

# Avoiding the Commodity Trap in Aquaculture: Learning Lessons from the Chicken Industry

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# Who's the Most Profitable in Global Grocery Top 50?

<i>Company</i>	<i>EBIT Margin (% sales)</i>	<i>ROCE (%)</i>	<i>Sales \$ billion</i>
Philip Morris International	44	82	37
Altria Group	43	45	17
BAT	40	33	24
SAB Miller	37	14	17
AB InBev	34	15	40
Diageo	33	22	17
Reckitt Benckiser	25	26	14
Coca-Cola	24	18	48
Pernod Ricard	24	9	11
Colgate-Palmolive	23	51	17
Japan Tobacco	23	21	23
Heineken	21	15	24
Johnson & Johnson	21	18	14
LVMH	19	16	10

Source: OC&C (UK), 2013

# Who's the Least Profitable in Global Grocery Top 50?

<b><i>Company</i></b>	<b><i>EBIT Margin (%sales)</i></b>	<b><i>ROCE (%)</i></b>	<b><i>Sales \$ billion</i></b>
Bunge	0	2	11
Meiji Holdings	1	3	10
ADM	2	7	35
Nippon Meat Packers	3	7	13
Yamazaki Baking	3	6	11
Avon	3	7	11
JBS	4	6	37
Tyson Foods	4	15	33
Grupo Bimbo	4	8	13
Dean Foods	4	13	11
Marfrig Group	4	5	11
Brazil Foods	5	6	15
Smithfield Foods	5	13	12
Royal Friesland Campina	5	13	11
Ajinomoto	6	9	11

Source: OC&C (UK), 2013



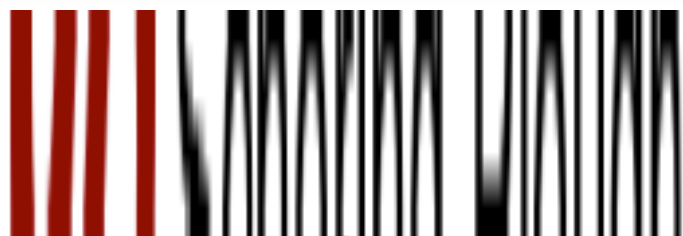
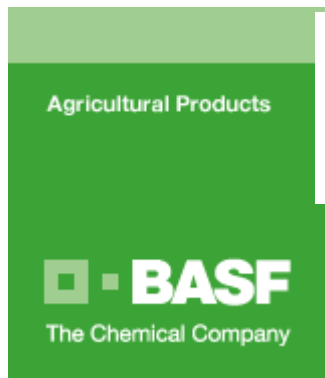
# Proprietary Technology and Demand Chain Squeeze

**Life Science Companies**  
**Ownership of Genetic Rights**  
**Intellectual Property (patents)**

*market  
power  
polarised*

*farmers/fishermen  
distributors, processors  
manufacturers etc.  
get squeezed!*

**Major Global Food Retailers and Food Service Firms**  
**Ownership of Information on Shopping Behaviour**









*Improving food & health*

- \$billion companies
- EBIT 25%+
- Net profit 16-19% sales
- R&D spend 7-12% sales
- R&D staff 15+% staff



The three firms, originally, had their respective HQ's within 30 km. radius of each other in Copenhagen .

# Top Global Brands and Brand Values, 2013

<b>1</b>  +8% \$77,839 \$m	<b>2</b>  +129% \$76,568 \$m	<b>3</b>  +8% \$75,532 \$m	<b>4</b>  +26% \$69,726 \$m	<b>5</b>  -2% \$57,853 \$m	<b>6</b>  +2% \$43,682 \$m	<b>7</b>  +13% \$40,062 \$m	<b>8</b>  +12% \$39,385 \$m
<b>9</b>  +40% \$32,893 \$m	top riser	<b>10</b>  +9% \$30,280 \$m	<b>11</b>  Mercedes-Benz +10% \$30,097 \$m	<b>12</b>  +18% \$29,052 \$m	<b>13</b>  -5% \$27,438 \$m	<b>14</b>  +7% \$27,197 \$m	<b>15</b>  -8% \$26,087 \$m
top riser	<b>16</b>  +4% \$24,898 \$m	<b>17</b> LOUIS VUITTON +2% \$23,577 \$m	<b>18</b>  +28% \$22,126 \$m	<b>19</b>  -16% \$21,009 \$m	<b>20</b>  +46% \$18,625 \$m	<b>21</b>  -11% \$17,280 \$m	<b>22</b>  +14% \$16,594 \$m
<b>23</b>  +1% \$16,571 \$m	<b>24</b>  +8% \$15,702 \$m	<b>25</b>  +8% \$15,641 \$m	top riser	<b>26</b>  +4% \$15,126 \$m	top riser	<b>27</b>  +4% \$13,088 \$m	<b>28</b>  +8% \$12,808 \$m
<b>29</b>  +6% \$12,068 \$m	<b>30</b>  +3% \$12,029 \$m	<b>31</b>  -3% \$11,872 \$m	<b>32</b> J.P.Morgan -8% \$11,471 \$m	<b>33</b> HSBC  -4% \$11,378 \$m	<b>34</b>  New \$11,296 \$m	<b>35</b>  -8% \$11,089 \$m	<b>36</b>  +12% \$10,947 \$m



But, Increasingly, Food Retail and Food Service Brands in Top 20







The “Big 3” in USA:  
More Convenience  
Stronger Brand











Fish & Seafood are the Raw Materials  
which The Brand Owner Adds Value to!







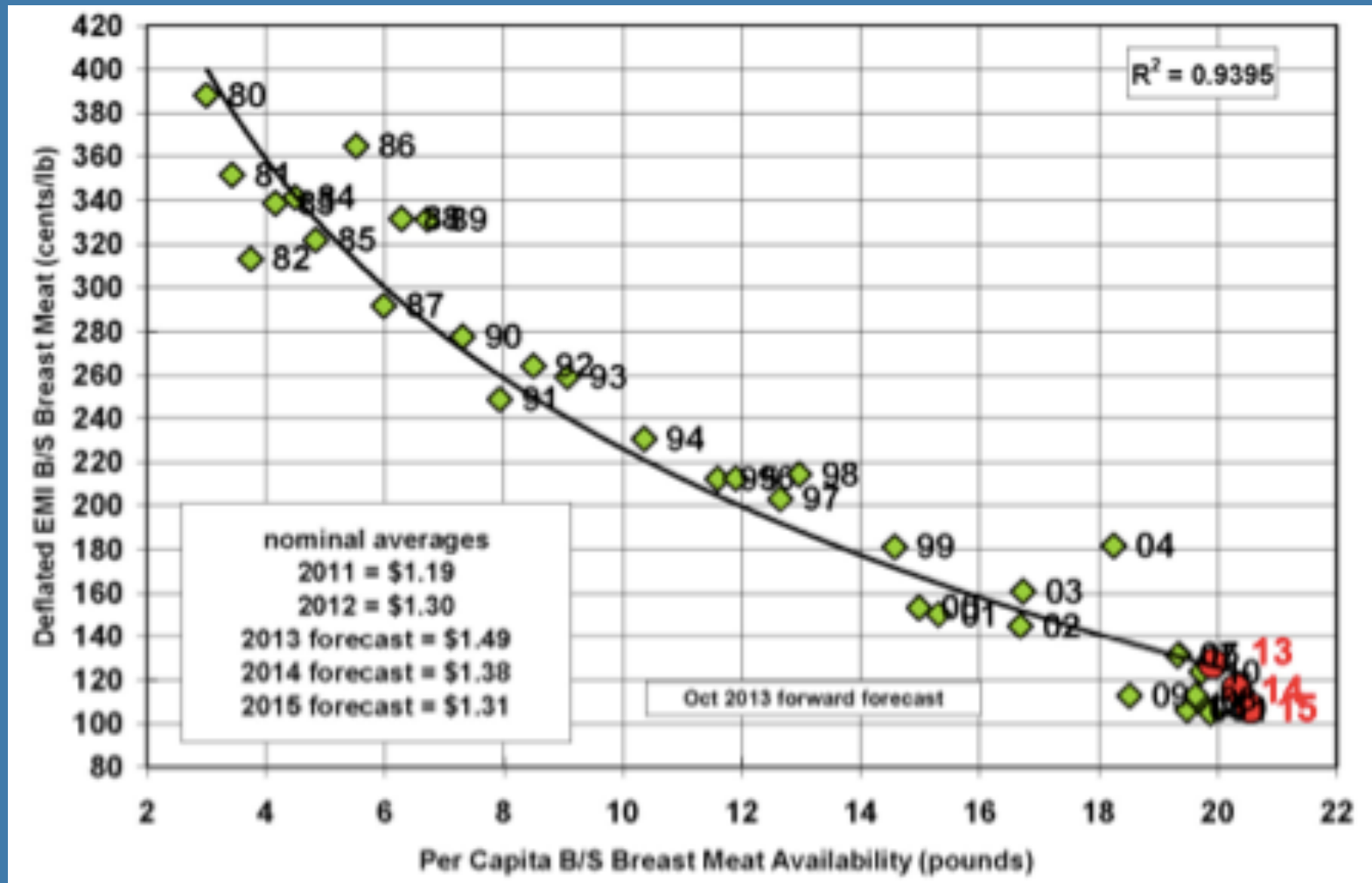




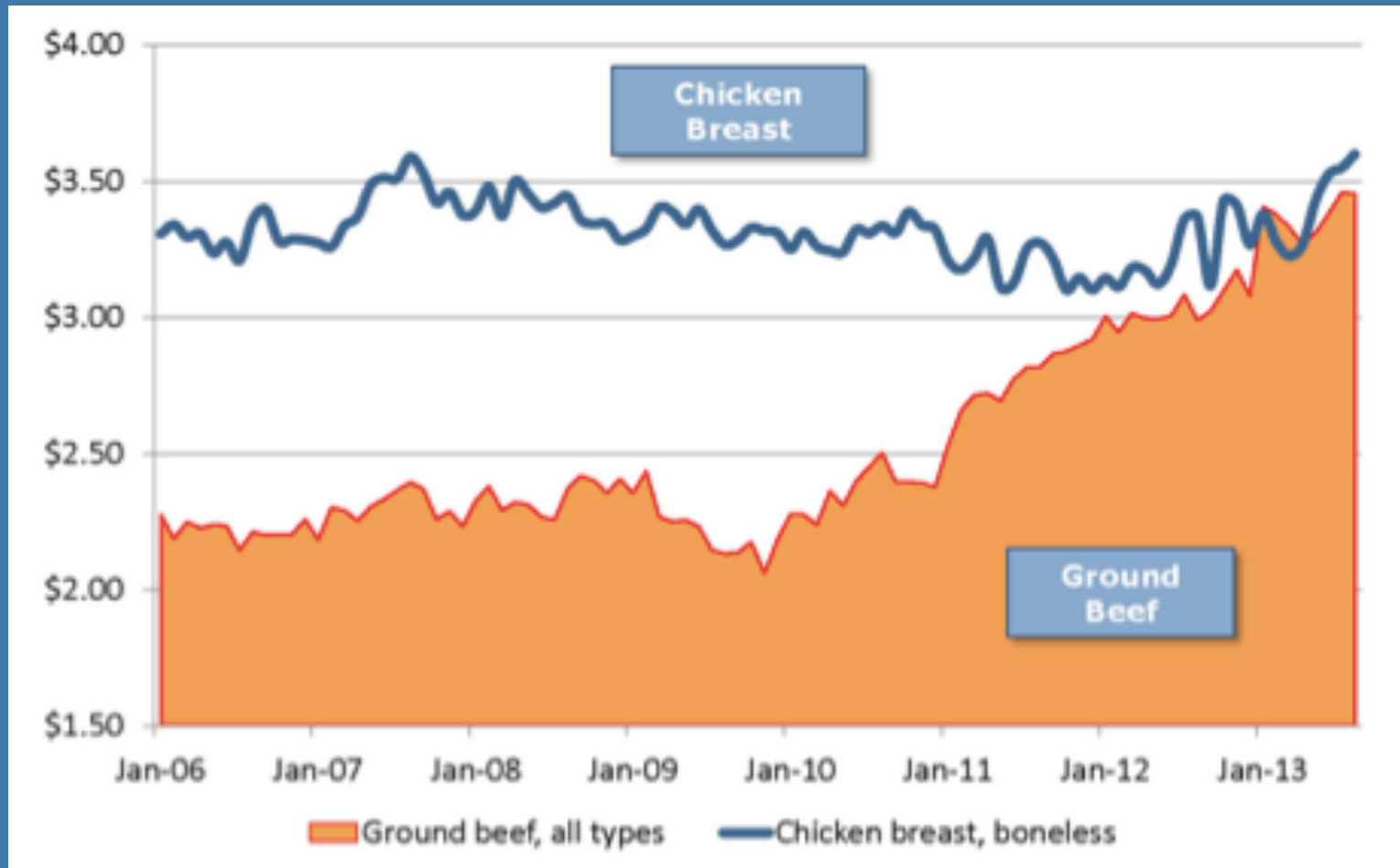




# Increase Supply per Person & Prices Decline: Per Capita Supply Chicken Breast, USA\*



# Ground Beef and Chicken Breast Retail Prices (per/lb.) Converge in the USA. Both Compete in Price and for Customers with Commodity White Fish like Pangasius







# BIG C, Bangkok: Fish Becomes as Boring as Chicken?!





Boring and Difficult for Shoppers to Navigate!





680 g

SeaQuest

SKINLESS · BONELESS  
SANS PEAU · DÉSAISETÉS

Basa Fillets  
Filets de pangasius

SeaQuest

SKINLESS · BONELESS  
SANS PEAU · DÉSAISETÉS

Basa Fillets  
Filets de pangasius





**Frozen Products, Often, are Inaccessible for Shoppers and Look So Unappealing!**



# The Retail Market for Rice in the UK: An Expert in Adding Value to a Commodity



	£ million	Market share %
<i>Total Retail Market</i>	385	100
Of which:		
Uncle Ben's (Mars)*	145	38
Supermarket own label	118	31
Tilda*	61	16
<i>Branded rice spend on advertising</i>		<i>% retail sales</i>
Uncle Ben's	5.6	4
Tilda	0.4	1



\* 85+% of retail sales sold on a  
“Deal” (price promotion) in 2013

# Branding: A Definition

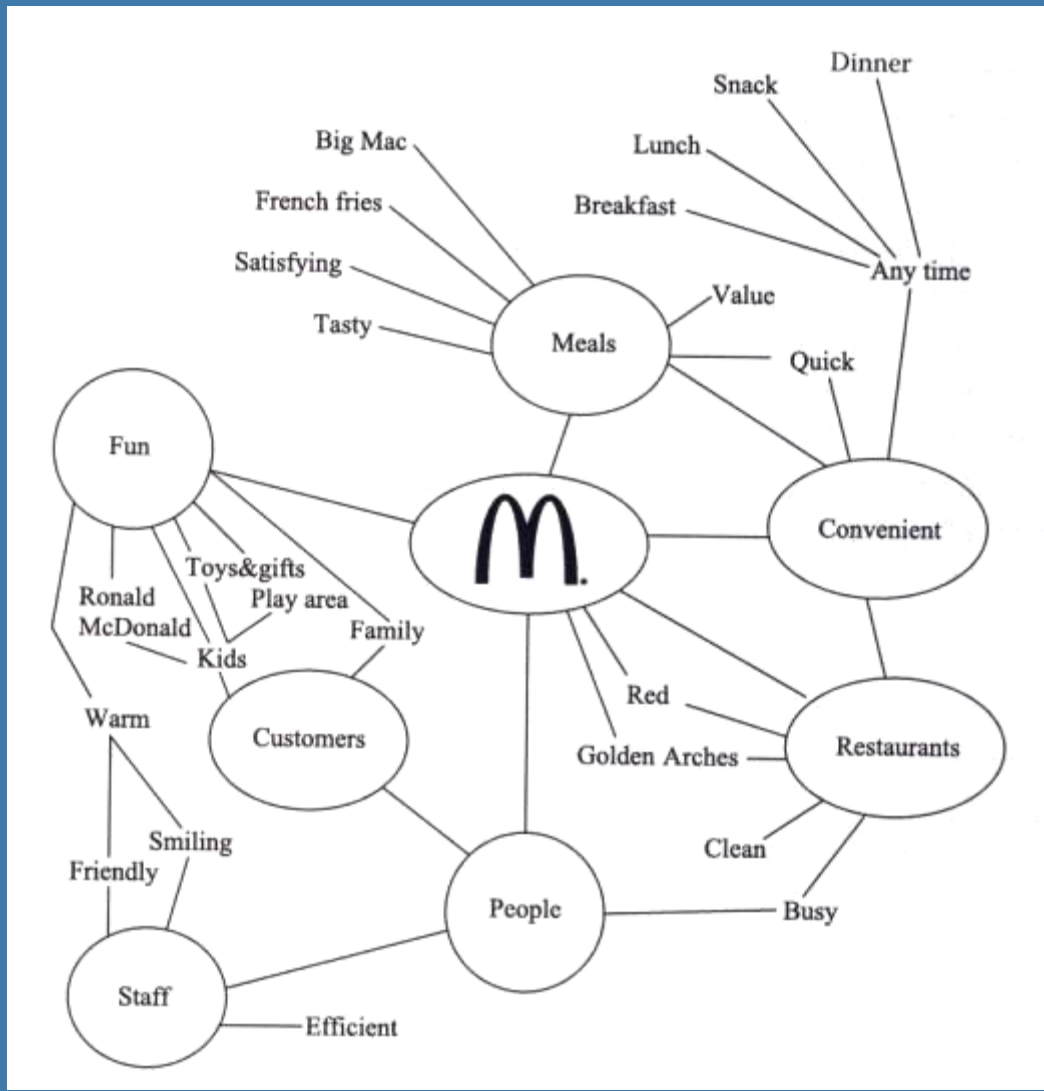
“The art of aligning what you want people and particularly your customers to think about your company and its products with what they actually think about you”

## Attributes of Great Brands

1. target distinct market segments – can be more than one with a range of products
2. have a clear and relevant point of difference
3. have emotional level connections with consumer
4. understand shopper and consumer needs and wants
5. Have long-lasting connections with customers



# Brand Associative Network: McDonald's



Purchaser and Consumer Relationships with Brands Are Complex

Going to McDonald's, there is little chance of "transformative" experience – but there's not much chance customers will be badly disappointed!





# PEPSICO The 22 Billion\$ Brands





# PEPSICO

## The 22 Billion\$ Brands

The Ruffles logo, featuring the word "Ruffles" in a red, stylized font with a white outline, set against a blue background.

The Tostitos logo, featuring the word "Tostitos" in a black, stylized font with a white outline, set against a white background.

The Aquafina logo, featuring the word "AQUAFINA" in a blue, stylized font with a white outline, set against a blue background. Below the word is the tagline "pure water, perfect taste" and "PURIFIED DRINKING WATER".



The Brisk logo, featuring the word "Brisk" in a blue, stylized font with a white outline, set against a dark blue background.





Unilever

**P&G**



Nestle



General Mills

*Coca-Cola*



**PEPSICO**



Kimberly-Clark



**WAL★MART**



**TESCO**



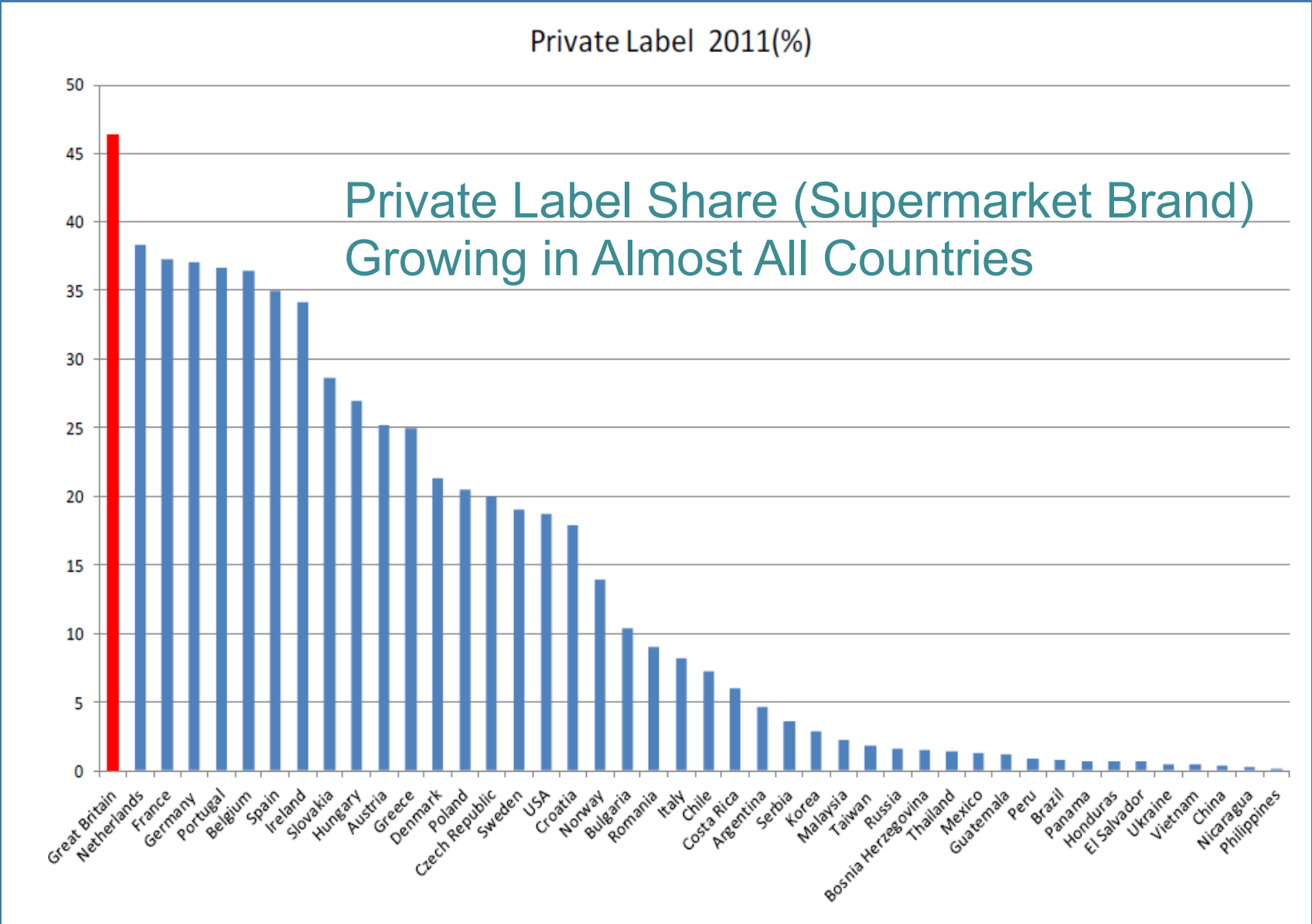
Carrefour

**REWE**

**METRO**

**COSTCO**  
WHOLESALE

# Private Label Packaged Grocery Retail Market Share, Selected Countries, 2011





Spot the Difference!

Clairol “Herbal essences” and  
Tesco “my Senses” hair care

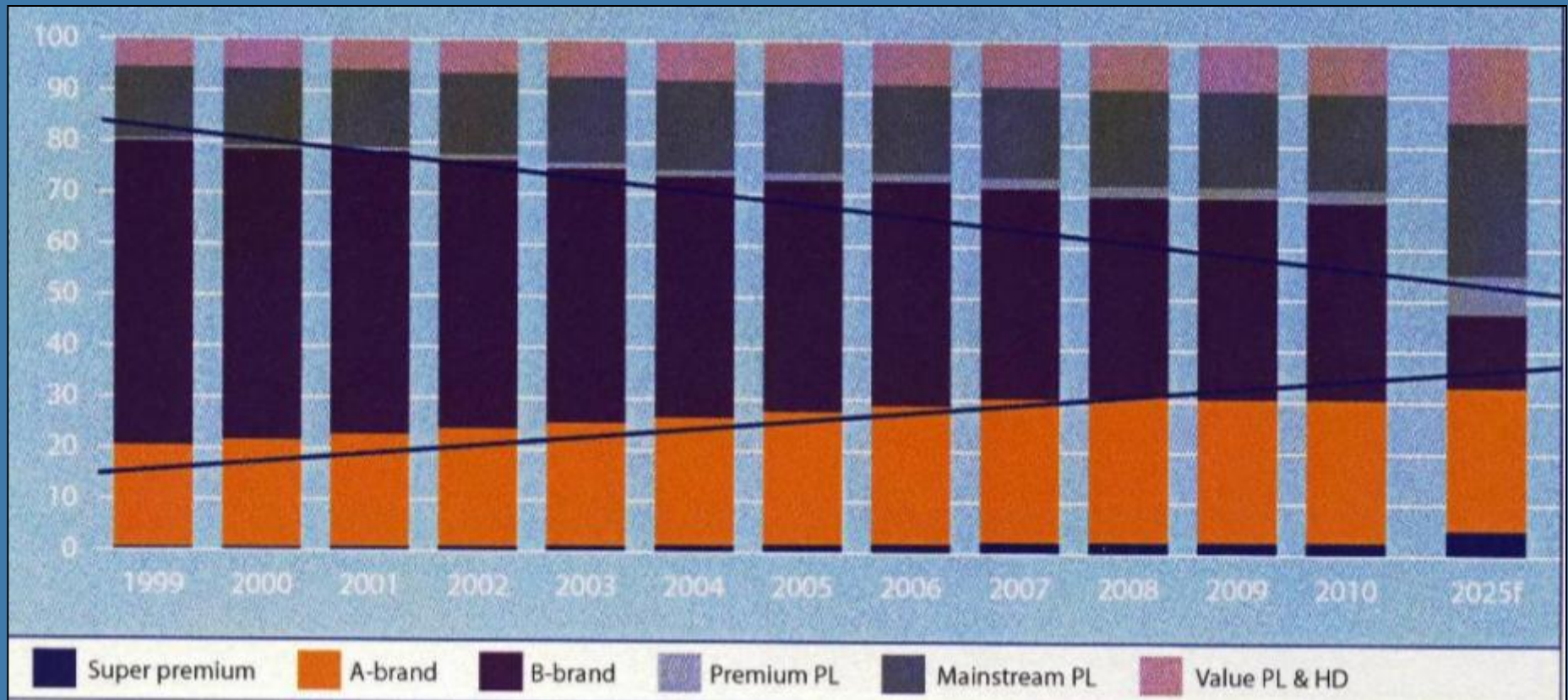
Unilever’s “I Can’ t Believe It’s Not Butter!”  
and Asda’s “You’d Butter Believe It!”





# The Squeeze on B-Brands, 1999-2025\*

market share (percent)



\* forecast

Source: Euromonitor, PLMA, Rabobank, 2010

**Walmart**   
Save money. Live better.



**Carrefour**



**COSTCO**®  
**WHOLESALE**

**TESCO**  


**REWE**



# Picking Retail Winners in China





The Economist

Source: Company websites

\*Of South Africa †47 of 49 stores are joint ventures

# Walmart



## South African Retailers: The Great Trek North!





# E-Tailing and the On-Line Shopping Revolution







# Shop our **biggest** store online collect free at your **local** store

## How do I use Click & Collect?

### Step 1



Choose your 2 hour time slot to collect from store\*

### Step 2



Place your grocery order online

### Step 3



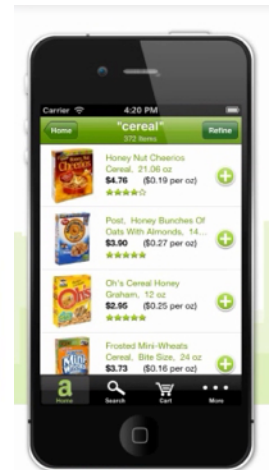
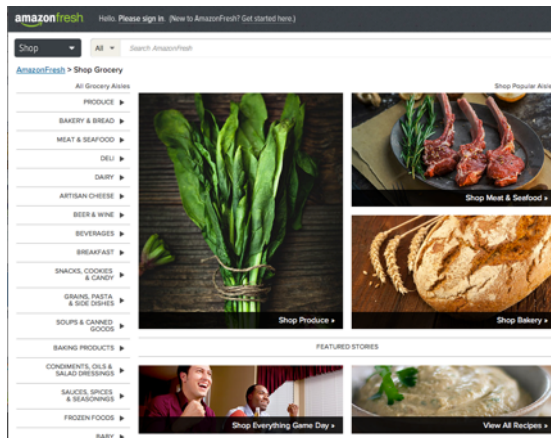
Pick up from the dedicated collection point and go!

\* Collection slots available 7 days a week. Please check in store for collection point opening hours.





## Biggest Grocery Retailer in 2020: Walmart or Amazon?







Personalised &  
Better Clubcard

First of its kind for live-targeting capability

## Tesco uses loyalty data to target ads on Clubcard TV

Wed, 6 Mar 2013 | By Rosie Baker

Print Email Share Comment Save

Tesco is to employ Clubcard data to serve targeted ads to customers for brands including Kellogg's, J&J, Colgate and Danone to users of its free Clubcard TV service.

share

Like 18 Send

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## MEDIA

### Tesco Clubcard TV signs BBC Worldwide deal

Published Wednesday, Apr 3 2013, 16:49 BST | By Mayer Nissim | 2 comments

Recommend 7

Tweet 9

+1 0

6

envelope icon

# IT'S TESCO TELLY

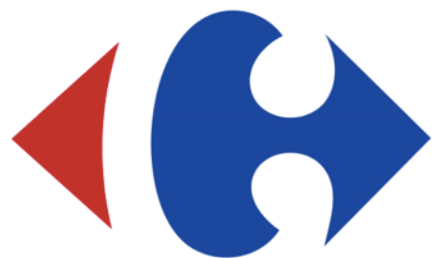
Free films and  
shows on net

## Tesco taps loyalty card scheme for TV channel

FOOD & DRUG RETAILERS

Clubcard users to  
get free online films

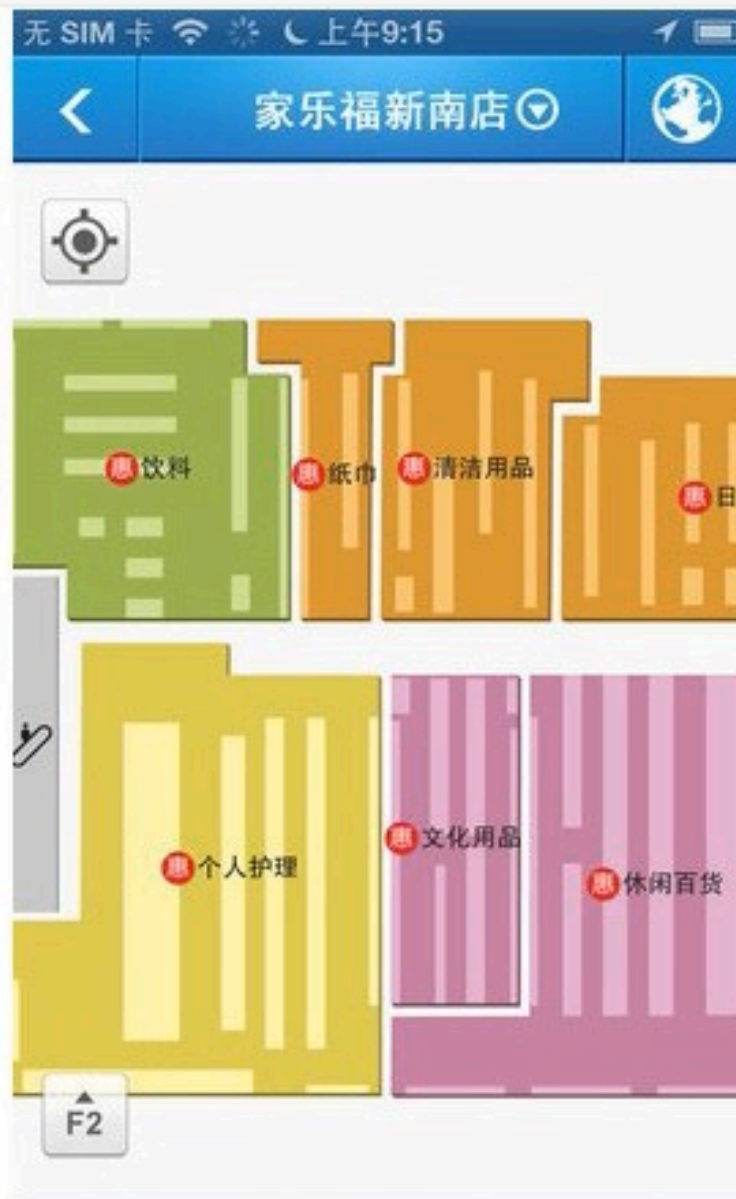
Brands to tailor  
adverts for viewers



**Carrefour**

Max, Le Sommelier:  
A Votre Service!





## Carrefour China App to Improve Navigation in-store

(June, 2013)

- in-store location sensing
- Personalised advertisements and promotions
- Guide shoppers to the “Big Deals”

# Great Brands Can Deliver Great Margins, But:

- Branding brings huge responsibility. It's a promise to perform – to deliver product/service attributes every day, every time the brand is purchased/consumed
- Consumer TRUST in the brand can't be compromised
- Requires sophisticated risk management strategies and processes – to safeguard brand equity/value
- With the highest integrity supply chain partners
- Branding requires in-depth purchaser/consumer understanding and long-term investment commitment
- The brand is not static and evolves as the needs of its customers change



## Some Final Thoughts and Conclusions

- Great brands can earn excellent margins
- But require profound understanding of consumer wants and continual investment in marketing & NPD
- They must have a clear point of difference
- Brand owners must share common values with their customers and their supply chain partners
- Globally, retail brands are growing in importance and weak secondary brands are doomed!
- For fish & seafood, value added products make stronger emotional links than unprocessed products
- Branding is a long-term investment – have patience!

# Can You Avoid the Commodity Trap?

- Benchmark to ensure lowest cost/unit of output
- Do you have a point of difference that is valued by your customer, the shopper or the consumer?
- Is there an opportunity for horizontal partnerships in marketing to give more weight in the marketplace? – e.g. the case of NZ green-lipped mussels
- Brand Vietnam/Australia/Thailand/Myanmar, etc.?
- Pangasius: relaunch under consumer-friendly name & learn from Orange Roughy [slimehead], River Cobbler
- Offer highest integrity source of supply to brand-owners who value risk reduction/supply chain integrity
- Diversify export markets



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