MARKETING SOFT-SHELLED CRAWFISH

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by

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OVERVIEW

The Louisiana soft-shelled crawfish is a relatively new seafood item available to food service and retail consumers. Currently, production exceeds consumer demand, though the product appears to have favorable consumer acceptance.

Consumer demand seems to be inhibited not so much by the product's attributes as by the temporal and structural characteristics of the seafood market and by the intermediaries employed in the traditional channels of distribution. That is, the problem appears to be less a problem of acceptance than one of marketing management, with the emphasis on the management element of marketing.

PRODUCT

The soft-shelled crawfish possesses the following product benefits:

- Its taste is excellent, and is enhanced by the use of breading or stuffing.

- Its small "bite" size lends itself to easy portioning as a menu appetizer, entree, or sandwich.

- Product form is flexible, with a number of alternatives, including natural, breaded, or stuffed.

- Product appearance is excellent, particularly when presented to consumers as a breaded item.

- Product positioning, because of taste, form, and price, is suitable against the soft-shelled crab, which typically is a highly priced menu item, but a very successful one in certain geographical markets and restaurant market segments.

- Product association is positive. Hard-shelled crawfish are acceptable in the South and certain metropolitan cities outside the South. The soft-shelled crawfish is a natural product associate.

- Product state is versatile, as it is available either fresh or frozen.

- The package form is flexible and adaptable to market requirements.

- Product waste and shrinkage are minimal. Once it is processed (nose and glands removed), the product is totally edible. Unlike
hard-shelled counterparts (crawfish, crab, shrimp, and lobster), edible yield is nearly 100 percent.

- The unit price (based on 25-30 crawfish per pound) to food service firms is not unreasonable and becomes more attractive when extenders are employed (breading or stuffing). Similar inferences apply to the retail food institution market. This holds particularly so when the product is positioned against soft-shelled crab, shrimp tails, crab claws, and crab meat.

Soft-shelled crawfish possess the following product limitations:

- Product appearance. Market observation suggests that the less sophisticated or inexperienced seafood consumer perceives unbreaded soft-shelled crawfish negatively. Consequently, this market segment would be less likely to eat the product unbreaded.

- Product price. When the relevant market for soft-shelled crawfish is associated with the market for hard-shelled crawfish, the soft crawfish is at a price disadvantage on either a per-pound or per-unit per-pound comparison.

- Product specification or standards. Industry standards for soft crawfish in terms of grade, size, packaging, quality, etc., are ambiguous, and this leads to buyer uncertainty.

MARKET

Geographical Market

The geographical market for soft-shelled crawfish can be partitioned into at least three segments.

1. Local market. This geographical segment consists of Louisiana, east Texas, southern Arkansas, and Mississippi, or what one might label the hard-shelled crawfish market in the southern states.

2. Major metropolitan market. This lies outside the local market and consists of major cities or metropolitan areas such as Los Angeles, Chicago, and Boston.

3. Global market. This is a foreign market where crawfish finds market acceptance. Sophisticated seafood consumers would be receptive to the soft-shelled crawfish in its natural form (e.g., fresh, unbreaded), and price would not be an inhibiting factor.
Relevant Product Market

Soft-shelled crawfish can be positioned against (or away from, depending on the strategy adopted) two product markets.

1. The hard-shelled crawfish market. Positioning against this product market implies that the buyer perceives soft-shelled crawfish as a close substitute for hard crawfish and regards them as similar. The hard crawfish consumer is a viable market if there are sufficient numbers who, though perceiving soft crawfish as a hard crawfish substitute, are willing and able to purchase soft crawfish at a market price different from that of hard crawfish.

2. The soft-shelled blue crab market. Positioning against this product market implies that the buyer perceives soft crawfish as a close substitute for soft-shelled blue crab.

A casual assessment of these two market segments suggests that both product markets are large. The size and proximity of the hard crawfish market is attractive and there may be sufficient "product loyal" crawfish consumers in the local market to support a substantial portion of the available seasonal product. Alternatively, the manner in which a soft-shelled product is consumed, where it is consumed, and its relative price compared with that of its hard-shelled counterpart, suggests that the relevant product market might be the soft-shelled blue crab market. However, exploiting this market implies that soft-shelled crab consumers would be willing and able to accept soft-shelled crawfish as an alternative seafood purchase.

In regard to product positioning, it is important to consider which of these two segments have the greatest opportunity. Or can both segments be exploited using different market segmentation strategies?

User Market

Although the ultimate consumer for any food product is the person who eats it, the soft-shelled crawfish market, like the seafood market, consists of two intermediary segments: food service markets and retail food markets. As nearly two-thirds of all seafood is consumed away from the home and the household cook perceives risk in spending food dollars on seafood for in-home consumption, it appears that the food service market would be a more appropriate segment to address than the retail food market.
The away-from-home seafood consumer can select seafood from several menu categories: soup, salad, sandwich/po-boy, appetizer, and entree. Soft-shelled crawfish lends itself to the latter three menu categories.

INDUSTRY MARKETING EFFORT AND MANAGEMENT

The business of business is to create a customer. The key word in this fundamental statement is "create". Whether one speaks of a business, an association of businesses, or an industry, the long-term success of these organizations depends on profitable transactions that result in satisfied customers. Creating a customer implies that tasks must be planned and performed.

Because the soft-shelled crawfish is a harvested animal, the tasks consist primarily of marketing activities: processing to meet market demands, packaging, distribution, and promotion (that is, personal selling, advertising, sales promotion, etc.). Like any task or function, marketing activities are divisible and can be deployed to others. Consequently, those who are creating the transaction decide which of these are to be performed by the various participants. The process becomes complex as more participants enter the industry and more individuals and firms play a role in creating the transaction.

For illustrative purposes the marketing channel for soft-shelled crawfish can take a variety of structures, depending on the number of participants. These structures are at least the following:

Producer-----------------------Consumer
Producer----------------------Restaurant------Consumer
or Retailer
Producer----------Distributor----Restaurant------Consumer
Producer---Processor----Distributor----Restaurant------Consumer
Producer---Processor---Broker---Distributor---Restaurant--Consumer

In this illustration, the "processor" also might be the first distributor who sells to a second distributor in the marketing channel. In all instances, except for the food broker, all channel participants take ownership of the product, implying that they must have inventory on hand to supply the next intermediary in the channel of distribution.

The problem of market supply is less complicated when the channel of distribution is short (Producer--Consumer or Producer--Restaurant--Consumer) and geographically small. Under these conditions, market information exchange (order-getting tasks) and product delivery (order-filling tasks) are relatively efficient activities. As markets expand, both in the
number of firms in the food service or retail market and in the number of geographical markets served, producers find the marketing tasks they perform more time-consuming and more inefficiently performed. Consequently, they must either commit additional resources to these tasks or seek the services of market intermediaries to perform these tasks for them.

As additional intermediaries are employed, the channel of distribution structure changes, and so do the relative power bases of the channel participants. Consequently, the management of marketing tasks in the channel becomes complex. Although the objective of any merchant is to have the right product at the right place, time, and price, not all channel participants mutually agree as to what the “right” place, time, or price should be. What emerges from these “channel conflicts” is an effort by one or more channel participants to become the “channel captain” and to administer or manage the channel of distribution by attempting to gain the cooperation of one or more of the channel participants.

If an intermediary such as a processor or distributor becomes a channel captain, he is in a position to control the market access of producers to buyers farther down the marketing channel. Producers can either market only through that intermediary or create alternative channels of distribution. If it is the latter, producers must choose either to perform the marketing tasks themselves or to employ other intermediaries. Again, if producers elect to use intermediaries, they must decide either to use an independent processor or distributor or to form a cooperative and have the cooperative perform these tasks.

Regardless of channel structure used, there should be a mutual commitment between the producer and the intermediaries to create customers. The key term is mutual. Currently, this commitment is absent in many relationships between producers and intermediaries, thus inhibiting an effective marketing effort. In short, the marketing channels employed for soft-shelled crawfish are not well managed.

Although an assessment of the soft-shelled industry suggests that some tasks (such as standardizing product offerings) must be improved, the primary limitation to market success is marketing management. This is particularly true with respect to the alignment and commitment of market intermediaries (processors, distributors, and brokers). If food service operators do not have immediate access to soft-shelled crawfish products, timely market expansion is hampered. Product availability to food service institutions implies that intermediaries must be willing and able to assume the risks associated with product inventory and have the product on hand.

Currently, there are insufficient distributors in the seafood industry who are prepared to commit to having soft-shelled crawfish available to the
food service industry. Those who are committed appear to have elected to serve or expand the market at a pace compatible with their own resources and marketing plans. One might argue that the current plethora of producers is, in part, caused by an inability to properly manage the channel of distribution so that it responds to changing supply and demand. In a "new" industry or product market where there is considerable market excitement, this management task is even more arduous since market behavior and market opportunity are difficult to measure and assess.

Product availability falls into the category of "order-filling" tasks. Just as important are promotional or "order-getting" tasks. Typically, in the food industry, promotional tasks such as advertising, trade promotion, and product demonstration are funded by the manufacturer or producer rather than by the intermediary. These are commonly known as "pull" strategies designed to pull the product through the marketing channel.

Distributors, brokers, and food service institutions emphasize personal selling tasks. These are often referred to as "push" strategies, in which marketing effort focuses on an immediate response from the prospective customer. These intermediaries often have a large assortment of products to market. They are not prepared to commit resources to promoting only one item unless there is adequate "pull" support from the vendor, or an attractive profit margin, or a trade promotion "deal" to cover the expense of "pushing" that one item through the channel.

**DISTRIBUTORS**

*How are distributors enticed into handling and promoting the product? What about territorial rights, promotional aids, volume incentives, and other inducements?*

Soft-shelled crawfish usually arrive at the distributor as a frozen item. Because seafood wholesalers are order takers, not order getters, the typical distributor will not take on a new product and promote it extensively unless he perceives a unique market opportunity. New product introduction and market development normally originate with other channel participants—the producer, processor, food broker, or a promotional unit such as the Louisiana Seafood Marketing Board. An exception to this is when a distributor makes a commitment to assist in the market development of a particular item.

For soft-shelled crawfish to be an exception to the norm, personal calls must be made on a carefully chosen group of distributors who are believed to be sensitive to the needs of the Louisiana soft-shelled crawfish producer. These would be located in a large metropolitan area like New Orleans, where crawfish is a well known and accepted item. Whether a distributor is given
sole distribution of soft crawfish is a matter of judgment. Because the target market for the product is the food service establishment, not the distributor, exclusive distribution rights should be avoided since no single distributor serves all food service firms. A more limited approach is to distribute through a frozen food distributor as opposed to a typical seafood distributor.

Another alternative is to seek the marketing services of an independent frozen food broker and to pay him a commission on all producer sales made to a distributor. The broker would call on food service firms and pull the product through a local distributor who has purchased the soft-shelled crawfish from producers. Although the food broker has made the sale, the distributor holds the product in his inventory and delivers it to the food service firm at the local distributor’s price. The independent food broker acts as a sales force, as does the local seafood distributor who also has his own sales force calling on food service firms. The advantage of using a frozen food broker is the greater assurance that the product is being promoted to the food service community, as most frozen food brokers tend to be more proactive in getting orders than distributors.

The difficulty of enlisting a food broker is about the same as aligning with a distributor. The product is not established in the market, so there is greater market risk and therefore a greater need for promoting the product’s features. A food broker must weigh the cost of taking the time to give the new product special attention against the opportunity to make the necessary profit to support this cost. However, food brokers are expected to develop and maintain markets for manufacturers and producers who do not have the resources to maintain their own sales forces.

It would be helpful for soft-shelled crawfish producers as a group to invite one or more established frozen food brokers to discuss with them the use of promotional aids, volume incentives, and other marketing devices to increase the probability of adequate distribution and selling effort. A seafood exporter would be helpful, also, so that producers might learn what is necessary to ready their product for international markets.

Can international food distribution companies be identified?

For information about Gulf and south Atlantic seafood importers and exporters, call Virginia Slosser, fisheries trade specialist with the National Marine Fisheries Service in St. Petersburg, Florida, at (813) 893-3884. The NFI Blue Book also lists members who market internationally.
MARKET PRICING

Is the price range of $8+ per pound acceptable in most markets? How might the price structure affect sales volume?

If the producers want a price of $8.50 from a distributor and then use their own sales force or that of a food broker, they need to factor the selling expense into the selling price requested from the distributor. If you assume a 6 percent selling cost, then you must add $.50 to the desired price of $8.50 and get $9.00 from the distributor. The distributor will add 25 percent to 35 percent to his purchase price, selling the soft crawfish to the food service firm for about $11.50 to $12.50. The food service firm will calculate the cost per serving and multiply by about 3 to get the menu price. For example, suppose the food service firm pays $12 per pound landed at the firm’s door and there are 24 crawfish per pound for a unit price of $.50 each. A three-piece serving as an appetizer costs $1.50 and is sold at retail for $3.50 or at $35 per pound. Producers should discuss with food brokers and food service firms the impact of a producer price of $8. The per-serving price of soft crawfish should be compared with that of soft-shelled crab. Obviously, if soft-shelled crawfish are positioned against hard crawfish, it is at a perceived price disadvantage.

If the moderately priced to expensive restaurants are the best targets for soft crawfish, what price range is involved? What regions of the country or restaurant chains might be better?

The critical need is to identify the restaurants that have a product-mix on their menus that can include an unbreaded soft-shelled crawfish dish with a unit food cost of 40 to 50 cents. This means that the appetizer menu can accommodate a $1.50-per-unit item at retail. If the appetizer is a seafood combination, the food cost of the other appetizer items must be added. If breaded soft crawfish are to find their way to the seafood platter, they must improve the saleability of the platter if they also increase the food cost. Even if they don’t increase the food cost of the seafood appetizer or platter, they must be perceived as a comparable or better food value to the food service operator and the consumer. It is the task of the food broker and the trade show demonstrators to win the favor of the food operator. It is the task of the restaurant host or hostess to win the favor of the consumer.

The local distributor or food broker will know the restaurant market appropriate for soft-shelled crawfish and can advise you as to who these firms are. The Louisiana Restaurant Association or the National Restaurant Association or the New Orleans chapters of these groups could probably also provide this information.
MARKET FORM

Is the product more marketable with carapace on or off?

If the product is going to be eaten as a breaded item, it really doesn't matter. If the carapace is left on, there is the advantage of the extra yield. If the product is eaten unbreaded, it is really a matter of eye appeal. If eye appeal isn't improved there may not be any incentive to remove the carapace. Soft crawfish should probably be offered to the typical restaurant consumer as a breaded item.

It is possible that the Small Business Administration or some other funding source for new business would be interested in assisting the financing of a food processor who would purchase the soft-shelled crawfish from the producer and then stuff or bread them for sale to food service firms through a frozen food broker. If so, the food broker would probably be more interested in selling a breaded product (a value-added item) than a commodity that has difficulty in being differentiated.

GENERAL RECOMMENDATIONS

There seems to be strong agreement at all levels of the channel of distribution that the soft-shelled crawfish has favorable taste appeal. The task then, is to develop a plan of action that accelerates and enhances the product's market acceptance. Presented below are a set of recommendations to achieve this objective.

1. Focus on the food service sector of the seafood market. Seafood consumers are more apt to try a "new" seafood item from a restaurant menu than from the seafood department in a retail food store. Additionally, emphasis on "white-tablecloth" restaurants is recommended, because these firms attract consumers who are more likely to try a new product.

2. Position soft-shelled crawfish as a member of the "soft shellfish" family. Even though soft-shelled crawfish can be associated easily with hard crawfish, its positioning in terms of a dining experience is probably more suited to that of soft-shelled crab.

3. To enhance visual appeal, offer the product in batter or batter/stuffed market form and stress this form in promotional trade materials. A sauteed or grilled "natural" soft-shelled crawfish product may be acceptable to sophisticated or experienced seafood consumers, but these do not comprise a very large segment of the seafood consumer population. Most seafood consumers would not feel comfortable eating the "whole thing" as an
unbreaded product. Consequently, product trial is not enhanced in this market form.

4. Seek to have the product introduced "off menu" as an appetizer as well as a sandwich/po-boy and entree. Perceived risk is an important "operator" in purchase decisions. The "bite" size of soft-shelled crawfish makes the product relatively inexpensive to try when compared with the price of an entree. Additionally, appetizers can be shared with others at the dining table, and this tends to reduce the buyer's uncertainty about purchasing a new food with which he may be unfamiliar.

5. Move quickly to align alternative distributors to purchase soft-shelled crawfish from producers. Although a prospective distributor may want to move slowly into the market, it is imperative that market development and expansion occur and that food service operators have immediate access to the product. Whether the distributors are independents or part of a cooperative association, it is important that the product be "pushed" through the market. A push strategy is proactive and requires the distributor to take an active role in creating the transaction. On the other hand, a pull strategy is proactive on the part of the producer and requires the food service operator to seek information about the product from the distributor or broker. Inquiry can result in a sale if the distributor has the product on hand.

It is important to diagram the channels of distribution for different geographical and food service markets and to identify specific distributors and brokers to serve them. If longer channels with more participants are necessary, these participants must be identified and made a part of the "marketing team" for the ultimate transaction. This implies that they are prepared to make the appropriate commitment to promote the product and have sufficient inventory available to meet market requirements.

Whoever becomes the "channel captain" for a particular channel of distribution must determine how many trade levels will be used, how many firms will be used at each trade level, and which firms will participate. If a producer wants to have a say in the management of the marketing channel, then he must organize to do so. He might refuse to sell to a distributor unless the distributor will act in a way which is acceptable to the producer, or he might establish a cooperative. Each of these alternatives for channel control contains risks. In the first alternative, the distributor may have sufficient suppliers that the producer's decision not to sell is not perceived as a threat. In the second alternative, the formation of a cooperative, there are the risks associated with any business firm, including working capital requirements and selection of an effective management staff.
6. Assess market opportunities in the local market as well as in national metropolitan markets. Distributors serving national metropolitan markets will probably buy from distributors farther up the marketing channel who have the product on hand and serve the local soft-shelled crawfish market as defined earlier. Thus, local distributors have a major role in the channel of distribution.

Where possible, sell through a local distributor. Given the large number of food service operators who make small-volume purchases, the local distributor is the most efficient intermediary to utilize. Producers who attempt to circumvent the distributor and deal directly with the larger volume food operators may jeopardize market opportunities for the soft-shelled crawfish industry as a whole, because distributors do not find it profitable to serve only the small-volume buyer, especially with a new product.

Less attention should be directed to the global market unless there is in place a group of distributors equipped to enter a business relationship with international buyers.

7. Continue to use the resources of the Louisiana Seafood Promotion and Marketing Board, which has an effective organization. Seek the board's assistance in assessing marketing opportunity and developing a plan of action.

8. Those responsible for implementing the marketing plan should clearly understand the plan's objectives. It is necessary to identify various marketing program segments and to clarify who is to do each task.

9. To the extent possible, develop and implement a clear set of product standards (product form, product state, packaging standards, size and grading standards). Accurate and consistent product standards greatly facilitate transactions.