

Chapter 2

BUSINESS PLANNING TIPS*

No one plans to fail, but many fail to plan. Nearly 75 percent of all startup businesses fold within their first five years, and seafood businesses are no exception.

A detailed **business plan** is a blueprint of your objectives, the steps in meeting those objectives and the necessary financial requirements for both a startup and an existing business. You could hire someone to write your plan, but you are the person best qualified to answer the questions raised in the business planning process. The plan should be reviewed annually and updated as changes occur.

Several federal and state agencies, as well as private consultants, can help develop a business plan. **Appendix I of this document is a generic business plan outline** you can adapt to your operation.

TIPS FOR SUCCESSFUL DIRECT MARKETING BUSINESS PLANNING

Consult with a variety of marketing authorities. Read books and articles. Successful direct marketers commonly share practical information with others in the business. Go to a nonprofit business development assistance program for free or low-cost advice.

Do market research and understand your potential customers. When possible, talk to prospective buyers and consumers in person.

Define a target consumer population, both geographically and demographically. Develop a list of products in seasonal demand in your target population.

Locate buyers who are your philosophical allies. Seek customers who understand the limitations of a small operator. These customers will be willing to work with you and pay more for premium quality fish. Favor buyers who honor good product appearance, nutritional benefits, and sustainable resource and fishing culture.

Differentiate your product from the competition. Why should a potential customer buy from you rather than from someone else? Do you have better quality, a better price, superior service?

Try to **maintain a relationship with your current processor**, who may be willing to help you or at least take you back if things don't work out. You may be able to avoid burning bridges by continuing to deliver part of your catch to your processors, so long as they don't think you're high-grading. Some processors may be willing to custom process for you or sell back your own catch.

Carefully assess your costs. Profit is only what's left after paying all your costs. Remember permits, bonding, taxes, packaging, transportation, insurance, cold storage, distribution and additional boat operating costs. Home phone bills, fuel and wear-and-tear on your truck, special clothing and equipment are all costs of doing business and should be included when projecting profitability.

Diversify your markets. Try not to send all of your product to a single buyer or market area. Develop markets in several broad regions. As prices in one market area begin to decline because of oversupply, promote your products in the next.

Plan for growth of your business and for your clients' growth.

OPERATING TIPS

Prepare to change the way you fish. You may have to sacrifice volume to meet the needs of your customers. You may have to shift the species or change your timing for catching fish to optimize quality and meet buyer demands. Your objective is not to fill your boat, it's to meet your customers' needs.

Expect to become more self-sufficient. If you stop delivering to a packer, you may lose access to fuel, groceries, ice, use of a port engineer, dock space, boat storage and other company services.

Separate the fishing and marketing functions. It is difficult to run catching and sales operations at the same time. Many rely on a spouse, partner or employee to do the marketing, or they use a broker or sales agent. Some have formed small marketing cooperatives to ensure enough volume to support hiring a marketing person (see Chapter 8).

Take good care of your catch at every step of the process. Quality cannot be overemphasized. No one can improve your fish, so it's up to you to sustain the quality it had when it came out of the water. Bled and chilled is virtually assumed.

Establish communication. Buyers want you in regular communication with them, and they want to be able to reach you if need be. Provide cell or satellite phone numbers as well as fax and email. Some buyers will want

to talk to you daily while you are fishing; if yours are expecting to hear from you, be sure to call or be available to take their call.

Respond quickly to customer schedules and specifications. As the saying goes: if you are going to keep 'em, you will need to please 'em. Maintain proper attitude.

Remember to be civil, no matter what kind of day you are having. Project a positive, optimistic image to your customers regardless of what is currently happening.

Be consistent in product quality, delivery timing and price.

Keep it simple. Project complexity increases the risk and makes business capital more difficult to acquire.

Realize your time is not unlimited. Without experience, there is no way to accurately anticipate and estimate the added time commitments of processing, sales, fulfillment, etc. Weigh these factors into your analysis of whether direct marketing is for you.

POTENTIAL CAUSES OF FAILURE

Inadequate business planning. a business plan needs to be more than a brief diagram scribbled on a napkin.

Inadequate capitalization. a business needs enough capital to purchase equipment, supplies, and raw material. It also needs enough capital to pay wages and other operating costs for one or more years until sufficient cash flow is established.

Failing to cope with new realities. Changing market realities such as lower wholesale prices or higher ex-vessel prices can radically alter profitability.

Accounting failures. Proper accounting practices are necessary both to meet legal requirements and for successful business management.

Underestimation of personal energy required. a lot of time is required to deal with customers, air carriers, seafood regulators and others. Consider hiring competent assistants on the beach. Beware of creeping exhaustion.

Insufficient credit control. If possible, do not sell your product on credit. Arrange to take credit cards or irrevocable letters of credit if customers do not have cash. If credit is the only option, use a credit service to assess the credit worthiness of your would-be customer. Remember, it's not a sale until the check clears.

Ineffective cost control. Learn to control costs in all parts of your operation.

Excessive risk. Investigate all areas of risk in the business and find ways to minimize risk.

THINGS TO KEEP IN MIND ABOUT DIRECT MARKETING

Buyers get frustrated working with fishermen. They say that fishermen too often do not understand the seafood business. Study the wholesalers, retailers and food-service businesses to understand their needs.

Retailers and food-service businesses purchase from multiple sources. Though they may buy most of their fish from a volume distributor to minimize risk and keep the price down, they may still have a place for your offerings.

You have to do everything yourself. The tasks and risks that someone else previously assumed are now yours alone. Many of them are very different from fishing and take a great deal of time and energy to address.

You can't be in two places at once. Unless you're selling right off the boat, you probably will have to hire or contract someone to meet the plane or truck at the other end and deliver your product to the storage facility or buyer. Nobody (other than possibly a relative) does anything for free. You will need to get the tariff (rate) sheets for the companies whose services you plan to use, calculate all the costs involved, and contract with them well in advance.

You have to get rid of it all. You have to sell all of your catch, including any inferior species, any #2s and #3s, as well as any quantity in excess of what your buyers want. It is illegal to discard commercially caught fish even if you can't find a buyer. You may have to sell the excess or less desirable catch at a price below what it costs to box and ship them.

Develop backup market options. If a buyer refuses a shipment, cancels an order, or reneges on a price agreement, or you simply find that you've caught more than expected, have backup markets that are just a phone call away. Relationships with brokers and traders come in handy at times like these. Some people just put the catch in a freezer and hope they can unload it later.

Middlemen and end-users normally do not buy roe. Part of the value of your salmon is in the roe. However, you may find it difficult to sell and may have to market it separately (see Appendix C).

There will be no retros. Salmon fishermen often get a 10 to 30 percent "bump" after the season. When you direct market, what you get is what you get.

If you succeed, expect to attract competitors. Nothing is static in the business and an exclusive arrangement with a buyer can vanish if another supplier comes along with better quality or a lower price. Develop a strategy for dealing with competition bent on taking your market share.