

The UK Seafood Network – recent developments and the role of Norwegian exporters

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Abstract

Based on data collection¹ undertaken in the UK, together with secondary data sources, we use what we call a marketing network framework to trace an empirical route from the consumer to fish entering the UK. As we chart the characteristics of this marketing network, we note that significant changes have taken place during the past five years or so and consider how have altered the way in which the network functions. To emphasise the change, we focus on the retailer route that fish take to reach the consumer. The changes provide valuable clues as to how export nations, such as Norway, can continue to maintain and/or develop their role within the UK's seafood marketing network. We also consider what may or may not be seen if a more traditional marketing perspective had been taken. We believe that the network approach allows us to see how consolidation in the UK marketing network is creating the need for these larger actors to develop relationships. Understanding this enables policymakers to respond accordingly.

Keywords: marketing network, actor, interaction, fish

¹Key actors from the fish market to secondary fish processors were identified and interviewed using an interview guide which enabled us to cover the same topics with each participant.


Introduction

Seafood is a significant export for Norway, together with oil and shipping. Therefore, it is of interest to study how those companies that export fish are reflected in international markets because success there creates the basis for an important part of the Norwegian economy. One interesting seafood market is the UK. For Norway and its fish export, the UK represents the fifth (based on revenue) most important export country (EFF 2005 export report). Given that Norway exports fish to approximately 150 countries (EFF årsmelding 2004), Britain is clearly an important destination for Norwegian caught fish, especially shell- and whitefish. However, if a Norwegian exporter wants to sell its products there, it is not just a matter of getting the products to the country and expecting them to be sold. Such an organisation must utilise and be a part of the network that markets seafood in UK, which we call the 'marketing network' and explain later in this section. What becomes key then is what the UK seafood marketing network looks like. Who are the main actors and how are they related to each other? Getting a picture of this network, as well as trying to attain a significant position within it, is vital for a Norwegian exporter. To do this, it is necessary to ascertain how the network has developed during the past few years. What are the main forces behind the development and how central have different actors been in terms of instigating and driving these changes through?

In this paper, we describe and analyse the characteristics of and recent changes in the UK seafood marketing network. Our research issues are thus as follows:

- a) What are the characteristics of the UK network in terms of main actors, their resources, activities and their relationships?
- b) What have been the main changes in the network during the past few years?
- c) What role(s) do Norwegian companies play in the development of the UK marketing network?

The marketing network

Based on the premise that a Norwegian seafood exporter² wants to sell its products in the UK, we define the marketing network as the interface between the production and consumption of economic goods and services related to seafood. This interface lies at the heart of all marketing analysis: "[a] concept of marketing in its widest sense, therefore, **is any activity which actualizes the potential market relationship between the makers and the users of economic goods and services.**" (McInnes 1964 p57, emphasis in original). This describes our starting point. The 'market relationship' referred to here is mainly focused on that which occurs between the producers and users of white fish. This market relationship comprises institutional structures and processes and numerous actors all of which are weaved together to form an intricate and changing pattern. These interrelated actors carry out different activities, utilise different resources, and are linked to one another by the institutionalised structures that are being created and changed through interaction (Håkansson 1982; Håkansson & Snehota 1989/1995; Håkansson, Harrison & Waluszewski 2004). Thus, the interactions that take place between actors, from the moment fish arrive in the UK to the moment they are purchased by shoppers in the supermarket, can be analysed as elements in a network.  No single actor has control over the network but it can simultaneously exert influence to a certain degree and be influenced. Networks, therefore, are inherently paradoxical (Håkansson & Ford 2002). Within such a structure, marketing activities cannot be viewed to be a matter of controlling and managing initiatives directed towards the 'market'. They have to be seen as actions that occur between organisations during the buying-selling, producing-using, cooperation and networking activities (Håkansson & Prenkert 2004; Håkansson & Waluszewski 2002). In other words, to link consumption and production in an economically feasible way within a network is the result of all interactions that take place between involved actors.

insert figure 1 about here

The interface between production and consumption (figure 1) is what McInnes calls the potential market relationship between the makers and users of economic goods and services, which we

² Throughout this paper, 'exporter' and 'producer' are used interchangeably

conceptualise as a network. The marketing network comprises instances of both production and consumption, although the relative shares vary within the network. Not all actors in the marketing network view fish as a central resource. For the grocery retailers, fish is just one category in an array of thousands, which compete for space in the supermarket and ultimately create the assortment of items on offer to the consumer. This is, of course, more closely aligned with a consumer's shopping basket, which normally contains many different products, of which fish may be one. However, for secondary processors, which have specialised in the production of fish and fish products, fish is a vital resource. Here, the importance of fish is much more in line with the way it is perceived by the producers.

Another interesting aspect of this framework is that the marketing network comprises certain combinations of actors, resources and activities, which are the conceptual building blocks of business relationships. The substance of the relationships can be described as bonds between actors, ties between resources, and links between activities³ (Håkansson & Johanson 1992). Combinations of actors, resources and activities alter depending on how and in what form the fish is presented to the consumer. The simplest and most direct example would be a consumer buying fish from a trawler. A much more elaborate combination could involve a trawler selling fish to a primary processor, which performs certain simple production activities before exporting the fish to a secondary processor in the UK, which in turn adds value to the filleted fish in the form of a ready meal, which is packaged and transported to a supermarket, where the product is placed in a chiller cabinet and bought by the consumer. With regard to volumes, this latter description more or less dominates in the UK, as is shown later. However, these examples suggest that there are many possible routes from production to consumption. In addition, the marketing network's structure and processes determine what features of the fish are used and what products the consumer receives.

Research approach

Our standpoint is one of seeing markets as networks. This is no trivial differentiation and is returned to at the end of the paper. More importantly, it also affects the way we design the investigation. Using Miles and Huberman's (1994) terminology, we have a rather tight design in that we use a certain theoretical approach to bound our data. To identify the UK seafood marketing network and to uncover its characteristics, we adopted a case study design (Araujo & Dubois 2004), where interviews were the primary data collection tool. Secondary data were also used. We used this design because it allowed us to explore contextual conditions and because the marketing network is characterised by significant complexity. Furthermore, we also wanted to understand developments that had unfolded over time.

network, individual actors are important, especially those with central roles. Prior to the data collection, a pre-study was undertaken to identify key actors. The main study comprised face-to-face interviews with these companies. The interviews were semi-structured and, with the aid of the interview guide we developed, we systematically covered the following themes:

- Identification of important customers, how they are treated and the type of interaction that goes on between the actors
- Identification of important suppliers, how they are used and the type of interaction that goes on between the actors
- The perception of UK consumers
- The way central activities are performed and the use of main resources by the central actors
- The way these activities, resources and interaction patterns have changed over the past few years

The data collection took place over a concentrated period of time and each respondent held a central position in the participating companies. Our approach determined the type of questions asked and, thus, the pictures seen. None of the respondents were asked to answer the questions in a specific way. The interviews were transcribed and content analysed to uncover the network's dominant players, its main characteristics and recent developments.

One of the challenges associated with this research approach relates to how one defines the focal network and establishes the investigation's start point. The network extends in many directions and

³This conceptualisation is sometimes referred to as the "ARA model" of business relationships.

can be delineated in many ways depending on the purpose of the study (Prenekert & Hallen - in press). For us, the UK seafood marketing network comprises the interrelated actors who carry out different activities, utilise different resources, and who are linked to one another by the institutionalised structures being created and changed through interaction in relation to the production and consumption of seafood in the UK.

What follows is our analysis of the UK marketing network, starting with the consumer and ending with how fish enters Britain. This is based on the descriptions we obtained from our interviewees and further supplemented by secondary data. Implications based on the analysis are discussed at the end of the chapter.

What the consumer gets: from raw material to finished product⁴

The average Briton eats approximately 22kg of fish each year (Seafish 2003). Based on Keynote's (Fish and Fish Products 2004) categories of fish, this can be broken down further as 8.5kg fresh/chilled fish, 8kg frozen fish and 5.5kg canned⁵ fish. What is missing from these figures is a clear breakdown of where consumers obtain fish. One reason for this is believed to stem from the large but fragmented fish and chip sector, which is thus difficult to quantify with any precision. Plus a significant quantity of fish reaches consumers via institutions such as hospitals, schools, prisons and so on. We concentrate of the retail route to the consumer.

Over the past five years, UK consumer spending on fresh/chilled fish products has increased annually by about five percent. TNS Superpanel indicates that this trend is strengthening, reporting a nine percent increase year on year in August 2005. Frozen fish products remain static or even show a slight decline in sales, according to TNS Superpanel. The reason given for this is that British consumers have become jaded by meat-related health scares, which occurred during the 1990s, and have looked to other 'safer' or 'healthier' sources of protein – fish being an obvious benefactor of this. The preference for chilled or fresh fish stems, for the most part, from more attractive presentation. Research undertaken by the Sea Fish Industry Authority (Seafish) shows that British consumers have a relatively negative view of frozen fish which appears to relate to a lack of understanding. Interestingly, however, frozen fish fingers remain the nation's most popular fish product! Determining what the consumer wants is not an easy process and perhaps, therefore, it is a matter of what the consumer gets rather than the other way round.

From the marketing network's perspective, many of the actors we spoke to agreed that the grocery multiples (supermarket chains) were responsible for driving up quality throughout the value chain to ensure an improved consumer product. Better logistics and transportation, amongst others, are seen as key enablers. This has come about largely because extended shelf life for fish is crucial, if the most value possible is to be wrought from a chilled product that deteriorates more quickly than other meats.

According to Seafish (2003), the average Briton buys on sight. If the fish or fish product looks good, a shopper is likely to buy it. In a study which considered the possibility of the generic promotion of Scottish salmon, Seafish shows that price and appearance were the key decision making factors when buying seafood, while country of origin was ranked as the least important attribute. If traceability of fish were a major consumer concern, it is probable that more UK shoppers would be concerned about knowing where the fish was caught. Unilever undertook some research to ascertain consumer awareness of a quality mark, the Marine Stewardship Certificate (see also the processor section), which signals fish caught by environmentally friendly methods, and discovered that after a period of almost 10 years, only seven percent of consumers recognised the significance of the stamp. Of course, there may be many reasons why the certificate is not more widely known, but the indication seems to be that Britain has a large number of indifferent fish eaters. For those tasked with the

⁴Data in this section were obtained through interviews with four different types of industry organisations: Seafish, North-East Lincolnshire Economic Development Council, National Fish Friers Federation and Grimsby Fish Merchants Association. Unilever is also included. Furthermore, UK consumers formed an important discussion point in all interviews. Secondary data were also used from several sources. These sources are referred to in the text when invoked to support our findings.

⁵ This study does not consider canned fish.

implementation of generic marketing campaigns to promote regionality or country of origin, it appears that the British consumer cannot be easily influenced – at least not by these purely market-based activities. However, that is not to say that Britain does not provide an attractive market with consumers willing to spend significant amounts of money on safe, healthy food products.

The Supermarkets: a restructuring force⁶

We have suggested above that the consumer tends to get the products that supermarkets want to sell. This comes about from the structure and processes of the marketing network. Particularly dominant are the UK's large grocery multiples and we consider them as a means of understanding these structuring processes in the network.

In 30 years, grocery retailing in the UK has gone from being dictated to by its suppliers to becoming the dictators. Thanks to massive consolidation, the four largest supermarket chains⁷ now account for almost 75 percent of UK's total grocery volume. Mirroring this development, similar restructuring has been going on elsewhere in the marketing network. Traditionally, fish entering the UK have come from relatively small suppliers before being passed through a number of local and regional distributors and wholesalers on their way to the retail outlets. Today's picture looks quite different. Now large commercial actors, such as Young's Bluecrest, Unilever, Coldwater Seafood and SIF⁸ handle the lion's share of volume going to the multiples. Those distributors and wholesalers that used to dominate supply to retail survive as suppliers to restaurants, catering firms and the omnipresent fish and chip shops.

The rise of the 'Big Four'

To understand the magnitude of change in British grocery retailing, we need to go back to the 1950s. After World War II, only 20 percent of the retail share was going through 'chains' that owned 10 or more stores. However, by the early 70s, this share (the chains now much larger in size) had risen to about 45 percent and, in the following decade, the combined market share of the ten largest multiples had climbed above 60 percent. Today, the four largest chains are more powerful than ever. Tesco has been number one for the past ten years, with a substantial share of the market. Asda, which is owned by US retail giant WalMart, comes second while erstwhile leader Sainsbury's claims third place. Morrisons, which took over Safeway in 2003, follows in fourth place. The effect of this concentration has been studied by several researchers, and the shift in power to the retailers has undoubtedly resulted in the restructuring of the supply side. The rest of this section considers this effect.

The structuring forces of grocery retail

What forces have the grocery retailers introduced to bring about the transformation of the supply structure? Based on the supplier interviews we undertook, we can identify at least three. The first and most obvious force is the drive for lower costs. When applied to suppliers, this force creates pressure on the supply structure to minimise costs where possible – the realisation of economies of scale through larger business units and greater volumes being a prominent strategy. As such, the grocery retailers have had a sort of concentration effect in the marketing network.

The second force is the search for stable and predictable supplies. Stability and predictability in business networks increases the ability to plan, thus reducing waste in both processing and retailing. Also, to match the expectations of today's consumers, retailers need suppliers to provide the required goods in consistent volumes, at a consistent quality and at any time of the year. For wild catch seafood suppliers, this is a major departure from the traditional logic of fish retail, where once they were the ones who determined what was offered when. The need for stability and predictability leads

⁶ Data in this section were obtained through interviews with four larger secondary processors, as well as primary processors and importers. Furthermore, secondary data from several sources were used. These sources are referred to in the text when invoked to support our findings.

⁷ Tesco 30,3%, Asda 16,7%, Sainsbury's 15,6%, Morrisons 11,4%. (Source: www.sharecast.com, October 2005.)

⁸ Since the data collection for this study, SIF has changed its name to Alfesca (www.alfesca.com).

to the need for greater certainty between the involved actors. This can often be achieved through closer business relationships. The emphasis placed on quality, which is achieved through food safety measures such as the introduction of traceability, improved transportation and so on, could only have been brought about through the concerted efforts of the actors involved. The overall effect has been a shift away from the traditional structure of importer-agent-fishmarket-distributor to a structure dominated by highly integrated actors taking in the whole chain of activities from sourcing to distribution.

The third transformation force stems from the supermarket's ability to increase the overall demand for seafood. By rethinking the presentation and marketing of seafood products, consumer demand has been increased. Although prawn-based dishes have been popular for some time, other fish species are relative newcomers to the ready meal product category, which contributes greatly to the growth of the chilled fish sector. All this leads to greater demand for quality seafood, which enhances value at all levels of the marketing network and the producers also feel this knock-on effect. By creating new, steady demand for goods, the retailer route to the consumer is understandably tempting for the supplier. Thus, the grocery multiples can be seen to have had considerable influence on both the consumer and the supply side.

The Processors: adding value to fish⁹

As touched on above, the processing industry is dominated by the large, highly specialised value adding seafood manufacturers (also known as secondary processors), such as Young's Bluecrest, Coldwater Seafood and Lyons Seafoods. Unilever is also prominent because of the large seafood element in its product range but it should be noted that its Birds Eye brand includes a wide variety of frozen food products, not just fish.

A large food-processing cluster can be found around the Humberside area, which includes the cities of Grimsby and Hull. Approximately half these processors specialise in seafood manufacturing. There is considerable diversity amongst the seafood processors, with some doing very little in the way of value adding, while others do a great deal. According to UK classification, seafood manufacturers are categorized into three main groups: primary processors, which change the physical dimension of the fish (cutting, filleting etc); secondary processors, which add value to the fish¹⁰ (coating, smoking, using it as an ingredient etc); and mixed processors, which carry out both primary and secondary activities. Since much of the fish imported into the UK has been processed to a certain degree (eg frozen fillets), primary processors are in decline (Seafish 2005).

Primary processors still tend to buy a large amount of their fish from the traditional fish market (42 percent of the volume), while only 27 percent is purchased direct from vessels and approximately 25 percent is sourced through direct imports¹¹. Secondary processors, on the other hand, source 70 percent of their raw material through direct imports. Mixed processors rely on fish bought directly from vessels, which accounts for 44 percent of their purchases (Seafish 2005).

The variation in the quantities also hints at the marketing network's development. One general trend is that the larger processors are trying to develop closer relationships with the suppliers of fish. This comes about as a result of the structure described earlier, where the exporters of fish are becoming more closely connected with their marketing network counterparts. One reason for this development is the increased demand placed on the secondary processors by their main customers, the large grocery retailers, which on average account for 70 percent of secondary processing sales (Seafish 2005). This has led to another phenomenon in that most of the large processors produce almost entirely for one supermarket chain. Only one leading seafood processor, Young's Bluecrest, supplies more or less evenly to all the leading multiples. The company also has a number of well-recognised seafood brands and this may have something to do with its more balanced customer base. However,

⁹ Data in this section were obtained through interviews with three primary processors, four secondary processors, three importers/distributors, together with secondary data from several sources. These sources are referred to in the text when invoked to support our findings.

¹⁰ Freezing is also considered to be a secondary process, which means that some secondary processors are really more like primary processors.

¹¹ Also referred to as direct supply agreements with the producers.

another feature of the changing times is that the firm's brands now only account for 25 percent of sales, while the main revenue stream comes from the production of supermarket own labels.

Unilever has a strong presence in the frozen seafood category thanks to its 40 year old brand, Birds Eye. The humble fish finger was Birds Eye's first product and it has been a firm favourite amongst UK households since that time. The conglomerate is still 'big' in seafood terms, with the organisation being reputed to buy half the total market for frozen blocks of fish and is the largest buyer of white fish in Europe. Rather than teaming up with a particular retailer, as those with less distinct images seem to have done, Unilever tries to have a more balanced relationship with the retailers, as it wants to sell through all of them. The company has also tried to develop supplier relationships in a more structured way. During the mid-1990s, Unilever and WWF jointly developed the ¹²Marine Stewardship Certificate (MSC), which is awarded to producers that can demonstrate that their fish is caught through responsible fishing. The aim was that all suppliers used by Unilever would be certified by 2005 but so far the interest has not been sufficiently high to fulfil this ambition, although Canadian producers have been more progressive in this area. Although disappointing, it is the lacklustre consumer response which surprises Unilever most. It seems that there may be some disparity between the consumer's concern about traceability and the retailer's determination that traceability should be a major consumer concern.

The fast-growing chilled sector has affected production facilities and logistics. Since 2003, the Icelandic seafood processors have been noticeably acquisitive, focusing particularly on manufacturing facilities that specialise in chilled production. During this period, Coldwater Seafood has purchased Seachill and Cavaghan & Gray, with the former having a very close supply arrangement with Tesco, while SIF has acquired Lyons Seafoods, a specialist shellfish processor which sells mainly to Sainsbury's.

The presence of Norwegian processors is evident in this part of the marketing network. Direct supply agreements are the main way in which Norwegian fish enters the UK. However, Norway's exporters are not as visible as they once were and our data indicate that the change has been quite substantial since the late 90s/early 00s. Smaller primary processors, which take smaller volumes of mostly unprocessed fresh fish, cannot cope with the fixed price agreement favoured by the Norwegians. Because they don't deal in huge volumes of fish, a tight margin is not economically viable, and so buying on the spot market is more suited to their businesses, particularly when certain species become plentiful and prices are low. Small secondary processors usually buy direct only when volumes of fresh fish cannot be sourced from the market.

Those large secondary processors, which can commit to the fixed pricing agreement and who in fact desire stable, long term supply arrangements with the suppliers of their most important raw material, also have problems with Norwegian exporters. Everything from inconsistent quality and quantities, to poor service and underhand dealings were cited as problematic. Two leading seafood manufacturers stated that volumes from Norwegian suppliers had halved or virtually disappeared during the past five years.

In summary, this part of the marketing network is dominated by a few large processors, which account for substantial parts of the total flow of fish to the retailers. In addition, this is supplemented by a larger number of small companies, which service the fish frier¹³ trade and other food service sectors. There is an increased specialisation, as well as restructuring towards heavier (closer/more important) relationships between the large secondary processors and the large supermarket chains.

The Fish Market: a distribution centre?¹⁴

¹² MSC is now completely independent.

¹³ Generic term for those owning fish and chip shops

¹⁴ Data in this section were obtained through interviews with one agent, one secondary processor, three primary processors/distributors, two interviews with the management of Grimsby Fish Market, as well as with the Grimsby Fish Merchant's Association and the North East Lincolnshire Economic Development Council. Some secondary data was also used.

Although the fish market tends to cater primarily for those supplying fish and chip shops, it is interesting to include in this discussion because it spotlights the indirect effects powerful structuring forces can have even though they occur elsewhere in the network. It also focuses attention on Norway's absence in this picture and Iceland's dominance, which is noteworthy from the standpoint of Iceland's rise as a major exporter of fish to the UK.

Grimsby Fish Market

Only a tiny amount (less than 10 percent) of what goes through the auction is actually landed dockside: trawlers off-loading fish is a thing of the past. The harbourside location, therefore, is no longer important since overland transport is now the main method of getting fish to the market. Icelandic fish are usually docked at nearby Immingham before being trucked to Grimsby, while Danish fish, for example, are driven up from south east England.

Grimsby Fish Market (GFM) is open five days a week, Monday to Friday. Monday is the busiest day due to the amount of fish that has arrived over the weekend. All types of fish are sold on the market but the dominant species are cod and haddock, which are always the first to be auctioned. The auction begins at 7am and ends around 8 or 9am depending on the amount of fish to be sold. By 11am the same day, the hall is completely clear and has been washed down in readiness for the next auction. There are buyers for all qualities and species of fish, so it is rare that anything is left unsold. Anything from between 1000 and 6000 x 40kg boxes of fish can be sold during a single auction. To put these 21st century quantities into context, one only has to go back to the mid-1970s to see that between 20-25,000 boxes of fish were being shifted on a daily basis to realise just how much times have changed. This decrease is in part linked to reduced quotas, but the direct supply arrangements are also responsible.

Fish to market

Last year, an estimated 30,000 tonnes of fresh fish (not including shellfish) were sold on GFM. This approximates to about one third of all the fresh fish that comes into Grimsby. Iceland accounts two thirds of this volume, while a further 15-20 percent comes from the Faroe Islands. The rest comes mainly from Denmark, with a little from Belgium, Holland and Scotland. The obvious question is where is Norway?

Norwegian exporters are present when we discuss the secondary processors but they are virtually non-existent here. This is because Norwegian suppliers have chosen to deal with customers directly. In fact, the only time GFM gets Norwegian fish is when a direct supply customer has rejected a delivery, for whatever reasons, and the supplier has resorted to the spot market as a means of getting something for the stock. However, by the time such batches arrive on the market, they are usually in poor condition and receive a correspondingly low price. Some Norwegian fish also arrive via Danish transporters.

From this description, GFM seems more like a collection point for fresh fish from Iceland rather than the market its name suggests. Fish sold on the market must go through an authorised agent. Agents don't actually buy the fish but they are responsible for placing and selling them on the market. Iceland dominates here too, with the two leading agents being Icebrit and Iceberg (both Icelandic). A third large agent is a Danish/British concern called JBA. Nearby Hull fish market is run more or less as an Icelandic concern, with most of the fish coming from Iceland and Icebrit running the show. The actors who use Grimsby Fish Market would prefer an increased presence from Norway in a bid to prevent Grimsby going the same way as Hull.

Buying fish

Grimsby Fish Market still attracts what interviewees termed a reasonable concentration of buyers (c.100), although this is far fewer than even ten years ago. Most of those buying on the market are relatively small operations of between three to ten people. The medium and large buying enterprises are represented, with the likes of Superior Seafood and Seachill, and Young's Bluecrest respectively, but these concerns use the spot market less and less these days due to use of direct supply agreements. Young's Bluecrest only buys from the market if regular suppliers have not been able to

meet its requirements. All buyers must be members of the Grimsby Fish Merchants Association (GFMA) before they can buy on the market.

Interviewees remarked that the quality of the fish on Grimsby Fish Market had improved dramatically during the past five years. Improved containerisation, which is particularly associated with Icelandic fish, has meant that fish is actually fresher and in better condition on arrival. This is important for extending shelf life. When buyers refer to quality they take into account the freshness of the fish, its anticipated yield and the accuracy of the grading. When all three are optimal, fish on the market fetch “very good prices”. The buyers, just like consumers, buy on looks. However, unlike consumers, the buyers have spent years developing this expertise. It is estimated that 15 percent of a fish’s live weight is lost through the primary processes of boning, gutting, heading and tailing, skinning, and filleting, therefore the greater the amount of flesh on a fish the better.

While GFM continues to play an important local role, albeit as more of a distribution centre than a market, the restructuring forces of the retailer route to the consumer are evidenced to be taking their toll. The decreasing volume of fish is certainly linked to this. How long it continues to survive as part of the marketing network remains to be seen.

Imported Fish: entry into the UK marketing network¹⁵

Although the UK fleet still catches a reasonable quantity of fish, Britain has become a net importer of fish since the late 1990s (DEFRA 2005) and is now considered to be the world’s seventh largest importer of fish (EFF 2004). We concentrate on imported whitefish.

Approximately 75 percent of imported fish arrive in some kind of preserved or processed form, e.g. frozen fillets. Fresh or chilled imports account for 25 percent and this could grow if the trend for chilled convenience foods continues to strengthen. See table 1 for total imported fish breakdown.

Insert table 1 about here

Based on 2004 figures, just over half a million tonnes of whitefish are imported into the UK (DEFRA 2005). Cod and haddock are the most commercially significant species and together they account for almost 250 million tonnes, with the split roughly two-thirds and one-third respectively. Other whitefish species popular in the UK include hake, halibut, plaice, saithe, sole and whiting, which make up the remainder of this category. Iceland accounts for 25 percent of all imported whitefish. The EU countries combined account for a further 25 percent, while the Faroe Islands take 20 percent. Norway is responsible for only five percent of this volume. Taking the frozen [whitefish] fillet volume, we see that Iceland and Norway together account for 32 percent, while the EU countries account for 31 percent. China shows up strongly here, with 16 percent of imported frozen fillets.

Although fishing fleets are generally better now at spreading reduced quotas across the year, there are still problems experienced with respect to gluts during seasonal peaks and the subsequent troughs that naturally follow. When this issue was raised during the interviews, Norway was always included in the same discussion. Cod quotas, for example, are so small now that if fishing vessels wanted to they could fish their entire quota in less than six weeks. Although this may suit the individual vessel, it causes havoc upstream in the marketing network. Norwegian cod becomes plentiful during the early months of the year and this has the effect of pushing prices down. Secondary processors find themselves being offered large quantities of cod at prices lower than the agreed deals they have with their regular suppliers. However, taking advantage of these offers is something the processors try to keep to a minimum on account of the relationships they have with their regular suppliers.

¹⁵Data for this section were collected from Iceland Seafood, two processors and other industry bodies included in this study. Secondary data were also used and except where indicated they came from the Department for Environment, Food and Rural Affairs’ (DEFRA) 2004 statistics (DEFRA, 2005).

This ongoing potential for undulating supply is, in some ways, minimised by the presence of the importer organisation, Iceland Seafood. It provides an important linking role between the producers and the large industrial actors in the marketing network.

Iceland Seafood is interesting in that it does not appear to have obvious rivals in the UK and this may assist Iceland's dominance. It acts as a kind of broker, representing a large, single source of fish for its customers, which include supermarkets (50 percent of sales), large value adding manufactures (25 percent of sales) and wholesalers and distributors (25 percent of sales). By taking on the sourcing hassle, it attempts to ensure the stability and predictability of raw materials required by its customers. Although most of its suppliers are Icelandic (65 percent) it has relationships with Chinese, Norwegian and Faroese exporters (listed in order of supply magnitude). In keeping with reports from elsewhere in the marketing network, Iceland Seafood experiences a constant tension between the long term agreed prices with suppliers and the fluctuating prices on the spot market. Keeping suppliers loyal to the consistent, albeit occasionally lower long term price arrangement is difficult. The situation is exacerbated when suppliers see that they could be selling their fish on the open market for more during certain periods of the year. This seesawing of prices, brought about by the vagaries of wild caught fish (i.e., supply is not constant, whereas demand is) is beyond the control of even the omnipotent multiples. However, their category management approach cannot be tweaked for such a 'topsy turvy' product and somehow despite all the challenges, consumers are given, more or less, the fish they want, in the way they want it, completely oblivious to the extraordinary lengths that have gone on to deliver a product which is desirable and at an affordable price.

Discussion and Implications

The picture of the UK marketing network of fish is summarized in figure 2. This gives rise to a number of potentially interesting discussion points. We have chosen to discuss three main issues: the characteristics of the network and its development; the role of Norwegian companies; and the theoretical implications that arise from this empirical picture.

Insert Figure 2 about here

Characteristics of the network

Powerful institutional and restructuring forces can be seen to be responsible for the huge change the UK seafood network has undergone during the past five years. Understanding how UK seafood actors have responded to this and reorganised accordingly may hold vital clues for Norwegian exporters of fish that wish to maintain or develop links with important UK customers. It is important to consider the interrelatedness of all the actors, resources and activities in these pictures to understand the need for stable and predictable supplies of wild caught fish and, indirectly, point to the opportunities available to those producers able to meet this challenge.

The marketing network is dominated by a handful of large actors. If we take the four largest retailers and the four largest processors, a large part of the total volume is covered. These organisations have become progressively more dominant over the years and they have also developed extensive relationships between each other and to the other actors in the network.

The changes highlighted in the body of this chapter have taken place over a five year period. It was a timeframe to which virtually all interviewees referred. During this period, the supermarkets have created the chilled fish sector and have driven up quality requirements through traceability measures and by placing pressure on secondary processors to adhere to stringent product specifications (e.g., maximum levels of bone, bloodspots, and nematodes, above which whole batches of products are rejected) and volumes. They have also insisted on consistent supplies of fish in keeping with the category management system employed for all other product groups.

As the secondary processors alter their structure to meet these demands, so too must the producers if they are to continue to support the new needs of their customers. The supermarkets' drive for quality, particularly amongst top end players such as Marks & Spencer's, has resulted in the need for

producers to be approved by them as well before a secondary processor can enter into a supply agreement.

The picture presented to us by the respondents is very distinct. There is a concentration in both the processing and the retailing sectors and this development is combined with more developed and elaborate business relationships. A strong element in these pictures is the important role that Icelandic companies play, both as exporters of white fish and also as marketing network actors in UK. Many of the respondents remarked upon this domination. Another striking development is China's increased presence as a producing country, especially now that it can produce such a high quality, high yielding double frozen fish, together with the crucial reliability and stability.

The role of Norwegian companies

In addition to and because of the connectedness of the actors, important restructuring has taken place in the marketing network. This means that the exporter companies have to reorganise themselves if they wish to exploit the UK's supply opportunities.

Not being able to meet the demands of the marketing network poses substantial problems for producing actors, which was a theme some respondents touched upon. Certain respondents pondered whether it was better to buy Norwegian fish from China rather than from Norway directly. Other interviewees observed Iceland's dominance and claimed that Norwegian producers were not very accessible and did not seem to prioritise the UK. This was particularly so amongst the smaller processors but, as indicated earlier, Norway's decision to pursue direct supply arrangements means that most smaller operators are precluded from such tie-ins. Logistics may also be problematic for the Norwegians. The irony herein is that the Norwegian exporters' inconsistent supply levels would perhaps be more suited to the less exacting demands of the fish market.

In short, the study indicates that Norwegian companies in general (there are exceptions described in the interviews) are not very focused on the UK network and/or are not able to maintain their once significant role.

Network or market?

We have used a network model as a base for our investigation. This has both empirical and theoretical implications. If we take the empirical consequences first, it is obvious that we have focused on relationships between the involved companies and how these affect developments. Other possible explanatory factors have not been covered in the same way. What needs to be underlined is that it is not the approach that has produced the empirical relationships which are found to be an important part of the structure. It is an empirical fact that specific organisations dominate as either customers and/or suppliers for a single company, and that companies consciously develop these relationships.

The theoretical consequences of a network approach are even more distinct. Once a network stance is taken, markets cease to function as classically conceived markets and marketing becomes an interactive activity undertaken between buying and selling actors. For example, if one looks at the UK in classical market terms, the variety in fish can be related to a few specific dimensions each of which affects, in specific ways, the supply and demand curve. Thus the increase or decrease in total sales of Norwegian fish during any one year can be explained by changes in the supply or demand of Norwegian fish. Against this, it is possible to calculate, more or less, how successful marketing efforts are in supporting Norwegian sales of fish, or how these efforts affect the demand curve for Norwegian fish.

However, if the UK structure is assumed to have network-like features, then this ability to ascertain 'market worth' becomes much more difficult. In a network, each actor is assumed to have a specific role. The way it interacts with other organisations becomes important both in the way the interacting companies define themselves and the impact their work has elsewhere in the network and vice versa – i.e., the companies are not autonomous but develop in relation to each other and to each others' resources. Together they create the network. Fish is the resource in focus in this study. Not only can fish be seen to have variety in its own right, but it also varies depending on how it is used in relation to other resources – and this is crucial to understand if value is to be ascertained. This view, therefore, requires Norwegian seafood exporters to be seen as actors working within a particular setting of

actors, resources and activities, which could be completely different depending on the export country from which the network is considered. A special attribute, such as 'Norwegian seafood', can only become important if the interacting actors decide it is an important dimension. Only then does it become an accepted part of the product. If the dimension is not collectively agreed upon, then it will be ignored. Thus, in a network, it is the interaction between the actors that decides what is important.

One final point to make is that we could have considered the UK network as a classical market. The results regarding the importance of a few central actors would have been the same, but conclusions regarding the interplay between and its effects on the different actors would have been quite different. From this, it can be concluded that for any policymaker interested in influencing business activities, the choice of approach selected to understand the situation is vital if real effects are to be achieved.

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Figure 1. The marketing network as the interface between producers and users of economic goods and services

Outlet to
consumer

Processing

Input

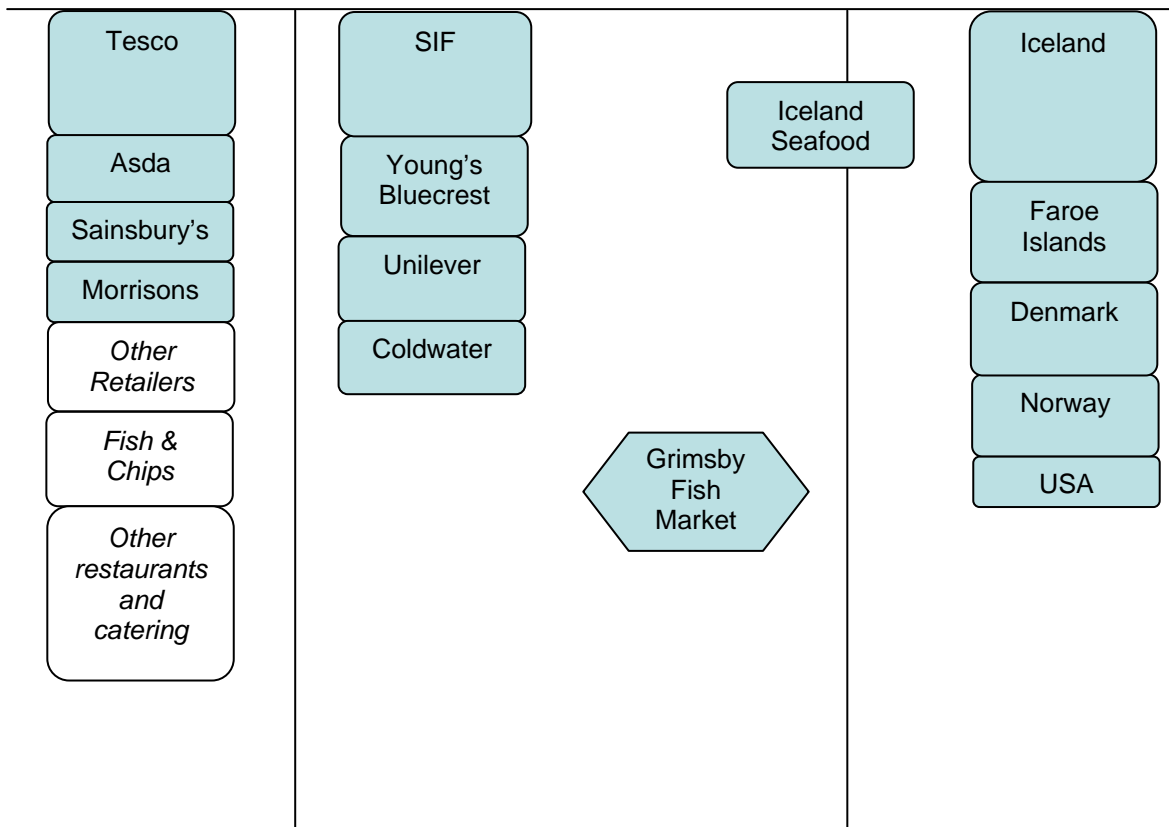


Figure 2. The principal actors in the UK seafood marketing network

Note: The sizes of the boxes indicate relative shares of the volumes of fish handled and should be regarded only as indicative.

Table 1. The 2004 top five export nations of fish to the UK
(*Volumes in annual tonnage*)

<i>Rank</i>	<i>Country</i>	<i>Volume</i>
1	Iceland	96 000
2	Faroe Islands	56 000
3	Denmark	48 000
4	Norway	44 000
5	USA	33 000