

From Catch to Consumer
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Selling Icelandic seafood

and the Icelandic experience of marketing fish abroad.

Mynd: Forsíða

Mrs. chairman

Ladies and gentlemen.

I want to start by thanking the organizers for allowing me to speak here today on this 2 day symposium: "From catch to consumer". We have heard the previous speakers talk about the consumers, the marketplace and what it means for the seafood market. As an employee of Icelandic Freezing Plants for over 13 years, 11 in Hamburg and the past 2 and a half in Iceland, I will give a description of how we have been conducting our work, which has been effective in giving Icelandic producers good results and what I believe our main concerns over the coming years will be.

This is therefore based on hands on experience and actual work in marketing seafood.

Very interesting & informative

Mynd: kaflar

I will divide my presentation into 3 parts. They are:

- Past – The foundation
- Present – The achievements
- Future – The issues ahead

Mynd: 1 kafli

Past – The Foundation

The first part I call past: The foundation.

Mynd: Texti

Icelandic Freezing Plants Corporation plc, in short IFPC was founded in 1942 by owners of 23 Icelandic fish freezing plants. Their main objective was to establish a company which would market and sell their seafood products. During most of its time IFPC has been a leading company in seafood sales on international markets and has built up a sales network spanning three continents. IFPC has been by far the largest exporter of seafood products from Iceland with an average of one fifth of all the nation's export products and about half of frozen seafood products. IFPC

and its member producers have always led the field in mechanisation, quality control and healthy and safe working conditions.

The Icelandic Freezing Plants Corporation is also one of the world's largest operations of its kind with annual sales of approximately 180.000 metric tons of frozen seafood products, worth approximately US \$ 600 million. As a confirmation for our work and achievements, the company was the first to be given the President of Iceland's Export Award ten years ago.

IFPC is a public limited company registered on the Icelandic Stock Exchange. The majority of the shares is owned by producers who run land based freezing plants and freezing trawlers.

IFPC is a global sales and marketing company for frozen fish products. It sources from both domestic and overseas producers, who where approximately 100 in 1998. Producers selling through IFPC make a service agreement, whereby IFPC undertakes to monitor the product at all stages of handling, from processing and up to delivery, to the final buyer. Among other things, this involves consultant services for the producer concerning the most suitable type of raw material to be processed at any time, type of packaging to be used, finding the markets with the highest prices, and all transportation of the goods from the producer to the final buyer. Most producers also make agreements with IFPC for supplies of packaging material.

The Quality Assurance department together with our people in the market, put down the quality standards to be used in the production, these are found in Quality Manuals for the various kind of land and seabased production, and publish the Product Specifications for individual products. Quality inspectors travel around to the producers on land and at sea to inspect and give advice, they also help in installing quality systems needed or demanded from the market.

Mynd: kona í vinnslu

We offer a wide variety of products to satisfy the various needs of customers around the world. The main buyers are many of the largest food processors, supermarkets, distributors, wholesalers and restaurants in Europe, USA and Asia. The product range includes whole frozen fish, fillets and fillet portions, shellfish and a wide variety of convenience products.

IFPC management have established a clear policy that business with overseas producers should be increased. Great growth possibilities are at stake, and work has been under way towards these goals in the past decade. The success of these projects is gradually emerging, and the share of overseas production grew to 18% of total IFPC production in 1998, from 15% in 1997.

The product range has been increased significantly over the years. Formerly, IFPC's overseas sourcing was almost exclusively frozen-at-sea products, mainly redfish, from Russian and German freezer trawlers. Now its sales items include squid from Mexico, cod fillets from Norway, and Nile perch from Lake Victoria. Furthermore, the company handles sales of products from the Faroe Islands, Germany, Russia, Newfoundland and Chile.

Mynd: Söhlunet

The picture shows the sales network of IFPC. We are an international sales and marketing company that specialises in frozen seafood products. The IFPC sales network spans the entire US, Europe and the Far East with sales to over 30 countries. Although IFPC is an Icelandic company, approximately 90% of its operations are foreign-based. The company employs nearly 1,400 people of whom over 1,300 are based outside Iceland.

Mynd: starfsmenn og velta

In Europe we have eight subsidiaries. The sales office in Germany handles sales to many countries in Western and Eastern Europe, the subsidiary in France takes care of sales to Switzerland and the Benelux countries, and the sales office in Spain serves customers in Spain and Portugal. The sales office in Russia handles sales to countries of the former Soviet Union and the sales office in Belgium is responsible for sales of chilled products. In the UK IFPC has two companies, Coldwater Seafood (UK) Ltd. and Icelandic UK, who handle sales to England, Scotland, Ireland and Wales. Finally in Norway the company has a subsidiary that concentrates on purchasing fish from Norwegian processors to supply the sales and production network of IFPC.

It is right to say that our sales network never sleeps, because when our people in Tokyo leave their office, Russia and the rest of Europe is well into their day, before they go home in the evening the US office is

already doing business all over the North American market and to close the circle, before their doors close, we are back in business in Tokyo.

Mynd: Sala SH 1942-1998

This picture, which could be rather seen as a landscape picture rather than a sales graph, shows the sale of IFPC since 1942. Blue is North America, it was over decades our biggest market, red is the Soviet Union which was number 2 until 1990, yellow is the south-east Asian market which has in many respects been dominating over part of this decade and to finish there are the main European markets, but today the European Union as a whole is our biggest market.

Myn: Sala SH 1998

To view it more exact, the picture shows the sale split between factories and sales offices in 1998 and the basis is value of goods sold. The quantity is around 180.000 MT and the value is around USD 600 m. The most important operation is Coldwater US with 29% of our sales value and our UK operations have a 23% share. The German and the Japanese sales offices have 15% and 14% respectively. The French office has 8% of our sales and the others less.

Mynd: Einkennandi fyrir SH

To finish off the first part of my presentation, I would like to draw the Past together in the following way:

- Producers in Iceland have worked together in an extraordinary way in their marketing and sales work. This has given them a strong position on the markets.
- Early and unusually intensive activities on the markets in order to understand them and being able to maximise the results. This knowledge was transferred to the producers who became well informed about the needs and demands of customers.
- Emphasis on establishing a good reputation for quality and reliability.
- And moving as much of the value addition as possible to the producers in Iceland and elsewhere, i.e. "packing at source strategy".

Mynd: kafli 2

Now I want to turn to the second part of my presentation that I call: Present – The Achievements.

Present – The Achievements.

Where is IFPC today? Where can we see samples of and how we have worked and given good results? Let us look at it from various sides, here are the ones that give a good picture:

Success stories

On the basis of examples from our work in 4 different markets we can see how IFPC has worked over the decades. It can be seen that each market has to be approached in a different way all depending on what we have to offer what identifies each market and what opportunities there are in each country. The markets are:

Mynd: yfirskriftir

- US Icelandic Brand in Food Service
- UK Own label of retailers
- Japan Reliability, quality and long term leader in our main species.
- Germany Working with the big brands

Mynd: merki Coldwater, yfirskrift

US - Icelandic Brand in Food Service

Last year, Coldwater Seafood Corporation sold 37.000 MT of products for USD 178m. Around half of the value are fillet products and half are processed products, produced in our factory in Cambridge, Maryland. In addition to the factory, we have a coldstore in Everett by Boston and head offices in Rowayton, Connecticut.

Mynd: Operations in the US

Coldwater Seafood Corporation, our company on the North American market, is mainly selling under its Icelandic Brand on the Food Service sector. Considerable amounts have been invested in marketing the brand. Icelandic Brand is the best known brand for seafood in the US and it symbolises quality and service. It stands for skinless, boneless fillets of premium quality. We have on the US market emphasised selling to users who demand more quality and service but who are then willing to pay for it. The success of the work can be seen in the following:

Mynd: staða

- In a Gallup poll, 37% of food service operators said they used products with the Icelandic logo. The next one had only 10%.
- In an annual independent survey among managers and sales personnel of distribution companies that service the food service sector in the US, Coldwater has been chosen as the best company with regards to service and marketing of seafood in the last 10 years.

Mynd: Dreififerill í Bandaríkjunum

Coldwater organises its sales and distribution as this picture shows. About 2/3 is sold through the sales system, who are called brokers and 1/3 is sold directly to large users such as retailers and processors who buy special fish portions for ready dishes.

Coldwater has about 47 food brokers, but they are independent companies that represent only Coldwater in seafood. They sell the fish for Coldwater to restaurants, canteens and other food service operators who then place the order with a distribution company. The brokers make many calls with customers, introduce new products and in other matters represent the interests of Coldwater. In total, Coldwater is selling to over 1.500 customers.

Mynd: Innkaupakort Coldwater

As a processor and a reliable supplier, Coldwater is sourcing its raw material from all over the world. This picture shows where it is coming from. Iceland is the most important one, but Alaska and Norway play an important role.

Mynd: Breweres choice

Product development is for a processor and a leading marketing company of vital importance. As far as successful new products, our Brewer's Choice is the latest and it is a runaway success. The product is a fillet portion, cut out of frozen at sea fillets, giving an irregular shape and battered with a real beer batter. It was developed in house and promoted and sold through our sales network. It probably takes 18 months from product development to introduction to the customers. We sold the equivalent of 2.9 million servings in 1996, the first full year of sales and were up to 9.5 million servings last year.

But what has led to the success of Icelandic in the US? Many things are needed, but to name a few I would like to mention:

- IFPC started early on the US market and adapted quickly to the demands of the US consumer.
- We have invested considerably in our operation, both production, marketing and sales.
- Never giving in on quality and allowing no compromise with our brand Icelandic.
- Intensive product development
- The whole chain is in our hands, from the production of the fillets to the selling into restaurants and canteens.
- And very importantly well qualified producers in Iceland who have adapted to the high demands of the market and supported Coldwater even during difficult times.

UK - Own label of retailers

Mynd: Coldwater UK

The second example of our work is from the UK. Our company on the UK market for the retail sector is Coldwater Seafood UK. It sold last year 25.000 MT of products for GBP 73m. Coldwater owns 2 factories in Grimsby. About 70% of the revenue are processed products and 30% natural products produced at source for sale into the retail and catering sector, part of it is sold on to the french market.

IFPC opened a sales office in the UK already in 1956 and shortly after operated a coating factory in London for some years, serving amongst others the retail sector. We owned as well a Fish&Chips chain in London up until 1980, when we sold it. When Europe started to grow in importance IFPC decided to build a processing plant which would give us a foothold inside the European Community. The plant was built in 1982 in Grimsby. A second plant, just 500 metres away, increased Coldwater's capacity considerably when we merged with the Faroe Seafood plant in 1995.

All sales are done from Coldwater's marketing and sales department in Grimsby.

Coldwater UK is one of the 4 largest sellers of seafood on the UK market with around a 15% market share in frozen fish. It specializes in working with the retail chains and fast food operators and pack most of it's products under their label. The retailers own label share of the market has

increased considerably, they have now well over 50% share of the frozen food market. We are working closely with chains like Tesco, Marks & Spencer, J. Sainsbury and Asda as well as with leading fast food operators like McDonalds and large food service operators.

Mynd: Coldwater upplýsingar

Coldwater Seafood has a pro-active product development program responsible for creating products which meet the exact standards of its customers. At Coldwater, a team of 8-10 people are one way or the other associated with product development. Every week, customers are visiting Coldwater or they visiting the customers to go over new ideas or improving existing products. It is a process that is constantly going on. In recent years, the company has been successful in developing and driving forward several important markets sectors, such as a new line of products for the younger generation. Emphasis has been put on the products being exciting and interesting. An example of such is Scary Sharks and Beany Boats, the latter of which Coldwater Seafood won an award presented by the British Frozen Food Federation in June 1999, for the category "Best New Children's Product.

Coldwater's commitment to staying in the forefront of production technology is endorsed for example by its pioneering "pressed" fish technology, a production technique only lately emulated by a number of the company's competitors.

Coldwater UK sources its raw material to a large extent from the North Atlantic, Iceland, Norway and the Faroes are the main suppliers. They use extensive quantity of various kinds of blocks and fillet portions and they are a large user of frozen at sea fillets. Coldwater is also the largest seller of cooked and peeled coldwater prawns into the UK retail market.

Our strength with Coldwater UK lies in:

- a clear strategy as to which market segments we work on,
- closeness to the customers and understanding and meeting their demands,
- good quality
- Strong product development department,
- and controlling the chain from production to the market.

Mynd: Japan loðna

Japan - Reliability, quality, long term leader

The South East Asian market has been of great importance to us over the last decade. Japan has become one of the most important markets for Iceland. Last year, we sold 38.500 MT worth 11,1 bn Yen on the South-east Asian Market. We opened an office 10 years ago and today there are 6 people situated there, 3 Icelanders where 2 of them speak Japanese and 3 Japanese employees. The sales office is in short called IFPKK.

Japan is one of the most discerning and largest seafood markets in the world. It imports seafood from all over the world, with China and the USA as the top suppliers. Iceland is in the top 15 and IFPC has played a leading role in building up Icelandic business in this market, as elsewhere in the region. IFPKK's customers form a highly diverse group. They include the largest seafood buyers and brokers in Japan, respected importers, wholesalers, processors, supermarkets and sushi restaurant chains. A huge spectrum of fish species is available in Japan. Main imports are various species of shrimp, lobster, tuna, crab and salmon/trout products. Redfish is one of the 15 leading import species and IFPKK is the single largest seller of this product.

Products from five species account for over 90% of IFPKK sales value. Operations are mainly based on sales of frozen-at-sea products, the most important of which are "Japanese-style" redfish, whole-frozen Greenland halibut and whole-frozen shrimp. Herring and capelin are the most significant seasonal catch items. Various innovations have been introduced. IFPKK began selling Nile perch from Uganda over 2 years ago. It is aimed in the near future to establish these products as major elements in IFPKK sales activities and the beginning is promising.

Mynd: markaðshlutdeild

IFPC's Tokyo outlet has established a firm position for itself in the Japanese market. IFPKK has a 30% market share in redfish sales there, 20% in Greenland halibut, almost 60% in capelin and 70% in capelin roe. ICELANDIC® is therefore a well known brand as well as SH, our name in Iceland, with an excellent reputation. A good image, strong financial position and capable employees, backed up by the dynamic figure of the parent company, are all important factors for IFPKK to build on and make further advances in the Far Eastern marketplace.

How have we worked on the Asian market?

- Highest priority is put on quality and freshness with frozen at sea being preferred where possible.
- All goods are inspected by our own inspectors before being sold and great attention is being put into handling each lot independently when sold.
- The Japanese have shown that trust is very important. Our company has always acted as a reliable partner on the market and as such become the leader on the market. This has to do with the culture and understanding the situation of our customers.
- Following the fluctuations in catch and adapting the selling to them.

Mynd: þróun sölu

Germany - Working with the big brands

The last example of our work abroad is our German operation. IFPC had a sales office in Hamburg from 1954 to 1956, but the current one was opened in 1981. Today, we have around 14 people there, selling last year around 24.000 MT worth 167m DM. The short name for the office is IFPG.

*Þessi líneyola
1 fj = 10.5.*

Iceland has a 4% share of import of seafood to Germany and our strongest fish is Ocean Perch, where we have a large market share. In the last years, fish species like Alaska Pollock and Hake as well as Warm water shrimps have in the past years gained market share. They come from countries with lower cost structure and they have gained on the west in terms of quality. It is therefore very important, if we want to keep our lead, that we produce products that are of higher value and that we go deeper into the market where the competition will not reach us, and this must happen in the main fish species.

A marked shift is taking place in the relative importance of consumer fish products and industrial fish in the IFPG market region. Sales of industrial fish - block, whole-frozen fish and primary processed herring - has been steadily declining. On the other hand, sales of retail-packaged and convenience foods from Icelandic producers are growing steadily. Sold either to retail outlets or the foodservice sector (restaurants and institutional caterers), these products are precision size-graded fillet portions and fillets, along with a range of new fish dishes and terrines, breaded and combined with other ingredients.

Mynd: Skipting markaðar í Þýskalandi

This picture shows frozen fish distribution in Germany: 51% is sold through the retail trade, 9% by the home delivery companies and 40% is being consumed away from home.

The competition in food distribution is growing, the retailers are getting fewer and bigger, f.example the 10 biggest chains control 85% of the retail volume and the share is growing. They gain more power. The greatest sale is still in the hands of the branded products with brands like iglo and Frosta leading. Germans are still willing to pay a premium price for a Captain iglo Fish Finger than any other.

The problem with the retailers as well as with big catering companies, they have little loyalty to fish. Fish has to compete with other Protein like poultry, pork and beef and when they give a higher margin than fish, individual fish products will be listed out.

Mynd: brauðað flak

IFPG has chosen to work as a copacker for the big brands in retail and the home delivery because they have given us the highest sales price and the securest demand. Products include ocean perch fillets in 1 kg bags, cod loins each individually wrapped in a 400g box and saithe fillet portions in a 250g box. We have been able to compete with large processors in Germany and gained business in goods that were packed at source in Iceland by our producers. One of the products is breaded ocean perch fillets as you see on this picture.

Mynd: afurðir

To summarize, our strategy in Germany has been:

- Emphasis on the Food Service and Home Delivery market. On the German institutional and restaurant market, products are sold under the ICELANDIC brand, which is now well known in this segment where the company enjoys a progressive image.
- Copacking for the big brands in frozen seafood for the retail distribution. Good results have been achieved in sales of retail products under buyers' own labels.
- Sell to the industry where it was economical.
- And run an efficient and customer oriented product development.

Mynd: kafli 3

Now I want to turn to the last part: Future – the issues ahead.

Future – The issues ahead

We have seen how IFPC has operated in the past and what it has achieved. But what lies ahead? What is changing on the market and in our environment that we have to take into account in our planning for the new millennium? I would like cover the main points I believe we have to consider, taking as well into account some of the changes that are taking place in Iceland.

Mynd: The Environment

The market is constantly changing and we have heard of some of them today. We cannot do a lot about most of them, we just have to understand and adapt to. But we have to focus on the threats on the one hand and opportunities on the other hand and especially those we can influence.

These are the threatening factors that I believe will influence our success in the future.

Mynd: Texti

- Environmental issues, Ecolabelling and Fisheries Management are some of the bus words we will hear more and more of. I cannot dwell too long on this. The main thing is that the consumers are worried about the nature and since we are working with wild animals, we have to take these worries seriously. Iceland is by many seen as a good example of a well functioning fisheries management system. The board of IFPC has agreed on its environmental principles, which were published last year in a booklet with various facts about Iceland and the environment. We listen to our customers and inform them about the situation in Iceland and we inform our authorities about what our customers are saying. As a private company, we can not do a lot more. The threat is that city people have little knowledge on environmental issues and react often ill informed. That is dangerous, as we have seen with BSE, dioxin and many other food scandals.
- Concentration on the distributor side, both retailers as well as food service. To take an example: in airline catering, 2 companies control 50% of the market. In my mind, supplying countries like Iceland, the Faroes, Norway, New Zealand or Alaska to name a few have much in common. It would be in all our interest, if we would strengthen our

position in the supply chain and on the markets, in my mind we would all benefit from it. Distributors would not be able to bring one supplier against another so easily.

- Share of private label is increasing at the cost of brands, increasing more the power of distributors. This is strong in the retail sector, dominant on the home delivery market and growing in food service.
- White fish is becoming a synonymum for most groundfish species. This is increasing the power of distributors and decreasing the power of supplying countries.

It is worth having in mind, that most threats can be mastered and used as an opportunity as well.

IFPC will not stand still during all of these changes. We do constantly have to analyse our market position and as the song says: "Keep on moving". The following are a few points that give an indication to what we need to be doing in the future in order to keep a leading position on the markets we work on:

- Analyse regularly with whom we are working on each market segment. Do they still help us to be a leader?
- Go deeper into each market segment where we see a chance.
- Take over a bigger role with each customer. This involves products development, broadening the sortiment and taking over a bigger part of the storage and distribution. It strengthens our role as a supplier and increases their dependence on us. *Part of this is what Paul called category management.*
- Go into new markets and to countries, where consumption is growing.
- Support our brand where it is economically viable and work under our customer brand, where that is the most sensible.

Mynd: www.icelandic.is

- And finally and no seminar can be held on marketing without mentioning it: We have to analyse the opportunities that the Internet has to offer. It will on many markets change the way we do business, so everyone should take a stand on that issue. The growth in business

done on the Internet is phenomenal. General Motors is selling good volumes via the net and they intend to strengthen it massively and you can buy food 24 hours a day in Hamburg and other cities to name just 2 examples. So analyse your market and opportunities that the internet has to offer.

We have seen many and radical changes in the Icelandic fishing industry and business environment in the past decade, mainly caused by two things: The quota system starting back in 1983 and the stock market, opening about 10 years ago. The results have been that we have fewer and bigger companies in fishing and processing, financially strong and able to take over a bigger role.

IFPC is meeting these changes and we will over the coming months change our emphasis and structure. We will reduce our operation in Iceland and instead strengthen it abroad. As a worldwide marketing company, we will increase our activities on the various markets to make sure that we keep our leading role in marketing Icelandic seafood abroad.

Ladies and Gentlemen.

In my presentation I have described how Icelandic Freezing Plants has built up a worldwide marketing and sales operation with a leading role in the marketing of seafood. We are present on the most important markets and you have seen in the four success stories how we have approached each market individually, giving us a competitive advantage in the segments we have chosen. In the last part I have talked about the main issues we have to address over the coming years.

Finally, and that is a very positive statement but I strongly believe it to be right:

Mynd: Fiskur

There is enough market for all the fish we catch!