

# ASMI CAP 2017 Discussion Notes

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## Introduction



Alaska Seafood Marketing Institute

The fifth ASMI Customer Advisory Panel (CAP) Meeting was held at the Westmark Baranof Hotel in Juneau on May 9, 2017. The meeting included an overview of ASMI Programs by Executive Director Alexa Tonkovich, an overview of Alaska's Fisheries by McDowell Group economist Andy Wink, presentations from each of the CAP members, and a facilitated discussion led by McDowell Group principal Susan Bell (summarized below).

The CAP Charter includes the following goals:

- Provide feedback to the ASMI Board on new market trends and changing conditions that will affect marketing and sales of Alaska seafood in coming years.
- Provide marketing suggestions for ASMI to react to those changes to best position Alaska Seafood in the market.
- Provide feedback to the ASMI board about ASMI's current marketing approach and what adjustments may be needed to address changing market conditions.
- Provide guidance to the ASMI board to help it react to significant, short term issues that impact Alaska seafood sales in the market place.
- Help the Alaska Seafood industry position itself to best respond to the market forces that will drive seafood sales in the future.

Participating CAP members:

- Peter Vasil, Sysco
- Gregory Jeffers, Gorton's
- Guy Pizzuti, Publix
- Dave Melbourne, Bumble Bee Foods
- Gao Linming, Everfish International
- Jens Peter Klausen, J.P. Klausen & Co.
- Ikumi Nagahama, Aeon Retail Co.
- Dan Aherne, New England Seafood

## Facilitated Discussion Outline

Market Trends: Today & Next Decade

Target Markets: Today & Next Decade

Marketing Strategies

Best examples

What instore/staff training works best?

How are you communicating with customers outside operations?

What digital assets are most useful?

What Alaska products are a priority for you? Your customers?

What do you NOT feature, but think could work?

What new Alaska seafood products would you like to see?

Experience ASMI

What promotions worked best, why?

What needs to be refreshed?

Biggest challenge selling seafood

How can we learn from competitors?  
 Seafood Promotions  
 How are you attracting new customers?  
 Millennials? Kids?  
 Other segments?  
 Does Alaska or U.S. impact purchasing?  
 Does origin matter?  
 Does food safety affect communications?  
 Seafood sustainability: consumer awareness, asking, demand, where is market heading?  
 Environmental issues/social: warming, acidification, labor... awareness/asks?  
 How to address market/media misinformation?  
 What is most important?  

|               |         |           |
|---------------|---------|-----------|
| Taste         | Price   | Freshness |
| Origin        | Health  | Wild      |
| Certification | Quality | Other?    |

 What strategies should ASMI employ to increase sales of...  

|                 |                |
|-----------------|----------------|
| Pollock fillets | Salmon fillets |
| Pollock roe     | Salmon canned  |
| Flatfish        | Other          |

## Discussion Summary

### MARKET TRENDS: TODAY

Big issue is how to increase seafood consumption/penetration, especially millennials who haven't grown up eating seafood. Lack of knowledge about how to cook it and bones are an issue. Publix research shows if millennial consumers find a bone, they are out of the category for 3-4 months. Seafood is not as consistent as beef/pork/chicken.

### MARKET TRENDS: NEXT DECADE

Opportunities:

- Cost to produce a kilo of red meat vs. seafood.
- People are cutting down on meat and looking for alternatives.
- Snacking/convenience... how to provide products and engage as retailers? Poke and smoked flakes.
- Direct to consumer sales.
- Demographics and health benefits will continue to drive change, but it must have good taste.
- Japan: non-traditional foods becoming more popular (e.g. BBQ, etc.), Japanese consumers discovering new types of food and looking for them.
- Health benefits for kids brains, that has been shown to produce (sales) results.

Challenges:

- Transparency and speed of info: people expect to know what the product is, how it got there, they want to know everything.
- New product development (NPD).

### TARGET MARKETS: DEMOGRAPHICS, TODAY, & NEXT DECADE

Market Development:

- We have 10-15 mature markets, but the world is a big place with more consumers, and we have big fisheries (like pollock) that need lots of consumers – India, Indonesia, South Africa, Brazil, more.

- Go in and look at market, see what they want, then develop products to meet that need. Trident does a good job with NPD.
- Need support from politicians to facilitate market access. Need to align politicians and industry.
- Does happen quickly and shouldn't use lots of funds. Don't overspend on analysis, just be there. Nurture it, let it grow, then move on. It will grow organically once you get it going if the market access is there.
- Look at what attributes make for an attractive market.
- Wild Alaska seafood is a good fit for China, but U.S. doesn't have as favorable tariffs as some other developed countries. Lower tariffs would be helpful. For example, Icelandic redfish (0%) vs. AK POP (10%).
- North American pollock market seems mature, but there is a lot of room for growth. Most consumers don't even know they are eating pollock (probably 95 percent). It's a messaging and product development problem, but that is an opportunity because the story is bulletproof.
- Inner city could be another target market. Consumption is very low and these areas are generally underserved, a lot of consumers are being bypassed.
- Growing ethnicity of consumers in NA/EU markets.
- Engage with thought leaders and health professionals. Having doctors speak at dietician conferences. Provide more scientific, fact-based info to guide consumer choices.

### Quality

- Focus on quality is important. If you just satisfy the lowest price buyers, quality suffers and you lose consumers because of bad experiences. Example: pollock in EU. Support quality producers, products, and markets.

### MARKETING STRATEGIES THAT WORK

- 3<sup>rd</sup> party influencers. Tricky though, ideally, you want brand champions who are not, or do not appear to be on the payroll. Also need to consider bang for the buck. Talent fees can be expensive, need to be weighed against other options. Using actors/athletes as spokespeople is very common in Japan.
- Social media sharing is great, word of mouth is powerful and people trust their friends' opinions. Get people to tell your story for you. People trust retail counter staff, but they trust their friends more.
- Digital media delivered from trusted sources. Retail staff turnover is so great, that digital is best. Hard to continually train staff.
- More digital media (for training and other purposes), investment is bigger upfront but then you have it going forward.
- Direct to consumer marketing is best, partly because of the challenge with using retail staff to carry the message.
- Be specific with promotions. Generic promotions about "Alaska seafood" are not that effective. Focus on a specific species, then you can tell the story. Ads tell our customers what we want them to buy.
  - Example: Publix Aprons program. 2 recipes/week. Established products get no lift, not a huge bump on farmed salmon but we see more lift on less familiar products. Pollock would be a good fit. A successful promotion could go from a base of 50K units sold/week up to 350K/week, then fall back to a new base of 70K/week.
  - Instore sampling is pretty expensive, but popup events work well (UK buyer). Consider monetizing the popup promotion. People would pay for a better experience.
- China: WeChat (similar to Facebook).
- Canned salmon: women ages 25-54 is our biggest category, but men engage more with our digital content.
- Stories. People can be cynical about paid spokespeople. I'm always intrigued by the number of people who have come up to Alaska to fish, then have gone on to other things. Connect that story back to the fish, that's genuine/real.
  - Sysco Canada uses the producers to sell the story. Our largest customers are concerned about the source and sustainability. I bet the guy in that crab fishermen cutout has some stories, I could talk to him for hours.
  - Idea: Facebook live interviews with captains while they are unloading catch... that's unique and real.
  - Idea: video of fishermen in stores or for use in media... yes, but has to be general enough to fit variety of uses and align it with SM calendar, communication is key.
  - Idea: augmented reality and virtual reality content. Make it a personal experience.

## **TRACKING PROMOTION SUCCESS & PROMOTION ALLOCATION STRATEGIES**

- Would be nice to know more about where ASMI spends its money and how its allocated. Other state promotional boards do things differently.
- Reward evidence of growth and promotional success, not promise of potential.
- Require sales data for promotions.
- Could base promo funding on performance. Sysco Canada did a beef promotion with Loblaws. They had to meet criteria before getting funds, then got paid later.
- China: quality of product used in promotions is very important, also don't hear much about results of promotions.
- Impressions or site visits, but how does that translate to dollars?
- Tracking sales 12 weeks prior and post promotion is common. Publix has MOU about giving sales data back 3 weeks after a promotion, but doesn't recall ever doing it.
- Risk is getting too wrapped up in the statistics. Those can be spun any way. More important to focus on working with those who have shown a track record for growth.
- If using metrics to judge performance, it's very important for the Board to give clear direction about what those metrics are.

## **MARKETING CHALLENGES**

- Negativity around seafood. Bad press around aquaculture affects wild too. The consumer will often opt out of the category before ever considering the question of wild vs. farmed.
- Consistency and price of other proteins.
- Japan: Alaska products are used in many traditional foods and there is not a lot of post promo lift. Need new recipes and food styles to use Alaska seafood.
- Bad actors: Usually a few companies that are guilty of fraud, antibiotic misuse, etc. but it affects everyone and good producers are put in more doubt.
- Millennials: they want fun, new, and exciting, not the typical sockeye on the grill. Different presentation.
- Kids: all about taste, will they eat it? Will they finish it? Parents are the conduit. They want something healthy for kids. Healthy snacking is where it's at for kids. Fish sticks can work, but families have gotten away from them. "Parents want their kids to eat healthy, but they have to eat it... that's the most important."
- Origin: internationally, there are groups where it matters. Alaska, Iceland, Norway, New Zealand, some others, they are part of the "good" group, but it's hard to move above the rest of the good group.
- Sophistication: most consumers are uninformed and there's only so much you can communicate at point of sale. UK consumers are just discovering wild seafood, like realizing there's red AND white wine. Not to the point of differentiating grape/region varieties.

## **MOST IMPORTANT ATTRIBUTES**

- Taste was regarded as the most important. Taste and quality go together, they are linked. Can't have exceptional taste without quality.
- Origin matters, because it's your point of differentiation. Don't let other producers copy/mimic (e.g. "fake" keta from Denmark, "Alaska" pollock).
- Price is a factor.
- Retailers are far ahead of the customer on sustainability (in North America). Not big issue for NA consumers in general.

## **COMBATING MISINFORMATION**

- Get NGOs to be part of providing accurate information, instead of misinformation.
- Bumble Bee: we engage directly to combat misinformation. We have stopped the flow greatly because we started standing up to it, and hold media accountable.
- Keep putting out positive stories.
- Promote/highlight positive research findings. A lot of misinformation is the result of misconstrued academic studies.
- Link up with Norwegian Seafood Council, they have a similar interest.

## STRATEGIES FOR POLLOCK FILLETS

- Gortons: Single frozen IQF with tighter specs would be helpful. Frozen at-sea would be great. Big challenge to find that on scale.
- Russians can't do single frozen on shore, Alaska can.
- Publix: I've got to find something to sub in for swai. I need something to fit in that (price) range.
- Add more value in Alaska, as opposed to sending it out.
- Need machinery overhaul/upgrades (to produce IQF, etc.). Look at the gains made in farmed salmon industry. Payoff for pollock could be very big.
- I don't think you need much promotion. The product (single frozen) speaks for itself, it sells itself.
- Pollock getting smaller: Doesn't have to be a problem. Formed portions, put 2-3 fillets together. Stick them together and freeze, no additives.
- Ok to put more portions in a bag to meet the weight spec., just need communication about what we have, work with buyers.

## STRATEGIES FOR POLLOCK ROE

- Japan: when people try mentaiko, they like it. So we want to keep it for ourselves. People eating less rice, so eating less roe. Becoming more popular to eat roe with spaghetti/pasta.
- Can use as a sushi topping substitute outside of Japan (in place of things like tobiko).
- Roe price deflation has hit high-end gift pack market. People don't want to give a \$5 gift to someone special when it used to be \$50/pack.

## DISCUSSION TOPICS NOT ADDRESSED

Topics listed below were addressed either very quickly or not covered at all, due to time constraints.

- Aside from pollock, discussion did not include recommended strategies to increase sales of flatfish, salmon, or other species.
- What Alaska seafood do you NOT currently feature, but think could work?
- What new Alaska seafood products would you like to see?

## CAP Member Presentation Summaries

CAP member presentations are summarized below. Common themes included:

- Focus on the story, engage the consumer.
- Quality is very important, also packaging and NPD.
- Need to make products more convenient.

**Peter - Sysco Canada:** Incentivized sales growth produced great results. Increasing sustainability towards 100 percent. Deadliest catch: tells a story of what it takes to get it to the plate. 100 percent committed.

**Greg - Gorton's:** Understanding customer needs. Confidence varies. Simplification: fewer ingredients, healthier, easier to recognize brand. Own brand: Trusted Catch. Retail, food service, e-commerce. How get to perimeter of store (not frozen isle). Largest pollock buyer: McDonalds. Salmon and Pcod are big as well. Instore, shopper engagement, mobile website, shareable videos. Refresh the fisherman.

**Dan - New England Seafood (UK):** Macro factors: aquaculture growth will affect price. Food is currency of self-expression. Fitness is status symbol. Barriers (convenience, confidence): address more emotional, less rational. Make sexy. Retail landscape is consolidation, pricing. Fish has massive consumption opportunity. More snacking. Enjoy fish every day. Salmon, sea bass, bream, assorted local. Refresh, chilled, two-pack fillets. Buying 1 in 20 days, but could be 2x week. Understand the story then buy wild salmon. Challenge: labeling and packaging can't tell story. In store sampling. Can do better. LEAP brand has emphasis on wild. Media, digital, food truck. Ethical lens. No hiding. Can't only look east. SEDEX.

**Dave - BumbleBee:** Brand, consumer marketing, social responsibility. Primarily North America. Half is tuna. Largest buyer of canned pack. Do about 60 percent of own canning. Now have quick serve for food service. Cans and pouches. Amazing story in AK. Can exploit/leverage more. Tracemycatch.com is consumer facing. Nursing moms and children: jump on it. Snacking. Mini-meals. USA shelf-stable salmon dropped 19 percent. Pouch up. Pink tall can is largest share. Consumers: lower income, 1 to 2 person HH, boomer. South and mid-Atlantic. Need to address millennial. Digital and social media. Been in 8 years, but changing daily and still neophytes. Increasing paid search and paid social. Recipes are by far the leading content. Salmon Council. Alaska has emotional connection with consumers. Need to do more story. Innovation needed. Canned fish "pub."

**Gao - Everfish (China):** Chinese consumption is growing. Sablefish is really popular. Make sure promotions use quality product. Food safety is growing issue. Legal product. Alaska product is often too large--need to fit plate. Modern media communications: WeChat (similar to Facebook). A documentary could be powerful, "A Bite of Alaska" as a spin on "A Bite of China." Sell 1x frozen product, not 2x frozen.

**Jens - J.P. Klausen (Denmark):** Global marketing for trawler and quota owners. Two-way communication between buyer and supplier. NISSUI represents 40 percent of market. New market potential for pollock in Asia. Let's take that challenge. Use political leverage to open doors. Clean good protein: health, taste, deep ocean. Find new customers.

**Ikumi - Aeon (Japan):** \$74 billion retail sales (US\$). Key seafood sales: sushi and sashimi (tuna and salmon). Pollock/surimi has increasing sales. Aging. Smaller households. Forty percent of population will be 65+ soon. Consuming more meat than seafood in last decade. Seafood is healthy, but meat is promoted for health/strength. Convenience foods and fast foods growing. Convenience valued over price. Nostalgic items: appeal to elderly. Ready to eat: small households. Specialty products/trends: appeal to sophisticated market. Tokyo 2020 Olympics only sustainable seafoods. Low awareness of MSC/certainly. Fish Baton: next generation promotion has sustainability, fresh, quality emphasis. Use whole tuna. Sushi experts in stores. Private: World Dining (paella, other international). New US trends -- seeing ideas. Sujiko: sockeye roe. Only a couple of days, specific region. Now rice bowls and year-round. Surimi increased 125 percent in 2016.

**Guy - Publix:** Seafood category manager. \$735 million in seafood sales. Total sales \$34 billion (10th largest company in US). 11 manufacturing plants (dairy, bakeries, deli, smokehouses). Would like to have own seafood plant--want consistency in store. Four key principals: people business, just happen to sell groceries. Take care of customers, associates, product, and communities = success. Fresh, never frozen. Variety. More than 300 options. Stores can choose to meet customer needs. Try to focus on wild for store promotions. Customer interaction online to help educate options beyond display case. Special orders. Biologist. Observer. Want to grow domestic sales. One of the largest salmon buyers. 1.2 million pounds of sockeye in 3 weeks. Summer of salmon promotion. Move through fresh seasons. Consumer credit for wild and domestic sales. Using state logos to make the point. Augmenting signage to make stronger point. Sustainability philosophy is different. No mandates but want transparency. Ocean disclosure. Endorsed GSSI.