Selling Seafood Successfully—A Case in Point[1]

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INTRODUCTION

The small businessman is constantly reminded that an essential element of good management is good planning. By setting some reasonable goal and planning a set of operational strategies which can be implemented, monitored and controlled to achieve this objective within a given time frame, a businessman should be able to reduce his chances of an unprofitable experience. Few, if any, businesses would argue with this systematic planning approach. Many, however, wonder if such time-consuming effort pays off (and anyone who has attempted the task can testify to the extraordinary amount of time in terms of man-hours which is consumed in creating and developing a new marketing strategy). These doubts are not without cause since there are few written experiences which describe how small business efforts successfully apply marketing management concepts in real world situations.

This article is written with the purpose of sharing the experience of implementing a *planned* marketing strategy. Moreover, in this study three marketing strategies were developed and sequentially implemented to learn which might be the most effective in terms of sales response, profit contribution and return on committed assets.

The unit of analysis was the meat department in a supermarket in a Texas community of about 50,000 population. The product researched was fresh seafood harvested primarily from the Texas and Upper-Mexican Gulf Coast. The time frame was a 25-week period.

More precisely stated, the objectives of the study were to determine if: (1) sales volume and profitability of fresh seafood products may be increased by *planned* merchandising strategies; (2) increased sales volume and profitability may be accomplished without taking a disproportionate share of normal supermarket operating funds.

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GENERAL DESIGN OF THE EXPERIMENT

The study consisted of two phases. Phase I involved the observation of the present merchandising efforts at the participating supermarket and the measurement of the sales volume and profitability associated with these activities. Phase II consisted of the implementation of new merchandising techniques, observation of the results and analysis of the data. The entire study lasted a total of 25 weeks from October 26, 1970 to April 17, 1971.

Phase I – Observation of Current Practices: This phase of the study consisted of observing the participating supermarket's present method of merchandising fresh seafood products, recording the results of these activities, plus visiting other successful retain fish markets to observe their practices.

Phase II – Implementation of New Merchandising Practices: This phase of the study concerned the implementation of new merchandising practices and the measurement of their effectiveness on fresh seafood sales. There were three major plans associated with the Phase II operations: Plan A, a low cost, minimum merchandising effort plan; Plan B, an average cost, convenience oriented merchandising plan, and Plan C, a high cost, "ideal" merchandising plan.

Phase II – Plan A: Plan A consisted of the minimum merchandising effort needed to profitably sell fresh seafood products. It is characterized as a low cost, low effort plan which consisted of the following merchandising procedures: (A) cleanliness: undertaking tasks to insure the work area and display case were cleaned and sanitized. (B) counter displays: setting up an attractive display case of the product assortment. (C) promotion: use of free point-of-purchase material supplied by Texas Parks & Wildlife Department.

Phase II – Plan B: Plan B was characterized as an average cost and average effort plan designed to make fresh fish as convenient to purchase as its frozen counterpart and therefore as desirable as other frozen seafood products. In addition to the procedural changes set out in Plan A, the following tasks were required: (A) product line: broadening the product assortment and adding filleted product to fish carried in the round. (B) promotion: adding "1-liner" copy in newspaper grocery ad to stimulate demand. (C) supply: working directly with source of supply to insure proper market size and tonnage of fish product.

Phase II – Plan C: Plan C was characterized as a high cost and a high effort merchandising plan. It consisted of the following tasks in addition to those set out in Plans A and B.

A. Additional Promotional Campaigns: (1) Radio and television "spots" were used to stress the virtues of fresh seafood, stimulate primary demand for fresh seafood and to advertise the supermarket as being the local outlet for fresh seafood products. (2) In-store sampling programs were conducted in order that consumers might be exposed to fresh seafood products. (3) Additional newspaper advertisements in two local newspapers were used to stimulate primary demand for fresh fish products.

B. Additional Customer Services: (1) Additional service personnel were hired to serve seafood customers.

Summary of Analysis: This portion of the study involved the analysis of tonnage volumes, costs, revenue and profit data recorded during Phase I and Phase II. In addition, wholesale prices and stockouts were examined to give a general overview of the research study. Beyond this general audit of effort, the data were subjected to closer examination such as an analysis based upon a moving average sales trend and an incremental analysis to determine incremental rates of return. By using incremental analysis, incremental increases in cost incurred to move from one plan to another and the corresponding incremental revenue and profit may be used to determine rates of return for each of the three plans. From this approach, a potential seafood merchandiser, who might want to use these findings, is able to evaluate each of the proposed plans and determine if the rates of return are satisfactory relative to his expectations to justify additional expenditures to promote fresh seafood products.

Changes in Tonnage Volume: Tonnage volume increased throughout the study with the largest percentage increases occurring during Plan B. Plan B showed the second largest increase in tonnage volume in which the increase was due almost entirely to the additional promotion and extra service personnel.

Changes in Dollar Volume: Changes in dollar volume were analyzed from both a calendar week basis and a Wednesday to Tuesday week basis. The dollar volume change highlighted with the calendar weeks showed the largest percentage increase occurring from Plan A to Plan B, while a Wednesday to Tuesday week analysis showed the largest increase occurring from Plan B to Plan C. While both analyses showed each successive plan to have increased dollar volume, it was felt that the Wednesday to Tuesday week gave the more accurate picture of actual increases as it tended to isolate better the affects of the payday cycle of the local labor force than did the calendar week approach.

Changes in Wholesale Prices: Wholesale prices increased throughout the time span of the research study. Species of frozen seafood purchased from the chain store's warehouse, such as shrimp and cod fillets, showed little or no fluctuations in wholesale price. Those species purchased in fresh form from seafood wholesalers in the Bryan and Houston areas showed the usual fluctuations in wholesale price associated with supply and demand of fresh seafood products. Some species showed as much as a 30% increase over the time span of the study.

Changes in Operating Expenses: With one exception, operating expenses increased as more merchandising tasks were added. Operating expenses decreased during Plan C due to the substitution of cheaper labor. Service personnel received apprentice meat cutter wager rather than journey-man meat cutter wages paid during the other phases of the study.

Changes in Stockouts: Stockouts, which were used as an indicator of customer service level, decreased throughout the study. Stockouts for the major fresh species handled during this study were as follows: Phase I – 85 stockouts, or 17 per week for 5 weeks; Plan A – 71 stockouts, or 12 per week for 6 weeks; Plan B – 61 stockouts, or 9 per week for 7 weeks and Plan C – 41 stockouts, or 6 per week for 7 weeks. Some stockouts, such as unavailability of supply are uncontrollable, but are reflected in the above data.

Changes in Profit. Average profit per week increased during each successive merchandising plan. The average profit per week for each period was as follows: Phase I – $42.45 average weekly profit; Plan A – $52.50 average weekly profit; Plan B – $82.41 average weekly profit and Plan C – $107.03 average weekly profit. These increases translate into percentage increases as follows: Phase I to Plan A – 24% increase from $42.45 to $52.50; Plan A to Plan B – 57% increase from $52.50 to $82.41 and Plan B to Plan C – 30% increase from $82.41 to $107.03.

SALES TREND ANALYSIS

Analysis of daily sales volumes highlights many interesting facets of sales volume. First, Tuesdays (double-stamp day) and weekend days of Thursday, Friday and Saturday, tended to form the high points of the week, while Mondays and Wednesdays, almost without exception, showed very low sales. This was true throughout the research study. These data suggest that the timing of consumer purchases did not change regardless of the merchandising techniques used, or the amount of promotion used to attempt to equalize daily sales. Second, the trend line shows a gradual increase until the beginning week of Plan C. The large positive change in the trend line during the first week of Plan C occurred during a period of heavy promotion which included television advertising to promote fresh seafood products. Finally, the last week of the study, which under normal circumstances would not have been selected for heavy promotion since the Lent and Easter season had passed and fresh fish sales were expected to decline, was used as a heavy promotion week and also included television advertising in the existing promotion mix of radio and newspaper advertising. While the last week's sales were not as high as the first week of Plan C, when television advertising was used, the sales during the last week were significant. The final week in Plan C showed the fifth highest sales of the entire research study. The commonly held notion that fresh seafood cannot be promoted in supermarkets and during weak selling seasons loses some of its value in light of this new evidence.

Incremental Analysis for Seafood Merchandisers: In this section of incremental analysis, the results of each possible incremental move from one plan to another are examined so that an established seafood merchandiser may evaluate his present position and determine the effects of a change in merchandising techniques. The incremental rate of return for each "move" was: Phase I to Plan A – 23.4%; Plan A to Plan B – 148% and Plan B to Plan C – 47%.

CONCLUSIONS

The objectives of this study were accomplished: (1) sales volume, both dollar and tonnage volumes, and profits can be improved with planned implementation of new merchandising techniques. (2) These increases can be made without taking a disproportionate share of the operating funds from the supermarket. Additional conclusions which may be inferred from the analysis of the data are: (1) Fresh seafood products can be promoted with great success. (2) From all

evidence, the full potential of the fresh seafood market was not reached. (3) While the full potential of the fresh seafood market had not been reached, the effects of diminishing returns were felt. (4) Promotion and customer services are major factors in increasing sales and profits of fresh seafood.