Retailing Farmed Fish In Southern Europe

Supermarkets Lead Other Seafood Retailers

Selection and convenience have helped supermarkets and other larger retail stores gain an edge over traditional fish outlets in many areas.

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Summary:
Seafood retail channels in Southern Europe include four main classes: traditional fish markets and fishmongers, supermarkets and hypermarkets. Location, primary products and typical level of interaction with customers vary among the formats. In a survey in Spain, price was much more important for customers of supermarkets and hypermarkets than for those of the traditional channels, who rated quality more important. The empathy and reliability of vendors were scored higher for the traditional stores.

In the last two decades, the retail food sector has faced a process of concentration worldwide. The growth of supermarket chains and "box stores," and decline of more traditional channels is an issue in developed countries and traditional communities.

As a result, retailers are increasing their influence over producers and consumers, imposing supply requirements and affecting purchase habits. Food producers, including those for seafood, have to adapt their processes and marketing strategies to fit the demands of customers with strong purchasing power.

Although widespread, the growth of chains and megastores is not affecting all cultures in the same way. Southern European countries, which tend to operate in traditional formats, especially in the fresh fish market (Figure 1), still have an important share of the seafood market.

Seafood Retail Formats

Seafood retail channels in Southern Europe can be divided into four main classes: fish markets, fishmongers, supermarkets and hypermarkets. The first two are the traditional formats. Unprocessed fresh fish is their dominant product, and vendors play an active role in assisting consumers' purchase decisions.

Fish markets typically join several fishmongers in a single location, which results in synergies when negotiating with suppliers and local authorities, as well as in promotional activities. They are often located in town centers, sometimes in historical buildings, and extend the act of purchasing to a wider range of social interaction among consumers and retailers. In contrast, traditional fishmongers are independent stores that are often isolated in suburbs, making the development of the above-mentioned synergies by the owners much more difficult or even impossible.

Supermarkets and hypermarkets focus largely on processed seafood products and self-service sections. However, in Spain and other Southern European countries, fresh fish sections with assistance from vendors in the traditional style are still important.

The main differences between these two modern retail places are in size and location. While hypermarkets are located in malls at urban peripheries, supermarkets are found in the populated areas of towns and suburbs. Both supply many product classes beyond foodstuffs, which results in less-specialized seafood service. Concentration of property allows these retailers to develop common marketing strategies for a number of stores across different countries, resulting in unified decisions in terms of species, prices, sales and promotions.

Recent Market Evolution

The recent evolution of the market shares for these retail formats in Spain can be traced using data from Kantar World Panel that is available on the country's Ministry of Fisheries website. Supermarkets, which increased from a market share of 41.2% of total seafood sales during 2004 to 48.5% in 2009, were the only growing format of all four.

Hypermarkets and traditional fish markets decreased their overall sales around 2 and 1%, respectively, from 2004 to 2009, although their shares increased in some of the observed years. Fishmongers, on the other hand, suffered an unstoppable decrease from 26.0 to 21.8% during the five years.

Southern European consumers consider farmed species to be of lower quality than wild-caught species. Thus, price becomes the main competitive advantage for aquaculture products. Planned production from aquaculture assures a continuous supply to retailers that may wish to specialize in non-seasonal species. Lower costs make farmed seafood attractive for retailers focused on price leadership, such as supermarkets.

These remarks make the potential customers of modern channels like supermarkets and hypermarkets interested in farmed species in their supply. However, top-quality producers may consider traditional channels that may yield to higher prices and better consumer quality assessments.

The growth of farmed species sales in Spain for 2004 to 2009 was especially relevant for supermarkets (27%) and fish markets (15%), while at hypermarkets and fishmongers, the growth of fish culture was lower than 2%. But not all species behaved in the same way.

Turbot sales grew at supermarkets and hypermarkets compared with the traditional channels, causing decreases in average consumer prices in recent years. Increases in seabass sales were extremely relevant in supermarkets, but remained stable in hypermarkets. Sea bream increased its presence in all the retail formats, but trout consumption and sales are dropping as a result of downward production (Table 1).

Consumer Segments

Research undertaken by the Ministry of Fisheries in Spain between 2003 and 2007 revealed that each retail format is linked to specific consumer segments with dominant demographic profiles. A woman over 50 years old, homemaker or retired, and with elementary education was the most frequent profile in the traditional fish markets. However, in recent years, the number of younger purchasers, residents of urban areas, seems to have increased.

A similar profile can be found at fishmongers, but consumers are younger and with a larger number of employed purchasers. Young consumers as well as a greater presence of male purchasers are more frequently found at hypermarkets and supermarkets.

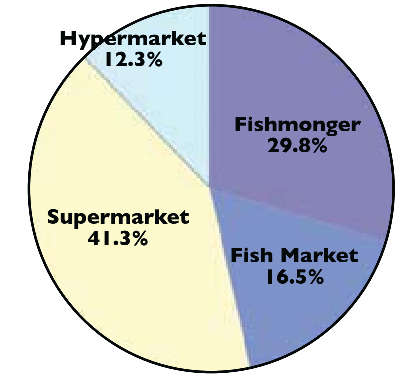

Figure 1. Fresh fish sales for varied retail formats in Spain, 2009. Source: Kantar World Panel.

Purchasers at fish markets have shown a strong interest in information about geographic provenance and harvest methods, with a clear preference toward wild domestic species. Supermarket consumers also show high price sensitivity, which makes a premium-quality strategy difficult to achieve. In contrast, buyers at hypermarkets tend to be label-oriented consumers, appreciating brands and certifications. Lower price sensitivity is found at traditional fishmongers.

Consumer Priorities

Finally, a recent survey revealed that price, quality and proximity are the three key factors for Spanish consumers when choosing a store for the seafood they buy. These motivations change when considering buyers from the four different retail channels.

Price was much more important for customers of supermarkets and hypermarkets than for those of the traditional channels, who rated quality a more important factor. Proximity is an advantage for fishmongers and supermarkets, while buyers at hypermarkets and traditional fish markets need to travel to the mall or market square.

The traditional formats scored better than chains and box stores in terms of product quality and safety, two concepts that are strongly related with traditional harvesting and processing. The empathy and reliability of vendors were scored higher for the traditional stores. This is a direct consequence of the business property, usually the vendor himself. On the other hand, space, organization and added services were the main advantages in quality for the modern channels.

Perspectives

Supermarkets are successfully increasing their seafood market shares in countries like Spain, Italy and Portugal, forcing many independent fishmongers to leave the market. Competitive prices, a wider range of products and services, and a common marketing and promotional strategy appear to be the key factors of this success against the traditional channels.

Proximity to consumers is an important advantage of supermarkets against hypermarkets, whose evolution in the seafood market has remained stable since the beginning of the new century. On the other hand, synergies among store owners and the ability to replace older with younger purchasers in the urban areas appear key in explaining the survival of traditional fish markets – and the recovering of some of them. Although supermarkets seem to be winning the game in terms of quantities sold, Southern Europeans still consider traditional stores the best source for top-quality seafood, which allows these retailers to obtain higher market prices.

Branding and certification schemes are more suitable for modern retail formats, especially at hypermarkets, which seem to be less sensitive on lower prices. Consumers' awareness of safety and sustainability is higher than at traditional markets, where wild, fresh seafood of local origin is the dominant preference. However, local certifications of origin could be a potential source of premiums for producers in the traditional sector.

Table 1. Changes in farmed species sales at different retail formats in Spain, 2004-2009. Source: Kantar World Panel.

	Hypermarket	Supermarket	Fish Market	Fishmonger	Total
Trout	-40.09%	-27.83%	-24.16%	-35.99%	-29.80%
Salmon	-2.54%	1.67%	1.53%	2.38%	3.90%
Seabass	8.46%	115.34%	42.30%	46.74%	64.60%
Sea bream	32.07%	77.56%	46.76%	7.88%	50.10%
Turbot	76.64%	83.19%	7.22%	44.92%	64.20%
Total	1.95%	27.33%	15.53%	1.03%	17.17%

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