Market and Product Development in China

Background

Wood-Pick Enterprises Ltd., located in Wareham, Bonvista Bay, processes a variety of products including smoked salmon, herring and mackerel. With an expanded line of ready-to-eat and value-added products, the company decided to pursue potential markets in China. The basis of market development in the new initiative included introduction of new fish products into the Chinese market, research and development dedicated to testing new products for consumer acceptance, and analysis of the commercial viability of producing seafood for China.

A partnership arrangement with a Chinese company was also considered. This potential partnership arrangement between Wood-Pick Enterprises and the Chinese company would consist of shared responsibilities. Wood-Pick would secure various species including seal, capelin, mussels, salmon and herring for product development in Newfoundland and

Potential sales of Newfoundland and Labrador seafood products in China are vast given its population and level of seafood consumption. China has one-quarter of the world’s population, with a per capita consumption of seafood that has increased 600% in the last 20 years. This has equated to a $34 billion annual trading value. There is an opportunity for Newfoundland and Labrador to develop strong trade relationships with China in seafood exports given this situation.

Since 2000, Wood-Pick Enterprises Ltd. has spent considerable time exploring business opportunities in China. The company has traveled extensively in the country and has made several potential market connections. In response to interest from Chinese buyers, Wood-Pick Enterprises Ltd. investigated the feasibility of marketing value-added products in China with funding assistance from the Fisheries Diversification Program.

Introduction

Wood-Pick booth at China Fishery Expo
Labrador, and China. The company would then forward the product to the Chinese partner for further development. New products from the exported raw material would be displayed and test-marketed at trade shows. The company has an established marketing network and is associated with a large supermarket chain that has 1,000 outlets located throughout the China Peninsula.

Methodology

Product awareness and promotion was made possible by participating in two trade shows, the Ningbo Food Show in Zhejiang, and Food and the Hotel Show in Shanghai. A Chinese seafood company assisted with the design and implementation of displays and promotional material. A booth attendant and interpreter were used to assist Wood-Pick Enterprises in its marketing efforts at these shows. Consultations with Chinese seafood buyers were held, and new products were developed with the services of a professional chef. In order to investigate the feasibility of a future partnership with a Chinese company, a market consultant from China was retained to investigate available markets, consumer acceptance and commercial viability of developed seafood products. A comprehensive business plan was also developed.

Results

Both the Shanghai Trade Show and the Trade Show in Ningbo were successful for Wood-Pick Enterprises Ltd. Visitation at the company booth was high, with visitors showing great interest in the product lines, particularly the mussel and smoked salmon.
Smoked salmon was very popular, and many visitors thought it to be of superior quality to competitive products from other countries. Herring showed some potential for value-added processing in the Chinese food service industry. Mussels were new to the market in China; therefore, simple preparation and quick cook time was of interest to local chefs. Although capelin is not common in the Chinese market, Wood-Pick Enterprises conducted a market taste test that received a very positive response from brokers. There was particular interest in seal meat, a product which China felt had great potential with adequate product development. However, there has been difficulty with China’s Customs Agencies in importing seal meat, but it is hoped regulations may change in the future.

Wood-Pick Enterprises determined that corresponding recipe and cooking preparation development for Chinese consumers was required in order to make all of these products compatible with local traditions. Overall, there was an extremely positive reception to Wood-Pick Enterprises’ product line.

Research, development and marketing of seafood products, including value-added herring, capelin, salmon and seal, have been successful with respect to gaining consumer acceptance and interest in China. Wood-Pick Enterprises Ltd. has made valuable contacts in China and has secured markets for several products. Development of underutilized species for China holds significant potential. Its large population and high per capita seafood consumption offers Wood-Pick Enterprises Ltd. an opportunity to form alliances and partnerships with Chinese companies in an attempt to secure future markets. Product development must be done in cooperation with Chinese food service personnel to improve consumer acceptance. Production costs play a vital role in the determination of feasibility in doing business with the Chinese. Given China’s low-cost production and extremely low labor rates, products must be processed in modern plants using trained workforces. While the existing import tariff structure in China makes business marginal, future reductions are anticipated as a result of China’s participation in the World Trade Organization.
The $10 million Fisheries Diversification Program is part of the $81.5 million Canada-Newfoundland Agreement Respecting the Economic Development Component of the Canadian Fisheries Adjustment and Restructuring Initiative.