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Innovation in Commercialization of Pelagic Fish: the Example of “Srdela Snack” Franchise

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Abstract. The consumption of fish in Croatia is relatively low for a Mediterranean country. One of the main reasons for this is the inadequate supply of fish. The supply of fish is usually limited to expensive species of whitefish, while the supply of pelagic fish is very scarce. Pelagic fish can rarely be found in restaurants, and in the fish- markets it reaches very high prices.

The basic goal of the project “Srdela Snack” (srdela – Croatian word for sardine) was to set up and test a new model of commercialization of pelagic fish through franchise “fast- food” outlets. In the paper we will describe the concept of this new model which includes the whole distribution channel, from fishermen, through processors, restaurants to consumers.

In this model fishermen supply fresh pelagic fish to approved restaurants (members of the franchise) which prepare the fish according to traditional recipes. In this way a completely new product is introduced in the Croatian market. The main idea was to offer a high- quality, simple and convenient meals made of pelagic fish from the Croatian Adriatic.

This model of commercialization of pelagic fish was tested through a pilot project. In the pilot project the standards of food quality were determined, the traditional recipes for preparing the food were selected, and the menu, consisting entirely of pelagic fish dishes was made. Finally, the logo of the franchise restaurant was designed. The test restaurant was opened in the summer 2004. The visitors of the restaurant participated in a survey which was used to determine the degree of their satisfaction with the new product and the new model of pelagic fish commercialization.

The results of the survey showed that there is a strong demand for pelagic fish in the Croatian market. Most of the interviewed consumers liked the new product; they consider it very healthy, affordable, tasty, and typical for Mediterranean and Croatia. Fishermen and restaurant- owners also showed a great interest for this new model of commercialization because it could provide them with a bigger income.

Since the results of the pilot project showed that this kind of innovation in the distribution channel is very successful, this model of franchise restaurants offering pelagic fish “fast- food” can be implemented on the national level.

Keywords: Innovation, Commercialization, Pelagic fish, Franchise

Introduction

In today's business and trade there is a constant appearance of new technologies, solutions and innovations. In such an environment, marketing managers are faced with a difficult set of intertwined questions, foremost of which are: which of these products will actually achieve takeoff, at what speed and what is the appropriate market entry strategy in order to accelerate takeoff? ^[1] In this paper we describe a radical product innovation while trying to achieve the advantage of the first-mover in the market.

Radical product innovations are defined in terms of their technological superiority and their ability to meet customer needs better than prior technologies. ^[2]

In 2003, Croatian Ministry of Agriculture, Forestry and Water Management started a project named "Marketing of pelagic fish from Croatian Adriatic", implemented by Department of agricultural marketing, Faculty of Agriculture, University of Zagreb.

Some of the problems that this project was trying to resolve were the low prices of pelagic fish in the market which result in small income for fishermen and the insufficient offer of fish in the tourist market.

The offer of fast and convenient meals in the tourist market is usually limited to international fast-food chains and other food not characteristic for Croatia as a Mediterranean country. Traditional specialties of Croatian origin are hard to find and are usually relatively expensive.

Therefore, the basic goal of this project was to create a simple, healthy, nutritive and affordable food product for domestic and tourist market in Croatia.

A marketing strategy was designed for the new product. In order to position the new product in the market, it was necessary to emphasize the nutritional value of pelagic fish and its beneficial health influences. Furthermore, the new product has some significant psychological advantages such as the image of a natural and ecologic product, the relation with traditional way of life and traditional food of Mediterranean Croatia. The marketing strategy also included differentiation elements regarding the existing offer of fast food. The comparative advantages of the new product are high quality raw materials (fresh fish), high quality preparation of the food by trained personnel, reliable service for customers and relatively low prices. The positive image of Adriatic Sea and healthy food coming from it was also one of the positive elements for the promotion of the new product.

A franchise system called "Srdela Snack" was created as a chain linking fishermen, fish processors and restaurant-owners into an organization designed to provide the market with simple and affordable meals consisting of

pelagic fish from the Adriatic. An organizational model was set up and a plan for further development of the system. Moreover, the list of meals to be offered was compiled and the complete processes, from fish capture procedures, transportation, processing and delivery to the restaurants was elaborated. A unique logo design was created to make the future outlets of “Srdela Snack” recognizable and attractive for the consumers.

The organizational and management model of the system includes the franchise organization which issues franchise agreements to the interested fishermen, processors and restaurant- owners and in return they must agree to follow the rules set by the organization. These rules describe the procedures that each of the members must perform to ensure high quality end- product.

In order to test the model set in this project, a pilot research was conducted. Before the test phase of the project, the menu and quality standards were set; ideas for packaging and promotion material were decided upon, and finally the test- object on the Adriatic coast was chosen as the venue of pilot research. The menu consisted of boiled, grilled and fried sardines, mackerel fillets, tuna steaks, salted and marinated anchovies. In addition to food, red and white wine from Dalmatian region was offered. The menu also included traditional Dalmatian dessert “fritule”, thus rendering the menu completely made of food characteristic for the region.

The goal of this paper is to describe the introduction of a new model of marketing for pelagic fish and to present the results of the pilot project in which we tested the model described.

Method

The pilot research was conducted in a restaurant in Kali, on the island of Ugljan in central Dalmatia. The restaurant in this particular little town was chosen because this island has a long tradition of fishing and the largest number of fishing vessels in Croatia. Therefore, the fishermen association from Kali was included as the first supplier of pelagic fish for the test restaurant. The test- restaurant “Trata” (the name symbolizes one sort of fishing net) was the first “Srdela Snack” outlet which offered a menu of pelagic fish food.

The testing period lasted for one month in summer (mid July till end of August 2004.) which is the time of peak tourist season in Croatia. However, it is necessary to say that Kali is not a typical tourist destination but mainly a fishing village which was one of the limitations of this pilot project.

In order to evaluate the pilot project, a number of economic analyses were made regarding the success of sales during the test period. Besides economic calculations, a combination of consumer survey and interviews with restaurant visitors was conducted. In this way we determined the level of consumer satisfaction with the services and food offered in the test object. The sample consisted of 95 Croatian consumers and 32 foreign consumers (mainly from Germany, Italy and Slovenia). Consumers who participated in the research were chosen randomly among those who ordered a meal from the “Srdela Snack” menu.

It is important to say that before the start of the pilot project, a media-campaign was launched to present the project to wider public and to invite them to test the first “Srdela Snack” restaurant. The campaign included articles in national and local newspapers, interviews and TV appearances by project leaders.

Consumers expressed their satisfaction with food and service in the restaurant, their pattern of buying behavior for fish was examined and they stated their impressions and suggestions regarding the idea of franchised fish fast-food outlets. Some of the questions had to be answered on a five-point Likert-type scale but most of the other questions were open-ended, since we wanted to gather qualitative responses that would describe consumer experiences in the first restaurant of this franchise.

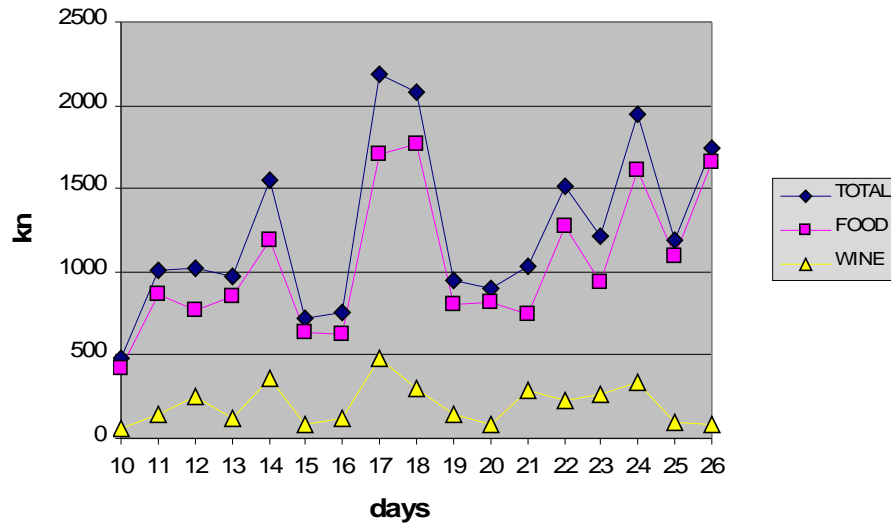
Fishermen, entrepreneurs and restaurant owners from all over Croatia were also invited to visit the test project and they were also interviewed.

Results and discussion

The analysis of sales in the first outlet of “Srdela Snack” franchise showed that the number of meals sold daily varied between 37 and 125, with daily average of 70 meals sold. These data must be compared with sales in the previous years when the test-restaurant sold Italian food (mostly pizza). The average daily turnover in the same period of previous year was 300 kuna¹, while in the test-period the daily average amounted to 1045 kuna which shows that the income has more than tripled. Break-even analysis showed that 80 meals a day guarantees a profit for the outlet.

The structure of turnover shows that the most popular product was the sardine meals (41%) followed by tuna meals (25%), while 17% of the turnover came from wine sales.

¹ 1 euro = 7.3 kuna

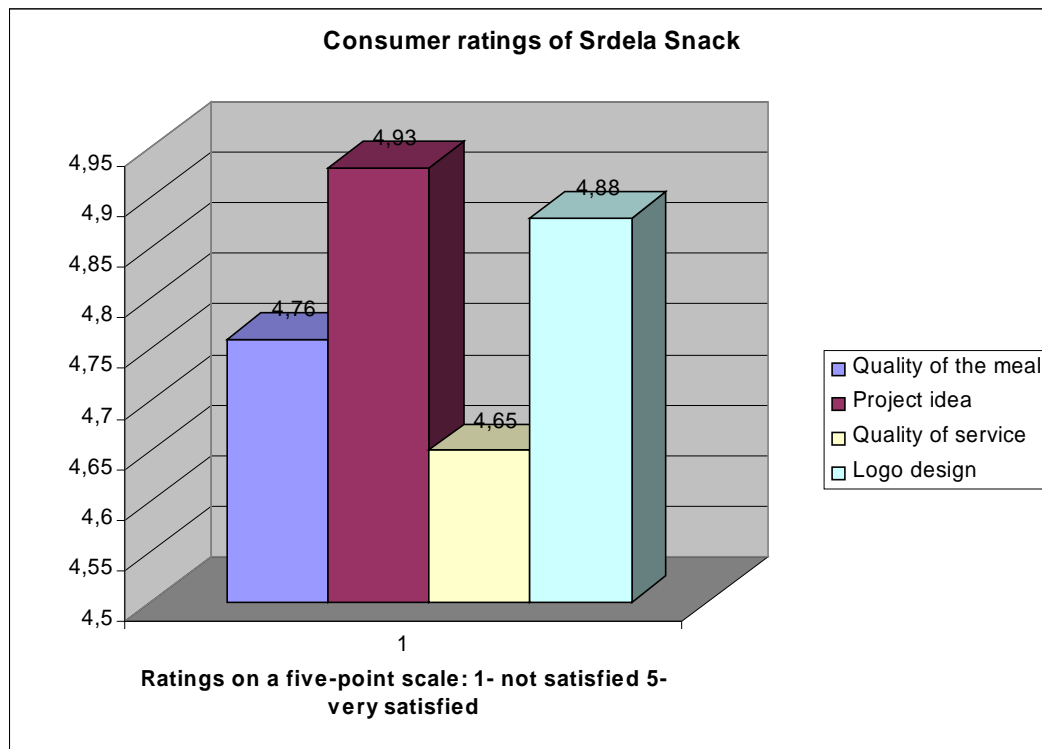


Graph 1. The amounts of daily turnover in the Srdela snack test object

Graph 1 shows daily fluctuations in the sales of food, drinks and in the total turnover of the restaurant in the test period.

Consumer survey and interviews

Consumers gave their assessments for the following characteristics: quality of the meal offered, general idea of the project, quality of service and logo design. The ratings were given on a five-point Likert-type scale.



Graph 2. Consumer assessment of different characteristics of Srdela Snack franchise

As we can see in graph 2, the ratings for all characteristics are very high. The highest rating was given for the idea of starting a fast-food chain that will offer healthy, traditional and cheap meals. These results are very encouraging since all characteristics were given high ratings, and most importantly; the quality of food offered was rated as excellent.

We also gathered a substantial amount of information through customer interviews.

As it was already stated, consumers mostly preferred grilled sardines, tuna and red wine. They considered the servings large enough for a good meal and the prices were described as very acceptable with a good relation between price and quality. In consumers' view, the menu is varied, although some new meals could be introduced.

The analysis of buying behavior concerning fish showed that participants usually consume fish once a week and that they are familiar with the offer of fish in their place of residence. Respondents mostly buy fish in supermarkets and on fish markets. Many foreign respondents, as well as Croatians from continental parts of the country, claimed that it is difficult to find pelagic fish in their home towns. All the participants expressed the intention to visit "Srdela Snack" restaurants in the future.

Some of the reasons for high ratings of this project that participants stated were: high quality food of moderate price, a new element in the offer (the market is saturated with Italian food and meat products), traditional food of the Mediterranean (olive oil, fish), and beneficial influence on health when compared to similar fast-food restaurants.

Foreign respondents thought “Srdela Snack” was a very positive thing in Croatian tourist offer, since it provides food characteristic for the country and the region which can not be found in their own countries.

The fishermen and restaurant- owners also expressed their satisfaction with the first results of this project. A higher price is achieved for the supply of fish, and the restaurants have a new offer for their customers and in this way the whole tourist market is enriched.

Further development of the franchise

After the encouraging results of the pilot project, the project was promoted in the media to attract the attention of future consumers as well as entrepreneurs willing to participate in the development of the franchise. In the following year, eight new “Srdela Snack” outlets were opened – two in Zagreb, and six more on the Adriatic coast.

A very important part of the project development was media advertising of positive results of the franchise. In this way, the interest for further strengthening and development of the project was created. The project received extensive media coverage and efforts are still being made to reach target audience of consumers and entrepreneurs which is vital for the survival of this idea.

The owner of the franchise for the first five years (project period) is the State (Ministry of Agriculture) and after that the ownership will be transferred to the participants in the supply chain. The control of the franchise is the responsibility of the owners (the State – inspection bodies).

Conclusions

The results obtained in the test object of “Srdela Snack” showed that the demand for healthy and affordable fast-food consisting of pelagic fish exists in the Croatian market. This innovation was welcome for all consumers because it offers a new and interesting product, different from the current offer in this segment.

After the successful launch, systematic work is needed to promote the franchise in order to open new restaurants.

Possible obstacles in this process can arise due to the insufficient knowledge of Croatian restaurant owners who are not familiar with the franchise system. Therefore, the education of all participants would be necessary.

All the members of the newly formed chain from fishermen, processors, restaurant owners and consumers are satisfied with the first results of the project because it provides a chance for a bigger income. This way of commercialization of pelagic fish has shown better economic results than the usual offer of food.

The idea of franchise fast-food chain can be developed further as a family business by opening new outlets, especially in the tourist areas. Besides that, it is possible to implement the strategy of marketing on the national level. This strategy can also have a significant social effect through opening new

employment opportunities and providing higher income for everyone included in the supply chain.

The fishermen can get a higher price for their product, and the tourist offer of Croatia is enriched with a brand new product which puts an accent on traditional, healthy food.

Literature

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