Ocean Quality

Bachelor Thesis In International Marketing

Deadline: 12.06.17

By:

Roy Schjølberg Brevik, Nikolai Jordheim, John Christian Martinsen, Aleksander Labori, Aleksander Lelis Torjul

Bachelor Thesis In International Marketing
ESADE & BI Norwegian Business School

By:

Roy Schjølberg Brevik, Nikolai Jordheim, John Christian Martinsen, Aleksander Labori, Aleksander Lelis Torjul

Professor:

Marta Vila

This paper is done as a part of the undergraduate program at BI Norwegian Business School.

OCEAN QUALITY

Your supplier of seafood

TABLE OF CONTENT

TABLE OF CONTENT

TABLE OF CONTENT

TABLE OF CONTENT

TABLE OF CONTENT

TABLE OF CONTENT

TABLE OF CONTENT

TABLE OF CONTENT

TABLE OF CONTENT

1.0 Executive Summary

In this thesis we were going to answer the problem definition "which segments in the Spanish market should Ocean Quality target". By doing so we started to collect data from secondary sources in order to find information about the industry Ocean Quality are operating in.

After conducting the secondary research, we still lacked essential information about the existing competition in the aquaculture industry of Spain, and how the consumers thinks and acts when purchasing salmon. To get more information within these areas, we used *"Porter's Five Forces" and "Kotler`s Purchasing Process"*. However, we were not able to find enough sufficient information using the two models, and saw it necessary to collect original primary data from industry experts, distributors and the end consumers.

After conducting the primary research, we started to get an overview of the most profitable segments for Ocean Quality to target in the Spanish market. We ended up with two potential segments that Ocean Quality can target, and we further developed suitable strategies on how to target them. By using these strategies, Ocean Quality will have a great potential of increasing their sales in the Spanish market.

2.0 Company Information

Ocean Quality's HQ is located in Bergen and was established in 2010 as a joint venture owned by Bremnes Seashore AS (40%) and Grieg Seafood ASA (60%). Both companies are focusing their aquaculture resources on salmon and trout, and is represented in Europe, Asia and North America. Ocean Quality provides the market with both fresh and frozen salmon handled in different ways.
In the Spanish market Ocean Quality holds a market share of approximately 10% which equals around 6000 metric tons (mt) annually.

Bremnes Seashore

- Founded in the 1960's
- 250 employees
- Yearly production capacity of 40.000 MT

Grieg Seafood:

- Founded in 1992
- 7700 Employees
- Yearly production capacity of 90.000 MT

2.1 The objectives for Ocean Quality

Mission:

«Ocean Quality aims to be the preferred and trusted supplier of seafood for our dedicated customers»

Vision:

«Ocean Quality aims to be the number one in creating values and peace of mind for our customers with a strong focus on quality in every part of our business»

2.2 Distribution

Five days ahead of the transportation, the company that offers the best rates are selected. However, usually the same companies are being used, as these companies have experience with the delivering times, places and routes.

The transportation from the distribution centres starts Wednesdays and Thursdays and arrives in Spain Sundays / Mondays (33 pallets with salmon). Monday to Wednesday are the main sales days for Southern-Europe.

The product goes out to retailers, importers, distributors and are further being distributed out to the Spanish market.

The salmon is farmed and distributed from the following locations:

- Norway
  - Finnmark
  - Hordaland
  - Rogaland
- Scotland
  - Shetland islands
- Canada (West Coast)

3.0 Problem Definition:

«Which segments in the Spanish market should Ocean Quality target?»

Limitations: Although Ocean Quality also sells trout, our main focus in this assignment will be on salmon. This is mainly because trout pose a small part of the fish sold by Ocean Quality to the Spanish market.

Geographical restrictions: We will only focus on the region of Catalunya in the primary research, while we will look into the whole Spanish market in the secondary research.

Secondary Research

OCEAN QUALITY

Your supplier of seafood

4.0 Introduction to the Spanish market

Spanish food industry

- The food industry in Spain is influenced by strong competition and price wars.
- The domestic demand is increasing in correlation with the economic recovery that is on-going.
- The biggest exporters within this sector is the meat industry (22%), beverages (10,8%), animal feed (9,7%), oils and fats (9%) and dairy (9%).

Fish habits in spain

- In 2016 the average Spanish consumer consumed 46,2 kg fish. This is almost 20 kg more than the average consumption of fish in Europe.
- In similarity to other European countries, Sushi is becoming more popular in Spain.
- 47% of all consumers buy fish and shellfish in supermarkets, 38% in traditional fishmongers, and 15% in hypermarkets. Fresh fish is the most prefered type of fish among the Spanish consumers.
- The most important incentives for buying fish is the health aspects and taste.

4.1 Aquaculture Industry Spain

- Small firms with less than five employees dominates the Spanish aquaculture sector, representing 74% of the total number of fish farms in the country.
- In 2015, the total number of aquaculture production enterprises was 5,057 including 4,906 marine farms and 151 freshwater farms.
- Spain imports a higher amount of fisheries- and aquaculture products compared to what they export.
- The main farmed fish species in Spain are oysters, mussels, trout, sea bass and bream.
- Aquaculture installations are mainly located along the Mediterranean coast, Galicia and the Canary Islands.
- The customers of the Spanish aquaculture industry are mainly fish markets, supermarkets, hypermarkets, fishmongers and restaurants. Nevertheless, the small size of the Spanish fish farms leads to more direct sales, which means that the final consumer can also be considered as a customer.

4.2 Last 3-5 years evolution

- Due to an increased consciousness of eating more healthy, the demand of aquaculture products and seafood in general has increased over the last years.
- Spanish authorities have been reducing entry barriers in order to encourage growth within the aquaculture industry.
- Hake and turbot production is the main driver for the marine aquaculture business in Spain which has grown significantly over the last few years.
- Six Spanish aquaculture companies have gone together and formed a nonprofit association called Rema to provide solutions for scientific and technological challenges within the Spanish aquaculture industry.

4.3 Competitors

We consider the competitors those who provide the Spanish market with farmed salmon. We have also considered those who offer similar products and satisfy the same needs, but in terms of other substitute products. This could be different types of fish- and meat products that contains a high level of nutritional content.

Marine Harvest

Marine Harvest ASA is one of the largest seafood companies in the world, and is the world's largest producer of Atlantic salmon. They are represented in 24 countries. Marine Harvest has a foothold in the Spanish market by owning the subsidiary Marine Harvest Spain SL. The company has it's office in Madrid.

Cermaq / Salmones Humboldt

These two companies owned by Mitsubishi Corporation merged on December 1 2016 under the name of Cermaq Chile. The newly merged company holds 130 licenses and 15 hatcheries and their sales offices supplies more than 70 countries with salmon. Cermaq has approximately 3000 employees across Chile, Canada and Norway.

Salmar

Salmar is the world's fourth largest producer of farmed salmon, and the world's largest producer of organic salmon. The company holds 110 different licenses for marine production of Atlantic salmon in Norway. The company delivers salmon to over 40 countries.

4.4 Forecast

Industry Level:

The aquaculture industry in Spain could potentially experience a growth due to:

- *The Strategic Plan for Spanish Marine Aquaculture* 2014-2020. This plan aims to simplify the application and licensing proceedings (make it possible to obtain license within 6 months after applying). The goal is to increase the freshwater fish farming with 27% in volume by 2020.
- The salmon industry is predicted to grow, but it is important to adapt to the demand within the market in terms of fluctuations
- A potential challenge will be the taxes and fees for the use of water, maritime space, water treatment etc.

- Potential for development in new technologies such as land based farming.

Consumer Level:

- Due to the improvement of the Spanish economy, the purchasing power of the consumers are higher and is predicted to be more stable in the future.
- The challenge is to attract younger people as it is they who decide future consumption trends.
- People are becoming more conscious of eating healthy.

5.0

P	E	S	T	E	L

P

5.1 Political

Trade of seafood between Norway and EU is regulated through several different agreements. Together these represent a complex system of different tariffs, quotas and rules of origin:

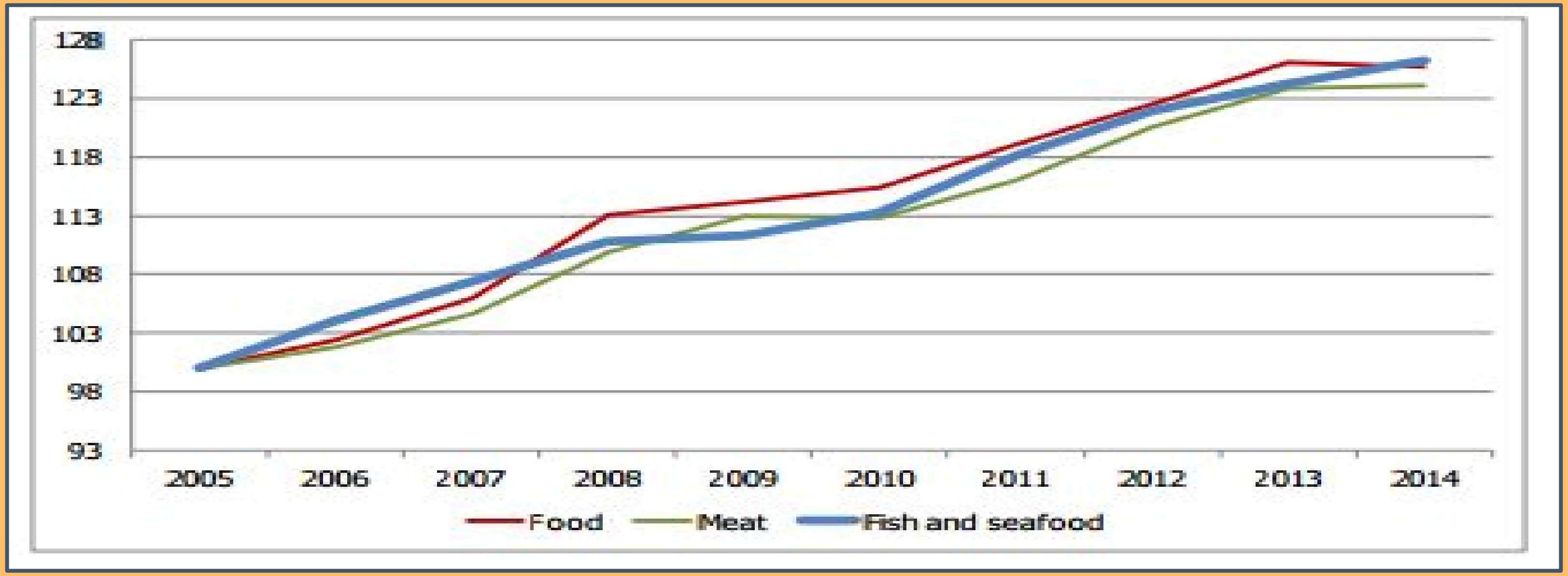
- **The "Fish letter"**
  In 1973, Norway committed upon simplifying the process of importing certain products from EU such as vine, and in return EU simplified the process of importing certain seafood products such as shrimps, crabs and frozen filets to the EU - zone.
- **Compensation agreements**
  After the EU was established, Norway lost their access to free trade. As a compensation for the loss, Norway has now received several duty free compensation quotas on seafood that will simplify export of seafood to foreign European countries.
- **Tariff level**
  The tariff level is quite low when it comes to selling salmon in the Eurozone. The tariff ratio (depending on the product) is from 5,5 -13%. Since Norway is a member of WTO, they need to fulfill the WTO agreements and WTO-bound customs tariffs.

E

5.2 Economical

- **Spanish population:**
  - Wages in Spain decreased to 1804 EUR/month in the third quarter of 2016.
  - The unemployment rate in Spain was 18,6% in the last quarter of 2016.

- **Development in price level on food in the EU:**
  - While food prices stagnated or decreased, fish and seafood (retail) prices showed growth, but at a slower pace than previous years.



S

5.3 Social

Health consciousness:
The spaniards are becoming more conscious regarding health

Life expectancy:
As of january 2017, Spain has the second-highest life expectancy in the world. The average life expectancy is currently at 83,2 years.

Unemployment:
The unemployment rate is decreasing at a slow phase due to the economical recovery.

Consumption trends:
Spain is a retail based market where almost 80% of the seafood that is consumed in Spain occurs at home. However, Spanish people are using less time in preparing food, and it is becoming more popular to eat “out”. The consumption of fish peaks during christmas time.

Purchasing habits:
People that purchase salmon are using in average 12-15% more money when purchasing food in grocery stores.

T

5.4 Technological

Land based farming:

One of the potential technological innovations is salmon farming on land. The advantages by having land based production is:

- Less / no fish escape
- Improved technology that might solve problems related to lice
- Environmental issues
- The production will be closer to the markets

Increase the size of smolt:

To increase the size of the smolt will be more cost efficient, and is already an innovation that several players have started with.

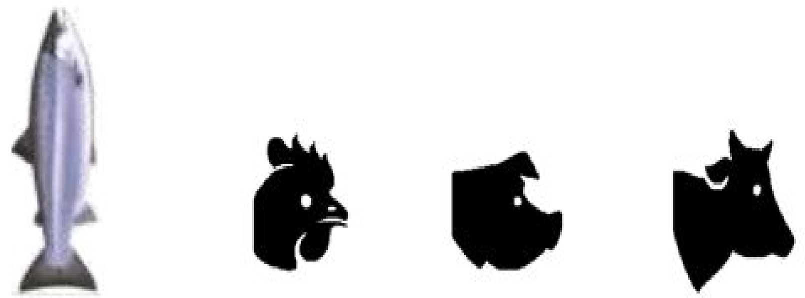
Biotechnology:

Biotechnology could offer opportunities for the development of alternatives to fishmeal, especially when it comes to plant-based protein sources, by enhancing production and processing techniques.

E

5.5 Environmental

- The Spanish consumer is trending towards increased focus on eco-friendly products.
- Global warming might affect the health and quality of fish due to higher water temperatures
- Epidemics are a constant threat for the salmon existence
- Aquaculture require large parts of coastal space which is considered a limited resource.



Carbon Footprint kg CO2/kg edible meat	2.9 kg	2.7 kg	5.9 kg	30 kg
Water Consumption litre/kg edible meat	2,000 litre (1)	4,300 litre	6,000 litre	15,400 litre

L

5.6 Legal

- **The Common Fisheries Policies**
- Spain is a member of EU, which means that they follow *The Common Fisheries Policies* (CFP) set of rules and regulations. CFP gives all European fishing fleets equal access to EU waters and fishing grounds in order for the fishermen to compete fairly.

- **Total allowable catches (TACs)**
- Catch limits (expressed in tonnes/ numbers) that are set for the most commercial fish stocks. TACs are shared between EU countries in the form of national quotas. This regulation commits EU countries to distribute their quotas amongst their fishermen fairly.

- **Foreign investments**
  Spanish law permits foreign investments of up to 100% of equity.

- **Labeling**
- Food labeling must include a list of all the ingredients in the product, clearly breaking down the food product's sub ingredients.

6.0 Conclusion Desk Research

The industry is defined as the **Aquaculture Industry.**

Consumption:
Due to the economic recovery in Spain, the average consumer are now using more money on consumer goods, which are increasing the demand in the Spanish food industry. The increasing purchasing power among the Spanish consumers also affects the aquaculture industry in a positive way, an industry that has been benefiting from the mediterranean diet for many years. Our desk research shows that the average Spanish consumer consumes more than 20 kg fish compared to an average European citizen, which could indicate that the spaniards are highly concerned about their health. It is becoming progressively more popular to stay healthy on a worldwide basis, and the high consumption of fish in Spain can signal that the country is in the front seat of this trend. We have also noticed that fresh fish is more popular than frozen fish, and that the majority of the fish is purchased at supermarkets and from fishmongers at retail disks. However, due to the economic recovery and an increasing purchasing power among Spanish citizens, we might see a downturn in household consumption of fish and an upturn for consumption of fish at restaurants.

Aquaculture industry in Spain and its players:
The fact that the number of aquaculture products being imported are higher than the export could potentially substantiate the fact that the demand for fish is high. The aquaculture industry in Spain is also being categorized as an industry with small enterprises- and fish farms, which might imply that Spain lacks capacity to satisfy the demand of fish. However, the “The Strategic Plan for Spanish Marine Aquaculture 2014-2020” whose objective is to secure domestic growth in the aquaculture sector could be an effort by Spanish authorities to be less independent of foreign fish markets.

Conclusion Desk Research

The foundation of the nonprofit association *Rema* may also be a signal that Spain wants to invest more time and research on improving the aquaculture sector. One of the initiatives could be land based farming which is predicted to be a major game changer in the production of aquaculture products. This could potentially move the production closer to the market, and help to avoid epidemics. This will most likely not be be implemented in Spain in the nearest future due to the country's location close to farming waters, as well as the size of aquaculture companies currently operating in Spain.

We consider the competitors as those who provide the Spanish market with farmed salmon. We have also considered those who offer similar products and satisfy the same needs, but in terms of other substitute products. This could be different types of fish- and meat products that contains a high level of nutritional content.

7.0 Research problem development

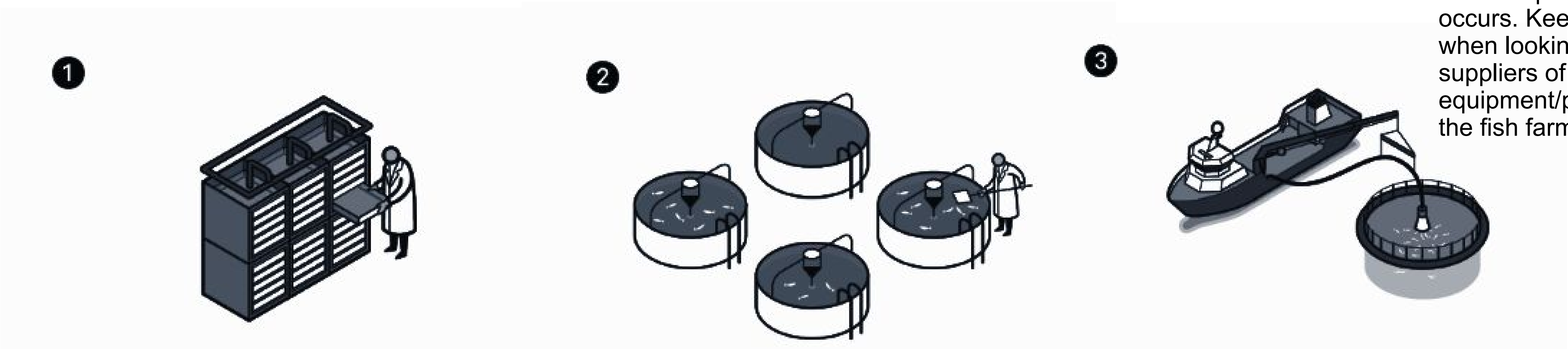
In order to find a solution to our problem definition we have chosen two main topics to focus on: *Competitiveness* within the industry and *Consumer Behaviour.*

Competitiveness:
We want to get an overview of the competition that exists in the industry in order to see the attractiveness and the value of the market. We hope to achieve this by looking at how the power is divided among the players.

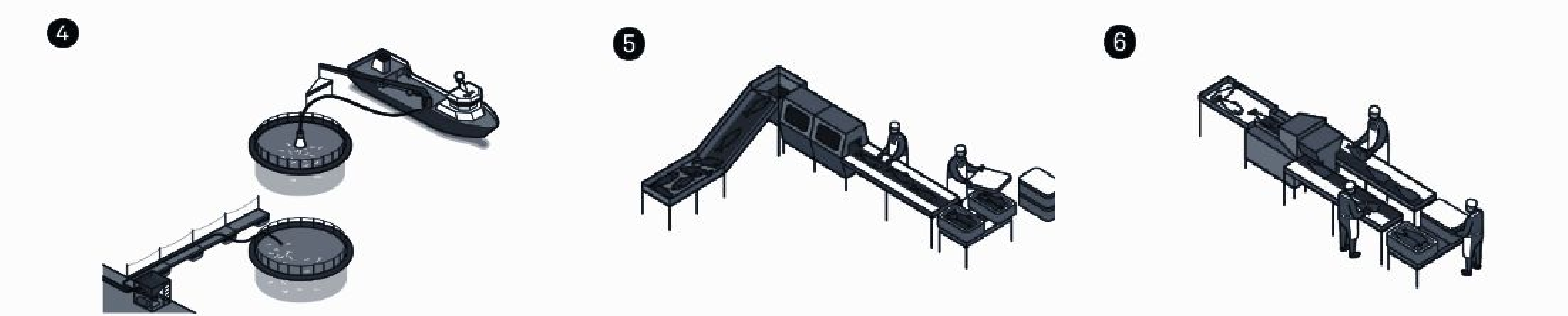
Consumer behaviour:
In order for our product to be attractive, we need to understand the consumer in terms of how they think and behave when purchasing salmon. If we understand the purchasing process from the customer's point of view, we can adapt and develop products that satisfies their needs.

7.1 Salmon Value Chain - Ocean Quality

Note:
This overview of the salmon value chain will create a better understanding of the different processes that occurs. Keep this in mind, when looking into the indirect suppliers of the equipment/products used in the fish farming.



(1) Eggs: Fertilised eggs are kept in incubation tanks in freshwater → **(2) Parr:** once they reach the proper weight the fish are moved to larger freshwater tanks or open net cage in a lake, where the fish develop into parr → **(3) Smolt:** The fish goes through a physiological change that enables them to move from freshwater to seawater.



→ **(4) Harvest:** When reaching the proper weight (4,5-5,5kg) the salmon is harvested. → **(5) Process** → **(6) Distribution**

7.2 Theoretical Framework

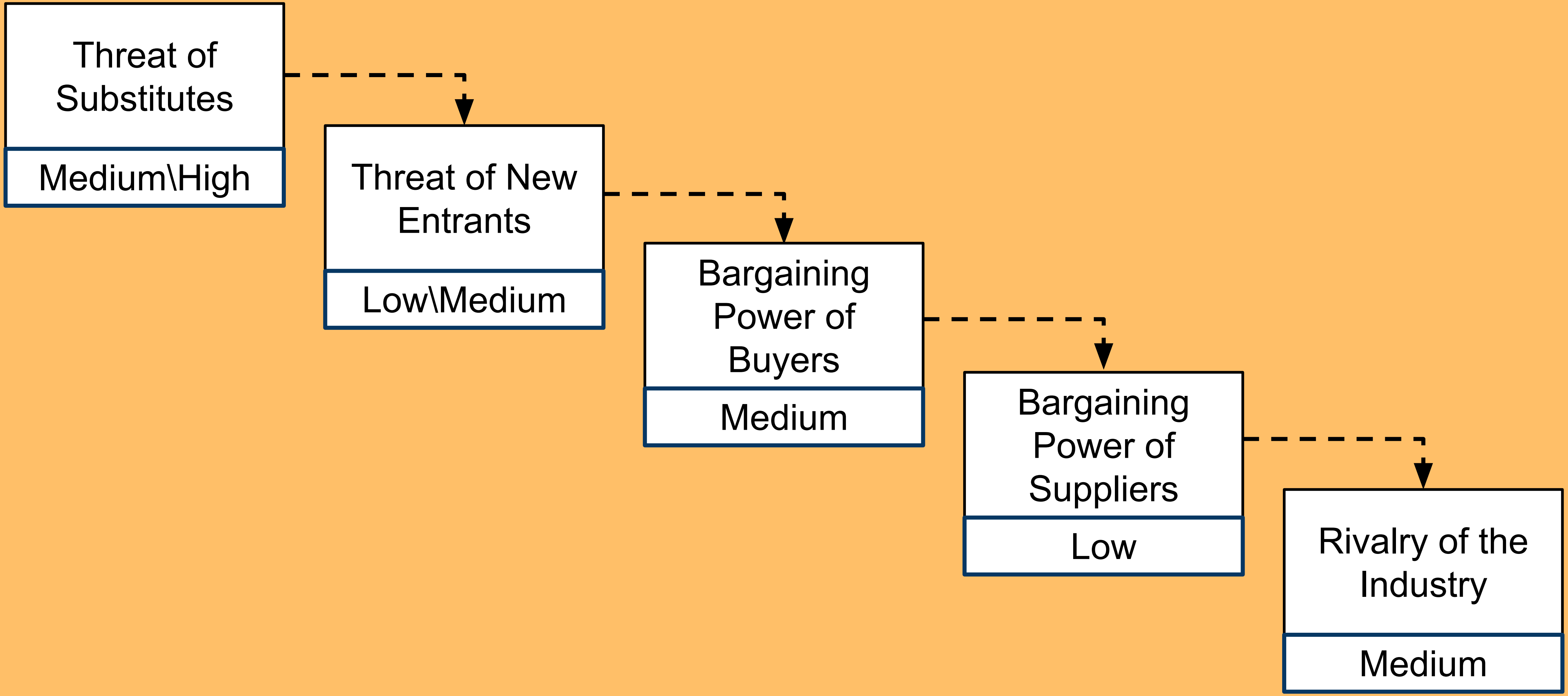
- **Porter's Five Forces Analysis:**

  By using this model we will be able to understand the competition and how the power is divided within the industry.

- **Kotler’s Purchasing Process:**

  By conducting this analysis we will get an insight into the different stages the consumers go through when purchasing fish.

8.0 Porter's 5 Forces



MEDIUM/HIGH

8.1 Threat of Substitutes:

Substitute products performance: When considering substitute products performance, elements such as nutritional content, durability, taste and quality will be important factors. In terms of nutritional content in the fish, only other types of seafood products will be able to compete.

Pricing of substitute products: The aquaculture industry is based on different price variables. The average price on meat (which we consider as the main substitute) is lower than the average price on fish.

Substitute products quality: Meat could be a substitute product, but when it comes to nutritional content will fish be superior with high level of vitamins (omega 3, vitamin D, B12, etc) as well as being an easily digestible product.

Cost of change: The buyers has mainly been categorized as supermarkets, retail disks, fish markets and restaurants because they are the ones that are distributing the product to the end-consumers. In cases where distributional agreements are made between the aquaculture companies and the buyers, the cost of changing to a substitute product for the buyers will be high. If distributional agreements are not to made, the cost of change to substitute products will remain low. Regarding the end-consumers, the switching cost will be the price difference between the products.

LOW/MEDIUM

8.2 Threat of New Entrants:

Time and cost: Setting up fish farms entering to compete on an economies of scale will require a lot of time and resources. This makes it hard for new companies to enter.

Specialist knowledge: The aquaculture industry is heavily knowledge based. It require large amounts of resources and knowledge regarding processing of fish, handling diseases, etc.

Economies of scale: The large players in the industry benefit from producing and selling at a large scale (manage to minimise the fixed costs in the long run). However, there is low product differentiation as the companies sell more or less the same products.

Technological protection: Innovations leading to fish farming on land can lower the entering cost due to reduced concessions fees.

Cost advantages: Threat of new entry will be lower because the already established companies within the market is built around solid networks, where they obtain good contracts, among other advantages.
The companies have also gained large cost advantages through obtaining technological knowledge/experiences by performing research and development.

Barriers to entry: Fish farming requires licenses in order to operate at sea. The number of concessions available is highly limited, this makes the entry barriers for new companies high.

MEDIUM

8.3 Bargaining Power of Buyers:

Number of customers: The aquaculture industry is a fast growing industry with high demand. The customers are many and spread out through a significant number of geographical markets. Resulting in a high number of customers to choose between for aquaculture companies, this lead to reduced bargaining power for buyers.

Differences between competitors: Even though the product differentiation within the industry is low, the largest players are usually having a more diverse and broad product portfolio. The size of the players are also the most significant difference within the industry. The largest companies have a clear advantage in terms of higher volume and lower production costs (economies of scale).

Price sensitivity:Similarity between different products are resulting in a higher price sensitivity among the buyers.

Ability to substitute: Because of the relative high amount of fish producers in the aquaculture industry, the buyers ability to substitute is considered as high.

Cost of changing: The switching costs are considered as low because the consumers can easily choose from a number of substitute products. In cases where distributional agreements are made between the aquaculture companies and the buyers, the cost of changing will be higher for the buyers.

LOW

8.4 Bargaining Power of Suppliers:

Note:
In the aquaculture industry the suppliers will be categorized as indirect suppliers because the companies handles the main product (fish) all the way, while the suppliers provide the aquaculture industry with equipment such as yarns, fish tanks and fish food.

Number of suppliers: The aquaculture industry has surpassed the open sea industry, and the world's consumption of fish is growing at a faster pace than the consumption of beef and pork. Because of the size of the industry we consider the number of suppliers to be high.

Size of suppliers: There exist a fragmented smolt industry, with many companies in different sizes. This differs in the fish feed industry, where there are fewer and larger players.

Uniqueness of service or product: The products utilized in fish farming (smolt, fish feed, yarn and fish cages) are quite homogenous products that can be purchased from many suppliers. This results in low bargaining power of suppliers.

Companies ability to substitute: As long as the companies have not signed binding contracts and long-term deals, the ability to substitute is considered to be low.

Cost of changing: There are many suppliers offering the same products, this results in a low cost of change for the aquaculture companies.

MEDIUM

8.5 Industry Rivalry:

Number of competitors: Earlier the industry consisted of many small companies, but in recent years this structure has changed and the industry is today characterized by consolidations.

Competitors size: As a result of both vertical and horizontal integrations within the industry, a lot of the players are now large with great resources and capabilities.

Customer loyalty: There are little/no brand awareness among the customers regarding brands, which makes customer loyalty weak. The industry consist of homogenous products (as salmon) that leads to a competitive situation within the industry that is based on price.

Level of advertising expenses: There are being put little effort into advertising and marketing of the products.

Threat of horizontal integration: The threat of horizontal integration in the aquaculture industry is strong (at least have been occurring the recent decades).

Industry growth rate and size: The industry have been growing at a steady pace for a while and is predicted to keep on growing. The aquaculture industry is one of the largest production systems in the world.

Cost of leaving an industry: There exists a lot of dedicated fixed costs that tends to be an impediment to leaving an industry.The highly specialized skills by industry participants cannot be utilized in other industries.The same goes for the equipment used in fish farming such as fishtanks which has little or no value in other industries. Investments here can potentially be lost when leaving the industry.

8.6 Overview

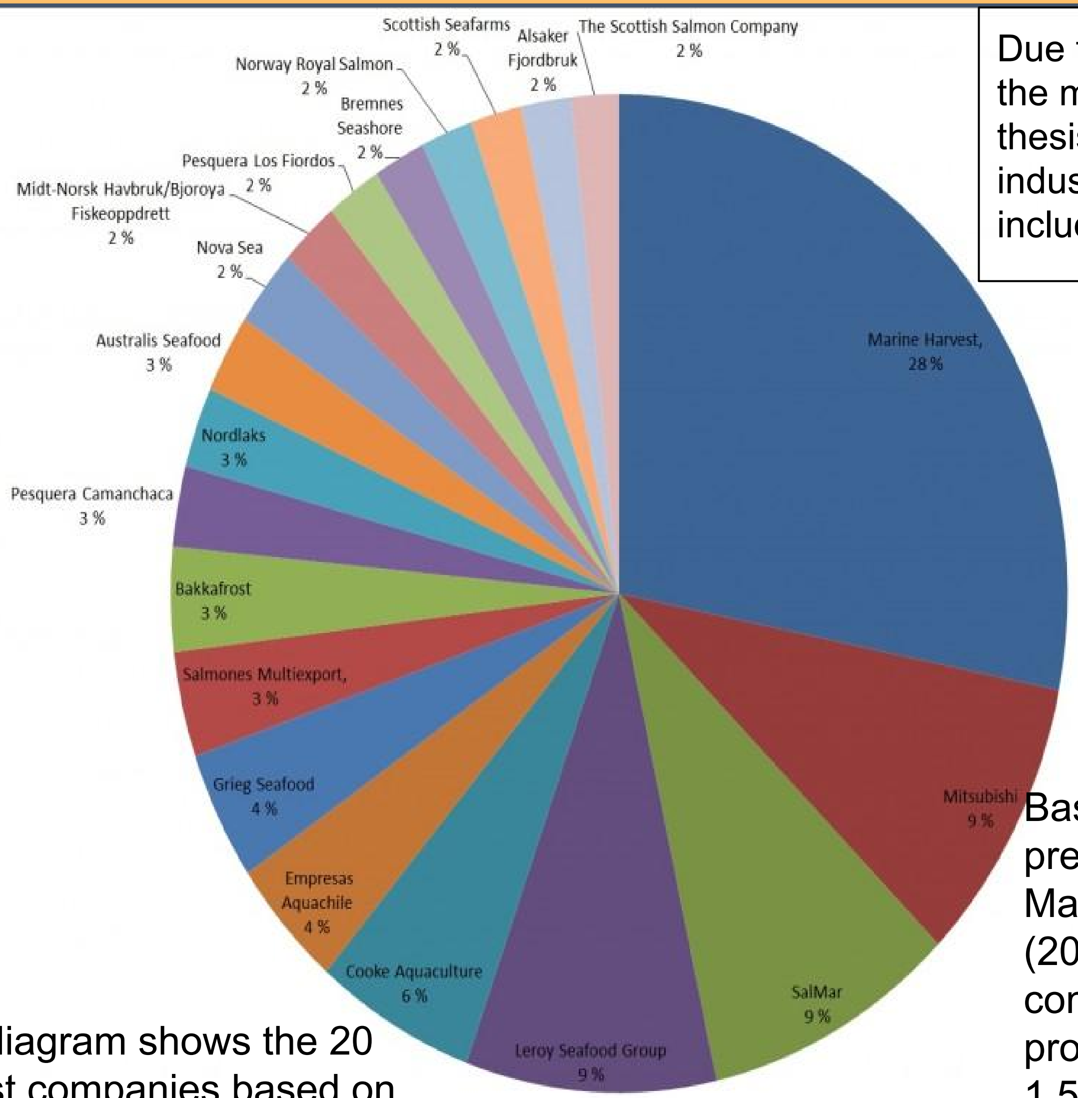
Suppliers	Since the size of the industry is large we consider the number of suppliers to be high.	Low
Buyers	The salmon industry will have opportunities when it comes to selling fish and customers bargaining power will remain low.	Medium
Substitutes	Substitute products such as omega 3 capsules are a cheaper alternative to salmon.	Medium\High
New Entrants	The amount of concessions available is highly limited, this makes the entry barriers high for new companies.	Low\Medium
Rivalry	Homogenous products, this results in a competitive situation where the industry is based on price.	Medium

8.7 Competitors in the industry

To illustrate the size differences between the companies operating in the industry we have included this diagram.

The main players will continue to capture their market share and increase their current position.

Salmon aquaculture is the fastest growing food production system in the world, accounting for 70 percent of the market. This indicates that there are significant possibilities for expanding globally in the industry, and that the players can compete by expanding rather than competing over market shares.

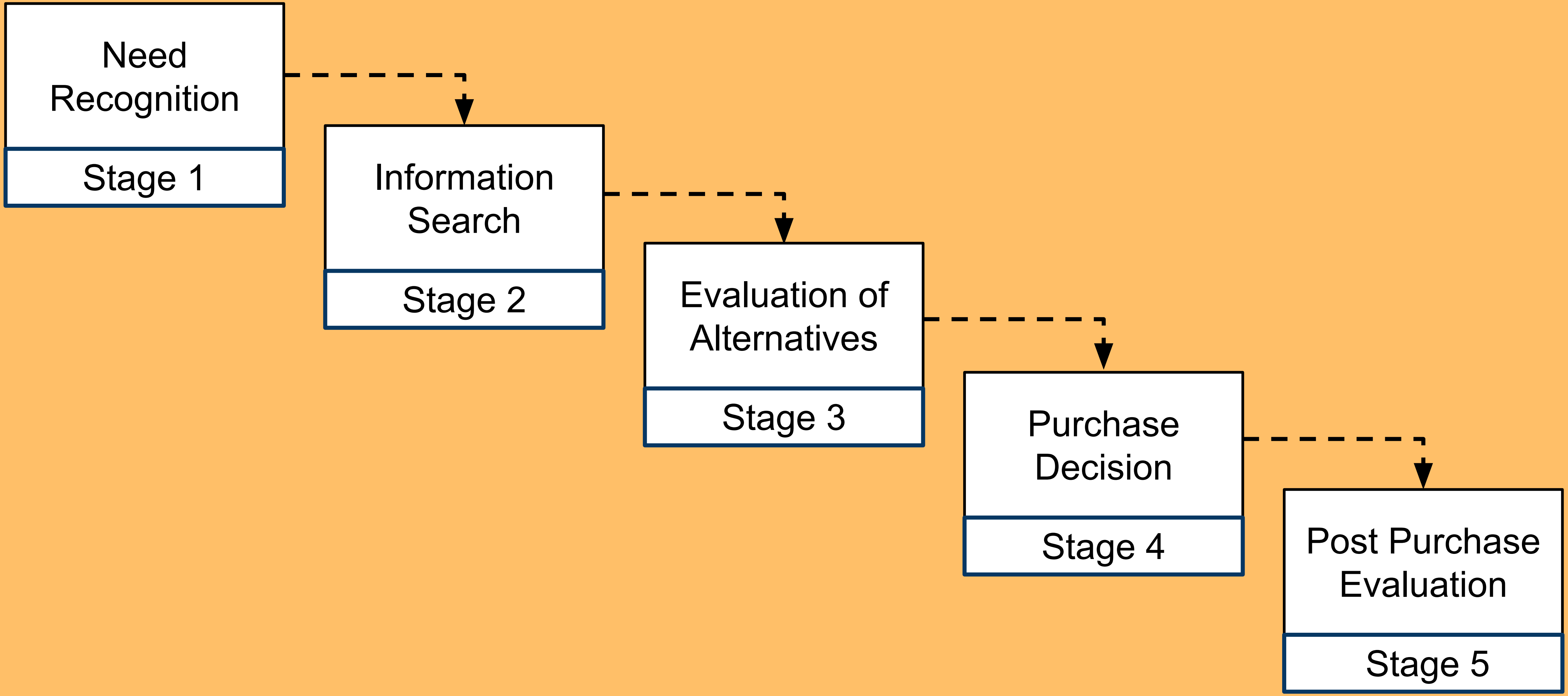


Due to the fact that the main focus in this thesis is the salmon industry, we have included this chart.

This diagram shows the 20 largest companies based on production of salmon.

Based on analysis presented by Marine Harvest (2016), these companies produces about 1.5 million MT salmon together.

9.0 Kotler`s Purchasing Process



9.1 Kotler`s Purchasing Process

Stage 1 Need recognition:

In this stage, the consumer acknowledges a need for food in general.

- Basic needs (hunger)
- Eating healthy and nutritious food
- Social setting

Stage 2 Information search:

The consumers looks into price differences in various types of fish (frozen, fresh, cured and smoked) as well as between fish and other substitute products.

The influence will most likely come from previous personal experience, recommendations by friends, family or employees at the store.

Stage 3 Evaluation of alternatives

The consumers evaluates the different types of food based on price, quality and preferences. After evaluating the products up against each other, they choose the product that satisfies their needs the most.

Stage 4 Purchase decision

The purchasing decision can be based on emotions (eat healthy feel healthy), the time aspect, facts (nutritional content), advertisements and logical conclusions.

Stage 5 Post-purchase behaviour

The consumers evaluates to which extent the salmon meets their expectations, and if they want to recommend this product or not. This is an important stage for the company, since a happy customer is likely to become a product “ambassador” (WOM-effect).

10.0 List of information needed

Based on analyses conducted using Porter's Five Forces and Kotler's Purchasing Process we were not able to answer the following questions:

Porters 5 Forces:

- Companies ability to substitute to other suppliers
- Size of suppliers
- Size of buyers
- Substitute products performance
- Substitute products quality

Kotler Purchasing Model:

- The whole model

In general:

- Information about main players (distributors, wholesalers, retailers etc)
- Information about the evolution of the Spanish aquaculture industry over the last three to five years
- Market share (%) divided between the aquaculture companies operating in the Spanish market

Primary Research

OCEAN QUALITY

Your supplier of seafood

11.0 Primary Research

The primary research is based on the list of Information needed and is supposed to give us tailored information that will provide us with a deeper understanding and sufficient data in order to solve our problem definition.

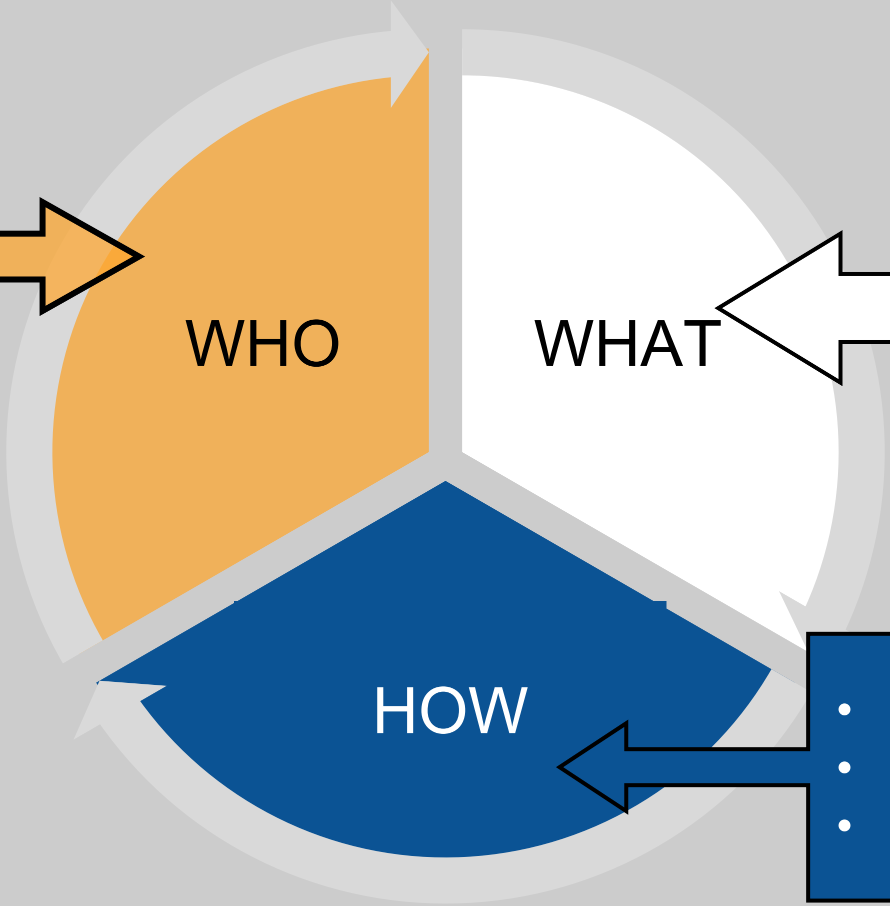
Method	Date	Gender	Nationality	Who	Name
In-depth interview	06.04.2017	Female	Norwegian	Industry expert	Hildegunn Osmundsvåg
In-depth interview	06.04.2017	Female	Spanish	End-consumer	Marina Martins
In-depth interview	25.04.2017	Female	Spanish	End-consumer	Sergio Manrique
In-depth interview	07.05.2017	Male	Spanish	End-consumer	Josep Ruill
In-depth interview	07.05.2017	Male	Spanish	End-consumer	Andrés Gomez
In-depth interview	28.04.2017	Female	Spanish	Retail disk 1	Closcas
In-depth interview	28.04.2017	Female	Spanish	Retail disk 2	Tradicio Peixatera

Primary Research

In-depth interview	10.05.2017	Male (owner)	Spanish	Restaurant	Gran Azul
In-depth interview	10.05.2017	Male (owner)	Portuguese	Restaurant	Marisco el Faro
In-depth interview	11.05.2017	Male (owner)	Moroccan	Restaurant	La Gavina
In-depth interview	12.05.2017	Male (owner)	Spanish	Restaurant	Zian
Focus group	25.04.2017	Female Female Male Female	Spanish Spanish Spanish Spanish	End-consumers	Lily Silvia Carlos Teresa
Focus groups	27.04.2017	Female Female Male	Spanish Spanish Spanish	Retail disks	Mercadona Nuri Nitus

11.1 Who-What-How

- Customers (retail disks and restaurants)
- The end consumer
- Experts within the industry



- Conducting analysis to understand the customer's needs and the aquaculture industry as a whole:

- Kotler’s Purchasing Process
- Porter’s Five Forces

- Qualitative research
- In-depth interviews
- Focus groups

11.2.0 In-depth Interview

By conducting interviews with the direct buyers, end-consumers and experts within the industry we hope to gain a better insight into the aquaculture industry in Spain. By collecting information regarding consumers perceptions about the aquaculture industry and the different stages they go through when purchasing fish, it allows us to adapt and develop products that satisfy their needs. When talking to the buyers of the fish, we can also better understand the trends they are experiencing regarding demand of various types as well as what types of dishes the customers prefer. When talking to an expert within the industry it helps us broaden our view and obtain valuable inside information about the power divided amongst competitors.

Name: Hildegunn Osmundsvåg
Gender: Female
Age: 45
Nationality: Norwegian
Occupation: Fisheries delegate for the Norwegian Seafood Council in Spain.

11.2.1 Industry Expert

Hildegunn points out that the industry has been growing at a steady pace for a longer period of time. She also mentioned that we cannot take it for granted that the demand for salmon is going to be equally high in the coming years.

She points out that regardless of the evolution in the years to come, one thing we can be certain of is the demand for food across the globe will continue to grow in the future, with an estimate of having around 9 billion people on earth in 2050. The Norwegian Seafood Council consider aquaculture (fish, salmon) as sustainable alternatives, and a necessary source of food in the years to come.

She acknowledges the fact that it exists a lot of substitute products which consumers can choose from, but points out the nutritional content advantages by consuming fish. The main substitute products is considered by the customers to be meat and chicken when it comes to covering the need for food.

To the expert's understanding, the knowledge and focus on health and the importance of nutrition is increasing among consumers in general.

New ways of handling and preparing fish courses are arising, and even though sushi accounts for a small part of the total salmon consumption, adaption to the trends that are arising is necessary. She also points out that they see a small transition from chops to fillets which is something that needs to be taken into account in the future.

"Companies within the aquaculture industry will need to adapt to the demand of the market. However, there is no certainty that the demand for salmon will be equally high in the future"

11.2.1 Industry Expert

She also addresses that Spain is a retail disk based market, with big possibilities for further development. Today the Spanish market depends heavily on salmon and cod from the Norwegian market, and that salmon is mainly consumed because of health and taste. She also underlines that the Spaniards prefer easily handled fish without bones that contains good taste and freshness.

The biggest importers of fish in Spain are the supermarkets. About 20% of all salmon consumed in Spain is consumed at restaurants, so the absolute majority is consumed in Spanish homes.

When talking about the future of the aquaculture industry, she points out that the industry is yet to be disrupted and that the Norwegian Seafood Council considers land based farming as something that may emerge in the future. She also tells us that the aquaculture industry has high barriers of entry, because the cost related to the start-up phase is very high. You are required to obtain operating licenses (60-70 million NOK) as well as approval from the local authorities to farm in the sea, which both require financial resources and a lot of time.

“At this point there are almost no resources put into marketing the Norwegian salmon in the Spanish market”

11.2.1 Industry Expert

Hildegunn also touches upon the problems with the diseases and epidemics in the industry. She tells us that when large scale epidemics (lice and various diseases) occurs, it may harm the profitability of the aquaculture industry.

Norwegian fish is perceived as a high “status” product because of their transparent systems being highly regulated and controlled by the Fisheries Directorates and Food Safety Authority. She also explain that a lot of environmental concerns are being taken into consideration when farming salmon.

Hildegunn mentions that there are few companies that uses resources on marketing fish in the Spanish market, and that the loyalty within the industry is hard to accomplish for the aquaculture companies. This is because the importers and sellers within the market (restaurant, retail disks, supermarkets) have little or no knowledge about the producers of fish (the main brands).

Name: Marina Martins
Gender: Female
Age: 31
Nationality: Spanish
Occupation: Student

11.2.2 End-consumer

Marina is a person with a healthy lifestyle who trains regularly. She eats three to four times a day, and her diet includes fish and seafood. We wanted to know what she considers as important factors when buying food, and her assumptions regarding fish and salmon.

Importance when buying food
Marina is considering many factors as important when she is buying food. It has to be food of high quality, fresh and originate from good, raw produce. Because of her food requirements, she often buys it at the local market (retail disk). Marina also says that she always chooses quality over quantity, but since she is a student she naturally values the price as an important element when buying food. She further speaks about the environmental and ethical aspects of food, which she also considers as important factors.

Fish
She eats fish three to four times a week and prefers it in comparison to meat. This is because she grew up eating fish and that she was taught by her parents that fish was a better alternative than meat both for her and the environment. However, she tells us that she does not like all kinds of fish, but prefers salmon and tuna. When speaking about fish combined with healthy eating, we get the impression that Marina has a broad knowledge about the health benefits of eating fish, and she points it out as the healthiest source of proteins.

11.2.2 End-consumer

> *"I consider salmon as a good source of healthy eating with a lot of necessary vitamins"*

Marina also considers taste as an important factor and gives us the impression that she enjoys eating fish based on that. Because of her love for seafood, Marina is willing to pay more for high quality fish than meat.

Salmon

Marina mentioned Norwegian salmon during the interview, and indicated that it symbolised high quality and exclusivity. She knows how to prepare a meal using salmon and she considers it to be a good source of proteins, necessary fats, omega 6 and omega 3. She mentioned that she considers origin and fair-trade of products in general, but also for the salmon as factors of importance for her when purchasing it.

Name: Sergio Manrique
Age: 27
Occupation: Researcher

11.2.3 End-Consumer

Sergio eats two to three times a day and his diet mainly consist of fast food such as sandwiches, burgers, kebabs and pizza. We wanted to know what he considers as important factors when buying food, and his perception regarding fish and salmon.

Importance when buying food

Sergio values taste, quantity and price as important factors when buying food, and is less concerned about the environmental issues. He rarely shares his opinions about food experiences.

Fish

He tells us that he eats fish two to three times a month and considers fish as healthy because of the vitamins and nutritional fat. Nevertheless, the health benefits is not important for Sergio when buying fish. He values the taste and smell as more important attributes, and when he buys the fish he values attributes such as price, size and weight. The rare occasions he eats fish, he prefers to eat tuna and boneless salmon steak. He does not have any preferences on where to buy fish, but he has noticed that fresh and frozen fish is available where he normally buys food. Sergio further tells us that he does not ask for recipes when he buys fish, and rarely shares his opinions regarding his experiences related to fish.

11.2.3 End-Consumer

“I don`t know anything about the different salmon brands in the market, and as far as I know I have never tasted Norwegian salmon”

Salmon

Sergio lacks knowledge regarding existing fish brands in the Spanish market. As far as he know he has never tasted Norwegian salmon. However, he points out that he would pay more for fresh salmon than meat, and that he eats salmon because of its taste and health benefits. Sergio further tells us that he has learned from cooking programs (TV/Internet) how to prepare salmon.

Name: Josep Ruill
Age: 28
Occupation: Working

11.2.4 End-Consumer

Josep has an active lifestyle and eats four to five times a day. He prefers to eat beef, chicken and fish for dinner, while salads, pasta and fruit is what he likes to eat for lunch. He consider fish and beef combined with salads as healthy food, and also food in general that contains low level of calories and high level of proteins.

Importance when buying food
Josep tells us that price and quality is important for him when buying food. He also emphasizes that food has to look appealing in order for him to buy it. The environmental issues is less important for him, and we get the impression that Josep rarely share his opinion regarding food experiences with others.

Fish
He associates fish with healthy eating and living, and eats it two times a week. The health benefits together with taste are also important factors to why he eats fish. According to Josep, the fish needs to have a high quality, while he emphasizes price as a less important factor. He tells us that his favourite fish to eat is tuna and salmon, and mentions that it takes a lot of time to cook the salmon. Josep tells us that he always buys the fish at Mercadona, and he often buy tuna because it goes fast mixed up with pasta or a salad.

11.2.4 End-Consumer

“I eat salmon because of its nutritional and health benefits, but I would never pay more for salmon than meat”

Josep only knows how to cook a few fish courses, and because of this he sometimes asks for recipes when purchasing fish. He further tells us that it would be more helpful to have recipes available when buying fish. He does not know anything about existing fish brands in the Spanish market and rarely shares his experiences and opinions about fish.

Salmon

Josep does not know if he have tried Norwegian salmon, and is lacking knowledge regarding what Norwegian brands in the market. He also expresses his lack of knowledge when it comes to preparing fish meals. He eats salmon because of nutrition and health, but he is not willing to pay more for salmon than meat.

11.2.5 End-Consumer

Name: Andrés Gomez
Gender: Male
Age: 34
Nationality: Spanish
Occupation: Project - Manager

Andrés eats about two to three times a day, and has a hectic lifestyle with a lot of work and not much time for cooking or thinking about a healthy lifestyle. However, he still tries to choose healthy alternatives when he buys food. He has a mediterranean diet mainly consisting of salty food like ham, cheese olives etc.

Importance when buying food

Andres chooses quality over quantity and tries to focus on environmental sustainability when buying food.

Fish

He eats fish once or twice a month and associates it with healthy living. He has knowledge about the benefits of eating fish. but he lacks knowledge about how to prepare fish. Because of this, he sometimes asks retail disks how to prepare it, especially when he buys salmon. It is also clear that he lacks knowledge about environmental benefits of eating fish compared to meat. Andres is only familiar with the commercial fish brands in the Spanish market.

Name: Tradicio Peixateria
Area: Mercat de Sant Antoni

11.2.6 Buyers: Retail Disk 1

The retail disk Tradicio Peixateria is located at the Mercat de Sant Antoni, and sells seafood and purchases fish from the docks. The customers to the retail disk are considered as high end consumers with high expectations to quality. The salmon is a key product for the retail disk, but the most sold fish is hake. This retailer has experienced a growth in sales over the last years.

Preferences when buying fish from distributors

The retailer tells us that the Norwegian salmon has the best quality, and this trait is important for the customer and therefore also important for the retailer. The fishmonger tells us that they had bought salmon from Ocean Quality before, and that they were satisfied with the quality and freshness of the products.

Customers

She also tells us that both young and old people are buying salmon from them, and that they always have a lot of questions about the traits of salmon. The customers buying from this retailer have a lot of knowledge on how to prepare fish.

Name: Closcas
Area: Mercat de Sant Antoni

11.2.7 Buyers: Retail Disk 2

This retailer is also located at Mercat de Sant Antoni and only use one distributor when purchasing salmon.

Recent development within the industry and increase in price

According to the retailer, an increase in price comes as a result of the crisis in the Chilean salmon industry that recently has experienced a large number of deaths and bad conditions.

This retailer has recently experienced a decline in sales, but they still manage to be profitable. This indicates that the customers willingness to buy salmon is high even though the price has increased.

The retailer believes that his customers knows how to prepare salmon, because he is rarely asked about recipes and tips on how to prepare it.

Restaurant: El Gran Azul
Location: L'Eixample
Status: Low to moderate

11.2.8 Restaurant 1

Gran Azul is a restaurant located in L`Eixample, focusing their sales mainly on seafood.

The owner estimates that about 60-70% of the customers are locals. All the seafood sold in the restaurant are bought from the San Antonio Fish market every second day, where most of the fish were captured in the Mediterranean Sea. They sold various seafood in the restaurant, ranging from various shellfish as shrimps and lobster to lice, cod, tuna, and salmon.

We got the impression that the restaurant were mainly focusing on price when buying fish from the market. They did not buy too much salmon, but rather focused on purchasing cheaper alternatives such as cod and tuna. The owner explains that fish was a cheaper product for him to buy compared to meat, and based on the observations made in the restaurant, it seemed to us that the courses were highly price-orientated using a lot of complementary products to fill the plate.

During the last years, the owner had experienced a small increase in the demand of fish courses, but not something that had drastically changed. He also had the impression that more locals were eating at his restaurant now compared to a couple of years ago. He was not working in the restaurant everyday during this period, so this was just his assumptions based on sales and the people he had met. He thought this was related to the recovery in the Spanish economy.

Restaurant: Marisqueria El Faro
Location: L'Eixample
Status: High Quality (Exclusive)

11.2.9 Restaurant 2

Marisqueria El Faro is an exclusive restaurant located near the center of Barcelona, focusing their sales on seafood and shellfish.

The owner assumed that it was about 50/50% tourists and locals that visited his restaurant, but this was only predictions based on what he had observed. He also underlined that they had not been in business for so long in Barcelona.

The owner underlines that the freshness of the fish was of importance and said they bought the products from Mercabarna every day/every second day. The restaurant owner knew that the salmon came from Norway, but other than that he did not possess any knowledge regarding any specific brands.

Quality, freshness and price was also attributes taken into consideration when purchasing seafood from Mercabarna. However he emphasized the importance of satisfying the customer with fresh high quality products rather than cutting costs.

Restaurant: La Gavina
Location: La Barceloneta
Status: Exclusive

11.2.10 Restaurant 3

La Gavina is a seafood restaurant located in the tourist area of Barcelona, selling various types of shellfish (shrimp, crayfish, lobster, etc), fish (tuna, salmon, cod) as well as other merchandises.

La Gavina bought their fish from Mercabarna, and he assumed that most of the restaurants in Barcelona also were buying from this central market.

When purchasing fish, the restaurant owner focused on freshness and quality of the fish, and often used the same sales disks/ distributors at Mercabarna. To his understanding, his customers valued fresh fish the most and therefore they got the fish from Mercabarna the same day. He assumed that the customers were happy with the quality of the products sold in the restaurant.
Some of the fish came from the northern part of Spain (atlantic ocean and mediterranean sea), and he pointed out that the salmon was from Norway. However, he did not possess knowledge about the different companies that was selling salmon.

> *“Our customers value freshness of the fish and we therefore seek to fulfill this requirement by daily buying fish from the markets”*

11.2.10 Restaurant 3

In the past years the owner had seen a clear increase in the demand for salmon (fish in general) and linked this to the growth in GDP in Spain, something that made the Spanish consumers purchasing power higher.

The owner categorized salmon in particular as a cheaper alternative.The restaurant owner indicated that fish and seafood represented an important part of the business and that it generated the majority of their revenues.

The restaurant owner estimated that around 70% of their customers were tourists which during the summer accounted for a clear majority of seafood courses sold.

Restaurant: Zian
Location: L’Eixample
Status: Mediocre

11.2.11 Restaurant 4

This restaurant has a diverse menu with many different courses ranging from paellas to pizza’s.

They buy their seafood and salmon from Mercabarna, and they told us that they have used the same seller for over 30 years, but they did not know where they got the salmon from.

We got an indication that salmon varies on demand since the restaurant buys between 10-50 kg salmon every week. The salmon where one of few exclusive products that they sold and further told us that their grilled salmon was popular among their customers. We got the impression that they were a low-quality restaurant since most of their dishes were cheap.

11.3.0 Focus group

By conducting focus groups with the end-consumers and retail disks we were able to gain better understanding of the topics we previously had poor knowledge about when conducting the analysis using Kotler's and Porters.

The focus groups allows us to study the consumers closely, and observe and analyze their thoughts and statements regarding the purchasing phases they went through when buying food, and more specifically salmon.

The goal is to obtain complementary information that we can move on with when solving the problem definition.

<u>We conducted two focus groups:</u>

Focus Group 1: End-consumers	**Focus Group 2: Retail disks**
Male: 1 Female: 3 Age: 21-31	Male: 1 Female: 3 Age: 36-58

11.3.1 Focus group 1: End-Consumers

When conducting the focus groups with the end-consumers we looked into their purchasing habits, factors of importance and knowledge about salmon

We started by talking about food habits in general, and it became clear that all of the participants ate between three to six times a day, but they all pointed out that the amount of meals was depending on their schedule. To satisfy the hunger, one of the participants ate mainly fast food, while the others ate various products ranging from fruits to crackers.

Three of the participants were preparing food at home four to six times a week, and related eating out at restaurants with social settings and gatherings.The last participant mostly ate out/ take-away meals during the week, but when he cooked at home he preferred easily cooked courses. He also considered restaurants visits to be a social setting and often exploited the possibility of take-away.

Attributes they focused on when choosing food:

Two of the participants indicated that price was an important factor when deciding what to eat. These participants were students, which potentially could be the reasoning for this response. One of the participants said that quality of the food were the most important factor, the two other participants agreed that this also was important, while the last participant concluded that he considered quantity to be the deciding factor when choosing meals.

11.3.1 Focus group 1: End-Consumers

Seafood:

When it came to consumption of seafood, one of the participants responded that it all depended on the season. In the summertime she consumed more shellfish (shrimp, crab, etc) and this was a common trend among the other participants as well. One of the participants said that she tries to eat fish two to three times a week, while two other participants estimated that they eat fish two - four times a month. The last participant only ate fish a few times a year.

Benefits and reasoning:

When we talked about the benefits of consuming fish, they all agreed that the product had several health benefits. However, it variated to which extent they possessed knowledge about the nutritional content in the fish. Two of the participants stated that they knew fish contained vitamins that were necessary for healthy being, while one of the other participants mentioned that fish are rich in proteins which is benefiting our muscles. Another one pointed out that she used Omega 3 capsules which helped her cover the need for vitamins, while the last participant said he combined fish with something healthy. However, he did not spend a lot of time thinking of the benefits of consuming it, and we got the impression that he has little interest into nutritional content of products in general. Two of the participants had an active lifestyle that consisted of training and exercises on a weekly basis. We got the impression that these two possesses an overall deeper interest and knowledge about nutritional content. One of the participants underlined that eating fish was more environmental friendly compared to meat and this was a concern she had in mind when purchasing food.

11.3.1 Focus group 1: End-Consumers

Preparing fish

Only one of the participants knew how to cook variou fish courses and she also likek to variate between the different types of fish. She gave us the impression that she liked to explore new types of food in general, and frequently asked for advice and tips when purchasing food/fish. Two of the other participants were a bit more sceptical to trying new things, and normally ate easily cooked/prepared fish courses that often included salmon or tuna. They also indicated that smell and taste were factors they considered when buying fish in particular.

Brands

Only one of the participants had knowledge about different brands within the market. The rest bought fish based on recommendations, but did not really have any form for brand loyalty.

Salmon

Only one interviewee did not eat salmon, but the rest of the participants ate salmon because of taste and health concerns. There was also only one participant that knew about different salmon brands. Three of them had learned how to cook salmon from family and friends, or by asking in the store.. Only one did not know how to cook salmon, and did neither ask for help in the store.

11.3.2 Focus group 2: Retail disks

In the focus group with retail disks we looked into what factors that were of importance for them when purchasing fish, where they got the fish from, how often they purchased fish, what types of fish they purchased and finally what their customers valued.

Norwegian Salmon

It became clear that three of the retailers bought Norwegian salmon. They used different distributors and the ones most frequently used was Lerøy and Royal salmon. The woman that worked in the retail disk at Mercadona was not sure which distributor they used, but she assumed that Mercadona most likely had a good and prosperous partnership with the distributors since they bought salmon in large quantums.

Fish

There was a common agreement among the participants that hake was the most popular fish among the Spanish consumers.

11.3.2 Focus group 2: Retail disks

Sales

All the retails disks had experienced an increase in price when buying fish from the distributors, but they were still able to maintain a good profit from sales.

Customer inquiries

One of the retailers experienced that some of the customers had inquires about the wild salmon from Alaska, while the other retail disks experienced inquires about the frozen wild salmon from Canada. One of the retailers also told us that their customers frequently asks for recipes and tips on how to prepare the fish. The employee at Mercadona had the same impression, that many of the customers asked for recipes and tips on how to prepare the fish. She believed that many of the customers lacked knowledge on how to prepare salmon.

12.0 Summary of the Primary Sources

By doing the primary research we wanted to get some information about the missing aspects of our secondary research. In detail we wanted to know more about the aquaculture industry and the consumers purchasing process:

During the in-depth interviews and focus groups with restaurants and retail-disks we have learned to know that the *brand awareness (salmon)* in the market is low, and that they lack knowledge regarding the origin of the salmon. The salmon could however be categorized as “Salmon from Norway” which represent high quality in the buyers point of view. When talking to the industry expert she relates the “exclusivity” status of the salmon to the highly regulated production processes in Norway. She also acknowledges that there are no defined fish brands within the market and that there are almost no resources being used on marketing the fish. The only marketing measures being conducted are campaigns launched by the Norwegian Seafood Council twice a year for promoting Norwegian Salmon in Spain.
The majority buys their fish from local markets located in the outskirts of Barcelona (Mercabarna and Sant Antonio Fish Market). In a retail-based market which Spain is, the focus lies in delivering quality fish to their customers.

12.1 Conclusion retail disks

The response we got from the retail disks in the in-depth interviews and focus groups indicated that attributes such as quality and freshness was important among their customers when purchasing fish. Price was a less important factor for the retail disks when they purchased fish from distributors. This can be seen as a result of the low price differentiation that exists among the players in the aquaculture industry. Instead, the retail disks looked for the distributors that were satisfying their customers needs the most in terms of quality and fresh products. Some of the respondents only used one distributor while others used several. The interest for salmon has increased over the years, and many of the retail disks have created long-term agreements with their distributors.

12.2 Conclusion Restaurant

The common trends amongst the restaurants we interviewed was to purchase fish every day or every second day from local fish markets such as the Sant Antonio Fish Market and Mercabarna. The majority of the seafood came from the Mediterranean Sea and the Atlantic ocean

The majority of the restaurants bought Norwegian salmon, but surprisingly no one knew what company the salmon originated from. However, it seemed to us that this was a less important factor, since the the majority of the restaurant owners were associating Norwegian salmon with quality.

When the restaurants were purchasing fish, they valued different things dependending on the quality of the restaurant. We noticed that the high-end restaurants where focusing more on the quality of fish compared to the price, while the price was more important for the low-end restaurants. Salmon was also a greater part of the menu to the high end restaurants because of its reputation for high quality. The low-end restaurants were focusing more on cheaper alternatives of fish, such as cod and tuna. Nevertheless, it was important for both high-end and low-end restaurants that the fish was fresh.

Some of the restaurants had experienced an increased amount of visitors and related this to the growing tourism sector, as well as more stable economic times in Spain.

12.3 Conclusion End-consumers

1. **Need Recognition**

We found out that some attributes were particularly of importance for the buyers. There was high correlation between a healthy lifestyle and eating fish, and this became in particular clear when talking to the younger people. Exercising also became a debate during the focus-group interview, where we could see clear trends between those who were working out and those who were eating fish.

2. **Information seeking**

The process of seeking information varies highly between the need each consumer had. Factors of importance when seeking information were environmental concerns, previous experiences related to taste and smell, and recommendations from friends, family or employees at the store.

3. **Evaluation of Alternatives**

Most of the end-consumers that were interviewed considered price and quality as important attributes when evaluating the various alternatives.

4. **Purchasing Decision**

In some situations, quality products and freshness were important factors when purchasing fish at retail disks. In other situations, the customers went to supermarkets . The amount of fish that were consumed depended on their activity level, focus on health, nutrition and emotional feelings regarding well being,

5. **Post-purchase Evaluation**

Based on the participants we interviewed, we got the understanding that they were not too concerned about sharing their opinions regarding fish-experiences. There was only one person that previously had been recommending eating fish during a conversation about work-out. Here the tuna was mentioned as a good source of proteins.

We got the impression that the customers who had a varied diet ate fish regularly during the whole year, and had only positive things to say about the products. By sharing their positive food experiences with others these customers might function as ambassadors through word of mouth. While some of the other end-consumers that were interviewed had little interest in sharing their opinion on their experience when consuming fish.

13.0 Global Conclusion

"Which segments should Ocean Quality target"

- Spanish consumers are becoming more conscious regarding health and environmental issues.
- Fish is considered as more environmental friendly than meat.
- New ways of handling and preparing fish arise something that creates new possibilities when targeting markets.
- GDP is increasing in Spain.
- Spain has long traditions regarding seafood, and consumes almost twice as much fish as an average European citizen
- Norwegian salmon is considered as a high quality- and tasteful product among Spaniards.
- Spaniards are less price sensitive when purchasing quality products.
- Aquaculture products are considered as a sustainable solution, and a necessary source of food in the years to come.
- 80% of all fish in Spain is consumed in the Spanish households. This equals a great potential for selling fish to supermarkets and retail disks.
- The potential to create awareness of the products presence could be by putting more resources into marketing activities in the Spanish aquaculture industry.

14.0 Quality of the project

Potential sources of error with the Primary Research:

- When conducting the in-depth interviews with the restaurant owners we faced some language barriers. In most cases we were able to understand each other quite clearly, and in some cases a translator was used.

- Even though the owners were in charge of the final decisions that were being made in the restaurant, some of them were not familiar with the whole import process from the markets to the restaurants, and how the fish was selected at the markets.

- Some of the restaurant owners were very focused on not putting the restaurant in a "bad light" and they may have given modified answers to present their products as more superior, for example regarding the issue of the freshness of the fish.

- As pointed out before, there were a number of students that took part in the study and their economic situation could potentially have affected their answers.

15.0

<u>Problem definition:</u>

«Which segments in the Spanish market should Ocean Quality target?»

<u>Answer:</u>

YES.

We have found attractive segments that Ocean Quality should target in the group of healthy and social individuals.

Strategic Part

OCEAN QUALITY

Your supplier of seafood

16.0 Frame of Reference

What business are we in?
We are in the aquaculture sector where we are focusing on salmon.

What business should we be in?
We should continue to be in the aquaculture industry.
We would also like to mention the possibility of entering the health industry by expanding the product portfolio with vitamins that contains omega 3, fish oil, etc. However, this is not something we have chosen to move on with in this assignment because it will move the focus away from the core product and the objective of the assignment.

What business should we not be in?
It's important to stick to the core business which is farmed fish and not entering into businesses that include shellfish (crab, shrimp, lobster) were already well established players are operating.

17.0 Mission

"Ocean Quality aims to be the preferred and trusted supplier of seafood for our dedicated customers"

Comments:

- The mission does not describe the principles of leadership for economic and non-economic performance. Neither does it describe their system of values.

- It is important that Ocean Quality include the needs they are aiming to cover in their mission statement. A proposition will be to include needs such as: hunger, nutrition, health and taste.

18.0 Risk-Profitability Binomial

We define the risk-profitability **(RP)** as: **HIGH**

The industry consists of a high number of well established players that possesses large amounts of resources and capabilities covering big shares within the market. In addition, barriers of entry is high because of the concessions required, time aspect and it being a highly knowledge based industry. The industry is also facing problems regarding epidemics, which potentially can have an impact on the profits if not having the necessary resources and knowledge on how to deal with it.

However, when looking specifically on the Spanish aquaculture industry, we see that the risk profitability could potentially decrease in the future due to the Spanish authorities process of decreasing entry barriers by reducing the price of concessions. Nevertheless, the industry will still be knowledge-based and the time required to establish as a sustainable company within the industry of Spain will remain the same.

The aquaculture industry is predicted to grow as a result of fish being a sustainable source of food for an increasing population, alongside with steady economic development in Spain which maintains the level of demand.
Because of the Spanish authorities efforts by reducing entry barriers this could potentially impact the RPB on a long-term basis.

19.0 Corporate Objectives - Ocean Quality

Ocean Quality have not stated their corporate objectives clearly, and we have therefore included some suggestions to new corporate objectives:

Suggestions for new corporate objectives

- *To increase brand awareness among distributors and buyers.*
  (Ocean Quality should definitely put more efforts in increasing brand awareness of their products. Salmon is considered as a "high quality product" and should be promoted in accordance to its reputation in the market)

- *Increase market share in Southern European markets.*
  (By dedicating resources to follow up on market trends within Southern European markets, Ocean Quality can capture more market share. Statistics shows that the consumption of fish is higher in southern markets.)

- *Within two to four years Ocean Quality should launch a pilot program using land based production facilities.*
  (This is maybe the most up to date and actual innovation in the aquaculture industry, and might be a game changer in new ways of farming the salmon. To launch a pilot program within the next few years, Ocean Quality might be able to discover new and cost effective methods of producing salmon.

20.0 Key Success Factors

Ocean Quality:

- Good locations.
- High quality.
- Products with high nutritional content.

Grieg Seafood and Bremnes Seashore:

- New production line focusing on hygienic design that emphasizes on both efficiency and work environment.
- Innovative thinking combined with strict quality control in every part of the process.
- High quality smolt production:
    - Increase the size of the smolt in order to decrease time of production.
- Focus on fish welfare:
    - They have extra deep nets that allows the fish twice as much space as the requirements states.

21.0 Values

High reliability:
“*We offer our dedicated customers a continuous and reliable supply of fresh and frozen salmon¨*

Premium service:
“*We like to commit with a long-term perspective to a limited number of exclusive customers in our main markets and offer these partners a first-class service¨*

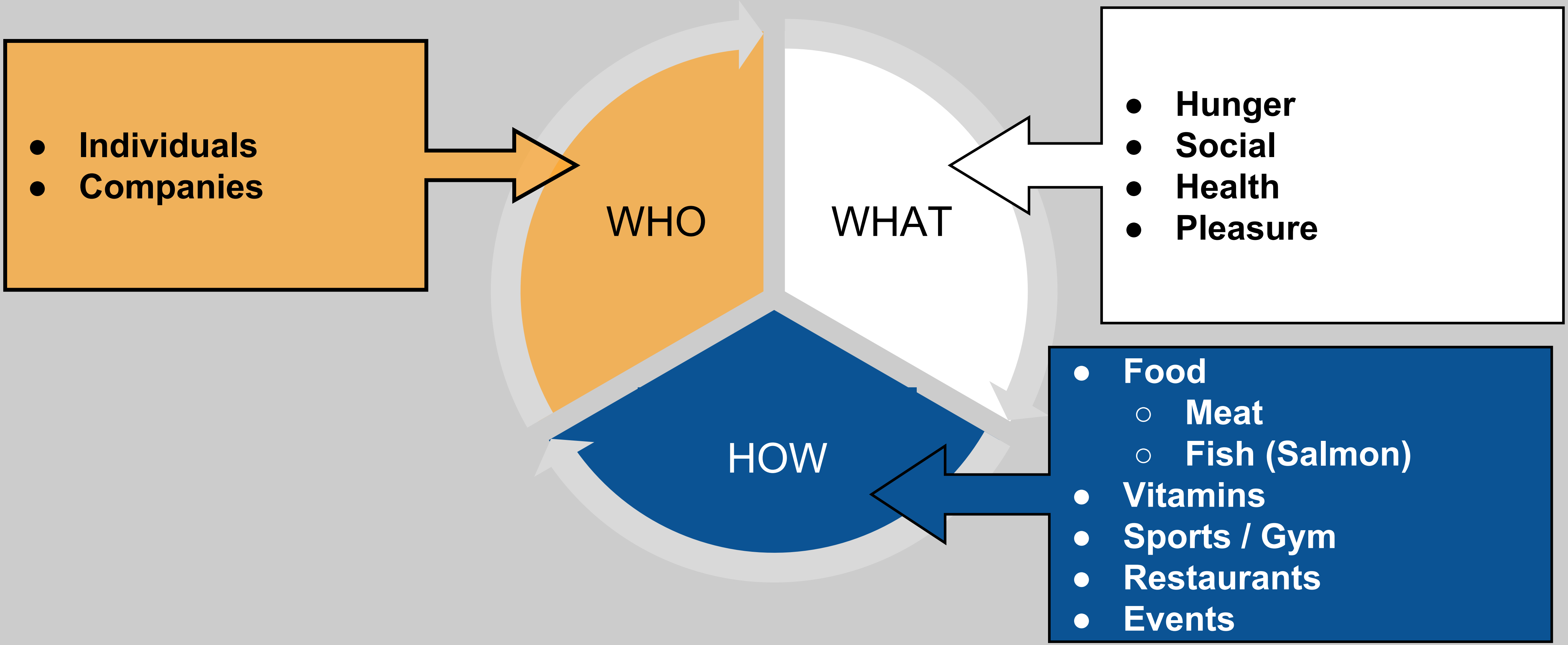
High quality*:*
¨Fresh and healthy products with the desired nutritional values¨

Safety:
“Full traceability and focus on food safety”

Sustainability:
¨We want to be a sustainable and responsible producer of supreme quality salmon”

Environmental concerns:
“*Protecting the environment is important to us”*

22.0 Market definition



22.1 Market Definition

What:

- *Hunger*
  Cover the physiological needs for hunger.

- *Social*
  The need for socialising with others, something that occurs around the dinner table, at restaurants, etc.

- *Health*
  The need for a healthy way of living, consuming products related to an active lifestyle. Cover the need for certain vitamins like omega 3, fish oil and proteins as well as sources of fat needed.

- *Pleasure*
  A psychological need that could be satisfied through enjoying / finding pleasure in food.

How:

- *Food*

- *Salmon*

- *Vitamines*
  Vitamine capsules could cover individuals needs for nutrition. It could also be a supplement to a healthy lifestyle.

- *Gym / sports*
  To cover individuals needs for a healthy lifestyle.

- *Restaurants*
  Cover companies needs for providing their customers with food and the need for socialization for the end-consumer.

- *Events*
  Cover the need for being entertained and socialized

22.2 Macro Segments

Segment:	WHAT	WHO	HOW
Macro Segment 1.	Health	Individuals	Salmon
Macro Segment 2.	Pleasure / Social	Individuals	Salmon

Macro segment 1: Health focused individuals

- Individuals with a healthy lifestyle.
- Working out regularly.
- Doing sports.
- Nutritional values.

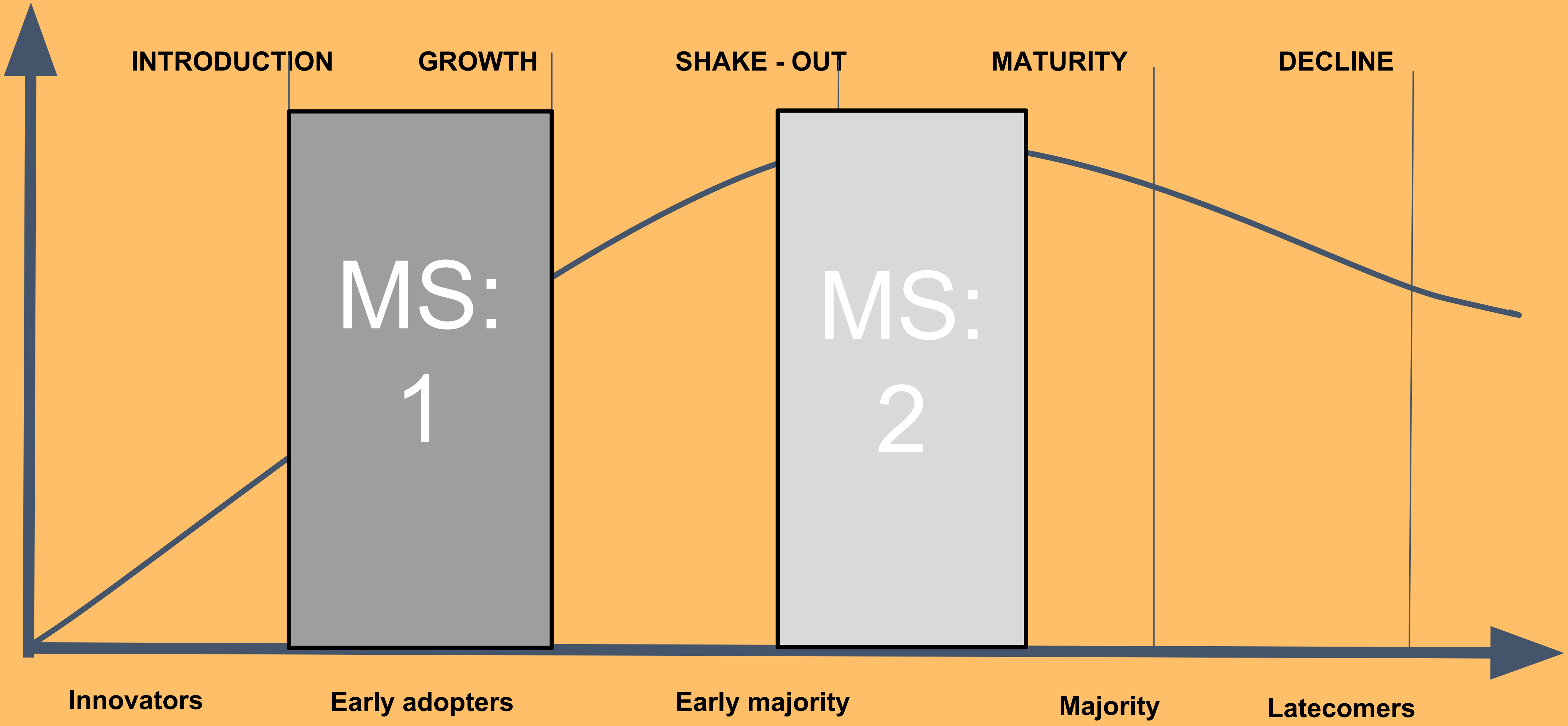
Note: Based on the research conducted, we saw high correlation between activity level of the participants and their focus on healthy food / nutritional content.

Macro segment 2: Individuals that seeks to socialize when eating

- Enjoys meals in social settings.
- Social and outgoing individuals.
- People that can afford to eat out.

Note: Some of the participants mentioned that when seeking to socialize they went dining with friends and family eating quality products that satisfied their needs.

23.0 Solution Life Cycle



23.1 Solution Life Cycle: Macro Segment

MS 1	MS 2
We chose to place macro segment 1 in the *Growth Phase.* This was due to the data gathered in the research indicated increased focus among consumers regarding health and food trends. The aquaculture industry in Spain is still growing after the economic recovery and have been influenced by the healthy mediterranean diet for many years. We need to focus on creating a strong brand name for Ocean Quality when conducting the marketing mix for this segment. This should be done by using various communication tools to reach the target groups.	We chose to place macro segment 2 in the passage between the late *Shake-Out phase* and *Maturity Phase*. Our data collection in the research indicates that Spaniards are spending more money on consumer goods due to the economical recovery. This is resulting in growth in a diminishing rate. However, to socialize has always been a part of the Spanish traditions and will most likely be preserved in the future We need to communicate the value Ocean Quality`s product provides the customers with in terms of pleasure and socialization.

24.0

24.1 - 24.8

Strategic SWOT

ENVIRONMENT DATA	1. Majority of the fish in Spain is consumed in the Spanish households. 2. Spaniards are becoming more conscious about eating healthy.
THREATS	1. Decrease in sale to restaurants. 2. Other healthy options that are cheaper than salmon.
OPPORTUNITIES	1. Increase direct sales to supermarkets and retail disks. 2. Increase brand awareness.
STRENGTHS	1. Our product portfolio is ideal for eating at home. 2. Our products are healthy and nutritious.
WEAKNESSES	1. Distribution does not go directly to supermarkets. 2. Lack of market knowledge.
ACTION TO TAKE	1. Launch a promotional campaign for families. 2. Promote and emphasize the product’s nutritional values and health benefits.

ENVIRONMENT DATA	1. Price level on fish and seafood are higher compared to substitute products. 2. Epidemics is an high uncertainty factor within the aquaculture industry.
THREATS	1. Highly price-concerned consumers may choose substitute products that are cheaper. 2. Decline in revenues and a potential loss of customers.
OPPORTUNITIES	1. Salmon is considered to be a premium product and therefore we have the opportunity to charge a premium price. 2. Smaller competitors will struggle in these types of situations, because they lack resources.
STRENGTHS	1. Ability to generate a high profit level even though the sales-volume are decreasing. 2. Resources, capabilities and experience to handle these situations.
WEAKNESSES	1. High production cost compared to substitute products. 2. Unpredictability and vulnerability.
ACTION TO TAKE	1. Communicate the benefits of salmon and what consumers are missing by purchasing substitute products. 2. Do more research on fish-epidemics and how to prevent them.

ENVIRONMENT DATA	1. New consumption trends are arising. 2. Spain is one of the most visited countries in the world.
THREATS	1. Creates a lot of niche markets which could easily be targeted by (new) companies that specializes in these areas. 2. Increased competition among aquaculture companies that are targeting tourists.
OPPORTUNITIES	1. Companies can adapt to these trends and try to penetrate these new markets. 2. Allows companies to market their product worldwide through one market (WOM).
STRENGTHS	1. Ocean Quality has different forms of handled fish which can be adapted to the various trends within the market.. 2. Knowledge and experience within the Spanish market
WEAKNESSES	1. Limited product portfolio. 2. Difficult to understand the Spanish market because of a high level of tourism.
ACTION TO TAKE	1. Focus resources on research of trends in the markets, and make the product more applicable so it can easily be used in various dishes. 2. Put resources into understanding the tourists purchasing process when eating fish in Spain.

ENVIRONMENT DATA	1. As of December 2016, the unemployment rate amongst the Spanish youth was 42,9%. 2. The top consumption of fish occurs during christmas time.
THREATS	1. The sales of a high-end product as salmon to the Spanish youth may be low due to their limited purchasing power. 2. Season based demand causes fluctuation.
OPPORTUNITIES	1. The Spanish youth will prefer to buy cheaper substitute products which companies could include in their product portfolio. 2. The potential to increase marketing activities before this period starts.
STRENGTHS	1. Diversified market portfolio, with sales going out to multiple markets. 2. Capacity to deliver the required demand during this period.
WEAKNESSES	1. Ocean Quality offer a high-end and relatively expensive product. 2. Ocean Quality`s main product (salmon) is not considered to be one of the most popular seafood products among spaniards during christmas time
ACTION TO TAKE	1. Exploit the less lucrative parts of the fish that cannot be sold as fillets or chops to form other meals with lower quality, but equally lower price. 2. Exploit the opportunity of using salmon in courses consumed during the christmas period.

ENVIRONMENT DATA	1. Spanish authorities have been decreasing entry barriers in the aquaculture sector. 2. Fish farming on land.
THREATS	1. More lucrative for competitors to enter the aquaculture industry in Spain. 2. New competitors may enter due to the reduced entering costs and it being a more sustainable way to do aquaculture.
OPPORTUNITIES	1. Companies can set up facilities in Spain and get closer to the Southern European market 2. High costs related to handling the facilities (heating and regulating of water, etc).
STRENGTHS	1. Ocean Quality posses the necessary resources and capabilities to expand production facilities to Spain. 2. Ocean Quality posses the resources and capabilities to adapt to changes (keep up with the innovations within the industry).
WEAKNESSES	1. Lack of knowledge regarding rules and regulation on how to operate facilities within the Spanish market. 2. Little/no knowledge regarding fish farming on land.
ACTION TO TAKE	1. Consider looking at the opportunities of production in Spain in order to streamline distribution. 2. Invest time and effort into research of possibilities and benefits of entering land based production.

ENVIRONMENT DATA	1. There are little or no marketing resources being used by Norwegian aquaculture companies to create brand awareness in Spain. 2. Spain is a retail disk based market.
THREATS	1. Competitors worldwide can create a stronger brand and position within the spanish market. 2. Hard to create a strong brand name.
OPPORTUNITIES	1. Huge potential to create a stronger brand name amongst Spanish customers. 2. Companies can collaborate with already well established retail disks in the market or create their own.
STRENGTHS	1. Ocean Quality has the necessary resources to promote the product. 2. Ocean Quality is highly present in all the large fish markets in Spain and frequently distributes through retail disks.
WEAKNESSES	1. Little experience with marketing efforts towards the Spanish market. 2. The retail disk market in Spain will limit Ocean Qualitys opportunities to create brand awareness.
ACTION TO TAKE	1. Marketing the brand in retail disks, focusing more on promoting Ocean Quality at the packaging of the products (Norwegian symbol alongside with the OQ logo), focus more on the regulations and controls in marketing activities in order to be perceived as a high quality product. 2. Create binding contracts with the most attractive retail disks in the market.

ENVIRONMENT DATA	1. The Spanish market depends heavily on salmon and cod from the Norwegian market. 2. Norwegian salmon have gained high status due to their transparent systems being highly regulated and controlled by the fisheries directorates and Food Safety Authority.
THREATS	1. Companies can be to relied on the high level of demand of salmon and cod from the Spanish market. 2. High level of rivalry among Norwegian aquaculture companies operating in the high-end market may occur.
OPPORTUNITIES	1. Gain better knowledge of these profitable markets. 2. Easier for Norwegian companies in the aquaculture industry to sell their products due to their reputation.
STRENGTHS	1. Ocean Quality has good experience of delivering salmon to Spain. 2. The regulations are leading to a high-end product that the consumers are willing to pay a premium price for.
WEAKNESSES	1. Ocean Quality`s small product portfolio will make them vulnerable in the Spanish market if epidemics or change in preferences should occur. 2. A lot of time and financial resources are being used by Ocean Quality to follow up on all the required regulations.
ACTION TO TAKE	1. Delegate resources to acquire knowledge about the market trends. 2. Focus more on the regulations and controls in marketing activities in order to be perceived as a high quality product, and to benefit from investments regarding regulations.

25.0 Criteria for List of Actions

25.1 - 25.3

Prioritize based on three sets of criterias:

- **Urgency**:
  How urgent is it for Ocean Quality to implement these actions immediately.

- **Importance**:
  How important is this actions for Ocean Quality.

- **Resources needed**:
  Does Ocean Quality possess the necessary resources (human and financial) to go through with these actions? Do they have the willingness to spend time and resources to implement these actions?

ACTIONS	I	U	R	SHORT / LONG TERM
Launch a promotional campaign for families.	X		X	Long term
Promote and emphasize the product's nutritional values and health benefits.	X	X	X	Long term
Communicate the benefits of salmon and what consumers are missing by purchasing substitute products.	X		X	Long term
Use more resources on research to get even more knowledge on dealing with diseases and epidemics.	X		X	Short term
Focus resources on research of trends in the markets. Package the fish so it can easily be used in various dishes.	X	X	X	Short term - Long term

ACTIONS	I	U	R	SHORT / LONG TERM
Put resources into understanding the tourists purchasing process when eating fish in Spain.	X	X	X	Short-term
Emphasize the benefits of eating salmon through the communication channels.	X		X	Short-term
Exploit the opportunity of using salmon in courses consumed during the christmas period.	X	X	X	Short-term
Consider the opportunities of production in Spain in order to obtain a streamline distribution.	X		X	Long-term
Invest time and effort in research of possibilities and benefits of entering land based production.	X	X	X	Long-term

ACTIONS	I	U	R	SHORT / LONG TERM
Create more brand awareness by: - Marketing the brand in retail disks. - Focusing more on building the OQ brand in the packaging of the products (f. ex Norwegian symbol alongside with the OQ logo). - Focusing more on the procedures and controls done by the Norwegian authorities in marketing activities, in order to be perceived as a quality product.	X		X	Long term
Binding contracts with the most attractive retail disks.	X		X	Long term
Satisfy the demand.	X	X	X	Short term
Focus more on the regulations and controls in marketing activities in order to be perceived as a high quality product.	X		X	Long term
Exploit the less “lucrative” parts of the fish that not can be sold as fillets, chops, etc to form other meals, such as fish soup, with lower quality but equally lower price.		X	X	Short-term

26.0 Strategic Problem Definition

<u>Macro segment 1</u>

KSF

- Nutritional content and easily digestive
- Applicability
- Products with short preparation time
- Accessible

Distinctive competence required to achieve KSF

- Create awareness about the health benefits of eating salmon
- Suggestions on how to prepare the product in various ways / customise the product to different usage areas
- Choose the right communication channels adapted to the different target groups.

Brand positioning

- Position itself as a product that should be related to a healthy lifestyle
- Using ambassadors associated with healthy lifestyle.
- Emphasize the nutritional content and the benefits.

26.1 Strategic Problem Definition

<u>Macro segment 2</u>

KSF

- Pleasure.
- Taste.
- Freshness.
- Origin.

Distinctive competence required to achieve KSF

- Optimize the quality in the whole value chain by:
  - Create awareness that salmon should be consumed in social settings.
  - Customize pre-prepared products according to the customers preferences.
  - Streamline distribution processes.
  - Communicate the exclusivity “Norwegian Salmon” represent.

Brand position

- Position itself as a product that should be associated with social settings.
- Form it as a trusted high quality and exclusive brand.

27.0 Rivalry Aquaculture Industry

Threat of new substitutes: **Medium / High**
Threat of new entrants: **Low / Medium**
Bargaining power of buyers: **Medium**
Bargaining power of suppliers: **Low**

We consider the overall rivalry in the aquaculture industry as **MEDIUM** because of the transition towards a consolidated market with large players operating in the industry. This comes as a result of the frequently horizontal integrations that have occurred the years during the recent years. There is a lack of customer loyalty towards brands/companies within the industry. The fixed costs by operating in the industry are high, and the low product differentiation make it more important to be cost efficient in the areas of production and distribution. The switching costs are low for the *end-consumer* in terms of high availability and selection of the products. However, switching costs for the *direct customers* (supermarkets, retail disks etc) in the aquaculture industry could potentially be high when operating with contract based agreements.
The strategical diversity among competitors are considered as low because of the high product similarity..
Because it is hard to exploit the equipment and knowledge the industry requires, the exit barriers is considered to be high.

28.0 Attractiveness aquaculture industry

We have concluded that *the threat of entrants* is low which indicates high attractiveness, while on the other hand *the threat of substitute products* is considered medium / high something that shows a more unattractive industry. *The bargaining power of buyers* is considered as medium, and by being an industry where the bargaining power of the buyers is low, the industry would have been more attractive. Furthermore, *the bargaining power of suppliers* is low, which is a part of being in an attractive industry.

The risk-profitability of the industry is considered to be ***HIGH*** because the companies can benefit from high profits if they succeed, but do also face equally high risk if failing.

In the light of our analysis, we conclude that the overall attractiveness of the aquaculture industry is *MEDIUM.*

29.0 Development strategy

Competitive Strategies

Differentiation: Recommended

When a company offers a better feature than the firm's rivals and the customer both perceives and values this edge, the firm becomes "exclusive" through its competitive advantage, which in turn leads to a differentiation strategy.

Since Ocean Quality is operating in a market where there exists high product similarity amongst the competitors, a differentiation strategy will be most suitable for Ocean Quality. Hereby increasing the applicabilities of the product and tailor the product to several usage areas. This will be conducted through adding complementary goods to the product that will reduce the preparation time and increase the number of courses where salmon can be a supplement. This will eventually increase the brand awareness for Ocean Quality in the market.

29.1 Development Strategy

Cost leadership: Not recommended

Firms not seeking differentiation can pursue a strategy of being as good as the rest but cheaper. The competitive advantage here is low cost, and the generic strategy is cost leadership.

A cost leadership strategy would not be appropriate for the high-end product Ocean Quality aims to deliver. By delivering the same quality product to a lower price, it would primarily require an increased amount of sales something that may occur in the short-run. A price reduction in the long run could potentially damage the reputation of salmon as a high quality product. This might reduce the customer's willingness to purchase it.

Ocean Quality aims to be the prefered and trusted supplier of seafood, and emphasizes quality in every part of their business. This requires a certain amount of resources and their objectives indicates that it is not enough to be “as good as” their competitors and deliver a cheaper product as *cost leadership* suggests. They should continue to focus their resources and capabilities on maintaining the high quality in every part of their business leading to high performance.

29.2 Development Strategies

Growth Strategies

Market penetration: Recommended

Trying to increase or maintain sales of current products in existing markets.

Ocean Quality has been present in Spain for seven years, and holds a 10% market share in the Spanish market. They should try to build further on this by pursuing market penetration.

There is no doubt that the potential for salmon is significant in Spain. The Spanish consumers associate the Norwegian salmon with quality, which indicates good possibilities for Ocean Quality to target segment groups within the Spanish market. However, due to the fact that the brand awareness is non-existent, Ocean Quality should use more resources on marketing- and promotional activities in order to increase their sales.

29.3 Development Strategies

Product development: Not recommended

Increasing sales by developing new products aimed at current markets.

Since the Spanish consumers perceive the Norwegian salmon as a quality product, proceeding with product development would move the focus away from the core product. Spain is also highly depending on Norwegian salmon, which means that the focus should not be changed away from the core product. Developing new products will also require a large amount of time on R&D and this is resources Ocean Quality rather should use on increasing sales in existing markets.

29.4 Development Strategies

Market development: Not recommended

This strategy implies identifying and developing new market segments for the current product. The objective is to increase the number of users or increase the average quantity used per user.

Ocean Quality should always aim to increase the number of customers in the Spanish market as well as looking for opportunities in new markets. However, a market *development strategy* would mean dedicating resources to gaining experience within new markets which may move the focus away from developing and improving their position in currently profitable markets..

29.5 Development Strategies

Vertical integration: Not recommended

Vertical integration is the merging together of two businesses that are at different stages of the production:

- *Backwards integration - To purchase or merger with suppliers back in the supply value chain in order to improve efficiency and cost savings.*
- *Forward integration - Increase market power by controlling direct distributors.*

The transportation expenses accounts for a great cost when distributing the salmon to Spain. Since the choice of transportation companies is depending on those that offers the best rates, it would not be beneficial for Ocean Quality to pursue a long-lasting deal with a transportation company. In terms of forward integration, the risk attached to heavy, long term investments with Spanish suppliers will be high if the market turns.

Horizontal integration: Not recommended

- *To reinforce competitive position by absorbing or controlling some competitors.*

Horizontal integrations have been an increasing trend within the aquaculture sector the recent years. To pursue this strategy in order to increase competitiveness, the Spanish government will have to approve the acquisitions before it can happen, which may make an acquisition highly time consuming. Another disadvantage would be reduced flexibility in terms of large organizational size and organizational restructuring to integrate the companies

29.6 Development Strategies

Diversification: Not recommended

Enter into new product markets

To pursue this strategy will indicate that Ocean Quality will extend their product-portfolio by offering new types of products that are satisfying the customers needs in new markets. Due to the fact that Ocean Quality seeks to focus on quality in every part of their business, this also implies that they need to continue their work with delivering a product that is perceived as a high quality product in the Spanish market. By extending their product portfolio with other products that are satisfying the markets needs such as other types of seafood, vitamins etc, the reputation of Ocean Quality could be damaged.

An option could have been to increase the product portfolio with other types of “high end” seafood products such as crab, lobster etc. However, this will require a lot of resources, and will change the whole production process to Ocean Quality. It will also require a lot of research regarding what products that are being perceived as high quality products by the Spanish consumers. Another option could have been to focus more on selling trout, but we are not sure if this product is perceived as a high quality product in comparison to salmon.

29.7 Development Strategy

Competitive attitude strategies

Leader: Not recommended

The leaders of the industry pushes forward for innovation and expect the rest to follow. Often do the leaders hold the largest market shares, but in some cases companies act as the leaders through their attitude by pushing for innovation/ disruption of the industry.

Because of Ocean Quality's current position in the Spanish aquaculture industry, we do not see that they have the ability to act as a leader when companies such as Cermaq and Marine Harvest holds large market shares.
By pursuing the position as a market leader you will put your company at risk by dedicating a lot of resources to projects that potentially may not pay off. Ocean Quality can manage to grow and improve their current position within the market without becoming the leader, and instead have an adaptive behaviour.

"It is better to be first in the mind than to be first in the marketplace"

29.8 Development Strategy

Follower: Recommended

A follower is a competitor with modest market share who have an adaptive behaviour by falling into line with competitors decisions. Instead of attacking the leader, these firms pursue a policy of "peaceful coexistence" by adopting the same attitude as the market leader. In some cases they may actually be more profitable than the leaders due to fast copying and lower investments.

The fact is that Ocean Quality holds a strong position as a *follower* as long as they manage to adapt to the trends within the market. By replicating the leaders innovations and developments, and spend resources on the activities that is the most profitable, Ocean Quality would avoid taking to big risks.

As long as Ocean Quality manages to bring distinctive advantages from the leaders into its target market, they will manage to maintain steady growth.

However, we would like to specify that Ocean Quality should aim after obtaining a *leader* position within the field of marketing in the Spanish aquaculture sector. To always be in front and updated on innovative marketing solutions could potentially give Ocean Quality a competitive advantage without challenging the market leader.

29.9 Development Strategy

Challenger: Not recommended

The challenger do not dominate a product market but can choose to either attack the market leader and be its challenger, or become a follower. If a company decide to challenge the leader of the industry, this is considered as an aggressive strategy with an objective of taking over the leader's position.

By pursuing an aggressive strategy like *the challenger*, Ocean Quality would enter a battle that requires a lot of resources and time. We consider lack of brand awareness as a barrier for Ocean Quality to break through in order to become number one in the market.

Niche: Not recommended

Focusing resources on one or two market segments and not the whole market.

Ocean Quality currently benefits from a wide market portfolio within the Spanish market selling to retailers, distributors, fish-markets, restaurants, etc. By only focusing on two market segments and not the whole market, Ocean Quality would limit their revenues from the Spanish market.

A *niche* strategy is considered as a risky strategy which will require Ocean Quality to dedicate a lot of resources in order to acquire deep insight into the potential target groups. However, it is worth mentioning that the profitability could be high if the right segments are targeted.

30.0 Segmentation strategy

Macro segment 1: Definitions of variables

<u>Health focused people:</u>

Benefits

In terms of nutritional content and perceived taste of the product.

Activity level

In terms of what activities you include in your everyday life.

Macro segment 2: Definition of variables

<u>Individuals that seeks to socialise when eating</u>*:*

Social class

In terms of economic success, accumulation of wealth and educational level.

Consumption areas

In terms of where the product is being consumed.

Activity Level / Benefit sought	Lightly Active	Active	Very active
Taste	**Taste Enthusiast:** Seeks good taste experiences and is not considering the nutritional content of food. Looks for the easiest ways of preparing meals, as long as it tastes good. This segment is only active through everyday activities.	**Experiencer:** Open to experiment with new flavours and food combinations and share these with friends and family.	**Active Food Lover:** Sees it as necessary to have a high activity level in order to consume large amounts of tasteful and good food without gaining weight.
Health	**Wannabe:** Keeps up to date with the health trends, but do not put thoughts into action and follow up on them by working out. Takes short cuts and seeks after other alternatives to maintain healthy.	**Everyday-people:** Focused on keeping a regulated diet combined with being active.	**The Activity Seekers:** Maintaining their health through regulated diet as well as new challenges that keeps their activity level to a maximum. This segment eat healthy in order to be able to have an active lifestyle.
Workout (Nutrition, diet, body shape)	**Lazy-nutritionist:** Possess high level of knowledge regarding the nutritional content and the benefits it has, but rarely workout.	**Hobby-workout:** Enjoy being active and seeks the benefits nutritional content provides the body with.	**The Exercisers:** Diet focused individuals who is obsessed with nutritional content and the effect this has on their workout.

Consumption area / Social class	Restaurants / Outside	At home
High	**The Pleasure Seeker:** These people are not price sensitive and eats outside at expensive restaurants to socialize and enjoy gastronomic experiences. Chooses restaurants that has high status and high quality. Choose places to dine based on preferences on exclusivity and not based on price. Seeks "high-end" places.	**The Food Artist:** Buys food at high end grocery stores and markets / retail-disks where fresh, good quality products can be purchased. Invests considerable time and effort in handling and cooking the product. When having guests, this group like to show off their cooking capabilities.
Medium	**The Socializer:** Individuals with medium-wage salary that occasionally eats at restaurants with friends and families, but on an average budget.	**Hobby Chefs:** Buys the food at supermarkets, and occasionally at retail disks. Tries to follow the trends of higher social classes.
Low	**Occasional Outgoer:** Low wage individuals that has a tight budget that only allows them to go out for special occasions.	**The Reasonable:** Buys food at supermarkets, but has a low budget and can only afford the cheapest products. Can rarely afford high-quality products at the supermarket. Seeks after quantity and discounts.

30.2 Choice of Micro Segments

We have chosen to target the two micro segments ***The Activity Seekers*** and ***The Food Artist.*** We see these segments to be highly targetable for Ocean Quality and consider the salmon to be able to cover these needs. By developing the right strategies, and putting the necessary resources into targeting these segments, Spain can potentially be a more profitable market for Ocean Quality.

MS 1 - The Activity Seekers:

There are an increasingly focus on health amongst Spanish people in all ages. Based on the research we have conducted, we consider this trend to continue evolving in the years to come. We have earlier pointed out the high correlation between activity level and focus on nutrition and health, and this is the main reason for this being an attractive segment. By targeting the segment with a nutritious and easily digestible product that fits an active lifestyle, Ocean Quality manage to cover their main needs by providing them with salmon. It is also worth mentioning that this segment is not very price sensitive due to high focus on having a healthy lifestyle. These habits is not easily affected if bad economic times occurs.

30.2 Choice of Micro Segments

<u>MS 2 - The Food Artist:</u>

As pointed out before, 80% of the fish is consumed in Spanish households. This indicates a massive customer portfolio for the supermarkets and retail-disks, and a great potential to reach a high-end segment with a high-end product.

Salmon being a high-end product makes it reasonable to target a segment with a high purchasing power. Quality is an important part of the The Food Artist lifestyle, and is affecting all his purchases. This segment can afford to buy the salmon despite economic fluctuations in the economy, which means steady sales for Ocean Quality even though the average household cannot afford to buy their product.

The Food Artist will also associate serving salmon at dinner parties as something exclusive, and will often put a lot of time and pride into cooking and preparing meals using the salmon. *Word of mouth* will be an important element, since this segment are more likely to share their opinions and thoughts on a product/meal they have spend a lot of time preparing.

31.0 Positioning Strategy

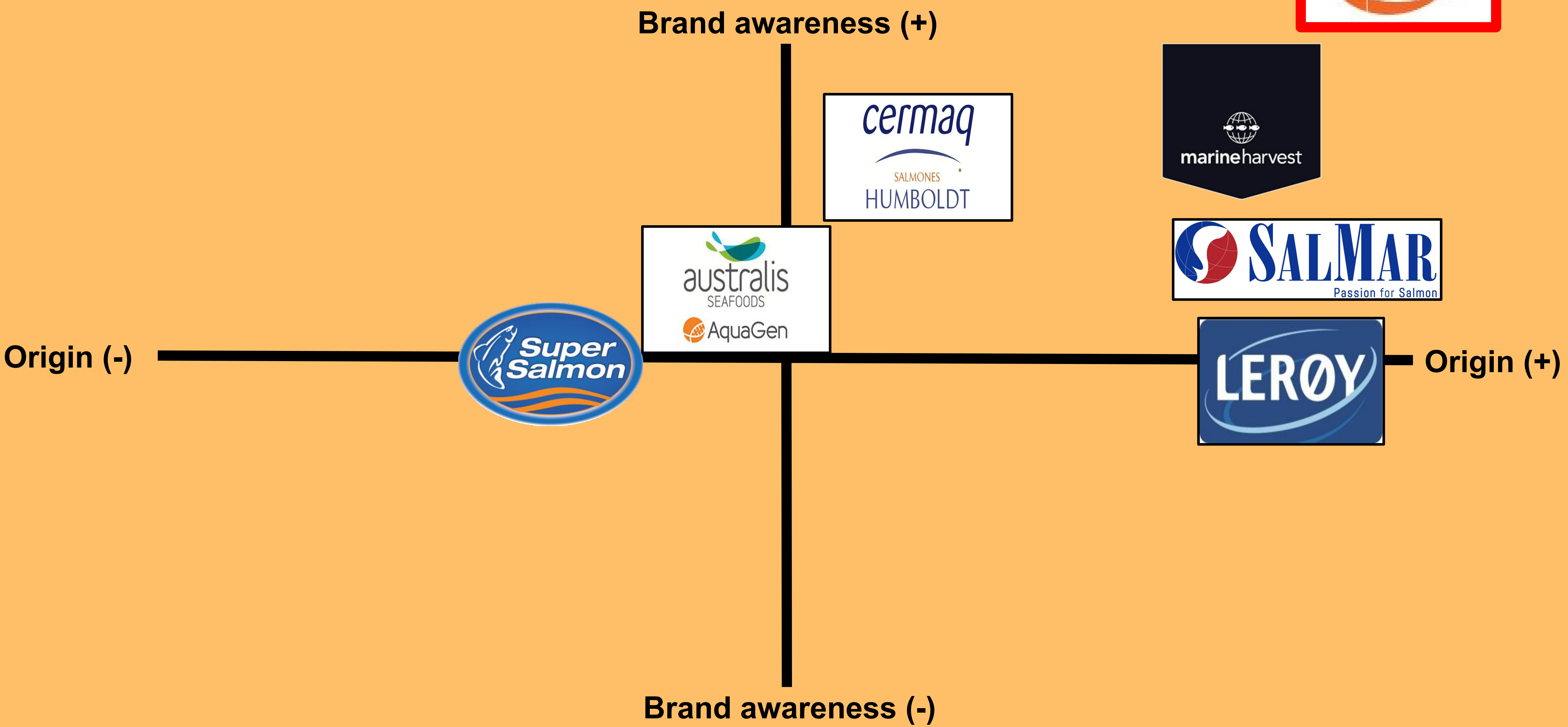
By developing a perceptual map, we wanted to see how the main competitors to Ocean Quality are being perceived by the Spanish market regarding dimensions that is important for the consumers when purchasing and consuming fish. The perceptual map allows Ocean Quality to see where they should focus their resources in order to increase their market share. Based on the primary research and the key success factors to our two macro segments, there were especially two dimensions that came to mind when developing a perceptual map:

Brand awareness *(end-consumer)****:*** The Spanish market lack knowledge regarding the existence of different salmon brands. This is because the majority of the players in the aquaculture sector do not sell directly to the end consumer, but straight to importers, retail disks, restaurants and fish markets. By choosing this dimension, Ocean Quality can get an overview of how they stand relative to other players operating in the market. The dimension *brand awareness* is based upon three different attributes: Low - Medium - High.

Origin: The common assumption regarding Norwegian salmon is high quality. Research conducted by *ilaks.no (2015)* shows that 84% of the salmon consumers in Spain prefers Norwegian salmon because of its reputation as a quality product.
The dimension *origin* is based upon two different attributes: Location and Climate. In terms of locations, high water replacement rate, good water quality, long protected coastlines and enough clean freshwater for smolt production are considered as good incentives for salmon production.
In terms of climate, water temperature between 12,8 - 17.8 degrees celsius and areas that are protected from storms are considered as good incentives for salmon production.

31.1

Perceptual Map



32.0 Marketing Mix

In order to improve sales of Ocean Quality's products to the Spanish market, it is important to choose a suitable marketing strategy. By applying the marketing mix Ocean Quality can pursue its marketing objectives in the segments; *The Activity Seekers* and *The Food Artist*

Product	**Price**
Place	**Promotion**

32.1.1 The Activity Seekers

Product:

The core product to Ocean Quality is the healthy and nutritious benefits of the salmon, and a supplement for a healthy lifestyle. In terms of the actual product, the branding and labeling of the product will focus on healthy values and high activity level.

The activity seekers wants a healthy product that contains a high amount of nutritional content in order for them be able to have an active lifestyle. Regarding usage areas, the activity seekers will use the salmon as a part of dining- and lunching courses and the product will mainly be consumed at home and/or at work.

Pictures and illustrations of activities such as surfing, mountaineering and biking will be a major part of the labeling combined with the logo of Ocean Quality to make the customers more familiar with the brand. It is important that the colors and pictures used is associated with nature and that the labeling manage to communicate the health benefits and nutritional content of interest for this target group (*"rich on omega 3 and proteins"*). This allows the activity seekers to associate the product with themselves and their values.

By focusing the labelling on values that is important for the Activity Seekers, the product will be able to different itself from the competitors.

32.1.2 The Activity Seekers

Place:

The majority of the fish in Spain are sold through supermarkets and by fishmongers at retail disks. This will make it essential for Ocean Quality to distribute their salmon to the most profitable ones

For Ocean Quality it will be essential to use proper distribution channels in order to get closer to the end consumer. Ocean Quality are currently distributing fish to several markets in Spain, who further spreads out the fish in the market. The fish arrives in the shape of big, styrofoam boxes with no labelling. This method is suitable for retail disks in order for them to sell the product in its natural and original form. Nevertheless, in order to achieve a higher brand awareness to the final customer, it will be essential to make a more "finished" product where the labelling will pose a more important part of the product. By distributing a more "processed" product in terms of labelling and packaging that is communicating aspects that is perceived as important for the final consumer, Ocean Quality will be able to differentiate itself from their competitors and increase brand awareness. As mentioned earlier, 47 % percent of the Spanish consumers purchase their fish at supermarkets, which means that the potential is high.
To summarize, Ocean Quality should continue to deliver the fish in same variants to the fish markets as earlier, in order for them to distribute the salmon in its natural way to the retail disk. Processed fish with real packaging and labelling should be distributed directly to supermarkets and their belonging grossist storages.

Ocean Quality should use their sales force to develop arrangements with the most profitable supermarkets.

32.1.3 The Activity Seekers

Price:

We have earlier mentioned that the price level on fish has surpassed the price level on meat, this makes it even more important to target the less price sensitive segments.

The benefit by targeting this segment will be that they are not very price sensitive. The active and healthy lifestyle will neither be easily affected by external factors such as economic downturns or a price drop in various merchandises that not necessarily fulfill the nutritional needs. This is because healthy living pose a major part of their lifestyle and something that they hardly will sacrifice. These factors should all be considered when Ocean Quality is developing a price strategy for their product. In addition, Ocean Quality should aim after pricing their products in the medium or medium / high range in comparison with their direct competitors.

In terms of loyalty discounts, Ocean Quality could potentially offer it directly to the fish markets or the supermarkets. The loyalty scheme could be based on the volume of the purchase and/or perspective of the agreement (long term, short term distribution agreements). When it comes to pricing on the products at retailers and supermarkets this is controlled by each individual place and is hard for Ocean Quality to directly impact.

32.1.4 The Activity Seekers

Promotion:

At this point Norwegian Salmon are mainly being promoted in the Spanish market through campaigning launched by The Norwegian Seafood Council. Other than that, Ocean Quality in particular markets themselves through their presence at fish exhibitions and customers visits.

In other words; It is large potential for creating more brand awareness within the market

<u>Collaborations with athletic brands:</u>
A valid opportunity for Ocean Quality would be to target their segment with their marketing message by creating collaborative agreements with already well established athletic brands. Using brands that Spanish consumers may associate with an active lifestyle is an opportunity to further reach out to this target group.

<u>Increase presence at different platforms:</u>
For Ocean Quality it is essential to promote the salmon through communication channels where the activity seekers are present, such as adventure events, social media and in outdoor magazines. When activity seekers can familiarize their lifestyle with Ocean Quality`s salmon, they will most likely be able to try it.
The power of social media is neither to be underestimated. Blogs- and Instagram accounts obtain large groups of followers and reach out to millions of people with their message. By promoting the salmon through content marketing using famous Spanish bloggers/ instagrammers who reach out to active- and health focused individuals, Ocean Quality can easily attract a new set of customers with high willingness to try the product.

32.2.1 The Food Artist

Product:

The core product Ocean Quality provides this segment with will be pleasure and exclusivity in terms of good food experiences and a quality product. The actual product will represent high perceived quality and exclusivity in the branding and labeling.

The food artists seeks good food experiences and the possibility to work with quality raw materials in order to cook and serve high quality meals. The courses are typically consumed in social settings when dining with friends and family. The food artists may want to impress by serving something with high perceived quality and provide the guests with a pleasant experience.

Since Norwegian salmon is considered to be a high quality product amongst Spanish consumers, an important element will be to include the colors of the Norwegian flag in the labeling. This way Ocean Quality's products will manage to stand out in the freezer counter where there currently exists low product differentiation. We know for a fact that a lot of Spanish supermarkets such as Dia, Mercadona and Carrefour are using “Norwegian Salmon” labeled at the packing of their own products in order to add exclusivity to their products.

An another important aspect that will add value to the labelling and the product itself is to communicate the quality farming environments in Norway, and the highly regulated procedures in the production of fish leading to a high quality product. *The food artists* value the story behind the product and all the elements leading up to the exclusive product.

32.2.1 The Food Artist

The labelling should also be characterized by delicious pictures of salmon in different variants.

When targeting *the food artists,* we also recommend Ocean Quality to bundle the salmon with complementary products such as marinades, sauces, herbs, spice mixes, as well as gourmet recipes. This will increase the applicability of the product and create more value for *the food artist* in terms of good and diverse food experiences.

This is example illustrates how the Ocean Quality logo could be labelled at the packaging.

32.2.2 The Food Artist

Place:

Since *The Food Artists* seeks after quality and freshness in the raw materials, these customers will naturally look into grocery stores that offer this type of products. This could potentially be retail disks and high-end supermarkets.

The distribution process itself will be no different for the *The Food Artist* than the *The Activity Seekers*. However, Ocean Quality should try to obtain agreements with more high-end supermarkets instead of supermarkets that is considered as more budget supermarkets. Supermercado El Corte Inglés could be an alternative, and will potentially be the most natural place for *The Food Artist* to purchase its groceries.

32.2.3 The Food Artist

Price:

The Food Artist has high willingness to pay for products that is considered as expensive for other target groups. The majority of the individuals within the target group has an income above average.

This target is even less price sensitive than the *The Activity Seekers* and has no problem with paying more in order to get the high quality products that they desire. The benefit of targeting this group is that they can cope with an increase in price, and will not be affected by any external factors such as economic downturns. This is because they pursues quality in all aspects of living.
Gastronomy as a hobby or a lifestyle is obviously very expensive to engage in and we believe that Ocean Quality should pursue a medium/high pricing on their products in comparison to the direct competitors in the market.

When it comes to the discount this will be the same as mentioned for *The Activity Seekers*:
In terms of loyalty discounts, Ocean Quality could potentially offer it directly to the fish markets or the supermarkets. The loyalty scheme could be based on the volume of the purchase and/or perspective of the agreement (long term, short term distribution agreements). When it comes to pricing on the products at retailers and supermarkets this is controlled by each individual place and is hard for Ocean Quality to directly impact.

32.2.4 The Food Artist

Promotion:

As mentioned in the promotion section regarding micro segment 1, the Norwegian Salmon are mainly being promoted in the Spanish market through campaigns launched by The Norwegian Seafood Council. Other than that, Ocean Quality in particular markets themselves through their presence at fish exhibitions and customers visits.

A valuable option could be launching a campaign where Ocean Quality collaborates with a well known chef within the Spanish cooking industry, such as Ferran Adriá, that is ideal to communicate the quality out to the consumers. By doing this the customers can better familiarize themselves with the product.

By publishing various salmon courses in gourmet magazines Ocean Quality can reach out to its target group. This segment aims to be educated and to increase their knowledge about food and is typically readers of such magazine in order to be inspired.

The Food Artist are also likely to attend high-end food exhibitions so for Ocean Quality it is important to be present at these events.

33.0 Comments on Estimated Budget

It is worth mentioning that since Ocean Quality previously not have delegated marketing resources into promoting their products in Spain this will be a new expense that will require some financial backing. Although the costs related to the activities performed at events already exists to some extent through their presence at fish exhibitions.

The expenses related to the complementary products will highly depend on to what extent Ocean Quality develop an own product-portfolio with these types of products. The budget estimates are based on developing some basic products.

It is important to remember that the labeling processes that are being implemented will be a long term investment where the cost will decrease as the experience level increases, and also a process that potentially can benefit other markets as well.

33.1 Budget

Action	How	Cost (€) Year 1	Cost (€) Year 3-5
Product Labeling	Adapting product labeling to the preferences of segments targeted.	€25.000	€5.000 (each year)
Complementary Products (Focused towards micro segment 2: The Food Artist)	Bundling with complementary products and recipes.	Not able to estimate cost.	Not able to estimate cost.

Promotion towards the segments:	Marketing expenses used towards the Spanish market	<u>€50.000:</u>	
- *The Activity Seekers*	Outdoor Magazines: Campaigning at events: Social Media (content marketing): Athletic brands:	€2.000 €20.000 €1.000 €1.000	Not able to estimate cost.
- *The Food Artist*	Campaigning with chefs (Ferran Adria): Food exhibitions: Gourmet Magazines:	€25.000 €10.000 €2.000	Not able to estimate cost.

34.0 Conclusion

The thesis conducted were aiming to answer the problem definition: ***"Which segments in the Spanish market should Ocean Quality target"***.

After completing the research and analysis, we ended up with two segments with a great potential for Ocean Quality to target: ***The Activity Seeker*** and ***The Food Artist.***

The main thing Ocean Quality should do in order to increase sales in the Spanish market is to create brand awareness. They should start by evaluating their current way of distributing the salmon to Spain, and potentially make some changes that will streamline the distribution process. Because of the lack of brand awareness in the Spanish market, it will be essential for Ocean Quality to get closer to the end-consumers. This will imply distributing their salmon straight to the most profitable outlets, in terms of supermarkets and retail disks.

Ocean Quality needs to focus more on product design and labeling in order to differentiate themselves in the market, and to get noticed by the consumers. By communicating the values that is considered as important among the two target groups, the consumers will most likely associate the brand with themselves.

As a result of the ongoing economic recovery in Spain, it is also important that Ocean Quality adapts to changes in consumer habits. The restaurants may account for a bigger part of the fish consumption in the years to come, which will make it important for Ocean Quality to be able to supply the most proftable ones with their product.

References

- **Spanish food industry figuers**
  https://atradiuscollections.com/reports/market-monitor---focus-on-the-food-industry---spain.html
- **Spanish aquaculture sector**
  http://www.eurofish.dk/index.php/member-countries/spain
- **Fish letter**
  http://www.sjomatalliansen.no/rammeverket-for-handelen-med-sjomat-til-eu/
- **Biotechnology**
  http://studenttheses.cbs.dk/bitstream/handle/10417/5159/%C3%B8yvind_eikeland_og_leif_audun_s%C3%B8rensen.pdf?sequence=1
- **Political Regulation (PESTEL)**
  http://britishseafishing.co.uk/conservation/common-fisheries-policy-cfp/
- **Legislation Overview (PESTEL)**
  http://www.fao.org/fishery/legalframework/nalo_spain/en#tcNB0019
- **Competitors in the industry**
  http://ilaks.no/dette-er-de-20-storste-oppdrettsselskapene-i-verden/
- **Unemployment numbers**
  http://www.tradingeconomics.com/spain/youth-unemployment-rate
- **Salmar company information**
  http://www.salmar.no/en/about-salmar

References

- **Norwegian salmon reputation in Spain**
  http://ilaks.no/spanjolene-vil-ha-mer-salmon-noruego/
- **Ocean Quality Profile**
  http://www.oceanquality.com/uploads/OQ_Brochure_Dec2015_web.pdf
- **Financial Figuers Ocean Quality**
  https://www.proff.no/selskap/ocean-quality-as/bergen/fisk-og-skalldyr/Z0I4KYGL/
- **Regulations EU (TAC)**
  https://ec.europa.eu/fisheries/cfp/fishing_rules/tacs_en
- **Competior information**
  https://www.cermaq.com/wps/wcm/connect/cermaq-cl/home
- **Competitor information**
  https://www.seafoodsource.com/news/aquaculture/mitsubishi-merges-salmones-humboldt-into-cermaq-chile