INDIA

MARKETING STRATEGY FOR CANNED SEAFOOD PRODUCTS
TO BE PRODUCED BY THE
INTEGRATED FISHERIES PROJECT, COCHIN, INDIA

A report prepared for the
Pelagic Fishery Investigations on the Southwest Coast - Phase II - Project

by

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1. INTRODUCTION

1.1 BACKGROUND

The Government of India, assisted by the United Nations Development Programme and the Food and Agriculture Organization of the United Nations, have been engaged in the Pelagic Fishery Investigations on the Southwest Coast - Phase II - Project (IND/75/038), whose main purpose is estimating the characteristics, size and location of the pelagic fishery resources: determining the most efficient gear and methods for efficient and economic exploitation, and determining for industrial application the most economic ways of processing and marketing pelagic fish.

As part of the project operation, FAO assigned Iwao Mizuishi as marketing management adviser from February 1978 to March 1979.

1.2 MARKETING OBJECTIVES

The main objective of the marketing strategy for canned seafood products to be produced by the Integrated Fisheries Project (IFP) of the Government of India is to popularize such products to a wider consumer group in the Indian domestic market than is possible by the private sector at the present time, so that a large canning industry can be based on, and optimum use made of, the pelagic fish resources of India. A secondary aim is to provide samples for prospective exports but the limited production capacity cannot expect to fill export orders.

The small fish canneries in India are forced to concentrate on domestic markets because the type and cost of the tin can used is unacceptable in the export markets. The domestic market is closed to foreign imports, so the consumers' choice is limited to the type of product produced only in India and they pay a high price for an inferior product. Therefore, the IFP canned seafood production should be aimed at upgrading the present image of canned fish quality and convenience besides popularizing it as a high protein food. The marketing strategy should be centred around product development, by giving the consumer products in a form, size, taste and cost acceptable to them, and market development, to make potential customers aware of the products and the benefits to be had when adding canned fish to their diet.

2. MARKETING STRATEGY

In general, the marketing strategy should consist of:

- a continued effort should be made by all canners as a group to lobby central, state and local governments to stress that canned products are essential food products and should not be taxed or treated as luxury items; the present rates of taxation on the packaging material, in particular, are considered completely unrealistic;
- the products must be priced to give the consumer maximum value in relation to food content;
- the products must be in a suitably sized container so that there is no wastage or spoilage;
- the products must be developed to suit the taste of ethnic or cultural groups in a particular area;
- quality must be consistent and can only be obtained if proper handling of raw material before canning is enforced;
- there should be a product range, to develop the most suitable products, in the initial stages;
- test marketing will cover many segments of the population and results will have to be documented and assessed; marketing should be aimed at specific groups according to income, ethnic or culture background, and population type (urban, rural, industrial, agricultural, etc.);
- consumer education - the public should be made aware of the nutritional and other values (such as stable shelf life, convenience in preparation, no waste, etc.) of canned seafood products;
- set up marketing networks with selected, experienced dealers who have good financial standing and use government/cooperative organizations where possible;

3. EXPORT MARKETS

The limited planned production of the next three years of 200 000 cans per year is due to the unavailability of aluminium cans in India (these quantities are being provided by FAO/UNDP) and the Government's present policy limiting (by regulation and taxation) the importation of same. IFP can, therefore, only develop products and study future markets by sending test lots to selected foreign markets. One of the aims should be to get acceptability of "Product of India" products in the European and other markets demanding good quality products, with the view that an industry could then get aluminium cans on a duty drawback basis, thus eliminating taxation that prohibits using imported aluminium cans at present.

One important aspect of the export market is that India should not try to introduce their own brand names on products, but "custom pack", letting the buyer use his own labels, as establishing new brand names in established markets is costly and not always successful.

The capacity of the IFP canning plant is rated at more than 1 000 cans per hour (1/4 Dingley can size). It could easily produce 1 500 000 cans per year on a one-shift basis for 200 working days if operated like a commercial venture, a level of production which it should strive to obtain.

However, until the Government sees fit to change its policy regarding the import and use of cans, both tin plate and aluminium, the plant is relegated to a demonstration and pilot type operation for three years at 200 000 cans production annually, or until the FAO/UNDP supply of cans is depleted.

This fact alone limits the scope at which products can be marketed, so channels and areas of distribution must be carefully considered and well planned if the main objective of "popularization" is to be fulfilled. The approaches given below are suggested.
4. GOVERNMENT ORGANIZATIONS

The major constraint facing IFP is that it is a centre government demonstration/pilot plant organization and cannot make direct sales at market prices to the private commercial sector. Instead, it must do business through or with state trading or development corporations, or cooperative organizations in order to reach the consumer, apart from direct local sales. Kerala Fisheries Corporation and Karnataka Fisheries Development Corporation could provide this service. Both organizations have sales networks in domestic markets for fresh and frozen fish, with fish stalls in many cities and villages, but lack experience in sales of canned fish. However, IFP marketing personnel could give direct assistance by setting up displays, providing colourful placards and advertisements, assisting at point of sale demonstrations and by other means of promotion.

5. EXISTING COMMERCIAL SALES NETWORK

A portion of production should be channelled to the known consumer markets, in order to develop products according to the tastes of the present consumers, and to demonstrate the superior features of the aluminium cans as compared to the present tin can that has many drawbacks. Again, the State Fishery Corporations or similar government entities could be used as brokers, who in turn can sell to established distributors. For example, one of the large commercial companies, Spencer & Co. Madras, has many branch stores in southern India, plus wholesale activities, a hotel chain and ship chandlery business. Such a distribution network would give both urban and "hill station" and mass feeding coverage.

Another distribution channel is to sell to existing canned seafood dealers in large cities, such as Paul Biswas and Co. in Calcutta, David & Co. in Madras and Eastern Distributor in Bombay, who are presently selling more than 300 cartons of sardines in oil or tomato sauce per month.

6. MAXIMUM SELLING PRICE

The maximum retail price is the ex-factory wholesale price plus allowances for excise duty, discounts, freight, etc. (but not local taxes), and is usually put on products by the manufacturer as a guidance for retailers, so that there is no price gouging by dealers or retailers. It is not a government requirement or price control but, effective as of July 1979, the Ministry of Commerce requires all labels to contain date (month/year) of manufacture, maximum selling price, net weight, manufacturer's name, and product's name in order to get an excise licence (excise tax must be paid on production before it can be released for sale from the manufacturer's warehouse).

A statement showing how the ex-factory price is made up, must be approved by the Central Excise Department. A typical approved schedule follows.
SARDINES - COST/CASE OF 100 x 106 g, 1/4 DINGLEY CANS, IN INDIAN RUPEES

<table>
<thead>
<tr>
<th></th>
<th>Natural brine</th>
<th>Tomato sauce</th>
<th>Vegetable oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tin, key opening type</td>
<td>77</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>Fish</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Additions (medium)</td>
<td>-</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>Package 1/ individual can carton and master carton</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Overhead</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Gross profit</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Ex-factory price</td>
<td>189</td>
<td>220</td>
<td>220</td>
</tr>
</tbody>
</table>

1/ 100 individual cartons 13
  Master carton 4
  Key 100 x 0.99 9
  Strapping 27

Source: Travel Report of the IFP Project Manager, March 1979

Normally, canning factories are giving 10 to 15 percent sales commission to dealers on the ex-factory price. In addition, there is 15 percent excise duty. The actual costs of production may be lower than this calculation but it is necessary to calculate maximum selling prices of products and have them fixed in advance before carrying out sales promotion, as price changes will not be approved by Central Excise for less than a six-month period. A typical illustration to determine the maximum retail price is as follows:

- Special commission to a window organization (KFC/KFDC, etc.) 3-5%
- Transportation (according to destination)
- Commission for dealer 10-15%
- Excise tax 15%
- Margin for retailer 20-25%
- Damage of cans 2%
- Miscellaneous charges 4%

According to information gathered during duty travels to internal markets, different prices were found for maximum selling prices in different markets for the same canned sardines in oil, 1/4 Dingley can of the same brand. This was attributable to either the age of the stock or differences in transportation costs.
PRICE OF 1/4 DINGLEY CAN SARDINES IN OIL, 106 g

<table>
<thead>
<tr>
<th>Markets</th>
<th>Maximum selling prices in Rupees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mysore</td>
<td>3.20</td>
</tr>
<tr>
<td>Bangalore</td>
<td>3.20-3.25</td>
</tr>
<tr>
<td>Madras</td>
<td>3.35-3.40</td>
</tr>
<tr>
<td>Calcutta</td>
<td>4.00-4.25</td>
</tr>
<tr>
<td>Assam States</td>
<td>4.20-4.25</td>
</tr>
<tr>
<td>New Delhi</td>
<td>3.55-3.60</td>
</tr>
<tr>
<td>Bombay</td>
<td>3.35-3.55</td>
</tr>
</tbody>
</table>

In addition, local taxes of from 4-8% were extra.

7. HANDLING ALUMINIUM RING PULL CANS

Although the distinct advantages of this type of can are widely accepted, caution must be used in the transport and storage of them, particularly in countries or areas accustomed to rough handling of products in bulk.

Easy opening aluminium cans have some weak points in the ring pull design and they can be damaged by pressure on the ring pull. Individual, printed cartons provide this protection and also protection from the "curiosity" touching of the ring pull when displayed, besides the value of better artwork than is possible on the can. Such a carton is available and used for tin cans in lieu of labels, at a cost of 13-15 paise with three-colour printing. If labels on the can are preferred, then the master carton must have a corrugated/rigid cardboard placed between each layer of cans to prevent damage to the ring pulls and these cardboards should also remain between layers if the retail displays exceed about six layers of cans.