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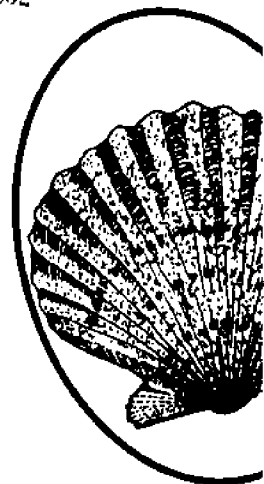
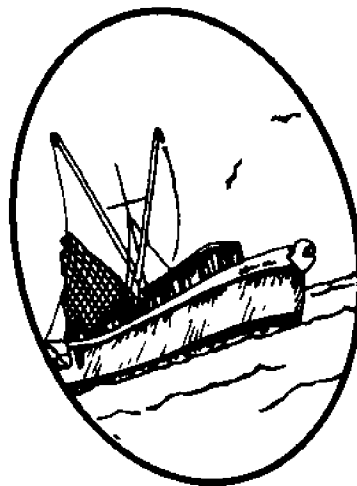
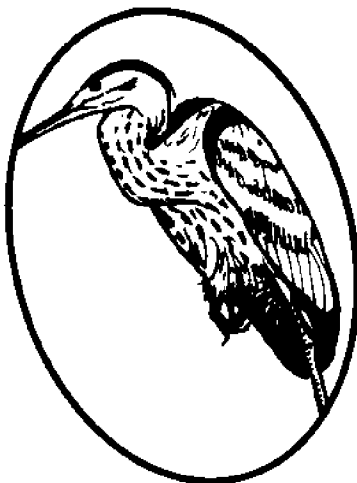
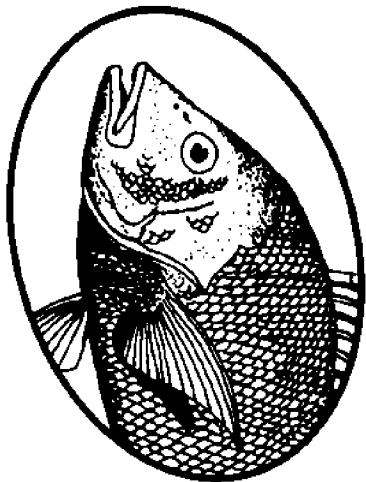
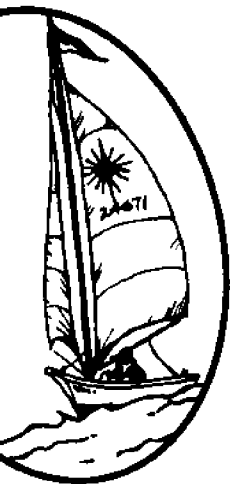
Working Paper 79 2

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Inland channels of distribution For fresh iced seafood In North Carolina

John H. Summery

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INLAND CHANNELS OF DISTRIBUTION
FOR FRESH ICED SEAFOOD IN NORTH CAROLINA:
A STATUS REPORT

by
John H. Summey

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SUMMARY

This report is the second of two reports of research on the distribution channels for fresh iced seafood products in North Carolina. The first report titled Out-of-State Marketing Channels for North Carolina Fresh Iced Seafood in 1974 described the market patterns for fresh iced seafood moving to out-of-state markets.

The second report is the result of research into the operations of two key links in the within-state channels of distribution for fresh iced seafood-- the inland seafood wholesaler and the inland seafood retailer. The species studied were the same as those in the first report with the addition of crabmeat.

The inland seafood wholesalers were found to be serving a number of markets. One of the major markets served was the restaurant trade which provided varying levels of demand for each of the species studied. Sales to inland retail fish markets were also significant. Interestingly, many of the wholesalers operated their own retail outlets which in some cases were in competition with the retailers who were their wholesale customers. For most of the study species the wholesalers own retail outlet accounted for a significant proportion of their total sales. The break down of sales for each study species is presented in the body of the report.

The analysis of the data collected for flounder, gray trout and croaker provided some significant insights into the nature of the markets for these species. Sales of flounder were predominantly to restaurants (1,271,502 pounds) while sales at retail (for in home consumption) were a relatively smaller market (755,056 pounds). For gray trout and croaker the situation was reversed. Restaurant sales were much less for gray trout (142,970 pounds) and croaker (42,200 pounds) indicating that this item was not a major restaurant item. Home consumption of gray trout in contrast was a substantial 580,130 pounds while croaker went up to 1,222,200 pounds. This latter figure is very close to the 1,271,502 pounds of flounder served in restaurants.

The data on sources of supply for the inland dealers indicated that except for flounder, mullet and croaker the majority of each of the study species handled by the inland dealers came from North Carolina sources. The main source for flounder was Virginia, for mullet it was Florida and for Croaker it was Alabama. The dealers typically indicated that given a

Summey, John, H. Out-of-State Marketing Channels for North Carolina Fresh Iced Seafood During 1974. (Raleigh, N.C., University of North Carolina Sea Grant Publication UNC-SG-76-11), 1977.

choice they preferred the North Carolina product. However, seasonal variation in catches usually resulted in their using other sources. The other factor forcing the inland wholesalers to use out-of-state sources was the need for an assortment of different species. They indicated that the North Carolina coastal dealers only had what was in season at a point in time. Aside from the supply problems due to the seasonality of the North Carolina products, the inland wholesalers also had occasional problems with the freshness of the product and competition from direct sales by coastal dealers to the inland retailers who were their customers.

The typical inland seafood retailer has a small store located away from other food retailers. The physical facility is usually an older building and not uncommonly a former gas station that has been converted for selling seafood. The purchase of seafood by the consumer usually requires a special trip to the market separate from their usual visits to the supermarket. The extra effort required makes fresh seafood a specialty good for most consumers.

Because of the extra effort required to obtain fresh seafood, most consumers tend to buy frozen seafood at the supermarket. The frozen, oven ready products available there provide ease of purchase and ease of preparation. The supermarket is the primary competition to the fish market for at home seafood consumption.

The strongest competition to the seafood retailer is the seafood restaurant. The rapid growth in the number of seafood restaurants in North Carolina indicates a strong demand for seafood products. Interviews with numerous seafood consumers indicated a preference for restaurant prepared over having to cook it from scratch at home.

The inland seafood retailers used three sources of supply. The first was direct deliveries from coastal dealers. Local or regional fresh wholesalers served as supplementary sources for those species not available on the coast. Those retailers located near Interstate Highway 85 were serviced by out-of-state dealers from both Virginia and Alabama. The retailers actively sought to build long term relationships with both the in-state and the out-of-state suppliers. They believed that such relationships would help insure good supplies of high quality product on a year around basis.

The major problems which the retail seafood markets had were observed to be the lack of modern facilities, poor location relative to grocery stores and supermarkets, and poor employee-customer relations. One or more of these problems not uncommonly inhibited to seafood retailers achieving their full potential in the market place.

The pricing practices of the inland wholesalers and retailers were also examined as part of this research project. These prices were found to be strongly influenced by competitive forces and by the price which the market would tolerate. Efforts at maintaining stable retail prices were common even when wholesale prices were fluctuating in relatively wide ranges.

The markup procedures followed by the retailers and wholesalers took one of two forms. They used either a fixed dollar amount per pound such as 30¢ per pound over invoice cost, or a percent markup. The percent markups were calculated as a percent of the selling price and ranged from 12% to 30% at wholesale and 20% to 65% at retail.

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INTRODUCTION

This research was directed toward obtaining information on the operations of wholesale and retail fish dealers handling fresh iced seafood for sale in the inland areas of North Carolina. The eight species of seafood investigated were flounder, gray trout, croaker, spot, bluefish, mullet, shrimp, and crabmeat. These study species with the exception of crabmeat parallel an earlier study by this author titled Out-of-State Marketing Channels for North Carolina Fresh Iced Seafood During 1974.

In addition to data on the sources and markets for the eight study species, information is presented concerning the role the seafood wholesalers and retailers play in the distribution of seafood, their sources of supplies, the markets they serve, their relationships with the suppliers, some of the problems experienced in obtaining their supplies, the characteristics of the seafood retailer's operations, typical margins for markups and the methods used by the inland wholesalers and retailers in calculating their markups. Information is also presented on the dealers' perceptions of North Carolina fresh iced seafood as compared to that obtained from other states.

SCOPE OF THE STUDY

The study encompassed wholesale and retail dealers representing all geographic regions of the state except the immediate coastal area. Those interviewed were chosen by a sampling process from among the listing in the yellow pages of the telephone directory under "seafood wholesaler" and "seafood retailer."

A total of thirteen wholesale dealers provided the information dealing with the wholesale markets. These dealers were located in the following cities: Gastonia, High Point, Burlington, Charlotte, Winston Salem, Greensboro, Durham, China Grove, Rocky Mount, and Farmville.

The data presented in this report are based upon the dealers estimates of the volume of each study species and their sources. The use of such estimates provided very good data in earlier research on seafood handled by coastal dealers.² Based on that experience the data in this report should provide reasonable aggregate estimates of the distribution patterns for the seafood handled by the inland dealers. There are, however, potential biases inherent in such data due to incorrect estimates. The reader should keep that in mind as a qualification relative to quoting specific numbers presented in this report.

A total of twenty retail seafood dealers were randomly selected and surveyed. They represented all the above towns plus Wendell, Raleigh, Chapel Hill, Asheville, Apex, Louisberg, Shelby, Taylorsville, Mooresville, Roanoke Rapids, Henderson, Warrenton, Statesville, and Fayetteville. This sample provided a representative crosssection of non-coastal seafood retailers within the State of North Carolina.

² Ibid., p. 10.

THE INLAND SEAFOOD WHOLESALER

The Role of the Seafood Wholesaler

A wholesaler is a merchant who assembles in bulk an assortment of products which are in turn offered for resale to other merchants. The merchants who buy from the wholesaler make their selections from among the assortments offered based on their expected sales to their own customers. In the case of the fresh seafood wholesaler, the products assembled represent highly perishable seafoods constituting a relatively risky investment in inventory. The dealer assembles in bulk and thus should normally enjoy some economies of scale and the subsequent lower costs associated with buying in volume. The dealer in turn allows the merchants to select from among the various types of seafood he has assembled in his inventory.

In return for the service and risk of making available a selection of seafood products to the merchants, the wholesaler receives a markup percentage over what he pays for the seafood. Under optimal conditions the wholesaler, through his ability to achieve economies of scale by purchasing in bulk, should be able to supply his customers with the products they need at a total cost which is lower than that which they would spend if they purchased directly from the coast.

The inland seafood dealer in North Carolina generally fits the model as described above. The customer group served typically includes some mix of the following: restaurants, institutions such as schools or hospitals, and retailers such as fish markets or grocery stores. Many of the wholesalers have their own retail outlets.

The Wholesalers' Distribution Patterns

The distribution patterns for the eight varieties of seafood studied varied considerably from species to species. The wholesalers sold to restaurants; institutions such as schools, hospitals, or state institutions; retailers, and some cases to other wholesalers. A very strong customer for most of the study species was the wholesalers' own retail outlet. Almost all of the wholesale merchants contacted maintained a retail store. The relative significance of each of the categories of wholesale customer for each study species is discussed next.

Shrimp

In the case of shrimp, the dealers surveyed handled 95,700 pounds of shrimp (heads removed). The largest percentage of the dealers' sales came through direct sales to retail customers, i.e., for use in the home.

Direct sales through the wholesale dealer's retail outlets accounted for 47,550 pounds representing 49.7 percent of the dealer's sales of this species. (See Table 1.) The second largest level of sales came from wholesale sales to restaurants. This customer group purchased 29,928 pounds of fresh iced shrimp representing 31.3 percent of the dealer's sales. Sales to retailers who would subsequently resell the shrimp in fresh iced form accounted for 13,222 pounds (13.8 percent) of the shrimp handled.

Sales of shrimp by the wholesalers was about evenly split between wholesale and retail sales. The data collected indicated that 49.7 percent of sales were direct sales for home consumption while 50.3 percent were sold at wholesale. This result is not unexpected as fresh iced shrimp tend to be a high demand item which consumers are willing to make a special effort to obtain.

The dealers expressed a general dismay at typically being unable to obtain enough shrimp--at a low enough price--to meet the demand of the inland consumers. The inland consumer in North Carolina was described as being unwilling to pay as high a price for the shrimp as the out-of-state consumer was willing to pay. Fresh iced shrimp, therefore, particularly the larger shrimp, tended to be moved to out-of-state markets.

Crabmeat

Sales of crabmeat were similar in many respects to those of shrimp. Both are essentially specialty items in the eyes of the consumer and are subject to demand patterns different from those of other seafood products. In both cases consumers tended to seek out the wholesalers retail outlet as their principal source. The reasons for this demand pattern are unclear.

Sales of fresh crabmeat totaled 14,985 pounds of which 6,762 pounds were sold through the wholesale dealer's own retail outlets. (See Table 1.) This figure represented 45.1 percent of the sales of this product.

Sales of fresh crabmeat at wholesale totaled 8,223 pounds. The largest customer group was made up of retailers. That market purchased 5,683 pounds for 37.4 percent of total sales.

Restaurants bought proportionally less crabmeat than shrimp. Only 13.3 percent of wholesale sales went to this group. There are at least two reasons for this difference. Shrimp are sold by restaurants as either a shrimp cocktail, fried shrimp, or some other dish in which the shrimp is a readily identifiable component. In the case of crabmeat, sales by restaurants are typically in the form of crab cakes. The crab is mixed with breading, stuffed into a shell, and cooked. The proportion of crabmeat to breading or other ingredients is usually very small. The restaurant customer is apparently satisfied with this arrangement and so is the restaurant manager, particularly since crabmeat can run as high as \$7.00 per pound at wholesale.

Flounder

Flounder represented the most substantial market in terms of the pounds sold. A total of 2,128,958 pounds of this species moved through the dealers surveyed. (See Table 2.)

TABLE 1

The Inland North Carolina Seafood Wholesaler's Customers
for Shrimp and Crabmeat

	Shrimp		Crab	
	Pounds*	Percent	Pounds	Percent
Retail	47,550	49.7	6,762	45.1
Wholesale:				
Restaurants	29,928	31.3	1,990	13.3
Institutions	1,000	1.0	550	3.7
Retailers	13,222	13.8	5,683	37.9
Other	4,000	4.2	0	0
Sub-Total	48,150	50.3	8,223	54.9
Grand Total	95,700	100.0	14,985	100.0

TABLE 2

The Inland North Carolina Seafood Wholesaler's Customers
for Flounder, Gray Trout and Croaker

	Flounder		Gray Trout		Croaker	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Retail	173,000	8.1	110,120	14.5	388,460	27.4
Wholesale:						
Restaurants	1,271,502	59.7	142,970	18.9	42,200	3.0
Institutions	51,800	2.4	15,900	2.1	4,000	0.3
Retailers	582,056	27.3	470,010	62.0	733,740	51.7
Other	50,600	2.4	18,600	2.5	250,000	17.6
Sub-Total	1,955,958	91.9	647,480	85.5	1,029,940	72.6
Grand Total	2,128,958	100.0	757,600	100.0	1,418,400	100.0

The wholesale market was by far the most substantial part of the market for fresh iced flounder. A total of 1,955,958 pounds representing 91.9 percent of sales moved into wholesale channels. The most substantial wholesale market was found in the restaurants. The sales to that market added up to 1,271,502 pounds for 59.7 percent of the total sales.

Sales to retailers who would be reselling the flounder to final consumers were also substantial. That market purchased 582,056 pounds of flounder representing 27.3 percent of total sales.

Direct sales at retail through the wholesale dealers own outlets were small relative to the other markets but nevertheless were substantial in terms of pounds sold. Sales through wholesalers retail outlets totaled 173,000 pounds and represented 8.1 percent of their sales of fresh iced flounder.

Gray Trout

The dealers surveyed handled a total of 757,600 pounds of gray trout (see Table 2). Of that total, 85.5 percent representing 647,480 pounds, was sold at wholesale and the balance of 110,120 pounds through the wholesalers' own retail outlets.

The principal wholesale market for this species was the retailer. That customer group purchased 470,010 pounds representing 62 percent of sales. Restaurants were a distant second with 142,970 for 18.9 percent of sales.

Croaker

Croaker appears to be primarily a home consumption item. Of the 1,418,400 pounds handled, 388,460 pounds (27.4 percent) were sold at retail by the wholesalers and 733,740 pounds (51.7) were sold to retail merchants. (See Table 2.) Only a very small proportion (3.0 percent) of the sales of this species moved into the restaurant market. A substantial quantity of croaker was also sold to other wholesalers. That market received 250,000 pounds representing 17.6 percent of sales.

Spot

The total inland market for spot was small when compared to flounder, gray trout, or croaker. Sales totaling 306,400 pounds were reported by the dealers surveyed. (See Table 3.) Of that total, 272,000 pounds (88.8 percent) were sold through retail outlets either by the wholesaler himself (35.6 percent) or his retailer customer group (53.2 percent). The restaurant market purchased only 7,800 pounds (2.5 percent) of this species. Resale to other wholesalers included 25,000 pounds and represented 8.2 percent of sales.

Bluefish

Bluefish sales of 39,100 pounds represented the smallest volume handled of any of the study species. (See Table 3.) Retail merchants represented the most important market with purchases of 18,480 pounds (47.3 percent). Sales to restaurants also represented a relatively important market for this species with purchases of 12,120 pounds (31.0 percent). Direct retail sales through wholesaler owned outlets totalled a very low 8,100 pounds (20.7 percent).

TABLE 3

The Inland North Carolina Seafood Wholesaler's Customers
for Spot, Bluefish, and Mullet

	Spot		Bluefish		Mullet	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Retail	109,060	35.6	8,100	20.7	147,475	39.1
Wholesale:						
Restaurants	7,800	2.5	12,120	31.0	6,000	1.6
Institutions	1,600	0.5	400	1.0	400	0.1
Retailers	162,940	53.2	18,480	47.3	148,025	39.3
Other	25,000	8.2	0	0	75,000	19.9
Sub-Total	197,340	64.4	31,000	79.3	229,425	60.9
Grand Total	306,400	100.0	39,100	100.0	376,900	100.0

The pattern of apparently low demand for bluefish as a menu item confirms the results found in earlier research conducted on the distribution channels for fresh iced seafood leaving the North Carolina coast.³ The coastal dealers indicated a lack of consumer interest in bluefish in the North Carolina market. The inland wholesalers echoed those reports when stating their belief that bluefish had not, as yet, developed as an important consumption item in the North Carolina fresh iced seafood market. The reasons given ranged from difficulty of maintaining freshness to the flavor being too strong for the customer's tastes.

Mullet

The sales of mullet in North Carolina were higher than that of bluefish. Total sales of 376,900 pounds make this a minor but nevertheless important species for in-state sales (see Table 3).

The largest market for this product was in the retail trade. Wholesale dealers sold 147,475 pounds (39.1 percent) through their own retail outlets. Similarly another 148,025 pounds or 39.3 percent of their volume were sold to merchant retailers. Thus a total of 78.4 percent of the sales of fresh iced mullet were sales made by retail fresh seafood outlets.

Sales to restaurants were very small for this species. It would appear that mullet did not enjoy a favorable market as a restaurant menu item. The reason that mullet as well as other species appear to have a proportionally high level of preference as a home consumption item, and yet not appear to be a significant menu item is not clear. However, this product tends to sell at a relatively low price in the retail seafood markets and may therefore be serving as the poor person's answer to the high cost of seafood.

The "other wholesalers" sales category was a relatively important sales category for mullet. This category represents sales at wholesale to other wholesalers. In the case of mullet, this category included sales of 75,000 pounds or 19.9 percent of the total sales.

COMPARISON OF THE FLOUNDER, GRAY TROUT AND CROAKER MARKETS

The inland fish dealers serve two basic markets--the restaurant market and the home consumption market. The home consumption market has historically been the largest market served. During recent years the restaurant market for fresh seafood has been rapidly developing as a major market for many species of seafood. The following discussion will review some of the findings and possible implications of developing restaurant and home consumption market patterns for flounder, gray trout, and croaker.

The data in Table 4 pointed out that flounder had the largest total sales (2,128,958 pounds) followed by croaker (1,418,400 pounds) and gray trout (757,600 pounds). Breaking these totals down in terms of the markets served provided some useful insights into the makeup of the market for those three products (see Table 4).

³ Ibid.

TABLE 4

Comparison of Restaurant and Retail Markets
for Flounder, Gray Trout, and Croaker

	Flounder		Gray Trout		Croaker	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
Restaurants	1,271,502	59.7	142,970	18.9	42,200	3.0
Retail	755,056	35.4	580,130	76.5	1,222,200	79.1
Other	102,400	4.8	34,500	4.6	254,000	17.9
Total Sales	2,128,958	100.0	757,600	100.0	1,418,400	100.0

In terms of retail sales for in-home consumption, croaker had the largest market (1,222,200 pounds) followed by flounder (755,956 pounds) and gray trout (580,130 pounds). This information indicates a rather large home consumption market for fresh iced croaker. In the fresh iced form it would appear that croaker may actually be a substantial competitor with flounder in terms of consumer preferences. This finding is very important because flounder has been viewed historically as the preferred seafood product for general consumption. The retail sales reported in this study indicate that croaker has a high level of acceptance by some consumer groups.

The high level of acceptance of croaker as a home consumption product has implications for the restaurant trade. The survey data indicate a strong consumer like for croaker while relatively small amounts were being sold through the restaurants. It would appear that croaker has a greater potential as a menu item in restaurants than may be presently realized. The data in Table 7 indicate sales of 42,500 pounds of croaker to restaurants, so it would appear that a few restaurants have found it to be a good menu item.

The implications for gray trout in the restaurant market are similar to those for croaker. Total sales came to 757,600 pounds of which 580,130 pounds were sold at retail. Sales to restaurants totaled 142,970 pounds. High levels of acceptance for home consumption indicate good potential for development of gray trout as a menu item in those North Carolina restaurants serving seafood.

This research did not determine who the consumers are who buy the croaker. It may be that the consumers who buy croaker for in-home consumption are not the same consumers who buy flounder in restaurants. Whatever the case may be, it would appear that there is a substantial in-state market for croaker that is almost as large as the present market for flounder. The market for gray trout also appears to have good potential.

SOURCES OF SUPPLY

The question of where the inland seafood wholesalers obtain their supplies of fresh iced seafood is an important one. The North Carolina coastal fishery lands and ships out substantial quantities of fresh iced seafood. The varieties landed, however, depend upon the species in season during any one period of time. The inland dealer is therefore faced with the problem of relatively stable levels of demand for particular species while the coastal dealer may have only an erratic ability to supply that demand.

To cope with the fluctuating supplies available from the North Carolina coast the inland dealer uses a variety of different sources. Tables 5, 6, and 7 provide data concerning the relative importance of each of those sources for each species. It should be noted that the North Carolina coast is the dominant source for all but three species.

Shrimp

The dealers surveyed handled a total of 95,700 pounds of fresh iced shrimp (see Table 5). Of that total 67,347 pounds (70.4 percent) was purchased from suppliers within North Carolina. The principal out-of-state source was

TABLE 5

The Inland North Carolina Seafood Wholesaler's Sources
of Supply for Shrimp and Crab Meat

	Shrimp		Crab	
	Pounds	Percent	Pounds	Percent
North Carolina	67,347	70.4	7,973	53.2
Out-of-State:				
Virginia	0	0	7,012	46.8
South Carolina	8,225	8.6	0	0
Alabama	13,728	14.3	0	0
Other	6,400	6.7	0	0
Sub-Total	28,353	29.6	7,012	46.8
Grand Total	95,700	100.0	14,985	100.0

Alabama with 13,728 pounds (14.3 percent). Alabama has a longer season than North Carolina and thus has become an important source of supplies, both fresh and frozen.

When shrimp are in season the wholesalers buy them from whatever source they can get them. When fresh shrimp are not in season the inland dealers purchase frozen shrimp. The restaurant market represents a major market for shrimp in both the fresh and the frozen state. The retail customer, however, prefers shrimp in a nonfrozen state. To accommodate the later market during off season times, the shrimp are commonly defrosted before placing them in the display counter. The inland customer thus has supplies of shrimp available on a steady basis.

Crab Meat

The inland dealers in this study handled 14,985 pounds of fresh crabmeat. (See Table 5.) For the consumer market this product generally comes in two forms, each packed in one pound containers. The backfin for chunk meat is the more expensive product and is considered the choicest meat by the consumer. Flake crabmeat is only slightly less expensive than the backfin meat.

For the commercial market--the market which uses the crabmeat as an ingredient in crab cakes--the meat is sometimes packed in five pound plastic bags. This market expects the same quality of product as that which moves into the consumer market.

The principal source of supply for fresh crabmeat was the North Carolina coast. Of the 14,985 pounds handled, 7,973 pounds (53.2 percent) were from within North Carolina. Other supplies came from Virginia which provided 7,012 pounds (46.8) percent.

Flounder

The supplies of fresh iced flounder handled totaled 2,128,960 pounds (see Table 6). Of that total, 955,235 pounds (44.9 percent) were purchased from North Carolina sources. The principal out-of-state source was Virginia. That source provided 1,043,185 pounds (49.0 percent) of the total purchases by the dealers surveyed.

Gray Trout

The inland dealers in this study purchased 757,600 pounds of gray trout during the year studied (see Table 6). Of that total, 401,348 pounds (53.0 percent) were purchased from suppliers within North Carolina.

There were two principal out-of-state sources for gray trout. Virginia was the largest such source, supplying 201,152 pounds (26.6 percent). Alabama was also a relatively large supplier with 130,000 pounds for 17.2 percent of the total.

Croaker

North Carolina's inland dealers handled 1,418,400 pounds of fresh iced croaker (see Table 6). Of that total 523,970 pounds (36.9 percent) were purchased from the in-state suppliers. There were two major out-of-state suppliers. Alabama was the largest with 585,500 pounds (41.3 percent), followed by Virginia with 308,930 pounds (21.8 percent).

TABLE 6

The Inland North Carolina Seafood Wholesaler's Sources
of Supply for Flounder, Gray Trout, and Croaker

	Flounder		Gray Trout		Croaker	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
North Carolina	955,235	44.9	401,348	53.0	523,970	36.9
Out-of-State:						
Virginia	1,043,185	49.0	201,152	26.6	308,930	21.8
South Carolina	40	0.0	0	0	0	0
Alabama	2,000	0.1	130,000	17.2	585,500	41.3
Other	128,500	6.0	25,100	3.3	0	0
Sub-Total	1,173,725	55.1	356,252	47.0	894,430	63.1
Grant Total	2,128,960	100.0	757,600	100.0	1,418,400	100.0

TABLE 7

The Inland North Carolina Seafood Wholesaler's Sources
of Supply for Spot, Bluefish, and Mullet

	Spot		Bluefish		Mullet	
	Pounds	Percent	Pounds	Percent	Pounds	Percent
North Carolina	246,120	80.3	27,600	70.6	168,050	44.6
Out-of-State:						
Virginia	60,280	19.7	11,500	29.4	750	0.2
South Carolina	0	0	0	0	300	0.1
Alabama	0	0	0	0	10,400	2.8
Other	0	0	0	0	197,400	52.4
Sub-Total	60,280	19.7	11,500	29.4	208,850	55.4
Grand Total	306,400	100.0	39,100	100.0	376,900	100.0

Spot

Only 306,400 pounds of this species were handled by the dealers surveyed (see Table 7). The North Carolina coastal dealers provided 246,120 pounds for a substantial 80.3 percent of the inland demand covered by this survey. The out-of-state suppliers were all in Virginia and provided only 60,280 pounds (19.7 percent).

Bluefish

Bluefish was not a high demand item in the North Carolina fresh iced seafood market (see Table 7). Only 29,100 pounds were handled by the dealers surveyed. Of that total, 27,600 pounds (70.6 percent) were purchased from sources within North Carolina. The balance of 11,500 pounds (29.4 percent) was purchased from suppliers in Virginia.

Mullet

There was a much higher level of demand for mullet than for bluefish. Inland dealers handled 376,900 pounds of mullet during the period surveyed (see Table 7). Of that total, 168,050 pounds (44.6 percent) were purchased from in-state sources. Out-of-state purchases of this species is listed as "Other States" in Table 7. For this species that source was Florida. Dealers in Florida supplied 197,400 pounds of mullet, representing 52.4 percent of the supplies of this species handled by inland dealers.

PROBLEMS FOR THE INLAND SEAFOOD WHOLESALER

Like all businessmen, the inland seafood wholesaler is faced with the continuous challenge of day-to-day survival in the business world. There are, however, a number of problems unique to this category of businessmen including supply, freshness, seasonality and competition. Each of these problems is discussed below.

Supply

Supplies of fresh iced seafood represent a major problem for the inland seafood wholesaler. Irregularity in the ability of many coastal dealers to supply their needs forces the dealers to cultivate many alternative sources. These varied sources are mixed in terms of the services they supply. Some of the coastal dealers from the southern area of the state will deliver to inland locations. Coastal dealers located in the central and northern areas of the state typically do not deliver very far inland. If these latter two areas are the only available sources, then the dealer must go to the coast to pick up the seafood. Pickup activities of this type result in higher operating costs for those dealers and subsequent higher prices to the customers they serve.

A frustration expressed by several inland wholesalers was that they commonly paid the same price for the seafood when they picked it up as they did when it was delivered to them. Their ability to pass these costs along was somewhat restricted because their final customers were sensitive to frequent fluctuations in wholesale or retail costs.

The fact that many different dealers make frequent trips to the coast is an inefficiency in the operation of the channel of distribution. Perhaps the dealers believe the need for freshness requires direct pickup. Food technologists, however, indicate that properly iced seafood products have a shelf life of up to twelve days and sometimes slightly more. Direct pickup does drive the dealers' costs up significantly as they incur capital costs for trucks, fuel costs for operation, and wages for drivers. Inability to deal with these added costs may have been a contributing factor in the financial failure of a number of former inland seafood dealers and retailers.*

Freshness

Some supplies do move inland from the coast through coastal dealer delivery efforts. There are, however, potential problems associated with such deliveries. Freshness was the principal complaint expressed by the inland dealers. The fresh iced seafood product has a shelf life of approximately twelve days. If the seafood is on a boat for several days and then spends one to three days in transit (depending on whether it comes from in-state or out-of-state sources), or if the product is mishandled at any point--such as improper icing, either on the boat or in transit--then degradation of quality is the result. Most coastal dealers were reported to be conscientious about their handling of the seafood products. Education efforts by seafood extension programs such as Sea Grant's Marine Agents have also helped improve the fishermen's awareness of the need for proper handling.

Seasonality

When in-state supplies are not available, the dealers must go out-of-state to obtain their fresh seafood supplies. Out-of-state channels used include principally Virginia and Alabama. Dealers along the main interstate route moving through North Carolina (I-85) seem to rely on Virginia for most of their supplies. Croaker and shrimp come in from Alabama when out-of-season along the North Carolina and Virginia coast.

When out-of-state sources are used, the freshness requirement can become critical. The relatively short shelf life necessitates rapid turnover for the dealers. It is important that the seafood move in and out of the wholesaler's hands very rapidly so as to maximize shelf life for the retailers.

Competition

The inland dealers indicated the presence of competition from a number of sources which some believed limited their ability to perform well and in several cases their ability to survive as a business. The inland wholesale dealers served principally two wholesale markets--the inland retailer and the inland restaurants. Many also sell to the final consumer through their own retail outlets. Except for shrimp and crabmeat, this latter market appeared to be a proportionally smaller part of their business.

The source of competition which caused the most problems for the wholesaler was the coastal dealer who sold to both the wholesaler and the

*Some inland retailers also make weekly or twice weekly "runs" to the coast to pick up supplies. Such runs frequently require stops at two or more locations before adequate supplies and selections are obtained.

wholesalers' customers at the same price and most of the time off the same truck on the same day. This pattern of sales by the coastal dealer usurps the inland wholesalers' market, denies the wholesaler the ability to change a markup, and to some extent eliminates the need for the dealer's existence. This pattern of the coastal dealer serving the inland market could potentially be a more efficient means of distribution, however, the coastal dealers involved do not have a broad selection of many different species and have been inconsistent in their ability to deliver with any degree of regularity. In some cases the wholesalers reported that the drivers moving inland from the coast had sold what supplies they had on a first come, first served basis so that customers at the end of the line did not receive adequate supplies. This pattern of nonfulfillment of customer needs disrupts the merchandising plans of inland wholesalers.

The net effect of inland delivery to the inland wholesalers' customers by coastal dealers has been to skim the cream off the market, i.e., to sell all that they can during times of plenty while leaving for the inland dealer the problem of supplying during the balance of the year and/or the markets for the less available species. This pattern tends to be short-sighted on the part of the coastal dealer in that a strong inland wholesale dealer network could probably do a great deal toward developing the total inland consumer market.

The other source of competition which causes problems for the inland wholesaler comes from weekend truckers. These individuals see a lucrative inland market for cheap fresh seafood. They buy trucks, drive to the coast and pick up supplies and then drive back inland. The coastal dealers will typically sell to anyone who has the cash and who will buy in 50 or 100 pound box quantities so it is no problem for the weekend trucker to get supplies of whatever seafood is in season.

The customers for the weekend trucker may include restaurants (particularly for shrimp and flounder) and small retailers and grocery stores. The truckers often park on the side of the road in a high traffic area and peddle their seafood to whomever will stop. They usually sell at prices below those at local retail markets and hence may enjoy a fairly good trade. Commonly these small scale entrepreneurs fail to figure in the capital cost of their trucks, truck maintenance, and fuel costs, and the value of their time. They also tend to go out of business after one or two seasons when their capital costs begin to catch up with them. The net effect, according to the dealers, is a disruption of the regular retail market system for fresh iced seafood. That makes business difficult for the retailers and consequently also for the wholesalers.

The third source of competition for the wholesalers is in the restaurant market. Many of the wholesalers prepare seafood fillets or other products for the restaurant trade. The retailers to whom they sell also compete for that market. Since both the wholesaler and the retailer buy from the same suppliers, neither has a particular cost advantage.

Many of the inland wholesalers competitive problems stem from the coastal dealers' unwillingness to protect the wholesalers from the types of competition described above. In most channels of distribution the producers or major distributors refuse to sell direct to retailers, i.e., to bypass their wholesaler networks, or to sell to other wholesalers who compete

directly with their regular wholesalers. This pattern assures them a strong wholesaler who will be a good representative for their products in the market and who will assist in building overall demand for their products. This wholesaler/producer relationship does not exist in the seafood channels of distribution and at the time of this survey, did not appear to be developing.

THE INLAND WHOLESALERS' PERCEPTIONS OF N.C. SEAFOOD

The dealers surveyed were asked what characteristics of North Carolina seafood made it better and what characteristics made it worse than seafood from other states. The results provide interesting and informative insights into the choice criteria used by the inland dealers when they are deciding where to buy needed supplies of fresh iced seafood products.

The two factors most frequently reported by wholesalers as making North Carolina seafood better than fresh iced seafood from other states were quality and taste. The aspect of quality was primarily a matter of freshness, i.e., the time between catching the fish and its delivery to the inland market.

The matter of taste was directed toward only one species--croaker. It seems that croaker from the gulf coast area such as Alabama have a flavor distinctly different from that of croaker caught in the Atlantic off North Carolina. The cause of that difference in taste is apparently still unknown.

It is interesting to note that even with the perceived taste advantage, 41.3 percent of the croaker handled by these dealers came from Alabama and only 36.9 percent came from North Carolina.

Numerous dealers indicated that other than croaker they did not perceive any significant differences between North Carolina fresh iced seafood and that from other states. The majority of the dealers surveyed, however, did express a clear preference for North Carolina fresh iced seafood products. The reasons for this preference varied from dealer to dealer but the most commonly stated reason was quality. These dealers stated that in general the North Carolina products were fresher and that the prices were better (lower). Other reasons given included less travel involved in obtaining supplies and fair dealing.

While North Carolina got high marks on quality, so did Virginia. Several dealers expressed clear preference for Virginia while others liked both Virginia and North Carolina. The main preference factor, aside from freshness, was the availability of a wide variety of seafood products on a steady, year around basis. Many of the dealers who clearly preferred North Carolina products indicated that Virginia was able to supply a consistent variety and quantity of seafood products needed in order to support the year around needs of their customers.

The gulf coast and New Jersey were also rated high on consistency of supply and the professional way they conducted business. The gulf dealers were also praised for fast delivery of what was ordered and for sticking to what they said they would do when an agreement was reached.

Dealer comments concerning what made North Carolina seafood worse than fresh iced seafood from other states were also informative. The most common fault concerned grading. Inconsistency and inaccuracy in the grading of shrimp in terms of the count per pound was the most frequently expressed fault. This problem was considered particularly acute during times of short supplies. The grading of finfish was also reported to be inconsistent at times.

One significant complaint related to the practice of some coastal dealers selling directly to the wholesale dealer's customers, i.e., the retail outlets or the restaurants. This problem was discussed in detail earlier in this report. There were also complaints that the North Carolina coastal dealers would not deliver to some of the inland dealers. A third frequently expressed complaint was that the coastal dealers who did deliver inland charged the same price for delivered seafood as was charged when the inland dealer picked the seafood up at the coastal dealer's loading dock.

The characteristics that the inland dealers thought made North Carolina seafood worse than seafood from other states seemed to deal less with the actual seafood than with the management practices of the coastal dealer. The wholesalers indicated that they generally had alternative sources of supply when any one source became unsatisfactory. They did, however, prefer to develop long term relationships with reputable, well managed suppliers.

THE INLAND SEAFOOD RETAILER

The first two sections of the discussion on the retailer's role in the channel of distribution for fresh iced seafood will focus on the market environment in which the retailer operates. The discussion will examine the characteristics of the retailers themselves and the competitive environment in which they operate. The retailer's sources of supply and their relationships with those suppliers will then be examined. The last section provides the author's observations about the current status of seafood retailer's operations.

Characteristics of the Seafood Retailer

The seafood retailer's role in the market place is one of providing fresh seafood products for in-home consumption. The retailer usually operates in a "seafood market" which is a small retail store typically located separate from other food retailing operations. It may be located in a small shopping center among unrelated retail stores or it may be in a free standing building. The free standing building may have been built some years ago as a seafood market or, if of more recent vintage, it not unlikely is an old gas station which has been converted to serve as a seafood market. In many cases and particularly in the larger towns the seafood retailer is located in proximity to the ethnic market which many of the dealers indicate constitute the majority of their customers. The location of the store not uncommonly is inconvenient to those shoppers who prefer one stop grocery shopping.

Fresh seafood under the above condition becomes a specialty item and as such appeals to only those customers who are willing to make the special effort required to obtain the desired products. The ethnic customer appears to be willing to make the special effort required. The non-ethnic customer seems to be less willing in the present day market environment. Against this background we will examine the seafood retailer in North Carolina.

The Competitive Environment

The seafood retailer is faced with competition from several sources. The first such source of competition is frozen seafood available at the supermarket. The principal source of seafood for most consumers is the supermarket. The product purchased there is typically frozen either in unprocessed form or in a highly processed, precooked form which need only be heated in the oven and served. A quick survey of the frozen food counter in almost any supermarket will indicate that the majority of the seafood products are in the latter form, i.e., precooked and ready to serve.

A second source of competition for the seafood retailer is the seafood restaurant. Seafood is often perceived by the consumer as requiring some effort and skill in the proper preparation and serving. Many consumers who like seafood seem to prefer to eat it at restaurants rather than prepare it at home. The rapid growth in North Carolina of seafood restaurants serving "calabash"* style seafood and the thriving "fish camps" in the Piedmont region indicate high levels of consumer demand for restaurant prepared seafood by the general population.

This researcher has conducted focus group interviews in several North Carolina cities in an effort to gain insight into consumer preferences relative to seafood consumption. The participants in these group discussions indicated a strong like for seafood. In almost all cases they indicated that they had prepared seafood in their homes. When asked if they would rather cook it at home or eat out they typically indicated that it was less trouble to eat out. "Besides," as one participant said, "my husband likes seafood and I can get him to take me out to eat it. That is better than going to the trouble of preparing it at home."

The focus group participants were asked whether they preferred fresh or frozen seafood when they were going to serve seafood at home. The unanimous answer was a preference for fresh seafood followed by a general discussion of how fresh seafood was better than frozen seafood. When asked where they purchased the last seafood they prepared at home most of the participants admitted that they had purchased frozen seafood in the supermarkets even though with a little extra driving they could have gone to a fish market. The reasons expressed related to convenience in terms of ready availability while picking up other groceries or not requiring a special effort to obtain.

The market environment in which the seafood retailer operates appears to be a market in which many different sources are competing for the consumers seafood dollar. The primary factors influencing the consumers studied seem to be convenient access and ease of successful preparation. It is apparently hard to match in the home the cooking skills and specialized equipment of the restaurant chef at the locally popular seafood restaurant.

The ethnic market, however, does remain a strong market for fresh seafood prepared at home. The characteristics and motivations of this segment of the seafood market are not known.

The Retailer's Sources of Supply

The flow of fresh North Carolina seafood into the southern area of the state up to the Charlotte area and west of there came principally from the southern area of the state's coast. The central areas of the state around Highpoint, Winston Salem, Greensboro, Durham, and Raleigh tended to get most

*Calabash style seafood is named after the coastal North Carolina town of Calabash which is noted for its seafood restaurants. The fried seafood is lightly battered and cooked until it is light brown in appearance giving it a tender texture and juicy taste.

of their supplies from the central areas of the states' coast such as Atlantic, Vandemer, Beaufort. The middle size to smaller retailers indicated that they occasionally purchased seafood from the inland seafood wholesalers in nearby towns but found those supplies to be generally higher priced than the supplies purchased direct from coastal dealers. Almost all of the retailers indicated that supplies purchased from coastal dealers were delivered by those dealers. Only one inland dealer stated a preference for picking up his supplies. He indicated that he believed he could be confident of the quality of the products when he picked them up direct from the coast.*

The out-of-state suppliers coming into North Carolina were serving almost all the retailers who were located in proximity to the interstate highways. The retailers indicated that the strong seasonality patterns and unpredictability of the supplies available from the North Carolina coast made them dependent on out-of-state sources to get the variety and quantity of seafood they needed. They typically cultivated and maintained those sources by using them regularly.

The Retailer's Relationships with Suppliers

In describing their relationships with their in-state suppliers the inland retailers used several criteria for evaluation. Those criteria included such things as quality of product, delivery policies, pricing, handling of orders, and availability of needed supplies.

In terms of quality of product there was a consensus among the retailers that the product from in-state coastal wholesalers was in general better than that purchased from out-of-state. They indicated a belief that the North Carolina product was fresher and that it tasted better than the product from other states.

References to quality typically included comments concerning old fish and bad counts.** Each retailer interviewed had had one or more instances of older product delivered, but in all recent cases the coastal dealers had accepted the returns. Several retailers indicated that an occasional pattern of poor quality from certain dealers had existed in the late 1960's and early 1970's but that that had been less of a problem in the past few years. A typical quality complaint was related to improper counts for shrimp and panfish. This problem was more related to improper grading procedures at the coast rather than to the actual quality of the seafood products themselves.

In addition to some older fish and occasional grading problems the most frequently voiced complaints related to delivery policies, pricing policies, and order handling. These three problem areas were interrelated in several ways. The smaller dealers were the chief complainers and their complaints

*The North Carolina newspapers sometimes write stories about seafood market owners who make numerous trips to the coast in order to obtain fresh supplies. This pattern is not uncommon in dealers located within a hundred miles of the coast but it is not common among the dealers further inland.

**The term "counts" refers to the grading of the fish by size. There are so many fish (the count) per 100 pounds.

were undoubtedly valid from their perspective. The problem is that small dealers necessarily place small and sometimes frequent orders. To compensate somewhat coastal dealers charged these small retailers the same price for pickups as for those delivered. The policy of charging the same prices for pickups as for delivery is similar to the grocery wholesalers "cash and carry" outlets which service small grocery stores. In the case of the grocery wholesalers, they offer cash and carry instead of delivery. The fish dealers on the coast continue to offer both. That policy results in an increase in the number orders for delivered goods and a decrease in the number of pickups, particularly by the dealers located further inland. In many cases the smaller retailers met the delivery trucks at some point along the delivery route. These retailers of course complained that they do not get many services while paying the same prices. Their orders, however, tended to be small relative to the coastal dealers' other customers and thus made it uneconomical to provide as many services.

Both the small and the large retailers suffered from problems with how their orders were handled. The big problem here was the inability of the coastal dealers to deliver what was needed when it was needed. This problem took several forms. The first form was one in which the driver of the delivery trucks sold on a first come first served basis. These were usually delivery trucks which loaded up on the coast and then sold to whomever needed supplies as they drove toward Tennessee. The retailers knew when a truck was coming but did not know what fish would be available by the time it reached them. This approach to selling seafood to retailers was apparently a common practice.

A second delivery problem related to incomplete filling of advance orders. When the desired species were not available, some of the coastal dealers would deliver what they had on hand. The retailers might or might not have been informed that their order would be short of the desired quantities. Several of the larger seafood retailers and a couple of the restaurants contacted by this researcher indicated that they had stopped dealing with North Carolina coastal dealers because their customer's demand patterns did not allow them the flexibility to tolerate the shorting of orders.

The seafood landed on the North Carolina coast is highly seasonal in character with catches fluctuating dramatically as the different species move in and out of season. Even within season the catches vary from day to day or week to week up and down the coast. At any one point in time a given coastal dealer may be either over or undersupplied. There is considerable movement of seafood products between the coastal dealers as they seek to balance their supplies with the demand from their customers, but even then they are occasionally going to be short of what is needed.

The net effect of the shortage of desired species from the coastal dealers is a retailer short of needed inventory and subsequently a customer unable to find what they want at the fish market. The resulting customer discontent was a great concern to the retailer because of the potential for lost patronage.

The retailers responded to the shortage situation by using out-of-state suppliers or by purchasing seafood frozen whole (in the round). The retailers indicated that their preferred solution was the out-of-state supplier. The customers have the final say as they may decide that if they are going to buy

frozen seafood, why not buy it at the supermarket where it is more conveniently available.

In all cases the retailers expressed a preference for fresh over frozen seafood regardless of the source. They indicated that as a rule, the seafood frozen in the round had to be defrosted to be sold. The frozen in the round seafood was perceived by the retailers as being of a much lower quality and subsequently not as satisfactory to them or their customers.

Observations About Seafood Retailing Operations

This discussion will relate to some general observations about current retailing practices which were made in the process of conducting numerous personal contacts and telephone discussions with a variety of fish wholesalers and retailers throughout North Carolina. Insights based on structured interviews with seafood consumers will be integrated into the discussion as appropriate.

The seafood wholesalers and retailers can be divided into groupings of the very successful, average, and the unsuccessful ones who probably do not realize it yet. The successful dealers tend to be moderately well capitalized with reasonably good financial controls in effect. Those dealers that are average tend to be under capitalized but surviving none the less. They are typically hard working men and women who recognize their need for more money in order to be very successful but are not sure how to get the money they need and do not know to whom they can go for assistance. In several cases these entrepreneurs had some very good ideas on how to expand their markets and subsequently their sales but did not have and were unable to obtain the capital. The lack of available capital precludes advertising, facility improvement, relocating in areas more convenient to customers, or other market expanding activities.

The customer service facilities in the retail fish markets ranged from clean and modern to very rudimentary. In the better facilities the lighting is good, and the fish were more creatively displayed in whole and filleted form and were properly iced. These facilities had a clean, fresh-smelling atmosphere and seemed to be well patronized.

Facilities that meet the above description, however, were the exception rather than the rule. The typical fish market had older and sometimes rudimentary display facilities and often had strong "fishy" odors. The fish were displayed in the whole form and were filleted only on request. The displays tended to be just piles of fish with ice underneath rather than over them. In one market this researcher visited the window did not have a shade and the sun was shining directly on the exposed fish. The effect on the quality of the fish is left to the reader's imagination.

If the dealer's inventory turnover was slow, the fish in the counter were older than those in the locker in back; although, regular customers were provided with the fresher fish from the back room. This sales strategy tends to punish any non-regular customers by giving them a product of lower quality while taking care of the regular customers. An unrecognized effect of this strategy is the deterrence of the non-regular customers becoming

regular customers. As a result that retailer's potential market for sales of fresh seafood remains unexploited.

The behavior of the service personnel who deal with the customers is a very critical aspect in the success of any retailer. Lack of attention to positive relationships with customers can severely restrict the potential for financial success of a seafood retailer. This writer observed several different patterns of behavior in the customer-service personnel relationships in the numerous retail outlets visited.

Some of the service personnel were warm, friendly and very helpful to the customers who were unsure of what they wanted or who were unfamiliar with the different species of fish. In all too many cases, however, the service personnel by their behavior and by the expressions on their faces seemed to be communicating very negative messages to the inexperienced customer. As an informal research project this author began going to a number of retailers across the state acting in the role of a customer who did not know one fish from another. In all too many cases the service personnel, when they thought that I did not know one fish from another, acted somewhat disdainful of my lack of knowledge and were generally inattentive to my need for assistance. I also observed such behavior being directed toward other customers. Such behavior can discourage new customers from returning to the market and generally inhibit sales growth for the fish market. It is a much more pleasant experience for a customer to purchase frozen fish in a supermarket than to be made to feel uncomfortable by an arrogant clerk in a fish market.

PRICING PATTERNS WITHIN THE DISTRIBUTION CHANNEL

The pricing of seafood within the channel of distribution takes on some interesting variations. Some of the different economic forces at work within the wholesale and retail levels will be discussed in the two sections below. The first section will deal with wholesaler pricing for sales at wholesale and at retail. The second section will cover the retailer's price setting policies.

The Wholesaler/Retailer's Markup Policies for Wholesale Sales

The wholesalers surveyed in this study used a variety of means of calculating the prices they charged their wholesale and retail customers. The percentages of gross markup which the wholesalers indicated that they tried to obtain at retail and at wholesale are indicated in Table 8. In most cases the markups indicated in the table were expressed as objectives rather than as automatic pricing policies.

The methods for calculating markups varied considerably from dealer to dealer. The simplest measure used was to add a fixed dollar amount per pound. Dealers using this system indicated a range of prices from \$8 to \$10 per 100 pounds. The \$10 figure was the most desired but \$8 was considered the most frequently obtained. Other dealers indicated that they tried to net \$.05 to \$.08 per pound sold but that the typical result was a range from \$.03 to \$.08 per pound.

The use of percentage markups was also common. Dealers using percentages commonly wished to add a fixed percentage to their invoice cost. The markup percentages provided ranged from 12 percent to 30 percent.

In the case of their wholesale sales the dealers indicated that they were very sensitive to competitive pressures. As the pressure increased, they were willing to drop to lower margins. Most of the wholesalers seemed to have a pretty good concept of their costs. Desired profit was often expressed in terms of both percentages and in terms of the cents per pound over cost with cost including product cost plus labor and overhead. Pricing, even under competitive terms, was closely aligned with costs. These dealers appeared to be very aware of their costs.

Wholesaler/Retailer's Markup Policies for Their Retail Outlets

Retail pricing strategies by the wholesalers that maintain retail outlets were also expressed in terms of markup objectives. The pressures on price, however, were slightly different. The usual competitive pressures, when present, serve to put a lid on prices, although, several of the larger

TABLE 8
Inland Wholesaler/Retailer's Percentage Gross Markups

Dealer #	Wholesale Markups*	Retail Markups*
1	15%	20%
2	30%	65%
3	Depends on markup	30¢/lb. over invoice cost
4	15%	40%
5	12-15%	30+%
6	7-8¢/lb. over all costs	10¢/lb. over all costs
7	20%	35%
8	25%	32-35%
9	No report	No report
10	Depends on market	Depends on market
11	Depends on market	25+%
12	Depends on market	Depends on market
13	20%	No retail sales

*Markup calculated against selling price.

dealers have established solid reputations in their communities and were able to consistently charge higher prices than their competition.

A very significant price pressure felt by most of the dealers is the consumer's sensitivity to fluctuating retail prices. Many of the dealers indicated that they tried to maintain consistent prices over time even when their costs may be varying radically. Their experience had been that consumers bought more seafood when prices were relatively stable over time. This translates into a pattern of keeping prices at the highest price to which the customer was accustomed and not dropping it when the cost of supplies was low unless it was necessary to reduce price to meet competitive pressure. Only strong cost pressure would serve to cause prices to move up at retail with gradual rises the preferred approach.

The percentage markups at retail in Table 8 range from 20 to 65 percent. At the time of the survey most of the dealers indicated that their handling costs and overhead were running about \$.20 per pound. It would appear that the retail pricing strategies of these dealers closely follows the traditional small businessman's markup objectives of a markup of about 33 percent with the percent markup taken against the selling price.

There was some evidence of creative pricing at the retail outlet of one of the wholesale dealers surveyed. Apparently, the customers at this fish market may have transferred their preferences for light and dark chicken to their choice of the type of flounder meat bought. To accommodate their preferences the dealer offers the "white meat" fillets from the bottom side of the flounder at a premium price \$.10 per pound higher than the apparently less preferred "dark meat" fillets from the top side of the flounder. Although there is no difference in the flavor, or texture, of the flounder, the customer perceives a difference at the time of purchase and the dealer was very willing to cater to their preferences.

Retailer's Markup Policies

The retail dealers surveyed who were not also strongly in the wholesale trade tended to have relatively small operations catering to the home consumer of seafood. The survey of these small retailers resulted in thirteen usable responses on their pricing policies which are detailed in Table 9.

In comparison to the larger wholesaler's retail outlets, these businessmen and businesswomen tended to charge lower markups for their retail sales. Several of the dealers contacted were unable to describe their markups either in cents per pound or in percentage terms. These latter dealers seemed to be pricing their products at what they thought the market would bear and then hoping that they would make a profit. Several of these latter retailers commented that it was difficult to make a living selling seafood.

Those smaller retailers who indicated the higher percentage markups given in Table 9 seemed to have a pretty good knowledge of their costs and were coping relatively well in their business environment. These retailers were all attempting to achieve the more traditional small retailer's markup of approximately 33 percent or more of the retail selling price.

TABLE 9

Inland Retailer's Percentage Gross Markup*

-
-
1. 20-25%
 2. \$.05 to \$.08 per pound
 3. Straight 25%
 4. 20%
 5. \$.35 per pound over invoice
 6. What you can get in the market
 7. 40%
 8. 30-40%
 9. Double invoice cost to get selling price
 10. Double invoice cost
 11. \$.37 per pound over invoice
 12. 10%
 13. 90 to 100% of invoice cost
-
-

*Markup calculated against selling price.

COMMENTARY

The purpose of this research effort was to document the current status of operations in the wholesale/retail channel of distribution for fresh iced seafood within the state of North Carolina. The information presented is based on structured interviews conducted in person and by telephone. The format of the report is in response to specific information needs expressed by interested people in official capacities within the state agencies, the state legislature, the National Oceanic and Atmospheric Administration, the National Marine Fisheries Service, UNC Sea Grant personnel working with coastal fish distributors, inland seafood retailers and wholesalers, and potential investors in seafood marketing in North Carolina.

It is the intent of the author to clarify some of the misconceptions which policy makers and state and federal agencies providing assistance to the seafood industry may have as to the actual operations of this element of the retail sector within North Carolina. Hopefully it will assist efforts toward achieving a balanced development of the seafood industry by increasing awareness of the problems faced by the wholesale/retail sector of the channels of distribution. Increased awareness of the needs of the retailer/wholesaler and ultimately the final consumer should assist in achieving the full market potential for the seafood products landed by the commercial fishermen.

