pacific Seafoods Inc.	<b>Los Angeles</b>
<b>W. Merry</b> Merry Fish Co.	Los Angeles
R. Anderson West Coast <b>Foods</b>	Los Angeles
<b>M. Kotok</b> Kotok & Heims Corp.	Buffalo
<b>E. Kulber</b> State Fish Inc.	Cleveland
c. Young <b>Euclid</b> Fish Co.	Cleveland
<b>S. Mandese</b> <b>Fulton</b> Fish	Cleveland
E. Davis Jackie Davis & Sons	Cleveland

<b>A. Frohman</b>	
L. H. Frohman & Sons Inc.	Chicago
<b>H. Gorelick</b>	
Union Randolph Fish Corp.	Chicago
<b>J. R. Kornblatt</b>	
Pick Fisheries Inc.	Chicago
<b>C. Metsakopoulos</b>	
Chicago Fish House	Chicago
<b>B. Kozloff</b>	
Ben Kozloff Fisheries Ltd.	Chicago
Superior Fish (by phone)	Chicago
L. Davis	
United Fish Distributors	Detroit
M. Miller	
Hamilton Fish Co.	Detroit
L. Lowell	
<b>Salasnek</b> Fisheries	Detroit
D. Halpern (by phone)	
Standard Fish	Detroit
W. J. Franks	
Juhl Brokerage Inc.	Minneapolis
George Baldwin	
Juhl Brokerage Inc.	Minneapolis
L. P. Bialick	
American Fish & Seafood Inc.	Minneapolis
W. Long	
Continental Minnesota	Minneapolis
<u>OTHER U.S. INTERVIEWS</u>	
<b>Griedl</b> Fish (by phone)	Oshkosh, Wisconsin
<b>Schwarz</b> Fish (by phone)	Sheboygan, Wisconsin

R. Bentley Clouston Foods	Toronto
R. Robilliard Clouston Foods	Montreal
R. Consigny Quebec United Fishermen	Montreal
M. Waldman Waldmans Fish Co. Ltd.	Montreal
R. McGavin Booth Fisheries	Winnipeg, Manitoba
G. Offerwitz Independent Fish Co.	Winnipeg, Manitoba

We also visited several retail fish outlets and chain stores in the U.S. and Canada

EUROPE

M. Cleron (by phone) I. Legrand, H. Malo et Cie	France
K. Juuranto (by phone) Lejos Oy	Finland
B. Sjostrom Maim & Stahl Aktiebolag	Sweden

FFMC STAFF

P. Moss  
Chairman & Acting President

T. Dunn  
Vice President, Finance

R. Brooker  
Sales Manager

B. Denchuk  
Sales Coordinator, Fresh Fish

B. Johnson  
Sales Coordinator, Frozen Fish & Europe

**A. Drobot**  
Field Operations Manager

H. Shale  
Traffic/Purchasing Manager

J. Bodnar  
Zone Manager, The Pas

D. Admiral  
Cost Accountant

C. Fudge  
Controller

Theme  
Ridden  
Associates Ltd.

APPENDIX D  
INTERVIEW GUIDE  
AUGUST 1978

INTERVIEW GUIDE  
AUGUST 1978

1. What quality of each specie/product do you buy from **FFMC**?
2. Do you buy these species/products from any other sources? If **so**, what other sources? **Could** you estimate what proportion **FFMC** supplies of your total purchases **of** each specie/product? Does this proportion vary throughout the year? **Why**?
3. Could you estimate the total end user market in this area for these species/products. Who are your competitors?
4. Does **FFMC** fish compete with saltwater fish and seafood? Which saltwater products? Where in the market place? How is your business divided between saltwater and freshwater products? Do you handle any non-fish products?
5. Would you describe what happens to **FFMC's** fish once it reaches you? Who are your largest groups of customers? Are there any others? What **do** they do with the fish? **Could** you estimate what proportion **of** sales are made to each major customer category? Does the same pattern of distribution hold true for other freshwater and **for** saltwater products?
6. What prices are you currently paying for **FFMC** fish? Do these prices fluctuate throughout the year? When and why? How do **FFMC** prices compare with those **of** other suppliers?
7. What has been the trend in prices? (check **FFMC's** own statistics) What are customers reactions? What has been **the effect** or **volume**?

8. Have your purchases from **FFMC** increased *or* decreased (check)?  
Why?
9. Are you satisfied with the physical service (availability, reliability) provided by **FFMC**? How does it compare with other suppliers? Are **FFMC's** promotional efforts satisfactory? How often do they contact you? Do you receive adequate support?
10. Have you experienced problems with the quality of **FFMC's** fish? What are the problems? How common are they? **What** is the extent of claims on the **FFMC** relating to quality? How does it compare with other suppliers?
11. Are there any freshwater fish products which you need **and** which could be supplied by the **FFMC**? Have species like mullet and carp been tried in this area? Can you think of possible markets for this fish?
12. What could **FFMC** do to increase its **sales in this area/elsewhere**? Have you explored this with **FFMC**? Could you specify species, form, prices, likely volumes?
13. Do you have any **general** comments about the **FFMC** - their products, service and market potential?

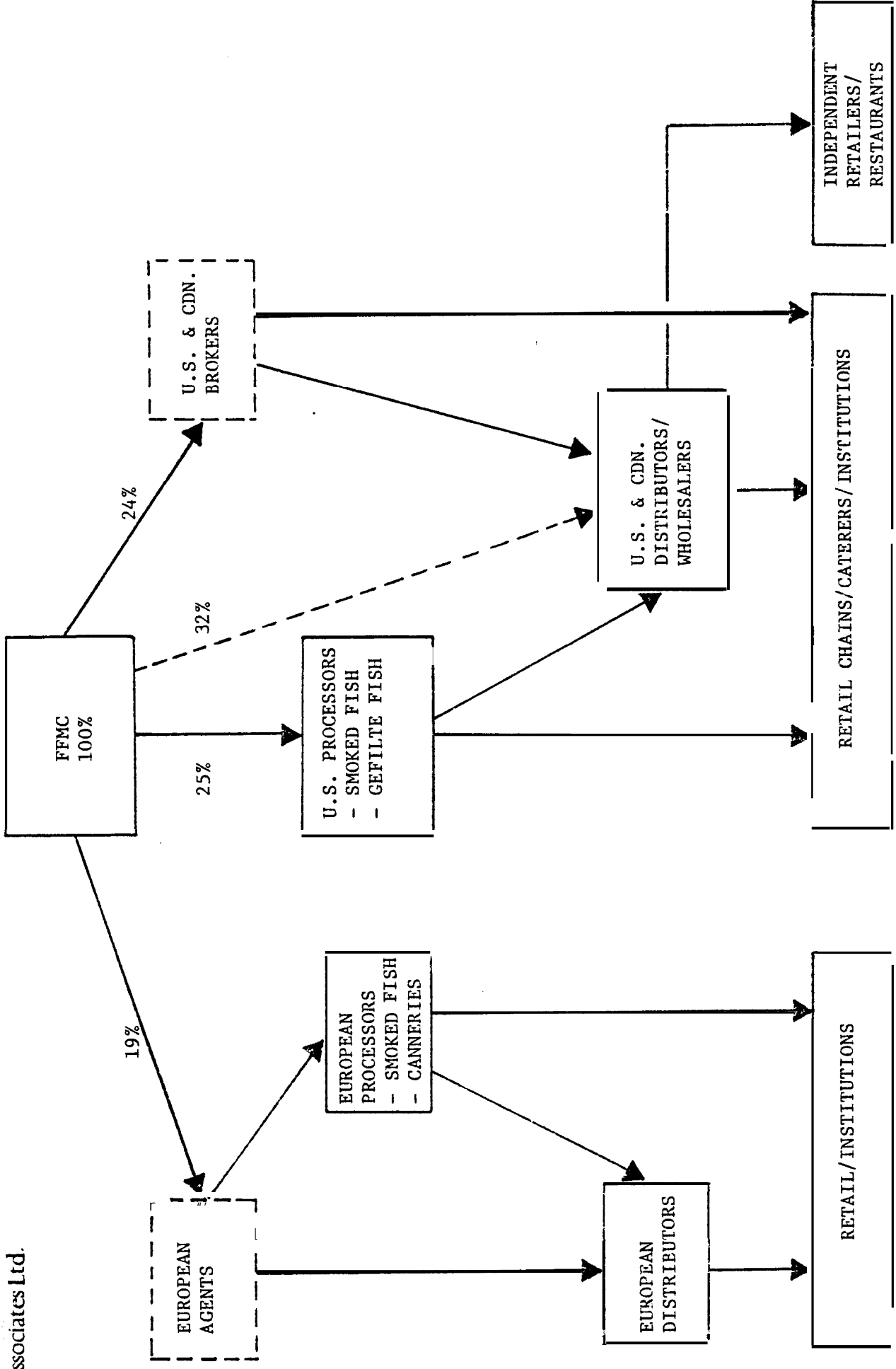


APPENDIX F  
PATTERNS OF DISTRIBUTION FOR  
MAJOR FFMC SPECIES

PATTERNS OF DISTRIBUTION FOR MAJOR FFMC SPECIES\*

(Percentages shown are based on total weight of fish moved)

Thorne  
Riddell  
Associates Ltd.



\* This chart covers the movement of the following species - whitefish, trout, pickerel, northern pike, sauger, mullet and carp - which amounted to 27 million pounds in 1977/78.

————> Frozen & Processed.  
 - - - - -> Fresh.

### KEY TO DISTRIBUTION CHART

Brokers/Agents sell fish on behalf of the Corporation in their individual geographical regions. They do not purchase the product but receive a commission (3%) based on sales value. They use a sales force to sell to large distributors, institutions and retail chains. The broker/agent handles only frozen fish and processed products.

Processors buy frozen fish directly from the Corporation, and through processing, change it into a canned/smoked/breaded product which is sold to distributors, retail chains and institutions.

Distributors/Wholesalers buy the Corporation's fish for the purpose of reselling it in substantially the same form. (They may fillet and debone it for a particular end - user market) . Fresh fish is bought directly from the Corporation; frozen and processed fish is bought through the local broker.

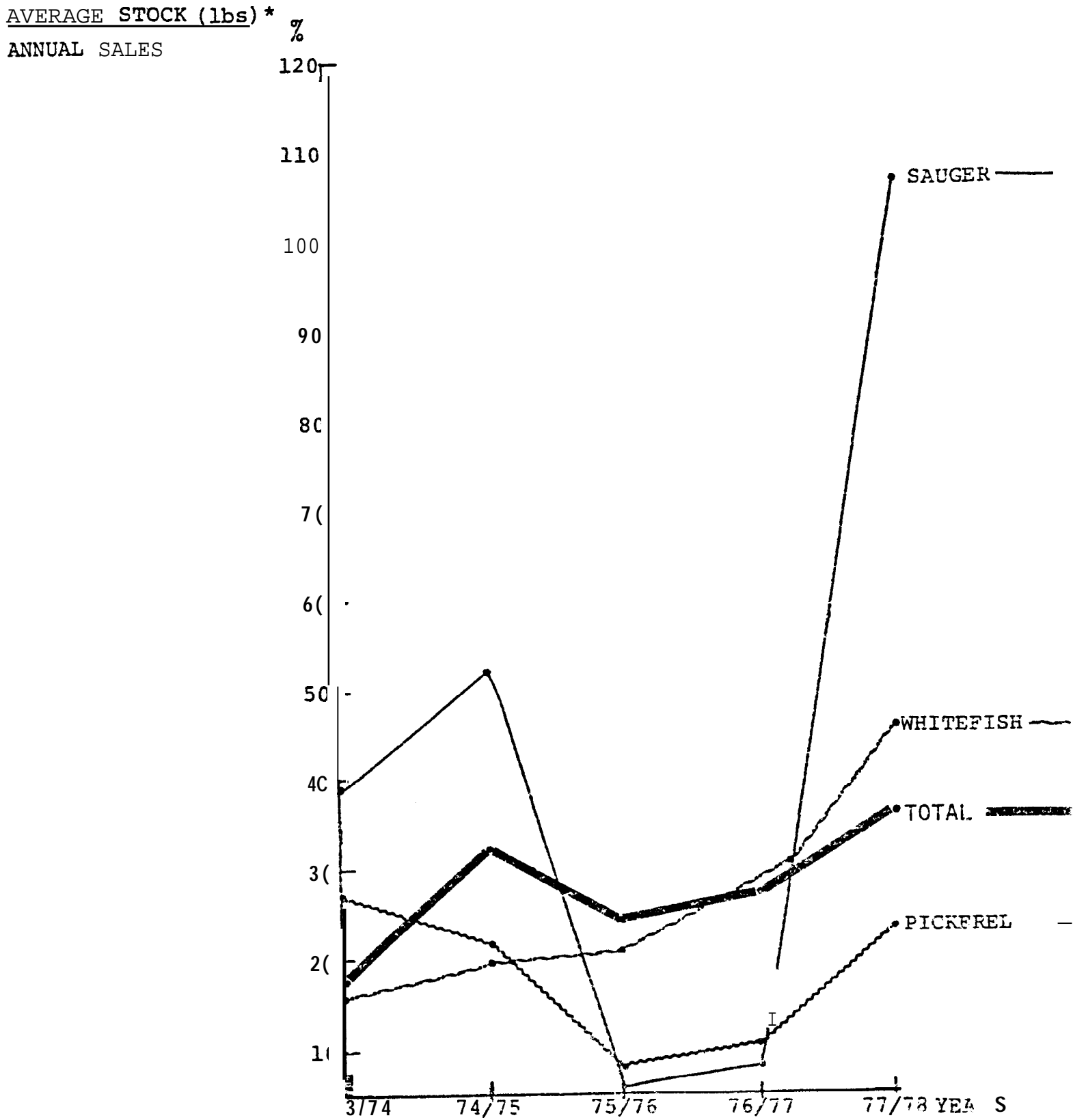
The distributors sell to the retail and food service trades. When they sell to large institutions and retail chains, they may compete with FFMC, selling through the local broker. Most of FFMC's distributor customers handle only fish and related

products. There are some distributors, and a growing number, who market a whole range of food items particularly to the larger institutions and retail chains.

The wholesalers are generally of a smaller size than the distributors and they cover a more restricted geographical area. Many operate a retail outlet and may buy fish from a distributor rather than directly from the Corporation, because of the small quantities ordered.

APPENDIX G  
ANALYSIS OF INVENTORY LEVELS BY MAJOR SPECIES  
1974 TO 1978

ANALYSIS OF INVENTORY LEVELS BY MAJOR SPECIES  
1974 TO 1978



\* AVERAGE BASED UPON MONTHLY STOCK LEVELS

APPENDIX E  
ANALYSIS OF FFMC PERFORMANCE  
1973 - 1978 (FISCAL YEAR)

ANALYSIS OF FFMC PERFORMANCE 1973 - 1978 (FISCAL YEAR)

DETAILS	1973	1974	1975	1976	1977	1978	ANNUAL COMPOUND RATE OF GROWTH
Pounds of Fish Purchased (000 lbs)	44,700	40,400	45,000	42,800	46,000	46,254	0.7%
Payments to Fishermen F.O.B. Delivery Point - as a percent of Net Sales (% ('000 \$))	8.247 51.5	8,436 52.7	8,712 46.6	10,002 45.7	14,076 58.2	14,785 59.4	12.4%
Payments to Fishermen per lb purchased (\$)	0.18	0.21	0.19	0.2	0.34	0.32	11.5%
Pounds of Fish Sold (000 lbs)	26,700	25,900	28,300	28,000	27,300	29,000	1.7%
Net selling Price per lb (\$)	0.60	0.62	0.71	0.78	0.89	0.86	7.5%
Net sales (\$)	16,000	16,000	18,700	21,900	24,200	24,900	9.2%
Net income (Loss) (\$)	(2,028)	(37)	(34)	104	93	100	

ANNUAL INCREASE IN COST OF LIVING INDEX FROM 1973 to 1978\* (using mid-year figures)

- Winnipeg - 9.8%
- Canada - 9.3%
- U.S. - 8.1%

\*Canadian Source - Consumer Prices Survey, Statistics Canada  
\* U.S. Source - All Urban Consumer Price Index, U.S. Bureau of Labour Statistics



APPENDIX H  
ANALYSIS OF PRODUCT PRICING  
1974 - 1978 (FISCAL YEAR) BY SPECIES

ANALYSIS OF PRODUCT PRICING  
1974 - 1978 (FISCAL YEAR) FOR MAJOR SPECIES

APPENDIX H

SPECIES	1974		975		1976		1977		1978		ANNUAL COM- POUND RATE OF GROWTH	
	SALES Mlbs.	PRICE \$/lb.	SALES Mlbs.	PRICE \$/lb.	SALES Mlbs.	PRICE \$/lb.	SALES Mlbs.	PRICE \$/lb.	SALES Mlbs.	PRICE \$/lb.	SALES %	PRICE %
TULLIBEE	617	0.39	988	0.41	1,124	0.47	708	0.50	733	0.45	4.4%	3.6%
WHITEFISH	10,407	0.63	10,188	0.67	10,708	0.70	11,128	0.72	11,050	0.74	1.5%	4.1%
LAKE TROUT	651	0.81	610	0.89	662	0.86	939	0.87	1,106	0.97	14.2%	4.6%
PICKEREL	3,606	1.14	4,354	1.19	4,681	1.28	4,991	1.61	5,274	1.56	10.0%	8.2%
NORTHERN PIKE	3,753	0.53	3,680	0.57	3,778	0.65	4,559	0.69	4,799	0.73	6.3%	8.3%
SAUGER	1,962	0.94	3,075	1.01	3,533	1.13	2,187	1.71	1,074	1.24	-	7.2%
MULLET	1,694	0.32	1,658	0.25	2,089	0.32	1,497	0.19	2,912	0.24	-	-
CARP	7	0.34	774	0.16	589	0.25	494	0.17	774	0.26	-	-
PER ANNUM INCREASE	22,697	0.70	25,327	0.74	27,164	0.80	26,508	0.92	27,722	0.85	5.1%	5.1%
			11.6%	5.7%	7.3%	8.1%	(2.4%)	15%	4.6%	(7.6%)		

APPENDIX I  
ANALYSIS OF AGE OF MAJOR ITEMS IN INVENTORY (000 LBS)  
AS AT AUGUST 31, 1978

ANALYSIS OF AGE OF MAJOR ITEMS IN INVENTORY (000 LBS)  
AS AT AUGUST 31, 1978

MAJOR SPECIES	AUG. 31/78	AGED		* AVERAGE ANNUAL SALES FOR LAST 5 YEARS ENDING APR. 30/78
		6-12 MONTHS	12 MONTHS AND OVER	
WHITEFISH				
Smoker	2,660	105	546	1,792
Export (frozen)	1,149	261	145	1,975
Continental (frozen)	673	130	315	823
Processed	<u>808</u>	26	<u>12</u>	<u>2,624</u>
TOTAL WHITEFISH	<u>5,290</u>	522	<u>1,018</u>	<u>7,214</u>
PICKEREL				
Frozen	295	4	4	714
Processed	541	236	56	<u>1,628</u>
TOTAL PICKEREL	836	240	60	<u>2,342</u>
NORTHERN PIKE (frozen & processed)	230	<u>9</u>	<u>3</u>	<u>3,994</u>
SAUGER				
Frozen	798	325	25	610
Processed	<u>771</u>	452	218	<u>897</u>
TOTAL SAUGER	<u>1,569</u>	777	243	<u>1,506</u>
TROUT (frozen & processed)	<u>337</u>	<u>41</u>	<u>4</u>	663
TOTAL INVENTORY (all species)	<u>8,933</u>	<u>1,692</u>	<u>1,448</u>	

\* Excludes Fresh Fish Sales

APPENDIX J  
CASE HISTORY ILLUSTRATING THE CONSEQUENCES OF  
AN INFLEXIBLE PRICING POLICY

CASE HISTORY ILLUSTRATING THE CONSEQUENCES OF  
AN INFLEXIBLE PRICING POLICY

In 1975/76 the production of smoker grade whitefish was considered to be of excellent quality. The FFMC sold 2.2 million pounds to processors of smoked whitefish in the U.S. at an average price of 76¢ per lb. Inventory of smoker grade whitefish (including "lights"!) as at April 30, 1976 was 8,400 pounds.

The quality (size and fat content) of smoker grade fish deteriorated in 1976/77 - the fish were smaller and of lower fat content. Despite this, prices were increased to yield an average of 83¢ per pound for the year - an increase of 10% over 1975/76. Sales volume went down by 670,000 lbs. to 1.5 million pounds - a decrease of 30%. Inventory at April 30, 1977 of 341,025 lbs. was sold during the first 2 months of the new fiscal year.

The quality of the fish remained inferior in the 1977/78 year and sales remained low through the early part of the season. At the end of 1977 prices were increased again, by 5¢ per lb. from 85¢ to 90¢ per lb. for Lake Winnipeg "medium". The processors ignored the increase and purchased 1.7 million lbs. of fish for the year - an increase of 12% over 1976/77. The average price realized by the FFMC after end-of-year adjustments, was 76¢ per lb. The inventory at April 30, 1978 was one million pounds.

The processors bought throughout the season, certainly in the early part, on the basis of a price of 85¢ per lb. However, after end-of-year adjustments were finalized, they ended up paying only 76¢ per lb. It is our firm impression that if the list price at the beginning of the season had been 75¢ per lb., FFMC would have sold more smoker grade whitefish.

The processors, we visited, were adamant in their view that they would have purchased more fish (one specified 20-30% more) if prices last year had been more in line with fish quality.

The price has since been reduced to 65¢ per lb. and at August 30, 1978 there was still approximately 550,000 lbs. of old stock in inventory, which has been held in storage over 12 months at a cost-to-date of approximately 12¢ per lb. As a result, the actual return on the current sales of old stock is roughly 53¢ per lb. - more than 30¢ per lb. below the prices charged during the 1977/78 season and more than 20¢ per lb. below the price at which we believe a good proportion of the stock could have been sold during the 1977/78 year.

The processors are currently buying old stock as required, but the trend has disturbing implications for the remainder of 1978/79. The opening inventory was 1 million pounds; landings have historically varied between 2 to 2.5 million pounds and the most sales ever earned in one year was 2.2 million pounds in 1975/76.

STATISTICAL SUMMARY OF SMOKER SALES AND INVENTORY			
YEAR	SALES '000 LBS.	AVERAGE PRICE/LB \$	YEAR-END INVENTORY '000 LBS.
1975/76	2,211	.75	8
1976/77	1,542	.83	341
1977/78	1,728	.76	1,004

APPENDIX K  
ANALYSIS OF INVENTORY HOLDING COSTS



ANALYSIS OF INVENTORY HOLDING COSTS

MONTH	HOLDING COSTS (\$)		INVENTORY POUNDS		AVERAGE PER C.W.T.	
	1976/77	1977/78	1976/77	1977/78	1976/77	1977/78 (\$)
MAY	47,500	40,000	4,913,318	3,559,418	.967	1.124
JUNE	54,000	76,000	6,536,129	6,190,180	.826	1.228
JULY	76,500	97,000	7,387,058	7,868,274	1.036	1.232
AUGUST	77,000	109,000	8,472,819	9,804,746	.909	1.112
SEPTEMBER	97,000	122,000	10,808,092	13,471,293	.897	.906
OCTOBER	123,000	157,000	11,580,794	14,646,914	1.062	1.072
NOVEMBER	104,000	162,000	10,834,442	13,970,681	.960	1.160
DECEMBER	104,000	143,000	10,092,895	13,673,928	.970	1.046
JANUARY	94,000	126,000	8,749,868	12,187,609	1.074	1.034
FEBRUARY	77,000	125,000	5,721,906	10,438,788	1.346	1.197
MARCH	67,000	102,000	4,893,100	8,929,817	1.369	1.142
APRIL	<u>49,000</u>	<u>98,000</u>	3,925,034	6,196,043	1.248	1.582
TOTAL COSTS	<u>970,000</u>	<u>1,357,000</u>				
AVERAGES	80,833	113,083	7,826,288	10,078,141	1.033	1.122

INCREASE 1977/78 AVERAGE OVER 1976/77 AVERAGE +8.6%

HOLDING COSTS INCLUDE:

- Interest on average monthly inventory using weighted average interest rate on working capital loans.
- Insurance - monthly amortization of 3 year term insurance policy ncte.
- FFMC Cold Storage (including handling)
- Outside cold Storage (including handling)

APPENDIX L  
ANALYSIS OF AGED ACCOUNTS RECEIVABLE

ANALYSIS OF AGED ACCOUNTS RECEIVABLE

DESCRIPTION	DECEMBER 1977	APRIL 1978	JULY 1978
TOTAL ACCOUNTS RECEIVABLE (\$)	2,701,095	3,735,272	2,917,160
(%)	100	100	100
CURRENT (\$)	1,684,365	2,516,128	2,142,569
(%)	62	67	73
30 DAYS (\$)	526,301	663,678	397,621
(%)	20	18	14
60 DAYS (\$)	207,806	298,920	86,717
(%)	8	8	3
90 DAYS (\$)	282,623	257,338	290,253
(%)	10	7	10

APPENDIX M  
ANALYSIS OF CREDIT NOTES

ANALYSIS OF CREDIT NOTES  
YEAR ENDING APRIL 30, 1978

DESCRIPTION	NO.	AMOUNT (\$)
PRICE ADJUSTMENTS, overcharges	132	93,109
PRODUCT SWITCH, wrong product shipped	109	6,037
SHORT SHIPPED, weight shortages and losses	105	39,200
BAD PRODUCTS, poor quality, product unsatisfactory, damaged, spoiled	164	82,108
QUANTITY DISCOUNTS	50	25,486
FREIGHT ADJUSTMENTS	36	4,442
PROMOTIONAL ALLOWANCES and SAMPLES	21	4,524
OTHER, cancelled invoices	18	3,440
TOTALS	<u>635</u>	<u>258,346</u>

APPENDIX N  
ANALYSIS OF FFMC MARKET SEGMENTS

## ANALYSIS OF FFMC MARKET SEGMENTS

The quantities of freshwater fish sold by the FFMC in the Canadian and U.S. Markets have remained constant over the past five years. The volume sold in the U.S. has varied between 12 and 13 million pounds over the period. The most significant trend has been the steadily increasing volume of pickerel sold (from 3 million lbs in 1973/74 to 4.5 million lbs in 1977/78) . Whitefish and northern pike have remained constant, while sales of sauger have fallen off markedly in the past two years. (This analysis excludes sales of specialty products such as smoked whitefish, gefilte fish and petfood) .

In Canada the volume has varied between 3 and 4 million lbs of freshwater fish - the most significant detail being the recent growth in the sales of frozen round mullet.

Sales to Europe have shown a significant increase from 1.9 million pounds in 1973/74 to 5.1 million pounds in 1977/78. The total for 1977/78 is primarily comprised of whitefish to Finland (2.3 mm lbs), northern pike to France (1.3 mm lbs), mullet to the U.K. (1.0 mm lbs) and trout to Sweden (0.4 mm lbs) .

The FFMC has been experiencing some difficulty obtaining increasing returns from the gefilte fish and smoked whitefish processors. There has been a basic disagreement over the issue of prices and the ability of the market to pay increases at the retail level. These processors remain the principal purchasers of cutter and smoker grade whitefish.

It is difficult to make generalizations about the market segments except to say that freshwater fish is purchased by special interest groups - by ethnic groups such as the Jewish, Polish, mid-western black people, certain European groups, and by people in areas where species like walleye, jacks, trout and sauger are caught for sport. Furthermore, freshwater fish has not achieved the universal acceptability possessed by many of the saltwater species. Indeed we believe that the pursuit of comparable acceptability would be extremely costly and probably an uneconomical undertaking for FFMC. We shall now describe each market segment in greater detail. A breakdown of the volumes sold in each segment (1977/78) is provided at the end of this Appendix (Exhibit 2) .



1. NEW YORK FRESH FISH MARKET

New York represents an almost exclusively **Jewish** market for the **FFMC**. The Corporation sold 1 million pounds in 1977/78 to three wholesalers (one is also a distributor and retailer) located in **the Fulton** Fish Market. These wholesalers **resell** to retail fish outlets servicing the Jewish community and to a lesser extent the food service **outlets** - restaurants/ hotels/ caterers.

The **Fulton** Fish Market is a pale shadow of its former self. A number of factors, including the decline in traditional Jewish values, the arrival of commercial processors of **gefilte fish** and the actions of the **local** government regarding health standards, have brought this about.

For these and other reasons **FFMC's** sales to this market segment have decreased markedly over recent years. Purchases by the two wholesalers we interviewed had declined by 400,000 **lbs** over the last three years to a level of 680,000 **lbs** in 1977./78. The fish are predominantly fresh whitefish (315,000 **lbs**) and yellows (190,000 **lbs**) and to a lesser extent jacks and mullet.

The wholesalers whom we interviewed expressed a number of specific concerns. **FFMC's** prices during the summer months at about **65¢** per lb for whitefish are **10-20¢** above the price of Great Lakes whitefish. (The dealers buy freshwater fish from some 40-50 independent fishermen on the Great Lakes) . The **FFMC** fresh fish are of inferior quality during the **summer** months because of the distance **travelled** and the high temperatures. . The Corporation's fish are **simply not competitive during these** months and **its prices** are not close enough to the Great Lakes prices to **induce** the wholesalers to keep buying.

During **the** winter months and around the religious holidays, price is less of a problem, but the **FFMC** cannot deliver the quantities of fresh **fish** required. Furthermore, the **dealers** felt **that during times** of scarcity, they do not receive their fair share of what is available. There are also more **minor complaints relating to crushed cardboard cartons and improper** icing.

**FFMC** is the sole supplier in the winter months; during the **summer** months its share of the market drops **below 20%**. **The** dealers

U , S , MID-WEST PURCHASES BY CUSTOMER AND STATE

(i) MAJOR US. FISH PROCESSORS AND DISTRIBUTORS AND TOTAL PURCHASES

CUSTOMER	LOCATION	RETAIL/ FOOD SERVICE*	POUNDS PURCHASED 1977/78
Greidl Fish	Oshkosh, Wisconsin	70/30	914,700
Salasnek Fisheries	Detroit, Michigan	35/65	699,300
United Fish	Detroit, Michigan	20/80	659,000
State Fish	Cleveland, Ohio	40/60	497,800
Pick Fisheries	Chicago, Illinois	20/80	487,300
Schwarz	Sheboygan, Wisconsin	60/40	461,500
Superior Fish	Chicago, Illinois	100/-	451,600
Randolph Fish	Chicago, Illinois	NA	448,100
Ben Kozloff	Chicago, Illinois	20/80	428,900
Western Fish	Detroit, Michigan	NA	384,200
Standard Fish	Detroit, Michigan	70/30	327,600
North West Foods	Detroit, Michigan	NA	326,400
			<u>6,086,900</u>

\* Based on rough estimate by customer

(ii) TOTAL PURCHASES BY MAJOR U.S. STATES IN 1977/78

STATE	1977/78 MM LBS. PURCHASED
Michigan	3.1
Illinois	2.8
Wisconsin	1.5
Minnesota	1.2
Ohio	1.0
Iowa	<u>0.5</u>
	<u>10.1</u> Million Lbs.

estimated that over a full year **FFMC** supplies about 30% of the freshwater fish purchased. Based on their advice that summer consumption is traditionally low, this figure would appear to be conservative; however, it is apparent that the **FFMC** could increase its sales by at **least** 50% to the market (at good prices) if it could produce fresh fish when it is required during the winter and around the two major Jewish holidays. The principal species are export whitefish and pickerel.

2. U.S. RETAIL AND FOOD SERVICE MARKETS

**BACKGROUND**

**The** Corporation's traditional market in the U.S., (excluding **New** York) , is located within a radius of 200 miles of the Great Lakes. 90% of its sales to the U.S. are made in the major **urban areas** of Michigan, Illinois, Wisconsin and Ohio (see Exhibit 1 opposite) . Whitefish and pickerel are the main species **sold** by **FFMC**, followed by sauger, pike and lake trout. More specifically, markets are found **in** areas where there are large concentrations of people whose traditional diets have included freshwater species - Jewish, Blacks, Scandinavian **and** mid-European people - and where the species are fished **by** sport fishermen. The **mix** of species sold is determined **by** the dominant characteristics of the particular market.

#### MARKET STRUCTURE

Twelve major fish distributors and processors purchased 60% of the 10 million pounds of fish sold by the Corporation in this area in 1978; (see Exhibit 1); 24 companies account for 80% of the purchases. Fresh fish (55%) is purchased direct from the FFMC while the remaining frozen and processed fish is purchased through brokers who have mutually exclusive territories. The proportion of whitefish purchased fresh (70%) is much higher than for other species. Mr. Bill Bush, FFMC's resident Sales Representative, services customers in certain areas in which the FFMC does not have a broker, such as Cleveland and Detroit.

#### CUSTOMERS

We visited several of the large customers in this area as well as some smaller ones. Generally speaking, their businesses are either oriented towards the food service trade or towards the retail trade. We found that, in total, sales of the 12 largest customers were split evenly between the two trades (see Exhibit 1). This breakdown should be contrasted with information supplied by the U.S. Department of Commerce which indicates that 60% of fish consumption occurs "away from home". In many cases FFMC's fish is processed, for example, into butterfly fillets for sale

in a particular market. Freshwater **fish** constitutes 10% to 15% of the **distributors'** business; **the remainder** being taken up by saltwater **fish** and seafoods.

#### **BROKERS**

We were impressed with the **calibre** and competency of the brokers acting for the **FFMC** in this area, namely Juhl Brokerage (Minneapolis) , L. H. Frohman (Chicago) and **Kotok & Heims** (Buffalo). They appeared to be well organized and to have substantial sales forces, generally split into retail and food service departments. **FFMC's** products constitute a very small proportion of their respective businesses. Their main point of concern was that the Corporation did not take advantage **of** the sophisticated marketing services offered by their companies. We shall discuss their **more** specific comments shortly; however, it is **clear** that other suppliers, principally of saltwater species, have made **large** inroads into growth segments of the market, by making much better use of **the** brokers' services.

#### PRINCIPAL OPPORTUNITY AS VIEWED BY THE MARKET

At present the main thrust of **FFMC's** selling effort is on fresh fish through its traditional customers to the public, to retailers (specialty shops or supermarkets with "Fresh Fish" counters) and to restaurants which serve fresh fish. Freezing and processing is regarded by **FFMC** as a second alternative **if** the price for

fresh fish drops below a certain breakeven point. It was **the** central thesis of several customers, and certainly all the brokers, that the fresh fish market was small (20-30% of total) and declining, and that the significant growth was **taking** place in the food service industry. **FFMC** is simply outgunned **in** this market by a number of other aggressive suppliers whose success can be attributed to **imaginative** merchandising **which:**

- .educates the food service user in how to handle, prepare and serve the products
- .stimulates a demand at the consumer level
- .creates a positive, almost exotic image for their products

Furthermore, the suppliers were able to maintain a continuous supply of products of a consistent quality.

In this environment it is perhaps surprising that **FFMC** has managed to maintain a constant level of sales over the years. It does explain why **FFMC's** price increases, which with the

exception of **sauger** increases, have not been dramatic, have met **with** such buyer resistance. First **FFMC's** market has not increased, in fact demand may even have decreased. Secondly, the **FFMC** has not given the customer a reason to pay more. On one hand Great Lakes fish continues to be cheaper during the summer and on the other hand saltwater species (Icelandic, Nefco, Highliner, etc.) and freshwater species from Omstead receive heavy marketing support which in part justify their prices.

The brokers and customers consider that entrance into the retail market on this basis would be too costly for the **FFMC**. There are millions of potential buyers who would have to be reached with expensive media advertising and promotion. In the food service trade the number of buyers is comparatively few.

#### GENERAL COMMENTS

We also received comments on pricing policy, continuity of supply and quality control. Although customers have a high regard for individuals in the Corporation, it is remarkable how much ill-feeling the Corporation as a whole has generated amongst long-standing customers. This ill-feeling inhibits



both the development of the working relationships required to implement proposed marketing strategies and the Corporations ability to increase prices.

The pricing policy is considered too rigid and unresponsive to market conditions. It does not reflect the fact that freshwater fish is positioned 4th as a preferred source of protein for customers - lying behind meat, poultry and saltwater fish and seafood. We were told that FFMC's prices should reflect the positioning until such time as effective marketing can change it. The price increase of sauger fillets was continually mentioned. Often FFMC prices are higher than those of the Great Lakes competition, e.g. FFMC pike fillets were wholesaling for \$2.29/lb while Great Lakes breaded pike fillets (Moore's) were wholesaling for \$1.83/lb. From the viewpoint of the food service trade, these two products were considered to be in direct competition with one another. With respect to fresh fish, as in New York, FFMC's return could be considerably improved by producing more fish in winter when it has virtual control of the fresh market.

Regular customers are often not able to purchase certain species or products from the FFMC (it was felt this resulted from FFMC's "fresh fish" orientation) . Consequently there is little "brand"

loyalty towards FFMC's products; opportunities are being created for competitive suppliers, eg. pike from Europe; and some traditional freshwater fish restaurants are switching to saltwater species because of the good demand, low price and continuity of supply.

Several customers complained that they received fish with improper icing and supposedly descaled and **deboned** products with scales and bones. In addition, frozen fish were often so heavily **glazed** that the fish was unrecognizable. There was also a variation in the size of fish packed in one container. A majority of **the** people interviewed voiced the complaints. In many instances the customer himself takes steps to **remedy** the problem, eg. by scraping off the remaining **scales** or by removing sections with freezer burns. Thus the extent of the problem is not illustrated by the level of credit notes (\$82,000 in 1977,/78) which relate to product quality. We concluded **that** there is a definite need to make further improvements in quality. //

*LOS ANGELES*

The FFMC has just appointed a broker for frozen fish products in Los Angeles. He is currently selling bulk packs of frozen

whitefish fillets (20-30,000 pounds/month) for distribution through specialist distributors to the restaurant trade. As in the mid-west, his concern is that he cannot combine properly with the FFMC to form a more positive force in the market place. He has strongly recommended the introduction of a fully deboned whitefish fillet into the Los Angeles market. He appreciates that costs are initially a problem., but quite rightly believes that some money should be spent on market development if FFMC intends to compete in the market. He has recommended a selling price of \$2.60/lb for the deboned fillets. Icelandic cod sells for \$1.60/lb. We understand that FFMC is proposing to send two carloads on a trial basis.

The broker feels that he loses credibility in the market by not handling fresh fish (as elsewhere, it is handled direct) . However, he recognizes that he should earn this account based on his performance with the frozen product. Unfortunately, he feels powerless to do much more for FFMC's fish products without more support in terms of merchandising and the introduction of a marketable item. At present, FFMC is only scraping the surface of what is potentially a large freshwater market because of the

presence of ethnic groups (Jewish) and sports fishermen. Two customers mentioned that they would buy fresh whitefish if it could be arranged through a local **broker**, but that they were not prepared to go through the hassle of long distance arrangements with the **FFMC**.

3. CANADIAN RETAIL AND FOOD SERVICE MARKETS

The Corporation sold 4 million pounds of fish in Canada in 1977/78 . (This excludes 900,000 lbs of lake run mullet @ 10¢/lb and 1.8 million lb of culls and offal @ 5-6¢/lb) . A breakdown of sales by province is not readily available from the sales statistics, but it appears that the 4 million pounds were evenly distributed amongst the provinces of **Alberta, Manitoba, Ontario** and Quebec. **FFMC's sales** in Manitoba included 290,000 lbs which went to three national distributors (Booth, Independent and Neptune) , who resold a portion of this amount outside the province. Despite distributor shipments out of Manitoba, fish **consumption** in both Alberta and Manitoba is running close to one pound of **FFMC** freshwater fish per capita - a level higher than that experienced in the U.S. mid-west and elsewhere in Canada.

In Montreal and Toronto the brokerage firm of Clouston Foods acts on behalf of the Corporation for frozen products only. Fresh fish (35% of total) is sold direct to fish distributor/processors - some of whom also have retail outlets. In the mid-western provinces all sales are made direct to distributor/processors and retail chains.

Our analysis of the Canadian market showed an almost identical situation to that described above (section 2) in the mid-western U.S. States. The fresh fish market constitutes a declining proportion of the total market for fish. It has been adversely affected by:

- .decreasing proportion of fresh fish available during the *main* period of consumption (winter) ,
- . increasing prices for an item which can be locally caught by sports fishermen,
- . decreasing proportion of the population who know how to handle and prepare freshwater species i.e. people for whom certain species formed part of the traditional diet.

A large retailer in Montreal described the customers for freshwater fish as being "middle-aged to elderly mid-Europeans", and

- .a pattern of consumption which has swung in favour of the fast moving retail market where a number of suppliers, principally of saltwater fish, dominate with heavy marketing support for their products.

The FFMC products form a small portion of the broker's business. As in the U.S., he feels there is insufficient merchandising support (no bilingual material available in Quebec) . He also told us that pickerel and sauger fillets are not available in the sizes required (4-6 oz and 6-8 oz) ; supply is not continuous; and service is sporadic. Steinbergs in Montreal delisted three out of four FFMC items because of lack of movement on the shelves.

FFMC is currently enjoying some success with the sale of surplus whitefish into the chains in Toronto for the upcoming Jewish holiday. FFMC's price is 56¢/lb for fish which will retail at less than \$1.00. However, we believe that on a continuous basis, emphasis should be given to developing the food service market as described in the case of the U.S. We estimate the potential of the food service market for freshwater fish in the five consuming provinces<sup>1</sup> to be in excess of 10 million pounds. In Ontario and Quebec, at least 50% of FFMC's sales are at present being made in the food service trade.

In the prairie provinces, the Corporation has adopted the policy of selling direct to the chain stores in an effort to make its

.....

1. Quebec, Ontario, Manitoba, Saskatchewan and Alberta

fish more competitive. However, the Corporation is not set up to act as a distributor. It does not have a sales force policing the items stocked on a weekly basis; it does not have a sufficiently broad range of products to enable full utilization to be made of delivery trucks; and it does not have the information to enable it to be selective about which stores should stock freshwater fish and which should not. These are all distributor activities.

While we have recommended that the main thrust of FFMC's marketing effort should be directed at the food service trade, it is apparent that in areas where freshwater fish is traditionally consumed, retail sales can be achieved at reasonable promotional cost. Some marketing support is required in the form of specials\ coupons, point of sale material and cooperative newspaper advertising. However the activities should be carefully directed at known markets and for this purpose a select group of distributors would be ideally suited. We remain convinced that the FFMC should not support and promote a nationally distributed product through the retail chains.

4. THE SMOKED WHITEFISH MARKET

FFMC supplies in excess of 90% of the smoker grade whitefish purchased by the five principal smokers of fish in the U.S.

Based on our interviews of three of the companies, smoked whitefish in turn accounts for 10-30% of the processors' dollar sales volume; smoked salmon accounts for the bulk of the remaining sales. The companies do buy fresh whitefish cheaper from the Great Lakes, but only during the summer when the consumption of the smoked product is traditionally low. At least two of the smaller companies have limited freezing capacity so that they can create an inventory of Great Lakes fresh fish for the winter.

The companies are located in New York (3) , Miami and Los Angeles. They supply smoked whitefish to delicatessens, chain stores and catering institutions for an almost exclusively Jewish market. The largest smoker, **Montrose** Smoked Fish Co., accounts for 40% of the industry's purchases from **FFMC** and sells 50% of its smoked whitefish through one chain - **Wallbaums**.

There was considerable antipathy amongst the New York companies towards **FFMC** at the policy level. They accused the Corporation of being "unresponsive to changing market conditions". They were satisfied with the physical service on a day-to-day basis and, while there were problems with the quality of fish, this



was largely a matter of what the "waters throw UP" and not something which FFMC could remedy.

In 1975/76 the FFMC sold 2.2 million lbs (\$1.7 million) of good quality smoker whitefish to the U.S. In the subsequent years, 1976/77 and 1977/78, the sales were 1.5 million lbs (\$1.3 million) and 1.6 million lbs (\$1.3 million) respectively. The decline is attributed to a deterioration in the quality of fish produced (small fish with low fat content) and to two price increases. The price increases in the face of deteriorating quality have contributed to the processors' resentment towards FFMC.

The processors stated that the U.S.F.D.A.'s stringent regulations regarding temperature and salt content had not affected their ability to supply the market. Furthermore, they have recently won a temporary reprieve in the courts from these regulations.

Smoked whitefish currently retails in New York chain stores for \$1.98 per pound (as a price leader, smoked whitefish was down in July, 1978 to \$1.59 per pound and 98¢ per pound) . The

processors price to the chains of \$1.50 per pound yields the processor his target gross margin of 25-30% if he buys at 70¢ per pound - the current price of 1977 FFMC stock. To some extent the higher cost of new stock will be offset by a better yield in the smoking process.

There is no significant growth prospects in the market for smoked whitefish. It is an ethnic item which has not achieved the general acceptability of an item like smoked salmon. However, the FFMC must be careful not to contribute to the demise of this market through unacceptable price increases. Potentially the market can absorb all the smoker grade whitefish delivered to the FFMC. The Corporation must remove the present ill-feeling which exists and work with the processors to obtain the maximum return for the season's production.

5. THE GEFILTE FISH MARKET

The processors of gefilte fish in the U.S. consistently purchase all the cutter grade whitefish offered by FFMC each year, plus the bulk of the northern pike which is not sold to France because of size and a good proportion of the mullet and carp sold. Except for carp and mullet, the processors purchase these

species exclusively from the FFMC; Great Lakes carp is considered of better and more consistent quality than FFMC's although prices are competitive.

As in the smoked 'whitefish industry, the gefilte fish industry is dominated by a few companies. The three largest, Rokeach, Manichewitz and Mothers account for 90% of the industry's purchases from the FFMC. Again the FFMC has the market well covered; there are no substantial processors in either the smoked fish or gefilte fish industries to whom the FFMC is not selling.

Gefilte fish is sold in either cans or glass jars through a network of distributors to the retail trade (largely chain stores) and hotels/restaurants/caterers, . The product is exclusively bought by Jewish consumers. The two processors we interviewed were satisfied with the service provided by the FFMC. The quality control problems of earlier years have largely disappeared and admiration and respect was expressed for the FFMC's marketing force.

The processors did feel that they are in danger of turning away consumers through the prevailing high prices. A 24 oz

jar (containing 16 ounces of fish) retails at \$2.00 but is only sold at full retail price in the period leading up to the Jewish religious holidays. During the rest of the year, the product is "specialized" to keep it moving and to ensure that it is not placed on the slow-moving gourmet shelves in the chains. The discounts vary between 9-18%.

The processors concede that the market is limited and that demand would not be substantially increased by a price reduction. However, they feel the FFMC has an "unrealistic expectation" of what the Jewish customer will pay. Any significant increase in FFMC's current price of 56¢ per pound (whitefish and northern pike) may produce a result similar to that experienced in the smoked whitefish market.

Sales to the gefilte fish processors over the past four years are as follows:

FFMC SALES - DEBONED BLOCKS

F	1974/75		1975/76		1976/77		1977/79	
	MM lbs	\$/lb	MM lbs	\$/lb	MM lbs	\$/lbs	MM lbs	\$/lbs
Whitefish	1.4	.52	1.7	.56	2.1	.55	1.7	.58
Northern Pike	1.4	.53	1.2	.56	1.6	.56	1.3	.57
Mullet	1.1	.28	1.6	.35	0.6	.31	0.8	.34
Carp	<u>0.3</u>	<u>.32</u>	<u>0.2</u>	<u>.34</u>	<u>0.1</u>	<u>.32</u>	<u>0.3</u>	<u>.32</u>
TOTAL	<u>4.2</u>		<u>4.7</u>		<u>4.4</u>		<u>4.1</u>	

The 4.1 million **lbs sold** for \$2.1 million in 1977/78; there were nominal inventories at year end.

The market **for gefilte** fish is stagnant and declining. There are many cheaper alternatives for the Jewish consumer. The processors work hard to maintain demand; we were impressed with their marketing expertise. The **FFMC** must continue to work closely with the processors to ensure that the decline does not accelerate, but also to devise means of improving returns **to** the fishermen. **FFMC's** price increases to this market have **not** matched the prevailing inflation rate.

6. THE EUROPEAN MARKET

With the exception **of** the Swedish broker who visited Winnipeg during the study, we interviewed the European brokers by telephone. It was consequently difficult to form a balanced viewpoint on the markets and the brokers' performance on behalf of the **FFMC**. Our judgement is that the market will continue to function as described below. Various opportunities were pointed out, but we **believe** that the **FFMC** should focus its

marketing efforts in the U.S. and Canada. It may well be that improved products such as deboned fillets which are developed for the North American market can also be sold in Europe.

Each of the markets to which FFMC exports in Europe has an individual set of characteristics.

SWEDEN imported 390,000 lb of frozen lake trout in 1977/78 and a lesser amount of continental whitefish and arctic char. In the two years prior to 1977/78 imports of lake trout were 166,000 lb and 159,000 lb respectively. The fish is sold to a small number of buyers who marinate and/or smoke it for distribution through retail chain stores. Flesh color is very important to the Swedish consumer and the principal competition for trout is Pacific salmon, Labrador char and Norwegian salmon; whitefish competes with domestically produced whitefish and lake herring imported from the Canadian Saltfish Corporation.

There have been several complaints about the quality of FFMC's frozen lake trout. Apparently fat seeps into the glaze and creates rancidity and discoloration.

The broker has concentrated the distribution of lake trout into two buyers, to maintain a continuous supply and to justify the work required by the buyers to overcome quality problems.

The broker has experimented with retail packs of fillets but believes that the packaging and processing is not sophisticated enough yet and that a better glazing is required. Swedish companies do use mullet in fish balls but the product can be bought for a nominal amount locally.

The broker did believe that there is a market for fillets of whitefish and sauger in Sweden if the processing can be improved. He wants to start with an institutional pack and then proceed to the retail level if the results justify it.

The higher prices for Pacific salmon should have a beneficial effect on the market for lake trout in Sweden. The broker believes that the Swedish market can absorb all the lake trout produced by the FFMC.

FRANCE, the largest market, purchased 2.3 million lbs of whole dressed and filleted northern pike in 1977/78. Historically this country has absorbed FFMC's total production of pike in certain sizes. According to the broker, government statistics show that 1,061 tons of frozen pike were imported in 1977; FFMC shipments amounted to 920 tons, or 86.7% of the total. 423 tons of fresh pike were imported from European countries; however, the air transportation costs from Winnipeg are too high to permit the Corporation to compete in the fresh fish segment.

The whole dressed pike is sold through "charcutieres", supermarkets and hotels/restaurants; the fillets are used for "quenelles". The market is currently soft in certain segments (2-4 lbs and fillets), but the broker expects to continue selling FFMC's production of northern pike in the 2-4 lb and 4-9 lb sizes.

They have experimented with whitefish which were found to have too many bones for the French consumer and mullet which they are currently trying as an ingredient in "quenelles".

FINLAND The government has imposed a dollar quota on the import of whole fish into Finland. Because of this quota



freshwater fish must compete with imported cod and other saltwater species. There are also domestically produced freshwater species. In 1977/78 Finland imported 1.3 million lbs of whitefish (mainly continental grade) and 90,000 lbs of northern pike. The comparable figure for whitefish in 1976/77 was 1.2 million lbs. The broker expects steady growth in the market. A large portion of the whitefish is consumed by the smoker industry - an industry in which the government considers it important to maintain employment.

No other freshwater fish is imported except for some tullibee from the U.S. The broker is at present experimenting with freshwater fish fillets - an item which can be freely imported, but for which there is no ready market available.

ANALYSIS OF SALES OF MAJOR SPECIES TO END-USER MARKET SEGMENTS  
FOR THE YEAR ENDED APRIL 30, 1978

Exhibit 2

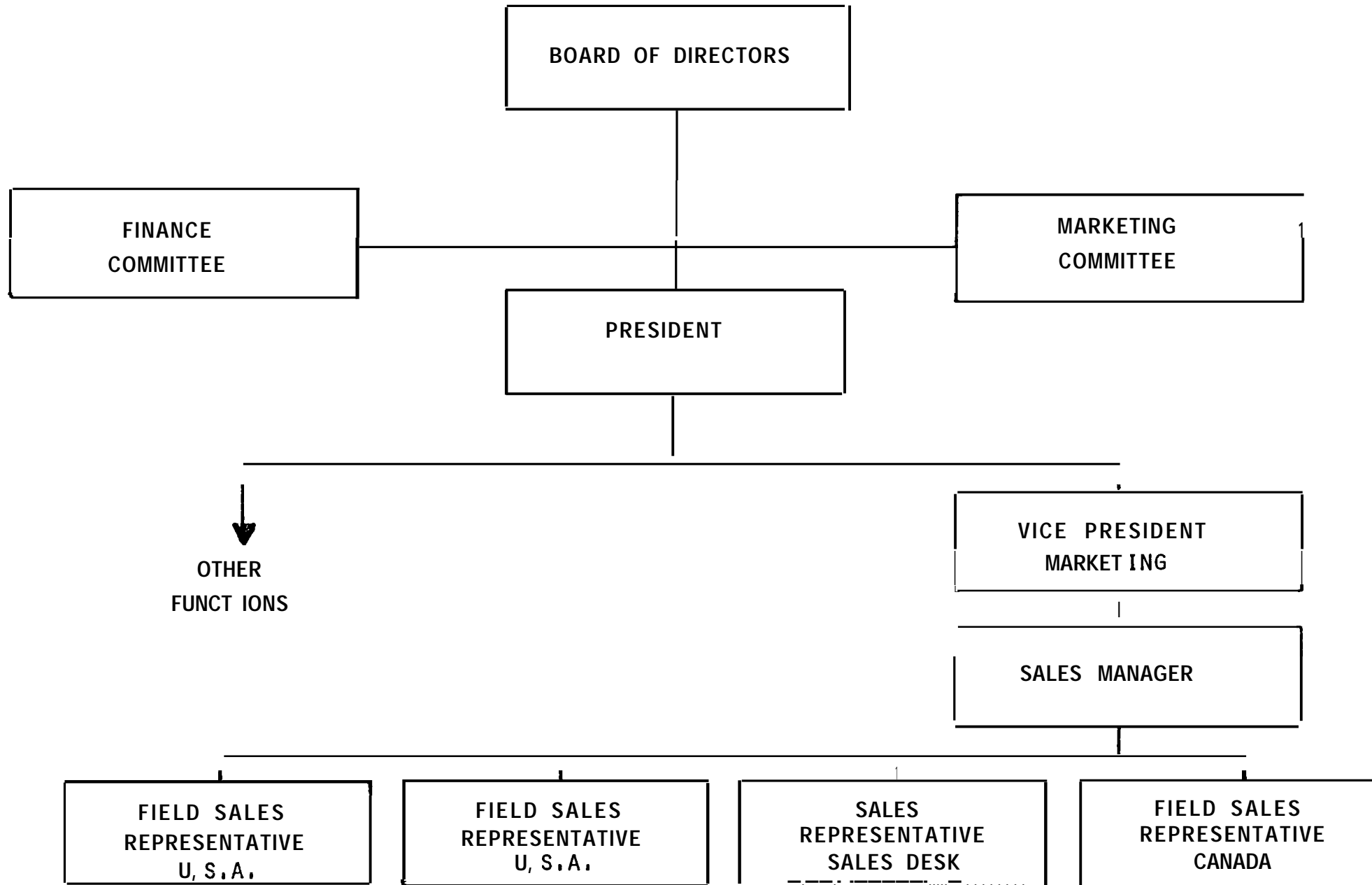
MAJOR SPECIES	MARKET SEGMENTS													INVENTORY AS AT APRIL 30, '78 ('000 LB)						
	TOTAL		U.K.		FRANCE		FINLAND		SWEDEN		(U.S.) SMOKED FISH INDUSTRY		(U.S.) GEFILTE FISH INDUSTRY		CANADA (RETAIL AND FOOD SERVICE)		U.S. (RETAIL AND FOOD SERVICE)			
	('000 LB)	(\$/LB)	('000 LB)	(\$/LB)	('000 LB)	(\$/LB)	('000 LB)	(\$/LB)	('000 LB)	(\$/LB)	('000 LB)	(\$/LB)	('000 LB)		(\$/LB)	('000 LB)	(\$/LB)	('000 LB)	(\$/LB)	
WHITEFISH	1,615	0.81																		
- SHOKER	5,016	0.75																		
- EXPORT	3,922	0.78																		
. Fresh	1,094	0.64																		
. Frozen	1,694	0.53																		
- CONTINENTAL	172	0.70																		
. Fresh	1,522	0.55																		
. Frozen	2,724	0.77																		
- PROCESSED	11,049	0.74																		
TOTAL	11,049	0.74																		
LAKE TROUT	1,106	0.97																		
TOTAL	1,106	0.97																		
COCKLE	2,313	1.13																		
. Fresh	1,190	1.20																		
. Frozen	1,771	2.38																		
. Processed	11	2.39																		
TOTAL	5,274	1.56																		
NORTHERN PIKE	599	0.54																		
. Fresh	1,796	0.79																		
. Frozen	2,494	0.74																		
. Processed	11	2.39																		
TOTAL	4,800	0.73																		
SAUGER	556	1.05																		
. Fresh	309	1.08																		
. Frozen	209	1.98																		
. Processed	11	2.39																		
TOTAL	1,074	1.24																		
MULLLET	96	0.20																		
. Fresh	1,747	0.16																		
. Frozen	1,069	0.37																		
. Processed	820	0.24																		
TOTAL	2,912	0.24																		
CAMP	774	0.26																		
AVERAGE/TOTAL	26,989	0.86	974	0.26	2,259	0.84	1,411	0.58	417	0.92	1,728	0.80	4,206	0.51	4,331	0.78	11,662	1.11	5,747	

**SALES EXCLUDED IN ANALYSIS OF MAJOR SPECIES**

DETAIL	000 LB	\$/LB
<b>Tullibee</b>	733	0.45
Sturgeon	24	2.47
Arctic Char	84	2.41
<b>Char-L Locked</b>	1	1.31
<b>Inconnu</b>	241	0.37
Perch	107	0.69
Fish Mish	39	0.77
Goldeye	33	0.34
Buffalofish	136	0.15
Others	3	0.05
culls	<u>609</u>	<u>0.04</u>
Sub-Total	2,010	0.42
Sales of Major Species	<u>26,989</u>	<u>0.86</u>
Sales as per Appendix E	29,000	0.83 <sup>1</sup>
Fish Offal	<u>1,240</u>	<u>0.06</u>
TOTAL FFMC SALES	<u>30,239</u>	<u>\$ 0.80<sup>1</sup></u>

.....0.....  
1. Excludes effect of foreign exchange sales allowances, brokerage, commission, discounts and freight.

PROPOSED ORGANIZATION STRUCTURE AND STAFFING  
FOR THE MARKETING FUNCTION



APPENDIX P  
PROPOSED POSITION DESCRIPTIONS

## PROPOSED POSITION DESCRIPTIONS

### VICE PRESIDENT MARKETING

#### BASIC FUNCTION

The Vice President Marketing is responsible for planning, directing, coordinating and controlling the marketing function in such a way as to achieve or exceed the **basic** objectives of the Corporation which are relevant to **his** function.

#### MAJOR RESPONSIBILITIES

1. Develops and recommends to the President appropriate operating policies for the marketing function; ensures that **all** members of his staff adhere to approved policies.
2. Develops appropriate objectives, plans and budgets for the marketing function and submits them to the President for **review** and referral to the Board of Directors; appears **at** Board meetings when required to discuss and explain the marketing objectives, plans and budgets.
3. Directs and coordinates the execution of approved marketing plans **in** such a way as to achieve or exceed objectives **within** budget.
4. Monitors marketing results closely and takes corrective action whenever actual results start to fall short of planned results.

5. Prepares and submits to the President and the Board of Directors a monthly exception report highlighting specific cases in which actual results are falling short of planned results, explaining the reasons for the unsatisfactory results, and describing the corrective action which he is taking.
6. Monitors the **activities** of the Sales Manager and **Field Sales Representatives**; ensures that they are covering the market thoroughly and maintaining satisfactory relationships **with** brokers and customers.
7. Calls on European agents, U.S. and Canadian brokers and key customers from **time to time in** order to **maintain senior** level contact **with their** managements, and ensure that **FFMC is** supporting and serving them satisfactorily.
8. Plans and supervises the conduct of market research studies to obtain the information required to establish marketing strategies, plans, prices, advertising and promotion programs and to evaluate new markets.
9. Chairs the Marketing Advisory Group (consisting of himself, the Sales Manager and representatives from the Corporation's brokers) ; ensures that the brokers have an opportunity to submit advice and recommendations, and that they are kept informed of **FFMC** plans and programs.

10. Plans and executes appropriate advertising and promotion programs in consultation with the advertising agency and the brokers.
11. Monitors inventory levels closely and takes appropriate **action** to dispose of excess inventory whenever necessary.
12. Selects and appoints new brokers when warranted.
13. Ensures **in** consultation **with** the **Vice** President Finance that appropriate operating reports are produced for himself and other members of the marketing staff.
14. Ensures that the marketing function **is** adequately staffed at all **times**; assesses the performance of marketing personnel periodically and recommends salary changes, promotions, transfers or dismissals when appropriate.
15. Performs other duties as required by the President.



ORGANIZATIONAL RELATIONSHIPS

Reports to: The President

Reporting directly to him: The Sales Manager

Maintains close liaison with:

The Vice President Finance

The Operations Manager

The Plant Manager

The Traffic Manager

LIMITS OF AUTHORITY

The major responsibility clauses indicate in a general way the **limits** of authority imposed on the **Vice** President Marketing. More specifically, the **limits** of **authority** can be defined as follows:

A. Approval required from the President or  
The Board of Directors (through the President)

.Introduction of new or modified marketing policies.

.Adoption of objectives, plans and budgets (including price ranges and average selling prices) .

.Hiring, promotion or dismissal of immediate subordinates.

.Award of salary increases to immediate subordinates.

.Public announcements on behalf of the Corporation.

B. Actions which can be taken without further approval

- Execution of approved marketing programs and activities.
- Spending of all funds in the approved marketing budget. (Note: The **Vice** President Marketing is not authorized to transfer funds from one budget **item** to another. For example, the **Vice** President Marketing cannot use funds approved for advertising to cover the cost of a European **sales** trip.)
- **Modification** of marketing programs and activities provided additional funds are not required.

.Approval of hiring or dismissal of Sales Representatives and other marketing staff reporting to his subordinate (The Sales Manager) .

SALES MANAGER

BASIC FUNCTION

The Sales Manager is responsible for planning and supervising the sales, broker support and customer support functions of the Corporation in such a way as to achieve or exceed the sales volume, price and other relevant objectives set by the Vice President Marketing.

MAJOR RESPONSIBILITIES

1. Develops detailed plans to ensure fully adequate coverage of the various market segments **in which** the Corporation operates.
2. Supervises and controls the **activities** of the **Field** Sales Representatives; ensures that they call regularly on the brokers and customers assigned to them, and that they provide support for broker and distributor sales forces.
3. Calls regularly on key customers (particularly **in** the New York area) for **which** he has personal responsibility.
4. Calls on other key agents, brokers and customers **with** the appropriate **Field** Sales Representative from time to time.
5. Attempts to **obtain firm** commitments (or contracts) from major customers.

6. Assists the Sales Representative on the sales desk during peak activity periods.
7. Works in close cooperation with brokers on specific promotional programs; ensures that the Field Sales Representatives support these programs fully.
8. Maintains close contact with the Operations Manager and his staff in order to keep fully informed of the volumes and species of fish which are expected; makes every possible effort to dispose of fresh fish rapidly, particularly during peak supply periods.
- 9\* Makes appropriate pricing decisions on a day-to-day basis within the price range limits set by the Vice President Marketing; attempts to ensure that average price objectives are met or exceeded.
10. Ensures that overdue accounts are collected as quickly as possible.
11. Keeps abreast of changing market conditions; ensures that the Field Sales Representatives feed back market information regularly.
12. Assists the Vice President Marketing with market research projects when required.

13. Serves as a member of the Marketing Advisory Group.
14. Assists the Vice President Marketing with the assessment of Field Sales Representatives' performance.
15. Performs other duties as required by the Vice President Marketing.

ORGANIZATIONAL RELATIONSHIPS

Reports to:           The Vice President Marketing

Reporting directly to him:

3 Field Sales Representatives

1 Sales Representative - Sales Desk

**Maintains close liaison with:**

The Operations Manager and **his** staff

The Plant Manager

The Traffic Manager

FIELD SALES REPRESENTATIVE

BASIC FUNCTION

The **Field** Sales Representative **is** responsible for selling to and servicing the customers assigned to **him**, and for supporting the brokers assigned to **him**.

MAJOR RESPONSIBILITIES

1. Develops a weekly **call** schedule, ensuring that he covers the customers and brokers assigned to **him in** a systematic and efficient manner.
2. Calls on customers to sell them **FFMC** products, and to ensure that they are receiving efficient service from the Corporation and, where appropriate, from the broker; **in** cases where the customer **is** a distributor, the **Field** Sales Representative works **with** the distributor's sales force to **train** and **assist** them.
3. Calls on brokers to: assist their salesmen; coordinate promotion programs; keep broker personnel informed of **FFMC** products, prices, literature, advertising and promotion programs; and to ensure that they and **their** customers **recieve** efficient service.

4. Identifies and calls on prospective customers **in** the areas **in which** he **is** working.
5. Submits a weekly report to the Sales Manager **listing** the calls he has made, and describing any **significant** developments or changes **which** he has noted **in** the marketplace.
6. Collects overdue accounts as directed by the Sales Manager.
7. Assists the **Vice** President Marketing **with** market research projects when required.
8. Performs other duties as required by the Sales Manager.

ORGANIZATIONAL RELATIONSHIPS

Reports to: The Sales Manager

**Maintains close liaison with:**

The other **Field** Sales Representatives and  
the Sales Representative on the sales desk.

APPENDIX Q  
PROPOSED OUTLINE FOR  
FFMC ANNUAL MARKETING PLAN



3. MARKETING STRATEGY FOR THE YEAR AHEAD

**This** section should consist of a statement of the overall marketing strategy **which** the Corporation **will** use **in** the year ahead. It should include:

- a statement on pricing strategy,
- an explanation of planned **shifts** in market coverage,
- the rationale for the **utilization** of the total marketing budget (where the funds will be spent and why) ,
- **an** explanation of planned changes **in** inventory levels (if any) ,
- the rationale for the deployment and utilization of marketing personnel, and
- explanations of other significant changes **in** strategy (e.g. changes **in** terms of sale, distribution channels, warehousing points, transportation modes, discount policies, commission scales, etc.) .

4. MARKET COVERAGE PROGRAMS AND ACTIVITIES

This section should describe in detail how all FFMC marketing personnel will cover the market in the year ahead. It should include for each person with field sales responsibilities:

- geographical area and types of customers (and/or brokers) to be covered,
- frequency of calls,
- nature and purpose of calls (to book orders, open new accounts, service brokers and distributors, support broker salesmen, etc.) ,

- involvement in promotion programs,
- responsibility for collection of market intelligence,
- involvement **in** market research projects, and
- other relevant activities.

5. ADVERTISING AND PROMOTION PROGRAMS

**This** section should contain a description of, and timetable for, all advertising campaigns and promotion programs.

6. NEW PRODUCT DEVELOPMENT PROGRAMS

This section should describe all new product development programs which are planned for the year ahead, including information on:

- market studies,
- development of costs,
- feasibility assessment,
- test marketing, and
- product introduction

7. MARKET RESEARCH PROJECTS

**This** section should describe the purpose and nature of all market research projects **which will** be undertaken **in** the year ahead.

8. MISCELLANEOUS PROGRAMS

**This** section should describe all other marketing programs and **activities which will** be undertaken **in** the year ahead.

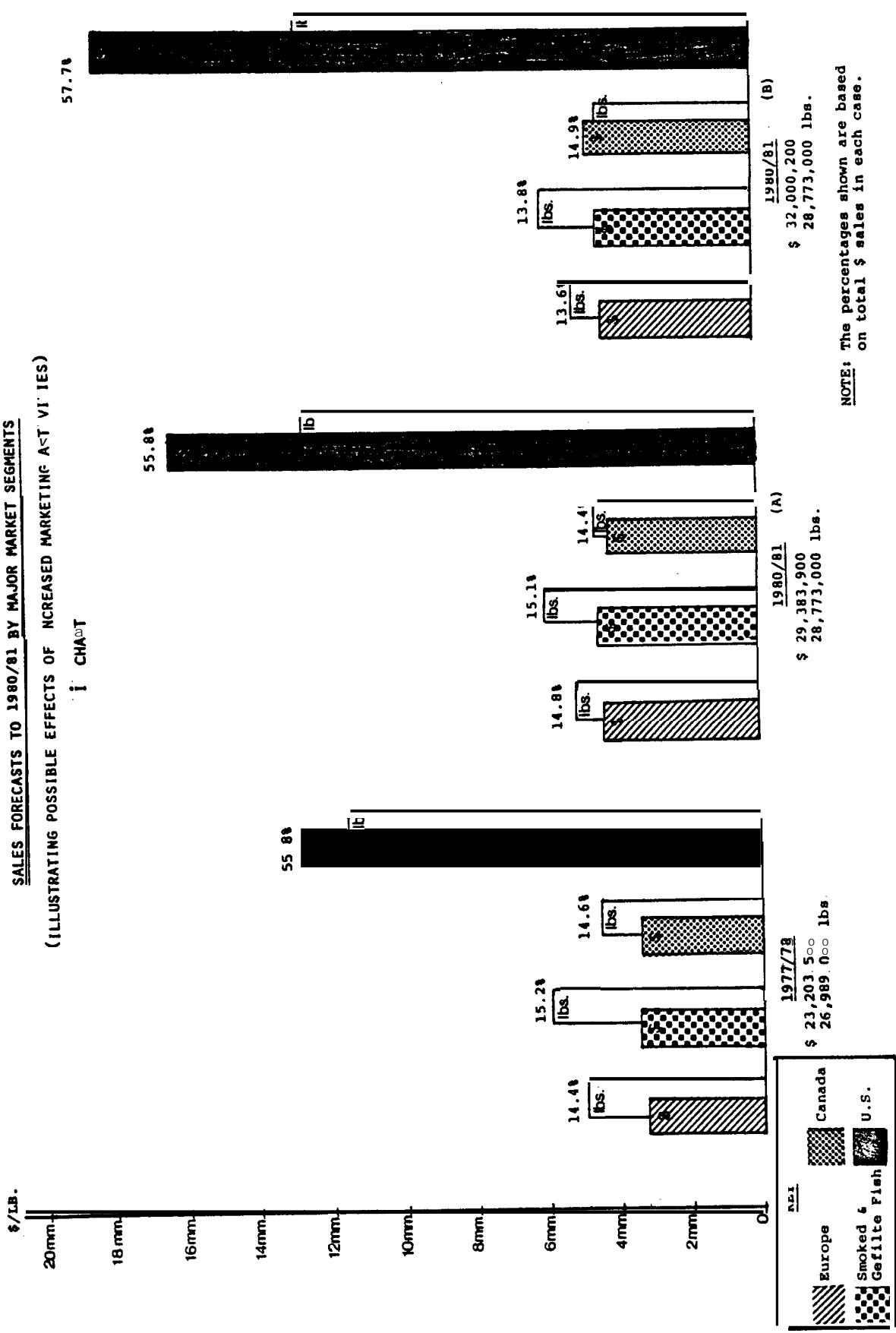
If **appropriate, it** should include:

- **hiring** of additional staff,
- **training** programs for marketing management and sales personnel,  
opening of new sales offices,
- introduction of new or **modified** reporting procedures, and
- other relevant **activities.**

Finally, the marketing plan described above should be combined **with** the **list** of objectives (slotted **in prior** to section 4 of the plan) and the consolidated marketing budget, and presented to the President for **review** and approval **prior** to submission to the Board of Directors.

APPENDIX R  
SALES FORECASTS TO 1980/81  
BY MAJOR MARKET SEGMENTS

SALES FORECASTS TO 1980/81 BY MAJOR MARKET SEGMENTS  
(ILLUSTRATING POSSIBLE EFFECTS OF INCREASED MARKETING ACTIVITIES)



SALES FORECASTS TO 1980/81 BY MAJOR MARKET SEGMENTS

ILLUSTRATING POSSIBLE EFFECTS OF INCREASED MARKETING ACTIVITY  
(ii) TABLE

SEGMENTS	1977/78		FORECAST A				FORECAST B					
	\$000	%	000 LBS.	%	000	000 LBS.	%	\$000	000 LBS.	%		
Europe	3,353.1	14.4	5,062.0	18.8	4,343.2	14.8	5,062.0	17.6	4,343.2	13.6	5,062.0	17.6
Smoked/Gefilte Fish	3,527.4	15.2	5,934.0	22.0	4,426.6	15.1	6,434.0	22.4	4,426.6	13.8	6,434.0	22.4
Canada (Food & Retail)	3,378.2	14.6	5,331	16.0	4,217.4	14.4	4,581.0	15.9	5,762.7	14.9	4,581.0	15.9
U.S. (Food & Retail)	12,944.8	55.8	11,662.0	43.2	16,396.7	55.8	2,696.0	11.1	18,467.7	57.7	12,696.0	44.1
TOTAL	23,203.5	100.0	26,989.0	100.0	29,383.9	100.0	28,773.0	100.0	32,000.2	100.0	28,773.0	100.0

## ASSUMPTIONS USED IN SALES FORECAST

We based our projections on the sales results for 1977/78; these results are shown **in more detail in Exhibit 2** at the end of Appendix N.

The **following** assumptions **remain** constant for both Forecasts A and B:

.The present rate of inflation **in** the major European countries to **which** the FFMC sells **is** 9%; **this** figure has been weighted by the total value of sales earned in each country. We have assumed that **FFMC's** average **selling price will** increase by 9% per annum to these countries. We have not forecasted any increase **in** the **weight** of **fish** sold over the three years.

- **With** respect to the smoked **fish** and **gefilte fish** processors we have assumed that there **will** be an annual increase of 5% **in** the average **price** received for each of the three years.

.Because of the small **price** increases, we have **assumed** that the **FFMC** will be selling at least 500,000 **lbs.** more whitefish by 1980/81 than **it did in** 1977/78.

### FORECAST A

- In the North American **retail** and food service markets, we have assumed that **in** the absence of any increased marketing effort, the average selling **price will** increase by 5% per annum.

.We have also assumed, given the low prices, that the **weight of whitefish, pickerel and sauger sold will increase by 5% per annum** for the two years 1978/79 and 1979/80. Thus by 1980/81 the **weight of fish sold will** have increased by 250,000 **lbs. in Canada** and 1,000,000 **lbs. in the U.S.** over the 1977/78 results.

### FORECAST B

- In Forecast B we have assumed the expenditure of \$250,000 on marketing **activities** - an **increase** of

\$190,000 over the 1977/78 expenditure. As a result of this increased expenditure, we have assumed that the **market** will accept an annual increase of 9% in the average selling price.

.As in the case of Forecast A, we have assumed that the weight of fish sold will have increased by 250,000 **lbs.** in Canada and 1,000,000 **lbs.** in the U.S. over the 1977/78 results.

.Finally we have assumed that the seasonal pattern of production will change from 75/25 for the summer and winter respectively to 70/30. Thus sales of fresh fish in the winter will increase by 20% over the three year period. In our forecast for 1980/81, this increase amounts to 850,000 **lbs.** We have conservatively estimated that the incremental return on the increase will be \$0.20/lb.

The difference between the 2 forecasts shows an increase in sales of **\$2.6** million. We have deducted \$190,000 (increase in marketing expenditure) from this total to yield a net revenue increase of approximately 2.4 **million.**

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