

2003



*Florida Department
of Agriculture
& Consumer Services
Bureau of Seafood and
Aquaculture Marketing*

*Catfish Opinion Leader
Market Research
In-Depth Interview
Summary Report*



Kerr & Downs Research

2003



*Florida Department
of Agriculture
& Consumer Services
Bureau of Seafood and
Aquaculture Marketing*

*Catfish Opinion Leader
Market Research
In-Depth Interview
Summary Report*



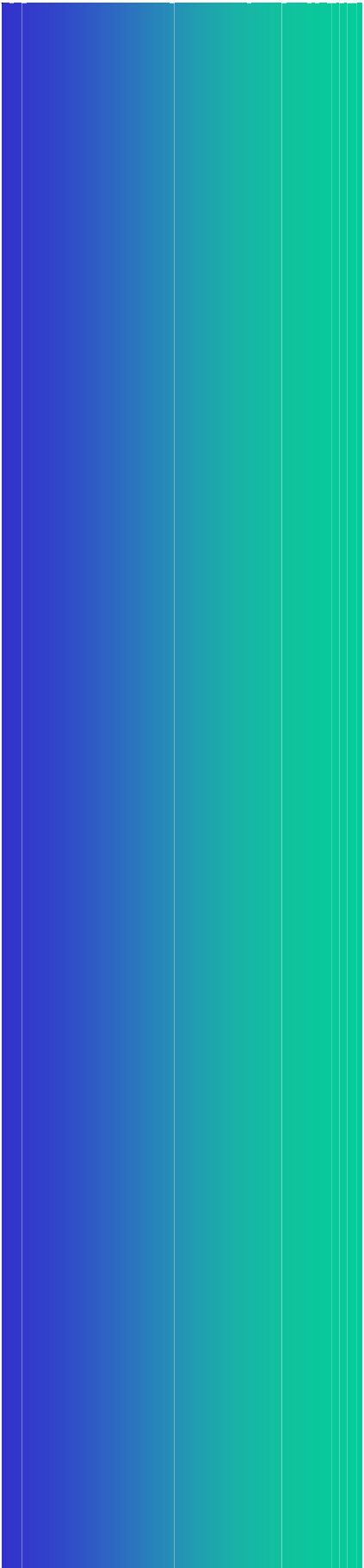
Kerr & Downs Research

Project Director: Vickie Coleman Gallagher, MA
Vice President
2992 Habersham Drive Tallahassee, FL 32309
(850) 906-3111 / Fax (850) 906-3112
vcg@kerr-downs.com
www.kerr-downs.com



Table of Contents

1	Introduction
3	 Background & Objectives
3	 Methodology
6	Executive Summary
9	Recommendations
16	Detailed Findings
17	 Market Forms: Product, Price and Packaging
21	 Seasonality - Market Variability
22	 Competitive Environment - Barriers
25	 Overcoming Barriers
29	 Recommended Target Audience
31	 Florida Farm-Raised Market Potential
32	 Closing Comments
38	Supply Chain Profiles



Introduction



Introduction

Background & Objectives

The Florida Department of Agriculture and Consumer Services, Bureau of Seafood and Aquaculture, commissioned this research to gain a deeper understanding of the market for farm-raised catfish in Florida and the feasibility of utilizing direct marketing (from the producer) to grow this industry.

Key areas of exploration included the following:

- ◆ Current market forms of catfish (e.g., fillets, whole, nuggets, live, etc.)
- ◆ Volume estimates (annually), seasonal differences, and challenges with supply and demand
- ◆ Packaging techniques and preferences
- ◆ Pricing (relative to wholesale costs), peaks and valleys in pricing, and seasonality
- ◆ Current product information and marketing tactics (e.g., recipes, safe handling instructions, etc.)
- ◆ Advertising and promotions (usage and suggestions) to assist with marketing and sales
- ◆ Demographic insights for current and potential buyers
- ◆ Perceptions regarding market expansion through opening a processing plant in Florida

Catfish producers can utilize this information to assist them in their business planning efforts, including, whether or not to open a catfish processing plant in the state of Florida.

Methodology

In order to gather feedback from a variety of companies throughout the supply chain, a representative from Kerr & Downs Research contacted companies and an interview appointment time was scheduled at their convenience. In-depth interviews were scheduled if a company sold farm-raised catfish. If they did not sell farm-raised catfish, a few brief questions were asked in order to ascertain why they chose not to sell farm-raised catfish.



Introduction

Companies were offered \$50 for their time, payable to the interviewee, or to a charity of their choice.

Interviews lasted between 30 and 60 minutes and were conducted from June 19th through July 14th.

A total of 23 in-depth semi-structured telephone interviews were conducted with companies throughout the supply chain as follows:

Type of Company	Completed Interviews
Seafood Wholesale (No Walk-up Counter)	2
Mix – Seafood Wholesale and Importer	1
Mix – Seafood Wholesale and Retail Market (e.g., Walk-up Counter)	4
Distributor (Multiple Food Products, Non-Food, as well as Seafood)	4
Seafood Retail Market (e.g., Walk-up Counter)	2
Mix – Seafood Retail Market and Take-Away Restaurant	2
Grocery store Chain	2
Restaurant	4
Broker	1
Packager	1
TOTAL	23

Note: Qualitative research is exploratory in nature and is not projectable to the entire universe of catfish buyers and sellers due to the method of sampling—a non-random, convenience sample utilizing a mix of Florida companies. Insights and recommendations made by experts in the industry can add tremendous value and directional ideas for marketing. In fact, sometimes a great idea is only mentioned by one or two companies. Consensus is not the objective – idea generating is the goal.



Executive Summary



Executive Summary

Product, Packaging, and Pricing

- ◆ Individually quick frozen (IQF) catfish fillets, plain with no breading, were the most popular form of farm-raised catfish.
- ◆ IQF 10 or 15-pound boxes with 5-7 ounce fillets were purchased most often.
 - Only a few wholesalers carried the 3-5 ounce and 7-9 ounce fillets.
- ◆ The following price ranges were mentioned:

Producer to Wholesaler		Distributor / Wholesaler to Retail		Retail to Consumer		Restaurant to Consumer
	➔		➔		➔	
\$2.25 - \$2.69		\$2.50 - \$3.75		\$3.50 - \$5.99		\$6.49 - \$10.10

Seasonality

- ◆ The catfish industry was perceived as a relatively stable industry on the supply side. Companies explained they had low tolerance for price variability. Farm-raised catfish was viewed as a commodity that was sold based on consistency, price, and stable availability.

Current Customer Base

- ◆ A wide range of end-users or customers bought catfish.
 - White tablecloth restaurants served catfish, as well as family style restaurants.
 - At retail, some participants sold catfish only to select socioeconomic status customers, while others sold catfish to all races and income levels.



Executive Summary

Competitive Environment – Barriers

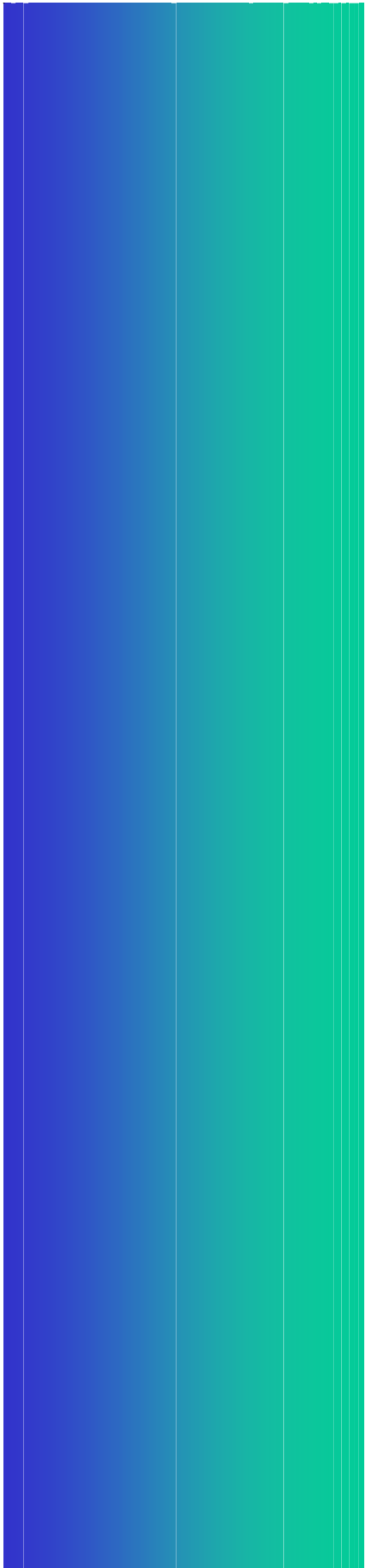
- ◆ The competitive landscape of Florida was quite complex, with the following issues raised as barriers to increased sales:
 - Consumer outdated perceptions of catfish
 - The sheer abundance of other types of seafood available in Florida
 - Perceptions of farming (versus wild fish)
 - Domestic versus imported fish

Perceptions of Florida Farm-Raised Catfish

- ◆ Most companies were unaware that there were catfish farms in Florida.
- ◆ Companies were currently purchasing from Mississippi, Alabama, Louisiana and South Carolina.
- ◆ Most companies were somewhat or very likely to consider Florida farm-raised catfish if a processing plant were to open in Florida.
 - Smaller independent retailers and wholesalers were more likely candidates to consider switching suppliers, and expressed greater loyalty to Florida and the local economy. They were more likely to have closer ties to the fishing industry and were more likely to be sensitive to the plight of fishermen.
 - Distributors and larger wholesalers were more concerned with volume, availability, quality, and profits and would need more persuading in order to switch suppliers. They would need to consider the bottom line (and the impact it would have on their current contracts or pricing from current suppliers).
- ◆ Among those who were not selling farm-raised catfish, most were unlikely to consider selling farm-raised catfish from Florida. Catfish was simply not a product for which they had a market.

Marketing Assistance

- ◆ Companies were asked if they would be interested in marketing assistance from the Florida Department of Agriculture and Consumer Services. Newspaper advertising or direct mail was of greater interest to the retail side of the industry. Companies often praised the Florida Department of Agriculture and Consumer Services on its efforts to assist other aquaculture in Florida.



Recommendations



Recommendations

Positioning Strategy

- *Producers should use targeted messages and niche marketing efforts in order to appeal to the diverse types of companies within the supply chain.*
 - * Position Florida farm-raised catfish as pro-American or pro-Floridian when targeting smaller independent companies within Florida.
 - * Consider the value of targeting multiple smaller companies in addition to larger wholesalers.
 - * Focus on consistency, quality, and price when targeting larger companies and chains.
 - ◆ Price Florida farm-raised catfish competitively, since companies assumed that a local processing plant would offer lower freight charges.
 - ◆ Assure wholesalers and larger chains that producers can meet their capacity and special requests.
 - ◆ Avoid messages regarding “buy American” or “buy Florida” when targeting regional, national or international companies, since this message is not likely to persuade them.
- *Farm-raised catfish is ideal for institutions (e.g., hospitals, schools, cafeterias, mass retailers, etc.), middle-income families, the elderly (but not boomers), and family style restaurants due to price and availability.*
 - * Keep these end-users in mind when conducting business-to-business marketing.
- *Communicate the precision and science that is involved in catfish farming. Producers should:*
 - * Outline the complex process of raising farm-raised catfish.
 - * Communicate the impact of weather, the delicate balance of oxygen control, etc.
 - * Educate clients so they become sensitive to the challenges and potential fluctuations on the supply side of catfish farming.
- *Consider more sophisticated packaging or re-naming catfish, particularly if producers wish to raise the image of catfish (beyond a commodity product) to compete with slightly higher priced tilapia.*
- *Companies recommended that the following messages be communicated:*

* Healthy	* Quality (no blemishes, scars, bruises or discoloration)
* Boneless	* U.S. farm-raised catfish is a superior quality to imports
* Firm	* Nutty grainy taste (because of the feed used)
* Availability	* Clean white fish (processed in a clean environment)
* Flavor (not fishy)	* The opposite of fresh is not frozen



Recommendations

Product Offering

- *Niche products should be offered as part of the product mix. In addition to the popular plain IQF catfish fillets in 10-15 pound boxes containing 5-7 ounce fillets, consider offering the following:*
 - * Headed and gutted (H&G)
 - * Nuggets
 - * Value-added products (breaded and marinated)
 - * 3-5 ounce and 7-9 ounce fillets

Marketing Materials

- *Distributors, wholesalers, specialty seafood retailers, supermarkets, and restaurants had diverse recommendations to increase the sale of farm-raised catfish.*

1. Distributors and Wholesalers Recommended:

- * Brochures with in-depth information about the farms, such as the:
 - ◆ Origin of catfish
 - ◆ Process of farming
 - ◆ Feeding process
 - ◆ Pictures of catfish
 - ◆ Pictures of catfish farms
 - ◆ Water quality
 - ◆ Knowledge regarding pre-testing to assure quality and taste
 - ◆ Processing information
 - ◆ Packaging information
- * Information to meet government regulations, such as:
 - ◆ Food safety
 - ◆ Nutritional information
 - ◆ Calories
 - ◆ Proper thawing procedures
 - ◆ Lot codes to track the product
- * A website including:
 - ◆ Recipes
 - ◆ Access to marketing materials
- * Advertising or in-depth articles in journals, such as *Seafood Business Magazine*, should include stories on the production and how catfish are raised.



Recommendations

2. Specialty Seafood Retail Markets / Supermarkets Recommended:

- * Brochures for niche markets (e.g., Hispanics)
- * Merchandising (posters, signs, brochures, etc.)
- * Recommendations on how their customers can most effectively purchase fish
- * Portion sizes
- * A color book that is a “display copy” showing varieties of fish
- * Demonstrations / taste tests showing unique recipes, how to cook catfish, etc.
- * Recipes for catfish and side dishes, methods for consumers to share recipes (e.g., a contest), and recipes on how to prepare items such as strips and nuggets

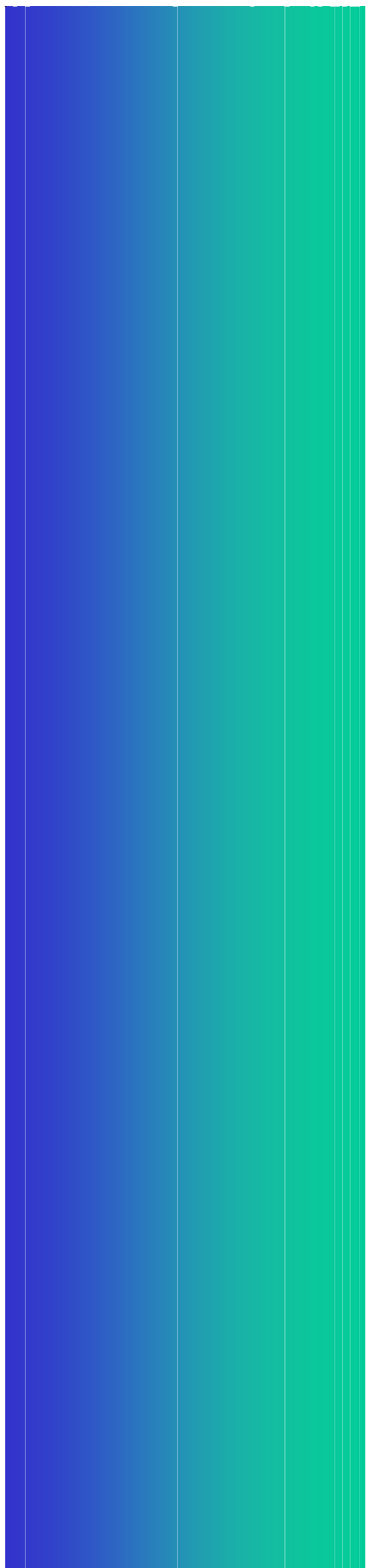
3. Restaurants Recommended:

- * Table tents
- * Placemats with the different fish – or catfish insights / tidbits of information
- * Buttons for wait staff (indicating a promotion for catfish or the benefits of catfish)
- * Server training on the benefits (e.g., how to “pitch” catfish when at the table)
- * Printed staff information – pamphlets and flyers
- * Assistance with wording for menu items – “southern fried catfish platter in cornmeal breading and fried to a golden brown”
- * Menu allowances

- *Restaurants are gatekeepers for seafood. Restaurants spur ideas for home-cooked meals, driving sales throughout the supply chain. A pull strategy should be used:*



- *The industry should consider a national advertising campaign to communicate the benefits of catfish (not unlike the industry advertising conducted by the beef, pork, milk, and dairy industries).*



Detailed Findings



Detailed Findings

Market Forms: Product, Price and Packaging

Overview:

A wide variety of product forms were sold by companies at various price points in order to meet the needs of various end-users. Each of the following product forms will be discussed in greater detail later in this report.

IQF (individually quick-frozen) farm-raised fillets were the most common form of catfish sold. The proportion of each form was as follows:

- ◆ **Twenty-two (22) out of 23** companies offered **IQF farm-raised fillets**.
 - The most common size was 5-7 ounce fillets, with a few distributors offering 3-5 and 7-9 ounce fillets. Box sizes were usually 10-15 pounds.
- ◆ **Nine (9) out of 23** companies sold **H&G farm-raised catfish**, usually IQF.
- ◆ **Six (6) out of 23** sold **nuggets**.
- ◆ **Two (2) of the 23** companies sold **wild catfish** in addition to farm-raised catfish.
 - Wild catfish was offered whole (H&G = headed and gutted) and filleted upon request.

Value-added products (most often for fillets and nuggets) were mentioned on occasion, including the following:

- | | |
|----------------------------|--------------------|
| ◆ breaded | ◆ Zataran breading |
| ◆ breaded with cornmeal | ◆ teriyaki ginger |
| ◆ buttermilk bath cornmeal | ◆ lemon-herb |
| ◆ Cajun | ◆ lemon-pepper |

Checker tablecloth restaurants tended to fry their catfish, while one upscale restaurant grilled, fried, and sautéed their catfish.

Fillets – Farm-Raised Catfish

The majority of the companies purchased frozen IQF farm-raised catfish fillets.

- ◆ Only one large supermarket chain purchased fresh fillets (and fresh nuggets) and sold them in their display case as a fresh product. Their positioning strategy was “fresh” and they had the volume to warrant a special order direct from the producer.

Smaller specialty seafood markets and smaller wholesalers selling to the public tended to offer defrosted fillets; larger wholesalers and distributors kept them in IQF cases – usually 10 or 15-pound boxes.



Detailed Findings

IQF was generally preferred since the seller could defrost a few fillets as needed throughout the day. Similarly, restaurants tended to prefer IQF so that they could avoid excessive waste, defrosting the product as they needed fillets.

Farm-raised catfish fillets, unbreaded with no value-added, were sold for the following prices:

Type of Company	Pounds per Year	Price Charged
Broker	Don't Know	\$2.82 to \$2.93
Distributor	18,200	\$3.00 pound
Distributor	400,000*	Confidential
Distributor	60,000	\$2.70 pound
Distributor	3,000	\$2.80 pound
Wholesaler / Importer	20,000	\$2.50 pound
Wholesaler	9,000	\$3.10 to \$3.50 pound
Wholesaler	Don't Know	\$3.30 to \$3.75 pound
Wholesaler / Retailer	1,560	\$4.99 pound
Wholesaler / Retailer	Don't Know	\$2.95 to \$3.10 pound
Wholesaler / Retailer	300	\$5.00 pound
Wholesaler / Retailer	1,560	\$5.99 pound
Retailer	3,200	\$4.00 pound
Retailer	2,000	\$3.50 pound
Retailer w/ Take-Away	200	\$3.50 pound
Retailer w/ Take-Away	4,200	\$4.00 to \$5.00 pound
Restaurant	Don't Know	\$8.95 meal
Restaurant	2,000	\$9.00 meal
Restaurant	2,600	\$10.10 meal
Restaurant (buying irregular fillets)	3,600	\$6.49 lunch \$9.99 dinner
Grocery store	7,800	\$1.99 to \$3.99 pound
Grocery store	Confidential	\$4.99 pound
Packager	35,000 + U.S. and 15,000 Imported	\$1.00 pound to repack \$2.05 pound as a distributor

**Included nuggets estimate of volume.*



Detailed Findings

In summary, the following price ranges were mentioned for IQF fillets:

Producer to Wholesaler	→	Distributor / Wholesaler to Retail	→	Retail to Consumer	→	Restaurant to Consumer
\$2.25 - \$2.69		\$2.50 - \$3.75		\$3.50 - \$5.99		\$6.49 - \$10.10

When selling catfish at a specialty seafood retail market or supermarket, fillets were displayed in trays (defrosted), the trays were on ice, and the catfish were sold by the pound.

When a customer selected their preferred fish, it was weighted and then packaging varied as follows:

- ◆ Parchment paper
- ◆ Butcher paper
- ◆ Clear wrap
- ◆ Plastic bags
- ◆ Double-bagged with ice

H&G – Farm-Raised Catfish

Nine (9) out of 23 companies interviewed sold H&G farm-raised catfish, with about half explaining that it was not the “bread and butter” of their business.

One large supermarket chain only supplied H&G catfish to select regions of their chain, with the profile of this niche as follows:

- ◆ African American markets and Hispanic markets (primarily in the Miami area)
- ◆ Never frozen (always fresh)
- ◆ Shipped in 10-pound boxes direct to the stores
- ◆ Sold for approximately \$2.99 (plain, not prepared)
- ◆ Placed in plastic bags or wrapped in parchment paper (depending upon the market)

The remaining eight (8) companies were **distributors, wholesalers, and a broker** with special requests for H&G:

- ◆ Orders ranged anywhere from 300 pounds per year to 100,000 pounds per year (clearly a substantial niche market for select vendors)
- ◆ Prices varied by market, as low as \$1.85 per pound to \$2.79 per pound
- ◆ Uses and preferences for H&G were very inconsistent - niche ethnic markets, fill-in to supplement wild fish sales, fish fries for Veterans of Foreign Wars, etc.



Detailed Findings

Nuggets & Other Miscellaneous Forms of Farm-Raised Catfish

Only six (6) companies sold **nuggets** as follows:

- ◆ Unbreaded in stews
- ◆ Breaded as an appetizer or as a children's menu item
- ◆ For ethnic shoppers to be used in paella or other specialty dishes

Most often, nuggets were purchased IQF in 10 or 15-pound boxes, sold plain or with a cornmeal coating (traditional southern style). Companies sold nuggets as follows:

- ◆ Distributor - \$1.35 per pound
- ◆ Seafood retail market - just under \$3.00 per pound
- ◆ Grocery store chains (2) - anywhere from \$0.99 per pound (during a sale) to \$2.49 per pound during non-sale periods

Nuggets were perceived as a lower-cost item popular among lower-income consumers and there was some confusion as to the origin of nuggets. The following array of concepts was mentioned by companies not selling nuggets:

- ◆ It is a by-product coming from the belly flap
- ◆ It is a by-product from behind the cheek or behind the eyes
- ◆ It tastes stronger or unappealing
- ◆ Not a quality product
- ◆ Not enough demand

Catfish strips and pieces were sold as follows:

- ◆ Distributor - 15,000 pounds per year at \$2.75 per pound
- ◆ Broker - \$2.93 per pound
- ◆ Restaurant - irregular fillet pieces, selling in fried catfish dishes for \$6.49 for a lunch meal and \$9.99 for dinner.



Detailed Findings

Wild Catfish

Two companies sold wild catfish and their profiles were as follows:

1. Retailer

- ◆ 1,500 pounds of H&G wild catfish per year
- ◆ \$3 to \$4 per pound
- ◆ Catering to older, lower income locals and African Americans from central Florida who grew up on mullet, catfish, and other less expensive fresh and saltwater fish

2. Wholesaler / retailer

- ◆ 2,500 pounds of H&G wild catfish per year
- ◆ \$1.15 per pound
- ◆ Described as an important part of a diverse product offering of fresh fish in southwest Florida

Seasonality – Market Variability

Companies believed that the **supply side** of the farm-raised catfish industry was a relatively stable industry, much like other commodities (such as grains and soybeans). As one distributor stated, “farm-raised was not relying on Mother Nature” and the big Mississippi farms have added to this perception of catfish as a commodity.

Many companies used a comparison of saltwater fish to farm-raised fish to make their point about supply side market stability:

“Catfish is consistent because it is fresh water and you can get it any time of year, versus pompano which is a migratory fish and there are regulations. For example, (sea) trout is not available year round because it is restricted in saltwater fishing. Some fish I carry certain months of the year, but catfish I can carry all 12 months.”

IQF and the ability to use one’s supply of catfish on an “as needed basis” further added to supply side stability. Most companies believed there were no significant seasonal differences in supply or prices. However, due to seasonal residents, tourists, and holidays there were **fluctuations in demand**.

Pricing tolerance seemed to be within the existing range of prices. Many companies did not believe that the market would bear any significant price increases since catfish was positioned as a lower-end economical fish appropriate for families.



Detailed Findings

If farm-gate prices were to increase, distributors, retailers, and restaurants felt they had other low-cost finfish options to offer (such as tilapia and perch). Since catfish was viewed as a commodity product, and since there were a number of farmers and processors that supplied catfish, buyers were not locked into one company.

However, one restaurant owner acknowledged that there is a science to menu design, and that some restaurants could push the price threshold upwards if it is properly placed and worded on the menu.

Competitive Environment – Barriers

A variety of issues emerged as barriers to increased sales. The competitive landscape of Florida was quite complex, with the following issues being raised by various companies within the supply chain:

- ◆ Consumer outdated perceptions of catfish
- ◆ Competitive products - the abundance of other types of seafood available in Florida
- ◆ Perceptions of farming
- ◆ Domestic fish versus imported

Outdated Perceptions of Catfish

Some companies explained that consumer perceptions were problematic, with many believing that catfish were “bottom feeders, junk eaters.” As the following supplier explained:

“Catfish is not a very sexy name. Rename it. Differentiate it from those ‘old catfish in a boot in your pond.’ Differentiate farm-raised from ‘catching catfish on a cane pole on the side of the road.’ They are an ugly fish that live in muddy ponds. But in reality, it is actually good. It is a real white meat, very moist, with a bland flavor that most Americans tend to like. They want fish that tastes like chicken.”

Competitive Products

Farm-raised catfish was often sold among an array of saltwater fish and other seafood, which was readily available due to Florida’s proximity to the Gulf of Mexico and the Atlantic Ocean. Specifically, catfish sold at seafood retail markets and supermarkets was in the same display with fish such as tilapia and perch, mahi mahi, swordfish, and other more “upscale”



Detailed Findings

saltwater fish and crustaceans. The following grocery chain representative explained his perceptions of the competitive landscape:

“Catfish is getting its clock cleaned by tilapia – Americans want white fish with no flavor... Tilapia is selling better than catfish, a white mild fish, and it costs more money than catfish... Catfish has a muddy flavor or off odor due to ponds. Some companies handle it improperly... The U.S. has packaging issues. They use a poly bag, box and ice over the fish. If you have a 10-pound product and 5 pounds of ice on top, some fish get contorted with the weight on top... It creates color differences. Tilapia is neatly packed belly to belly and skin to skin. You have a layer of fish, then a jell pack, then a polly sheet, then a layer of fish, etc. They spend time on packaging, but in Costa Rica they can afford to.”

Perceptions of Farming

Another challenge was the negative perception of what actually goes on in the farming process.

“Catfish farmers have a tendency to use drugs to control bacteria and disease. They purge it (and the muddy taste) out of the fish by starving them before killing them.”

Domestic versus Imported

Some **wholesalers** chose not to sell farm-raised catfish because it hurt the commercial fishing industry. They explained that farm-raised catfish have a unique competitive advantage due to the market restrictions for imported “catfish” types of fish (e.g., basa from Vietnam), and hence a competitive advantage over the commercial fishermen as well.

Smaller wholesalers seemed to have a greater sense of loyalty to local and U.S. fishermen due to their close relationship with commercial fishermen. They felt a sense of camaraderie to help their partners prosper.

- ◆ For example, one seafood market retailer explained that her husband was also a fisherman. She sometimes purchased a larger than average volume of a particular fish from a fisherman simply because she knew he needed to move the product. To accommodate, she would simply offer that type of fish as a sale item to move it faster.



Detailed Findings

Other protective comments made by wholesalers, in defense of commercial fishermen and against farmers, were as follows:

“In my personal opinion the fish farmers make it hard for those who earn a living fishing, and for us (wholesalers). It hurts our business because they can sell (catfish) cheaper since they don’t have the labor costs. The only way I can see us buying farm-raised catfish is if we were unable to fill our orders with fish from the boats.”

“We’ve just always sold wild. Traditionally, the reason for buying farm-raised anything is lack of availability of the wild. So only if we faced that situation (lack of availability) and wanted to continue selling catfish, we’d buy farm-raised.”

“Wholesalers are trying to push imported seafood since they have a higher profit margin. My #1 rule is ‘no foreign product’ unless I absolutely have to...if production is down in Florida and I’m not competing against my fellow fishermen.”

The irony is that this same type of patriotism or loyalty to an industry has encouraged some restaurants, wholesalers, and retailers to support farm-raised catfish over imported basa and other imported farm-raised fish. As one **broker** explained, “I’m sure Floridians would rather buy product from Florida.”

Distributors and large wholesalers seemed to respond more to financial motivators. In supplying the masses, they opted for a quality, consistent, lower-cost product (even if it was offered by an importer). One distributor summarized his frustration with the lack of free trade in the U.S. farm-raised catfish industry:

“I believe in free trade. The catfish industry has a strong marketing arm... They lobby for tariffs on imports and now imports are not allowed to be called catfish. It is called basa or whisker fish.”

On a similar note, another distributor accused the industry of price fixing and hindering free trade with imports.

“Catfish shouldn’t be charging more than they do now, (especially) with what transpired a few years ago. There were shady dealings in the catfish industry... People were taken advantage of and the bad taste remains. Some won’t even



Detailed Findings

put farm-raised catfish on their menu. The three of the largest farmers fixed pricing and that stigma has been difficult for the industry to overcome.”

Similarly, a large **supermarket** chain shared the “bottom-line” perspective due to their sheer volume and mass market perspective.

Other **small independent wholesalers** and **specialty seafood retail markets** (who dealt directly with the commercial fishermen) struggled to find a balance between the following:

- ◆ The stable availability of farm-raised catfish (offering their retail customers a consistent low-cost product)
- ◆ Helping local fishermen make a living in a shrinking industry

This complex competitive environment is an important backdrop as target audience and marketing recommendations are discussed.

Overcoming Barriers

Despite the array of challenges outlined above, a wealth of ideas were generated in order to assist the farm-raised catfish industry. In fact, when offered assistance with advertising and promotions, most companies were very open to partnerships with newspaper advertising or direct mail, particularly on the retail side of the industry.

Dialog regarding marketing assistance often spurred conversation as to the wonderful job the Florida Department of Agriculture and Consumer Services was doing to assist other aquaculture in Florida:

“They provide these little flyers for all the fish that I carry—recipes, how to cook the fish, etc...I can say, ‘Here, take a look at this’, and it works well. I have many customers come in and request the brochure on certain fish. They call and say, ‘I ate that pompano the other night and I used the recipe and it was delicious.’ I’ve just had a great response. The Department of Agriculture has done wonderful things. They also provide educational posters in my fish room and when people come in and they see the fish filleted out, I can show them what the fish looks like before it was filleted. They love it. They don’t like going in blind to anything and they find it very educational.”



Detailed Findings

The following topics were explored with companies throughout the supply chain:

- ◆ Product Information
- ◆ Messages to be communicated (in order to overcome barriers)
- ◆ Marketing / Advertising techniques

A number of companies expressed a need for a “concerted effort” by the entire catfish industry to communicate the benefits of catfish (not unlike the industry advertising conducted by the beef, pork, milk, and dairy industries). As one company explained, the seafood industry has historically been fragmented: “The long lines don’t like the trappers, the nets don’t like hook-and-line fishermen, and the west coast doesn’t care about east coast problems.” In addition, fishermen were often at odds with farmers. Advertising to the general public was a proven tactic that has worked for other seafood products.

“New Zealanders convinced us that orange roughy is a good product and it went from \$1 to \$5. It is expensive. Marketing is about keeping the product in front. Get people to think about it so when they go to the grocery store they think about it. Put it in magazines – all over.”

“Catfish doesn’t have the name. To some extent, it is a marketing thing. It has no sex appeal like salmon or swordfish or tuna. Some people tend to still associate it with canal or yard pond fish, even though it is farm-raised.”

Messages or the advantages of farm-raised catfish that should be communicated through a national campaign include the following:

- ◆ Healthy
- ◆ Boneless
- ◆ Firm
- ◆ Quality product (no blemishes, scars, bruises or discoloration)
 - US farm-raised catfish is a superior quality to imports
- ◆ Availability
- ◆ Flavor (not fishy)
 - Different from wild but good on it’s own
- ◆ Clean white fish (processed in a clean environment – not on the back of a pickup)
- ◆ The opposite of fresh is not frozen
- ◆ Industry image



Detailed Findings

As one company explained:

“The opposite of fresh does not equal frozen. The opposite of fresh equals rotten. Flash-frozen definitely has more flavor, minerals, vitamins, etc. It is not breaking down. Freezing has stopped the decaying.”

Other promotional materials and marketing concepts were specific to the company’s place within the supply chain. Each audience can utilize different marketing and promotions for their audience.

Distributors / Wholesalers

Distributors and wholesalers requested marketing assistance that included consumer product information, incentives, or other information such as the following:

- ◆ How producers feed the fish (noting that catfish are not bottom feeders anymore)
- ◆ What they feed their fish
- ◆ A full color picture of the farm, the tanks and the product
- ◆ Water temperature / water quality explanations
- ◆ Pre-tested and taste-tested before it enters the market
- ◆ How it is packaged
- ◆ Information to meet government regulations (such as food safety, nutritional information, calories, proper thawing procedures, lot codes to track product, etc.)
- ◆ The origin – Florida (an important selling point for many in Florida)
- ◆ A website (so companies can find out more about the product, in addition to recipes, marketing ideas, promotional materials, etc.)
- ◆ Advertise in *Seafood Business Magazine*
 - Include stories on production, price, and how they are raised (a more in-depth analysis)
- ◆ Incentives to sales representatives to sell more
- ◆ Target smaller independents with financial incentives
 - Do not just focus on larger retail establishments but look at all independents as a collective market worth the effort



Detailed Findings

Specialty Seafood Retail Markets / Supermarkets

Retailers, such as grocery stores and specialty seafood markets, requested the following assistance:

- ◆ Hispanic literature / brochures for niche markets
- ◆ New merchandising
 - Posters to decorate
 - Signs like the “Fresh from Florida Farm-Raised Clams” signs, for in the display case
 - Updated brochures (that look more current)
- ◆ Recommendations on how their customers can most effectively purchase fish
 - That is, what to look for and what to avoid (such as the sheen, how fresh fish responds when you touch it, the color, moisture, etc.)
- ◆ Portion sizes
- ◆ A color book that is a “display copy” showing all varieties of fish – fresh and saltwater
- ◆ Demonstrations / taste tests showing unique dishes or recipes, how to cook catfish, etc. (much like cheese, tilapia, etc. have done)
- ◆ Recipes
 - A method for customers to share recipes with each other
 - More unique and different recipe ideas
 - Preparation of coleslaw, hushpuppies, etc., in addition to the catfish
 - Alternatives to frying (for health reasons)
 - Some new innovative ways, beyond southern fried, such as broiled, baked, sautéed, nuggets (and that they are all tasty)
 - Southeast Louisiana catfish in a sauce piquant (a French version of piquant highly seasoned red sauce)
 - How to cook strips / nuggets with marinara sauce

As one large supermarket chain explained, the most effective way to reach the end user is with sales and demonstrations:

“You need to get the product in the customer’s mouth. The other piece is financial. Money drives everything. If the meat or seafood manager sees catfish (on sale from the distributor) and if he advertises and usually gets 34% gross profit, but he can get 45% margin, he will really push it. The store manager will get out and do extra signage, suggestive selling, do an on-floor selling event, a larger display, and even get on the loudspeaker. We did a recent



Detailed Findings

shrimp promotion and the manager had someone taking pre-measured bags of shrimp around the store selling to customers on an ice cart.”

Most companies within the supply chain have their own random promotions, flyers, specials, etc. However, the grocery store chains seem to have the most consistent marketing efforts using newspaper advertising and point-of-purchase materials.

Restaurants

Restaurants listed the following items as useful to their marketing efforts:

- ◆ Table tents
- ◆ Placemats with the different fish on it – or catfish insights / tidbits of information
- ◆ Buttons for wait staff (indicating a promotion for catfish or the benefits of catfish)
- ◆ Server training as to the benefits (e.g., how to “pitch” catfish when at the table)
- ◆ Printed staff information – pamphlets and flyers
- ◆ Assistance with wording for menu items – “southern fried catfish platter in cornmeal breading and fried to a golden brown”
- ◆ Menu allowances

In fact, some experts within the seafood industry argued that the restaurant is the ultimate gatekeeper for seafood. Restaurants and the wait staff choose where to place the item on the menu, when to place the item as their special of the day, and when to place the item permanently on their menu. As one company summarized:

“Get a permanent spot on the menu. Otherwise, special promotions are only a ‘flash in the pan’.”

Furthermore, once customers try an item at a restaurant, they often attempt to cook that item at home, purchasing it from their supermarket or seafood retail market.

Recommended Target Audience

There was significant debate as to the existing target market versus the ideal target market. While some retailers stereotyped their current catfish customers as locals, Southerners, or lower income customers, others believed that all types of customers purchase this “commodity product”. In speaking with white tablecloth restaurants and checker tablecloth restaurants, both explained that catfish was popular at their restaurants.



Detailed Findings

Due to its lower price and stable availability, companies in the catfish supply chain believed that farm-raised catfish was ideal for the following types of customers:

“Older generation Southerners buy it now. It is comfort food. Don’t bother with boomers as a target...they buy swordfish, mahi mahi, grouper, and snapper...Still focus on the young family...because it is an economical fish. You can feed the whole family and it is not too costly.”

“People eating healthier - ages 18-35.”

“Call it ‘organic’. And I mean have it certified organic.”

“Fry houses because they move more cases.”

“Target an American housewife, regardless of her ethnic background. Catfish is boneless, headless, no fins, and it doesn’t taste like fish. Catfish is that product. And change the name.”

“People with families of 2-3 children who are price conscious. It is an alternative to chicken (which is outrageously priced now for boneless).”

“Country clubs use catfish. I sell to Coral Reef at Disney. They do a great catfish, Southern style Cajun. Some use for gumbo. There are a lot of different things you can do with catfish. It is a firm fish and you can use it for soup. Cracker Barrel sells catfish. You won’t usually see it on a menu at fine dining. Sports bars that target the seven to 30 year old customer. Use it for fish on the menu for kids. For a generic fish fry, all you can eat. Hake, cod, pollock, and catfish will always be around because of consistency.”

“More inland than on the coasts. They are familiar with it”

“The Southerners are already familiar, so new market potential is up north.”

When asked who the ideal target audience would be for farm-raised catfish, companies in the supply chain stated institutions (e.g., hospitals, schools, cafeterias, mass retailers, etc.), middle income families, the elderly (but not boomers), the health conscious (using an organic positioning strategy), and family style restaurants.



Detailed Findings

One larger grocery store chain representative made an important point about the target audience. His perception was that experienced shoppers already bought fresh fish, and perhaps even shopped at fish markets. Market growth (among the masses) will be with new entrants into the seafood market, 18 to 35, who start out at lower prices in a grocery store for their initial trial. The implication was that catfish is at the lower end, so it holds a heavy burden. If the product is not quality or consistent, a bad product will turn off all his future customers.

Similarly, another company pointed out that schools sell the lowest quality possible fish to kids and they do not eat it. Then, for much of their lives they say that they “don’t like seafood”. Hence, institutions and mass retailers have a duty and obligation to recognize the impact they have on the industry. New catfish farmers or producers in the market need to make sure their product is of high quality, otherwise, the entire seafood industry can suffer.

Florida Farm-Raised Market Potential

Awareness for farm-raised catfish seemed highest for Mississippi, while some companies were also buying from Alabama, Louisiana, and South Carolina. Companies believed that the industry was doing a good job promoting catfish, advertising in industry publications, and having chefs talk about the benefits.

Most companies were unaware that there were catfish farms in Florida. Among those who were selling farm-raised catfish, most were somewhat or very likely to consider Florida farm-raised catfish if a processing plant were to open in Florida. In fact, they have not seen any difference between fish from Alabama, Mississippi or Louisiana, or the assumption was that it was all the same. It was believed that all producers have the same techniques in farming, feeding, and processing of the fillets.

Smaller independent retailers and wholesalers were more likely to consider switching suppliers, showing a greater loyalty to Florida and the local economy.

“Absolutely. I’m a local person and would like to help locally. And, there would be less freight in state.”

“Compared to now, I would be much more inclined to buy from a Florida producer. I could call or get in the car and be there. I don’t know the guy in Mississippi. If I can get in the car and talk about marketing problems...and ideas. It is a neighborly mentality.”



Detailed Findings

On the other hand, **distributors and larger wholesalers** would need to consider the bottom line (and the impact it would have on their current contracts or pricing from current suppliers). As the broker pointed out, they are sometimes contractually obligated to represent only one supplier. However, there may be a cost savings if Florida can ship at a lower cost.

Among those who were not selling farm-raised catfish (who did not conduct in-depth interviews), most were unlikely to consider selling farm-raised catfish from Florida, for a wide variety of reasons.

One **wholesaler** explained that he did not sell farm-raised catfish because he was only aware of a farm in Alabama, and the transportation costs were prohibitive. However, when posed with the potential concept of a processing plant in Florida, he explained:

“If there were a place in Florida where I could pick it up in my own trucks, it might be feasible. Right now, farm-raised is \$1.10 a pound versus \$.75 a pound for wild catfish, so it would depend on the price and whether it would be profitable for me.”

Closing Comments

As a wrap up to the discussion, companies were asked to summarize their **recommendations for the industry** – in the context of a farm-raised catfish processing plant being opened in Florida. The array of comments (words of encouragement, caveats to their level of interest, and words of caution) were as follows:

“As long as they are processing it the same way.”

“Offer consistent sizes of fish fillets.”

“Put a consistent quality product into the market. Quality means good processing specs, mild flavor, good texture, and properly freeze it. Quickly with no substantial exposure to freezer burn. Dip it in water or wrap it before freezing.”

“There is too much of it already and they can’t sell it. ConAgra and other companies that own them are trying to get rid of catfish operations because



Detailed Findings

there is over production. Therefore, the price is like other agricultural products, corn, wheat, etc. With no price supports (like wheat or corn or beef) there is no advantage and it tends to be over produced. Many times, they start with a government grant but as soon as they run out of money, they are gone. The same happened with tilapia. At some point, it is much cheaper to do it elsewhere, with the price of land, labor, and packaging, such as Central America, China, or Vietnam. They can't compete on a steady basis."

"Large distributors need adequate volume since they typically offer one type of product to all customers (through contracts). (Not sure if Florida catfish farmers can sustain major retailers.) Large supermarket chains need adequate volume."

"Continually give a quality product. They need to remove more of the skin side of the fish. Some suppliers are leaving too much fat layer on under line side. Imports call it "deep skin". It affects the flavor profile due to the skin. I went to one processing facility in Alabama and was surprised with what was perceived to be 'skinning of fish'. Only a minimal amount of skin was removed and a distinct flavor was left. That is not acceptable to the flavor."

"Come up with more ideas. Different applications and flavor profiles. Something new and exciting."

"Others (compared to Delta Pride and Carolina Classic) may be inconsistent. If I buy 5-7 ounce fillets and get some 4s in the box, that is inconsistent. Sometimes they leave some belly flap on the fish. It is not trimmed good. I tried Florida and they were grainier. They had a tendency to bowl up if frying. They shrivel and curl up. The heat may impact growing fish in Florida. That may be the reason. Or, maybe it is when processing. I had one sample five years ago and I wasn't happy. I haven't tried since. Would try again."

"Put a Florida sticker on it. Ninety percent of my retail is fresh local fish and if catfish comes from Florida, that is a selling point. The main thing is to market and differentiate it from other things out there. Mississippi did it. They hired John Folts, a famous chef, to promote farm-raised. Hire high profile chefs and demo, cook at places, and draw attention to it. We will take their word better than someone off the street."



Detailed Findings

“It is all about the ponds. Delta samples before they harvest. If it has a bad taste, they reject the whole pond. Delta has strict standards for buying and for their own ponds.”

“Independents are worth the attention. Involve us with same vigor and determination of handshakes, like we do with our fishermen. The Florida Department of Agriculture, Joanne McNealy and Paul Sajack, have in the past, been very conscientious and I’m encouraged... Clams have been a major success in our state and selling around the country. It wasn’t available to fishermen. There were displaced mullet fishermen and this was an economic opportunity to become farmers instead of fishermen. It was a major success. Show a concern for the environment. Be cautious of things filtering into wild stocks and affecting genetic diversity. Be cautious of waste, genetic manipulation. Face it head on. Embrace technology but be responsible. Maybe there is a market for organic seafood without growth hormones to target the younger generation 20s and 30s who are more concerned than baby boomers.”

“Come up with some new and better recipes other than frying. Make people aware of farms in Florida that need your support. Florida is proud. We want to see the dollars made here also spent here.”

“Get someone to come around with information and sell the product. I would want to try the quality, see if it is a consistent fillet. And see if the price is in the ballpark. Nickels and dimes don’t bother me. If I need 300 pounds today and you don’t have it until next week – i.e., availability.”

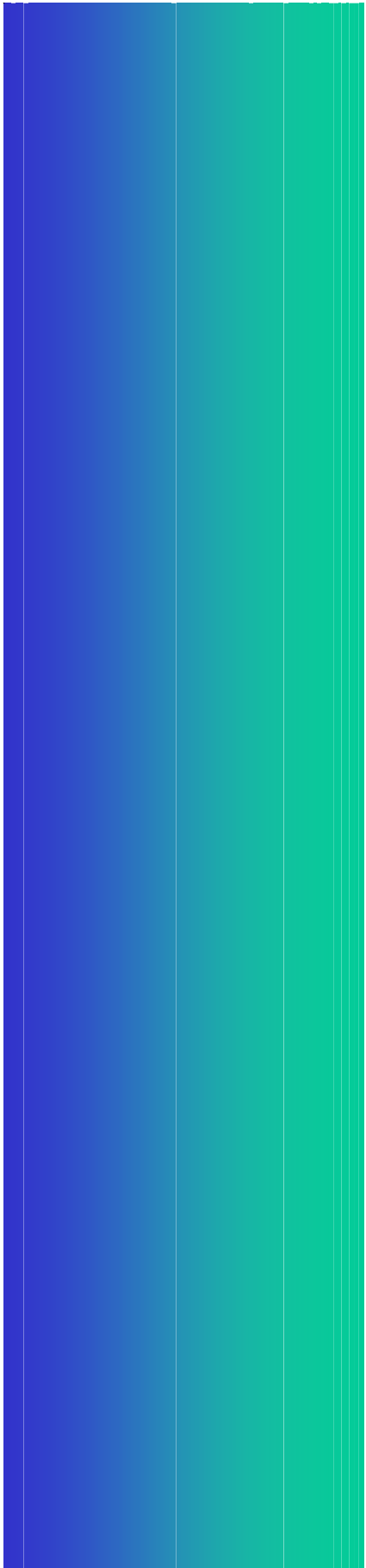
“Menu marketing. Sit down with a group of restaurant owners and show them what wonderful things you can do with catfish. I have it as an appetizer, as a sandwich, and as a dinner. If it is an inventory item, I can use it as many ways as possible so it is not sitting there. That increases your ability to turn it over and there is less waste and less spoiling.”

“The price is where it needs to be now. It is not a high-end fish perception wise. It is bread and butter, a mainstay fish. It is not gourmet like sushi-grade tuna. It is not like yellow fin tuna. The persona is an earthy mom and pop moderate priced seafood item. It is good eating fish.”



Detailed Findings

“Seafood as a whole has not changed in 30 years and to be honest, until the seafood industry wakes up, smells the coffee, and does things to be more of a force in protein business, they will continue to flounder. There is only so much you can do to fish – marinade, bread, and cook it on a grill. It has been very reluctant to change. Innovations that the seafood industry comes up with are not necessarily what the customer base is looking for.”



Supply Chain Profiles



Supply Chain Profiles

Among those who did sell farm-raised catfish, a diverse mix of companies were interviewed. **The following outline of the array of companies is necessary as a backdrop to the preceding analysis.**

- ◆ Two types of **seafood wholesalers** were identified and interviewed: (1) those selling primarily to other foodservice companies, and, (2) those selling wholesale as well as retail
 1. **Seafood wholesalers** who primarily sold to other foodservice companies (of various sizes and types) included the following types of companies:
 - ◆ Smaller wholesalers bought from local fishermen then sold and shipped (via truck) to local or regional restaurants (upscale as well as picnic style)
 - ◆ Smaller wholesalers who did not ship or transport their product, hence, sold mostly to smaller local restaurants
 - ◆ Large wholesalers who owned their own trucks to distribute (and in some cases owned their own fishing boats)
 - ◆ Wholesalers that bought mass quantities of whole fish from other wholesalers and processed their own seafood to sell to large institutions (e.g., hospitals, schools, cafeterias, mass retailers, etc.) and chains (restaurants and supermarkets)
 - ◆ Wholesalers that imported fish (already processed abroad by a division of their company) or bought other imported fish (already processed) to sell domestically to various foodservice companies at a variety of levels within the supply chain
 2. **Seafood wholesalers** that also sold retail seafood products.
 - ◆ Wholesalers with retail counters and prepared food for on premises consumption and take-out. Some of these companies offered other non-seafood items (such as deli, dairy, salads, pasta, meats, wines, etc.), but typically specialized in seafood
 - ◆ Wholesalers with retail counters and no prepared food.
- ◆ **Distributors**, on the other hand, were more consistent in their company profiles. That is, distributors offered seafood as well as non-food items (such as paper products). They bought from processing plants or manufacturers and sold to companies or institutions that feed hundreds of customers at a time—such as nursing homes, schools, and, restaurants (white tablecloth, checker tablecloth, chains, and “mom & pop” independent restaurants).



Supply Chain Profiles

- ◆ **One smaller and one larger grocery store chain** were interviewed. They offered fresh, frozen, raw, and cooked (prepared food products), buying from distributors and selling to the general public (across all socioeconomic categories).
- ◆ An array of **restaurants** were interviewed, ranging from white tablecloth to checkered tablecloth (picnic style, family style, southern fried seafood style restaurants).
- ◆ One **broker** was interviewed, who bought and sold seafood (as well as other products), much like a distributor, building relationships with operators, manufacturers, distributors, and the institutions.
- ◆ One **custom packager** who took existing frozen seafood and re-packaged products to be sold in branded packaging at retail or for home delivery was interviewed.

There was a wide variety of situations and levels within the supply chain, with many companies vertically integrated to varying degrees.

Each of the above profiles is important to consider when conducting one-to-one selling. Their situation and place within the supply chain impacts their unique perceptions and barriers to selling catfish.