



CASE STUDIES FOR DEVELOPING A MARKETING CONCEPT FOR FISH PRODUCTS (2005)

CASE STUDY 9

Distributor margins and internal marketing

Go into any retailer and look at the prices your fish are being sold at and it is likely that you will wonder who is making all the money. It is not the producer that is certain. It is often said that there is a 300% mark-up on fish prices from the producer to the end user, and as a guideline this is true.

Headed Shrimp Market Chain, 1996 – Ecuador White (21-30) from Clay 2004.

Producers to FOB (\$ per kg)		FOB to retailer (\$ per kg)		FOB to Consumer (\$ per kg)
Taxes, fees, transport consumers And customs, etc. 16%	12.0%	Cheapest consumer Price	13%	US prices to in speciality stores for Large sizes
Processing loss & Margins	10.5%	Costs & margins for Largest retailers	9%	Medium US retail Price
Conversion (loss of weight) 17%	12.9%	Transport costs & Margins	6%	Cheapest US retail Price
Profit 21%	15.0%	Wholesaler costs & Margins	10%	
Depreciation	4.6%			Large retailers
Interest 6%	12.0%	Importers Margin	4%	Traders expenses & Margins
Maintenance	2.0%			
Labour 13%	1.5%	CIF costs	10%	
Fuel	2.0%	FOB Price	48%	
Feeds	12.8%			
Cost if PLs (hatchery) 27%	13.8%			FOB Price

FOB = Free On Board e.g. delivered to point of destination, but without duties or storage.

The above detailed survey illustrates the costs and margins typically associated with the distribution chain. However it is not only people making money and many of the steps in the chain have costs, but there is also the



goodwill, contact and market knowledge factors that play an important part in the cost equation.

Recent trends with major producers have seen a wish to reduce costs by creating their own distribution networks. These networks consist of setting up a marketing office – nominally a salesperson in the main market region, with a small office and communication equipment acting as the contact point, and a logistics company to handle, store and distribute the product to the retailers. This system will only work where continuity of supply from the producer is assured as retailers need products on a regular basis, every week.

The cost savings returned to the producer have been estimated at 36% of the FOB price, while the costs of operating a sales office in the EU are conservatively put at €400,000 per annum. With sufficient production there are definite advantages in shortening the supply chain as UNIMA, France have seen with their Madagascan shrimp products.