

Chapter 1

WHAT IS DIRECT MARKETING AND IS IT FOR ME?

The fishing and seafood industries are always changing. Sometimes, a low dock price encourages folks to try to bypass the “middleman,” increase value, and sell their catch directly to consumers. Entering the seafood business by direct marketing isn’t for everyone. Before making the leap, take a few moments to think through your motivations and situation.

WHAT IS DIRECT MARKETING?

Technology is making seafood harvesting, processing and distribution more efficient and more competitive.

Online purchasing and social media are changing the ways people find and purchase goods. Ocean climate change is altering patterns of resource abundance, distribution and behaviors.

People want to feel more of a connection with their food and know its source. Competition in the marketplace among food choices is increasing. Changes like these bring **threats and opportunities**. One way a seafood business can respond to both is to get more money for the product it sells.

“**Direct marketing**” means selling the catch at a point further up the distribution or “value-added” chain from the traditional destination—the local seafood processing plant.

A direct marketer can sell directly to the consumer, or to a buyer at any other level in the system. The direct marketer gets paid for the value of the raw product but also any value that is accrued as the product is processed, packaged, transported and sold to the final user or consumer.

Direct marketing has its own business practices, its own vocabulary (see Appendix J, Glossary of Seafood Business Terms), its own information sources and its own rewards. As a fisherman, if you make the decision to direct market, you are no longer in the fishing business; you’re in the seafood business.

This is often called “bypassing the middleman,” but really it is “**becoming the middleman.**” It means **doing two jobs**, incurring the expenses and taking the risks of all those middlemen and, hopefully, getting paid what

each of those links of the chain would otherwise reap individually. Trying to displace long term relationships between wholesalers, retailers and other vendors can be difficult and unlikely to be fruitful. Therefore, selling directly to the consumer is a better use of energy and is more likely to be successful for direct marketers, with the added benefit of providing the consumer with a more personal connection to their food.

WHAT A DIRECT MARKETER DOES

- Obtains licenses, permits and bonds and fills out reporting forms
- Develops product identification and specifications
- Develops branding
- Conducts market research and defines market niche including market forms and relative demand
- Specifies services provided and determines pricing
- Establishes a relationship with custom processor/co-packer, if using
- Harvests the seafood and/or purchases directly from other fishermen using appropriate licensing
- Prepares fish for sale or future processing on board the vessel which may include gilling, gutting, washing, and chilling or freezing catch
- Delivers the raw product to the custom processor/co-packer
- Pays the custom processor/co-packer within pre-established terms
- Procures storage space for the finished product awaiting sales
- Designs, places and purchases advertising
- Sells the product(s)
- Collects payment

WHAT A DIRECT MARKETER DOES (CONTINUED)

- Purchases boxes, gel ice, banding and labels, and assembles the shipping box units
- Pre-chills, packages, boxes, bands, labels and prepares product for shipping
- Arranges shipping and delivery
- Delivers product to shipper
- Pays shipper within pre-arranged terms
- Follows up to assure product was delivered in good order
- Handles problems and complaints, if any
- Completes bookkeeping, pays taxes and bills, and submits reports

MARKETING VS. SELLING

The words “marketing” and “selling” are sometimes used interchangeably, but marketing involves much more than making a sale. It may include formally or informally doing:

- Product development, including competitive analysis of other products identical or very similar to yours, and product-specific market research
- Promotion, including story-telling, advertising and sharing content on social media
- Placement, including a situation analysis of the intended market or market segment and targeted demographic research
- Pricing, including determining an appropriate value for your product

The sales component of marketing may include making calls and emails, taking orders, billing and more.

STATE-SPECIFIC REGULATIONS AND PERMITS

Alaska, Washington, Oregon and California issue several kinds of direct marketing permits, each with specific provisions and limitations. See Appendices for a complete list of seafood business categories and a summary of requirements pertinent to Alaska (Appendix E), Washington (Appendix F), Oregon (Appendix G) and California (Appendix H) regulations. Keep in mind that states regulate seafood processing and sales differently, and local counties or municipalities may impose their own regulations.

COMMON MARKETS FOR FISH AND SEAFOOD PRODUCTS

- Off-the-boat or dockside sales direct to consumers
- Farmers markets
- Community supported fisheries (CSF)
- Restaurant supported fisheries (RSF)
- Online sales
- Food clubs, buying clubs
- Boat to institution (e.g. schools, prisons) sales
- Boat to food service (restaurants) or retail market sales
- Seafood brokers, distributors or wholesalers

PRODUCTS

When contemplating product forms, direct marketers should consider perishability, shelf life, shipping costs, cultural familiarity, visual appeal, consumer convenience and price.

(**Note:** this manual does not directly address seafood processing. For information on how to set up a small fish processing plant see the publication *Village Fish Processing Plant: Yes or No?* <https://seagrant.uaf.edu/bookstore/pubs/M-89.html>)

Products offered by direct marketers include:

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| • Whole dressed | • Smoked and cured (head on or head off) (flavored or spiced) |
| • Fillets | |
| • Steaks | • Lox |
| • Portions | • Fish heads or bones |
| • Burgers | • Bait |
| • Ground | • Roe |
| • Canned | • Samplers |
| • Jerky | • Dog snacks (straight or flavored) |
| • Skin | |

Generally, anything done to a raw fish beyond gilling, gutting, sliming or chilling constitutes processing. Freezing is considered processing by some regulating agencies. Refer to Appendix E, F, G or H for specific definitions of “processing” for Alaska, Washington, Oregon and California. **Processing requires an approved, inspected facility, additional permits, and specified procedures including HACCP certification.** Though some direct marketers conduct value-added processing aboard their permitted vessels, inspection standards for processing may be difficult, expensive, or even impossible to meet on board a smaller vessel or at a remote location. Direct marketers may also process product at their own permitted facility or contract an already licensed facility to process their product for them, a practice commonly referred to as custom processing or co-packing. Some direct marketers purchase processed products from a licensed facility for resale.

IS DIRECT MARKETING FOR ME?

To determine if direct marketing is the right business decision for you, ask yourself the following questions and complete the SWOT analysis on page 5.

Do the following benefits of direct marketing match my motivations?

- Receive a higher price-per-pound than local processors usually pay
- Opportunity to sell lesser known species and excess product that wholesale buyers do not buy
- Have control over your level of fishing effort or schedule
- Customers provide feedback about products, potentially leading to ideas for new products
- Opportunities to connect and develop relationships with the consumer of your product
- Educate the public and chefs about the availability of local seafood to build markets for lesser known species
- Diversifies markets where you can sell your harvest, reducing market risk
- Control of where and when product is sold
- Provides a disconnect from the volatile export market
- Grows the reputation and understanding of small-boat fishermen and their products
- Extend your working season
- Exercise your creativity
- Provide employment for friends or family members

Am I willing to tackle additional direct marketing challenges?

- Will take time away from fishing
- Requires greater time commitment, both during the season and the rest of the year
- Increases responsibility for timeliness to maintain quality
- May not be possible to provide desired products or consumer demands
- May put relationship with traditional buyers at risk
- Results in less flexibility to take advantage of good fishing days due to scheduled marketing activities
- Increases need for refrigeration and other product handling facilities
- May require willing, skilled and affordable help

Am I willing to incur the opportunity costs and/or additional costs associated with direct marketing?

- The value of the catch if it had been sold to your usual processor
- Shrinkage, roe value, lost opportunity to sell lower grade or undesirable species catch

- Time spent delivering or handling product that could have been spent harvesting
- Time spent delivering or handling product that could have been used for maintenance or rest
- Additional fuel expense if traveling to various ports
- Costs of additional equipment and supplies required for the operation

SWOT ANALYSIS

A SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a way to balance the advantages you have against the disadvantages to inform a decision about whether to proceed with starting a business. Strengths and weaknesses are internal to you and your situation, while opportunities and threats are external. Answer the questions below and enter them into the box to create your own SWOT analysis on page 5:

STRENGTHS OR WEAKNESSES:

Am I personally suited to and capable of running a direct marketing business?

- Have I proven myself to be a successful seafood harvester?
- Am I an entrepreneur?
- Am I comfortable with risk?
- Am I a people person?
- Do I like being a salesperson, on the phone or in person? Do I enjoy meeting and talking to people?
- Can I live with delayed payment for my work and products?
- Am I organized and detail oriented?
- Am I good at bookkeeping and financial management?
- Do I deal calmly with problems and with difficult people?
- How assertive am I at making people pay what they owe me or do what they have agreed to do?
- Am I more quality or volume oriented?
- Can I take on additional time and work demands?
- Can I stay with a set of tasks every week, year after year, or do I get bored and need change?
- Am I willing and physically able to do the extra work and commit the additional time, or do I prefer to put the boat away and forget about fish at the end of the day or the season?
- Am I willing to sacrifice in the short term for greater rewards and potential long-term security?
- Am I able to be brutally honest with myself about the true costs of operation?
- Do I have logistics skills so that I can get my product to the buyers in excellent condition?

OPPORTUNITIES OR THREATS

Do I have the resources to create a successful direct marketing business?

- Can I wait weeks after delivery or months after the season to get paid?
- Is my family supportive and can they make changes so I can spend time on this business?
- Does my fishery resource have timing that permits taking time to handle the catch and meet delivery schedules? Is the volume adequate to meet the volume and frequency demands of the market?
- Is my species mix and intrinsic quality of catch appropriate for my market?
- Do I have a market for the roe (if a salmon fishery) and for catch my customers don't want due to species, size or condition?
- Is my boat suitable with adequate space to properly handle the product?
- Do I have storage and staging area and structures for equipment and supplies?
- Does my operation require vehicles and other pertinent equipment for product handling and transportation?
- Do I need refrigeration, ice or chilling capacity?
- Will I rely on regular, reliable, affordable air cargo and/or road transportation?
- Do I have adequate capital cash or credit to carry the business in case customers don't pay or, for some other reason, the business isn't immediately profitable?

Take a moment to think about how you can build upon your strengths and opportunities and brainstorm ways you can overcome your weaknesses and threats. For example, if you are a people person, can you add an in-person component to your sales strategy? If bookkeeping is not your strength, can you hire an accountant or take a course on digital bookkeeping software?

Keep in mind that your direct marketing business becomes successful only when you have enough additional fishing net income to justify the added time, work and risk—as well as the happy customers and satisfaction—of establishing and running your own seafood business.

A DIRECT MARKETING STARTUP CHECKLIST

You understand what direct marketing is and have decided that you have what it takes. Here are ten steps toward starting your business.

1. Decide what **product or product forms** you want to sell. If you plan to use any custom processing (that is, sell any product form except chilled, headed and gutted), identify a processor with needed capabilities and get firm prices for the processing and handling services they provide.
2. Decide on a **business structure**—corporation, limited liability corporation (LLC), partnership or sole proprietorship. Note, your business structure has implications for liability protection if selling your catch.
3. Decide **where or in which parts of the country** you will focus your marketing.
4. Apply for the **permits and licenses** you require from your state (see Appendices E, F, G and H).
5. Register with the **Food and Drug Administration (FDA)** if shipping out of state and apply for permits for the states and locales where you plan to sell. If a HACCP plan is required, sign up for a HACCP class (see Appendix B).
6. Determine your **modes of transport**. Get schedules, rates and at least tentative assurance from shippers that they will accommodate you on your schedule. Locate refrigerated or frozen storage facilities that can hold the product.
7. Design your **packaging and labeling**. Make sure they are compatible with the shipper's requirements and with regulatory authorities in states where you will be selling your product (see Chapter 9).
8. Get **insurance** for your marketing operation, including product liability.
9. Develop a **marketing plan** (see Chapters 6 and 7).
10. Draft a simple **business plan** (see Chapter 2 and Appendix I).

Keep in mind that there may be considerable lead time for some of these steps, particularly business incorporation, getting any required certification such as HACCP, and getting permits and licenses. Start the process early.

S trengths	W eaknesses
O pportunities	T hreats

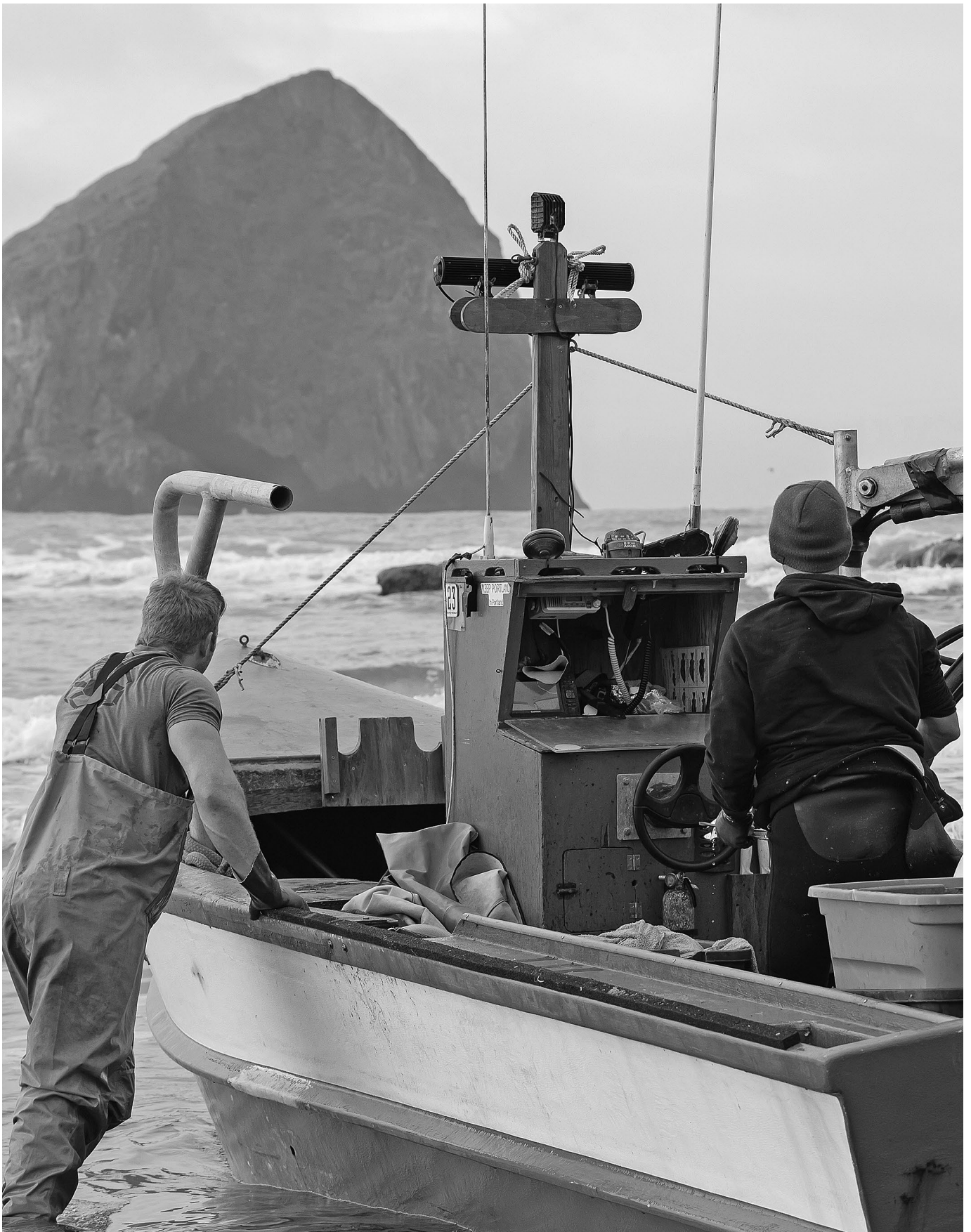


Photo Courtesy of Oregon Sea Grant