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Identification of New Market Opportunities for Australian Southern Rocklobster Exports

A report for Fisheries Development and
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Australian Business Limited
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Non-Technical Summary

The Australian Southern Rocklobster (ASRL) industry is worth approximately \$190 million to the Australian regional economy. Recent world events and consolidation of processors for the vital Chinese market have adversely impacted the industry to a point where fishermen are questioning its future viability. Return to industry is estimated to have decreased by as much as \$50 million in 2004 as fishermen continue to experience significant price pressures at the wharf. The industry's heavy reliance on three key export markets, namely China, Hong Kong and Taiwan, meant no alternative markets were in place to compete and offset the low returns generated from the three Chinese markets.

The industry identified new market development as a key immediate priority. More importantly, the industry needed information about key overseas markets to make informed decision on how best to position ASRL for future growth. The research undertaken as part of the project showed that the premium demanded by ASRL meant that the product should be positioned within the Super-Premium-Fine-Dining (SPFD) sector or the Top 5% of restaurants, where return is highest.

The SPFD sector is currently undergoing tremendous change with the increasing emphasis on “New World” cooking, where chefs are pushing traditional boundaries to develop new recipes based on a combination of English, Japanese, French, Indian, Thai and Chinese influences. High profile celebrity chefs like Jamie Oliver, Kylie Kwong and Neil Perry are reinforcing the popularity of New World cooking, which in turn generates consumer interest and demand for such restaurants. Leading markets for such restaurants include Napa Valley/San Francisco, New York, Chicago, Milan, Madrid, Sydney, Melbourne, London, Manchester and Dubai. This market segment is particularly appealing as chefs are open to new ideas and will use the finest ingredients sourced from around the world.

Trials undertaken in the Napa Valley and London suggest that ASRL has the culinary capabilities to be positioned in the Top 5% of protein served within the SPFD sector. The servicing of this foodservice sector is highly sophisticated and the industry needs to invest in appropriate delivery infrastructure to effectively service this market. Three key areas identified as critical in creating a value proposition for ASRL.

1. *Product* - Acknowledge that the product is more than the lobster. How the industry handle, grade and pack the product will provide the platform to create value and allow ASRL to command a premium price.
2. *Distribution* - Develop a network that meets the highest quality standards. Check and limit distribution to create exclusivity and mystique. Adjust for volume with price. Allow for repacking in the last mile.
3. *Communication* - Communicate the power of one. Create the relationships with the chefs and reinforce ASRL position and value proposition.

The marketing of premium food ingredients is highly complex and involves the integration of all facets from Product, Distribution and Communication to create the “Ultimate Branded Offer and Guarantee”. In essence, ASRL needs to be the Maserati or Ferrari of the lobster world. The success of new markets and subsequent rise in beach price lies with the industry's commitment to consistently deliver on the promise - “Australian Southern Rocklobster – The Finest Lobster in the World”.

1.0 The Australian Southern Rocklobster Industry

1.1 The Fishery

The Australian Southern Rocklobster (ASRL) industry comprises Australian wild catch fishers, processors and marketers of the spiny rocklobster (*Jasus edwardsii*). The fishery comprises of some 733 licensed fishers operating across 5 Australian states. The species is also fished throughout New Zealand and the coastal waters of the nearby Chatham Island.

Using industry multipliers the ASRL industry (the industry) makes an estimated \$600 million contribution to regional coastal economies in Australia. The ASRL national catch (excluding recreational) is valued at around \$190 million at export prices and comprises roughly 40% of the \$480 million national lobster catch.

Rocklobsters are caught commercially using baited pots placed on the seafloor around reefs in depths ranging from 5-275 metres. On return to shore live, over 90% of lobsters are held in temperature controlled aquaria being shipped to domestic customers, or airfreighted live to export markets.

A small proportion of the catch is killed and sold in other forms (e.g. tails, either chilled or frozen).

The industry currently comprises 5 core stakeholder activities.

- a) **Input Suppliers** consists of Fishery Managers which undertake tasks including licensing, regulation and compliance, fishery health and population monitoring
- b) **Licensed fishers**, who operate commercial vessels within defined fishery zones and seasons to harvest the wild catch quota
- c) **Lobster/seafood processor and exporter**, who typically purchase the catch from fishers, prepare or minimally value add the product, and then export to designated customers and importers. A small portion of the catch is distributed to the domestic market.
- d) **Lobster/seafood importers and distributors**, who receive live, chilled or frozen product from processors.
- e) **Consumers** who typically reside in north Asia, demand premium quality live or processed lobsters at restaurants and other premium food service outlets.

Figure 1.1: Australian Southern Rocklobster Value Chain



The industry has traditionally operated in 5 independent state-based fisheries. A number of state industries have very fragmented ASRL fisher organisations. While intrastate and interstate communications are increasing, whole of industry planning is still lacking. The ASRL Strategic Plan developed by Macarthur Agribusiness in September 2003 aims to strengthen the industry by

attempting to provide a cohesive strategic direction for the next 20 years. The plan highlighted the need for new market development focus to better manage market downturns from key Chinese markets including Taiwan, China and Hong Kong.

1.2 Current Industry Challenges

Based on the statistics released by the Australian Bureau of Statistics, Australia exports more than 80% of its total lobster (*Jasus Edwardsii*, *Panulirus Ornatus* and *Panulirus Cygnus*) catch. It is estimated that greater than 80% of the ASRL catch is destined for only three key markets – China, Hong Kong and Taiwan. These three markets have traditionally yielded good return for the industry with nominal beach prices doubling from \$16.49 to \$33.10/kg between 1990/91 to 2000/01.

However changes in world events and local market conditions have had an adverse impact on the Industry. The emergence of the SARS virus in China and Hong Kong in 2003 led to significant economic slowdown with consumers preferring to stay at home in fear of contracting the virus in public places. The lack of consumer spending and the fear of food contamination led to the collapse of the restaurant trade in Hong Kong and China which in turn impacted the Industry. The collapse of the Chinese market resulted in significant price pressures, with fishermen and processors holding fish with no alternative markets to absorb the surplus.

The appreciation of the Australian dollar also had a significant impact on the industry. Between 2003 and 2004, the Australian dollar fluctuated between US\$0.63 - \$0.78. The currency fluctuation means the price of Australian exports could appreciate by as much as 25%. The relatively strong Australian dollar over 2003-2004 has made Australian export expensive in the international market, thus reducing affordability and demand by overseas customers.

The industry also experienced significant consolidation at the processor level in recent years. It is widely believed the export of ASRL to China and Hong Kong is currently managed by only 5 processors. The lack of competition among processors and importers is creating downward price pressures with beach prices reaching as low as AUD\$18/kg in 2004/05.

The continual price pressure has led to the industry experiencing significant diminishing returns with the catch value for 2004/05 estimated to be worth approximately \$117 million, some \$38 million less compared with \$155 million in 2000/01. Beach prices in 2004/05 have fallen to a point where fishermen are questioning the viability of the industry.

1.3 Project Aim and Objectives

A key priority area identified under the ASRL Strategic Plan is to increase sales per kg of lobster through market development and supply chain management. It highlighted the need to broaden the existing market base, better engage and understand customer needs, and identify opportunities to increase margins through identifying new niche markets and more cost effective distribution channels.

The key objectives of this project include:

- Identify new markets for ASRL which will spread the existing market base, and better insulate against market downturns;
- Identify new niches in existing markets through a better understanding of pricing, competitors, seasonality windows, and changing supply channels; and
- Gain a better understanding of foreign consumer and customer needs and identify opportunities for value added lobster products.

The project objectives will directly address several areas of the ASRL Strategic Plan including:

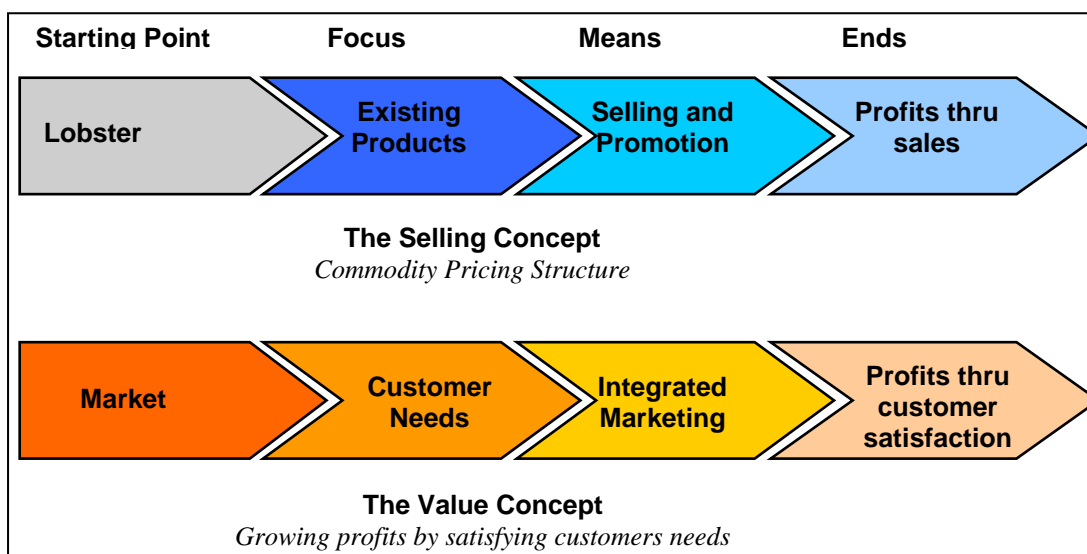
1. Investment Platform 1 – Increase sales margin per kg of lobster through market development and supply chain management.
2. Investment Platform 3 – Conduct market research in selected Asian, North American and European markets to:
 - Identify viable niche market opportunities;
 - Identify consumer needs and preferences for fresh and value added lobster products;
 - Identify cool chain and quality management requirements;
 - Identify the product and supply capabilities of competitors;
 - Meet importers, distributors, and food service managers to establish rapport, enhance industry awareness, and discuss value adding opportunities; and
 - Assess new food service and value adding technologies that may be applied to *Jasus Edwardsii*.

The project also aligns with Fisheries Research and Development Corporation (FRDC) Strategic R&D Plan under the Market Development initiative.

A key outcome of the project is the potential to reduce the industry reliance on Hong Kong and China, spread risk, increase product demand, and raise relative beach and export prices. In addition, the identification market niches will help the industry to better focus its resources in developing channels that yield the highest return.

As shown in Figure 1.2, a better understanding of, and engagement with markets, consumers, supply chains and competitors will allow the industry to better plan its marketing strategy (including product differentiation and branding) and move ASRL away from commodity trading into a high value branded category.

Figure 1.2 - The Selling vs Value Concept



2.0 Identifying New Opportunities

2.1 The Global Seafood Market

The National Food Industry Strategy (NFIS) in conjunction with Seafood Services Australia and the Western Australian Department of Fisheries recently commissioned an in-depth study into the global seafood trade. The study identified some interesting changes in the global seafood market including:

Consumer Trends

- Advances in refrigeration technology, packing and airfreight systems have made fresh product accessible to a wider range of consumer markets, that in some instances have stimulated increased demand for seafood products (e.g. sashimi, sushi, live fish)
- A decline in red meat consumption in Western societies, favourable reports on the health benefits of seafood, and a decline in real prices of some species (e.g. salmon, catfish) have broadened the appeal and consumption of seafood
- The increasing ability of the fishing industry to manage production and marketing, resulting in reduced uncertainty, increased efficiency and increased market share has overall improved the supply and marketing of seafood globally.

Global Seafood Trade

- World demand for fish and fishery products is expected to grow by around 2% annually (subject to improvements in wild caught efficiency and aquaculture productivity) to reach 183 million tonnes – 95 million tonnes more than in 1995.
- World trade in seafood is dominated by shrimp, salmon/trout, tuna, groundfish, crab/lobster, and cephalopods
- World trade is expected to increase significantly in live/chilled/fresh finfish, frozen whole fish and fillets, mostly to markets in USA, EU and Asia (Taiwan, Japan, China, Singapore, Malaysia)
- Real prices from 2000-2020 for crustaceans and high value finfish are expected to increase by 15% and could be potentially as high as 60% if fish stocks are threatened
- Trade in seafood is becoming increasingly consolidated through larger-scale global ventures and producers, stimulating market competitiveness and resource development
- Forecasted rising net imports among developing and developed countries
- Forecasted increased demand and prices for high-value products.

2.2 World Lobster Trade

According to the US Department of Agriculture, world lobster production increased steadily from 157,000 metric tonnes (MT) in 1980s to more than 233,000 MT in 1997, before stabilising at 227,000 MT in 2001. Wild lobster is by far the main source of total production, but aquaculture, although minimal, is growing. Catches of American lobster (*Homarus Amercanus*) and spiny lobster (*Panulirus spp.*) accounted for 68% of the world's production in 2001. Other important species include European lobster (*Homarus Gammarus*) and rocklobster (*Jasus spp.*).

The US and Canada are the world's largest lobster producing countries. Together, these two countries accounted for 37 percent of the total production in 2001. Other major producers are the United Kingdom, Australia, Cuba, Ireland, and France.

In the US, the American genus account for around 95% of total US production, followed by spiny and slipper lobsters. Of the 37,094 MT landed in 2002, Maine led all states with 76% of the total harvest. Other important states are Massachusetts and Rhode Island. Spiny lobster is primarily harvested in Florida and California.

World trade in lobster grew steadily over the last decade, as both exports and imports increased. World lobster exports rose 108 percent, from US\$0.85 billion in 1989 to US\$1.76 billion in 2001, due to increased sales of frozen and fresh/chilled products. Leading importing countries for live lobster and lobster products include the United States, Canada, China and Japan. The two largest lobster producing countries, US and Canada, predominantly trade (import and export) between each other.

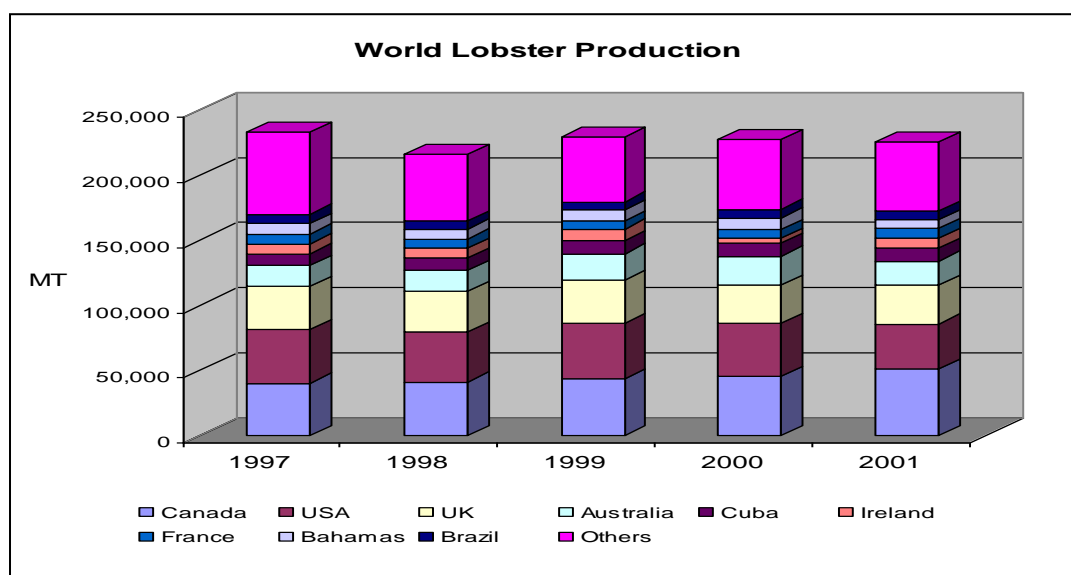
The global lobster trade is predominantly confined to several key species namely the American or European lobster (*Homarus spp.*), rocklobster (*Panulirus spp.*) and cold water rocklobster (*Jasus spp.*). There is also the Norway lobster (*Nephrops norvegicu*) which is commonly found in around France, Scotland, Iceland, and Spain. The European lobster (*Homarus vulgari*) is taken mainly off Turkey, the British Isles, France, Italy, Norway, and Portugal.

Table 1 - Top 15 Lobster Producing Countries

Lobster, Spiny-Rock Lobster	Year (MT)				
	1997	1998	1999	2000	2001
Australia	15,996	16,619	20,283	22,253	18,586
Bahamas	7,798	7,553	8,225	9,023	7,042
Brazil	7,502	6,002	6,334	6,469	6,400
Canada	40,079	41,030	43,428	45,331	51,412
Cuba	8,996	9,417	9,879	9,850	9,850
Denmark	4,321	5,000	5,466	5,094	4,824
France	7,551	6,908	6,224	7,044	7,396
Indonesia	4,021	2,394	3,244	3,596	4,220
Ireland	7,581	7,607	9,124	3,519	7,890
Mexico	2,552	2,212	1,973	2,799	2,509
New Zealand	6,156	3,716	3,756	3,859	3,658
South Africa	2,584	2,642	2,290	2,083	2,750
United Kingdom	33,289	30,713	33,146	29,578	29,637
United States of America	41,350	38,818	42,737	40,689	34,258
Total World Production	233,384	216,201	229,485	227,094	225,171

Source: FAO

Chart 1.1 – World Lobster Production



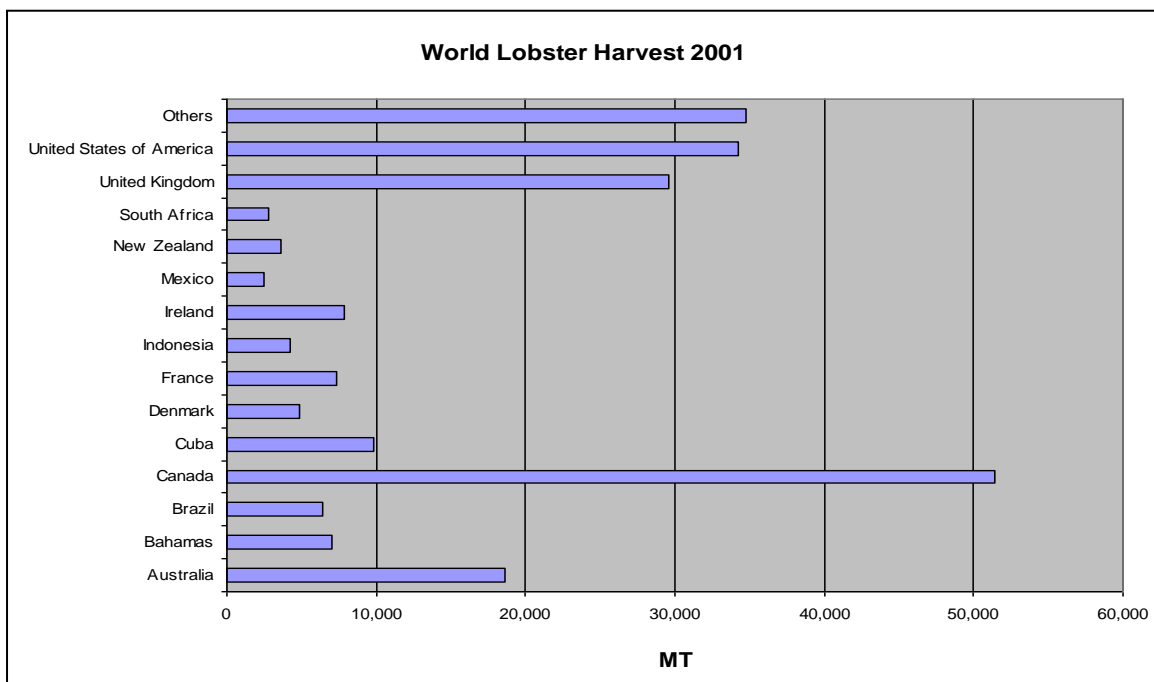
Source: FAO

The most common rocklobster genus is *Panulirus* spp. with commercial catches originating largely in the waters off South Africa and Namibia, Australia, New Zealand, France, Japan, Brazil, Cuba, the U.S., Mexico, and the Bahamas.

The supply of *Jasus* spp. is limited to several countries namely Australia, New Zealand and South Africa. It is estimated the three countries collectively supply approximately 9,500 MT per annum of *Jasus* spp. Similar species could be found in other countries such the US and Ireland but commercial catch volume is minimal.

It is widely accepted that the most highly prized lobster is the *Jasus* spp. as the deep cold ocean habitat allows the lobsters to have a much firmer texture and superior flavour. With global supply of *Jasus* spp. at approximately 9,500 MT or 4% of the world's total lobster harvest, this genus usually commands the highest price with distribution confined to key Chinese markets such as China, Hong Kong and Taiwan.

Chart 1.2 – World Lobster Harvest 2001



Source: FAO

2.3 Leading Seafood Markets

In terms of fish consumption, in 1995, Asia was the largest consuming 61 million tonnes, followed by Europe with 12 million tonnes, North America and Oceania consuming 8 million tonnes, and Latin America and the Caribbean consuming 5 million tonnes each.

It is forecasted by 2015 consumption per capita will be highest in Japan (70.9kg), followed by the Nordic countries (38.8kg), high-income East Asian countries (35.2kg), North America (30kg), Australia and New Zealand (28kg), Western Europe (26.7kg), low income East Asian countries (26.5kg) and China-Mongolia (26kg).

The Asia-Pacific region accounts for around two-thirds of the world's fisheries products used for human consumption and this will continue to grow due to increasing population (1%pa) and increasing consumption per capita (7.5%pa).

Table 2.1 lists the top 20 seafood import countries with their purchasing power parity. Using Australia's purchasing power parity as the benchmark, it would appear all the countries could be potential export markets for ASRL with the exception of China, Korea, Thailand and Portugal. Despite its low purchase power, China remains a key focus of the industry given their preference for the *Jasus* spp. genus and willingness to pay the highest price in the international market for it.

In attempting to identify new market opportunities, all the premium western oriented markets were considered. The selection of new markets was based on the following criteria:

- strong demand for seafood;
- willingness by consumers to pay a premium for high quality seafood;
- high purchasing power;
- access to transport and logistics (especially in the for “live” trade); and
- access to appropriate distribution channels.

Table 2.1 – Top 20 Seafood Import Countries

No.	Top 20 Seafood Import Countries	Seafood Import (US\$'000)	Purchasing Power Parity 2003 – US\$	Population (million)
1	Japan	13,453,375	28,000	127
2	USA	10,291,344	37,800	293
3	Spain	3,723,590	22,000	40.3
4	France	3,062,660	27,500	60.4
5	Italy	2,722,414	26,800	58
6	Germany	2,354,306	27,600	82.4
7	UK	2,241,908	27,700	60.2
8	China	1,787,242	5,000	1,300
9	China, Hong Kong SAR	1,768,439	28,700	6.8
10	Denmark	1,737,396	31,200	5.4
11	Korea Rep.	6,626,906	17,700	48.6
12	Canada	1,371,517	29,700	32.5
13	Netherlands	1,233,831	28,600	16.3
14	Thailand	1,019,176	7,400	64.8
15	Belgium	1,002,522	29,000	10.3
16	Portugal	936,993	18,000	10.5
17	Sweden	733,199	26,800	8.9
18	Norway	653,927	37,700	4.5
19	Taiwan	530,618	25,000	22.5
20	Australia	518,809	28,900	19.9

Source: FAO

2.4 Potential New Market Opportunities

The markets identified with good export potential for ASRL included the United Arab Emirates, France, Spain, Italy, United Kingdom, USA and Japan. Basic on the ground market assessment showed the following market characteristics:

United Arab Emirates

Market Snapshot

- The UAE is one of the fastest growing economies in the Middle East enjoying a growth rate of 5% pa;
- The premium tourism sector has been particularly strong due significant expansion of air services, hotels and other tourism infrastructure. The UAE currently hosts some 4 million tourists per annum and this is forecasted to increase significantly in the short to medium term as Dubai continues to become the gateway to the Middle East;
- The super premium foodservice sector has been particularly strong largely due to the introduction of 7-star hotels, high end restaurants and palaces;
- The growth in the premium foodservice sector is predominantly driven by “New World” restaurants;
- Most food products in the UAE are imported and there is strong recognition of Australia as a quality supplier;
- New Zealand (NZ) and Western Australian (WA) lobsters are already present in the market
- Wholesale live NZ lobster in Dubai retails for about AUD\$80/kg;
- There is good access to the local foodservice trade as there is a strong presence of Australian chefs working in Dubai; and
- Supply opportunities to supply lobster are mainly confined to the foodservice sector.

Immediate Challenge

- The Dubai market is small due to a population of only 4 million people, however the country also receives 4 million tourists per annum;
- Oman supplies UAE with lobster at very competitive prices;
- Holding tanks in Dubai are designed for USA and Canadian lobsters rather than cold water species;
- Buyers tend to benchmark price of imported lobsters to US and Canadian lobsters;
- WA lobsters are considered expensive when compared with US and Canadian lobsters; and
- The premium restaurants demands “live” lobster.

France

Market Snapshot

- The annual lobster consumption in France is about 9,000 MT pa.;
- Lobster is a popular menu item in premium French restaurants;
- The export of WA lobster to France is enjoying good growth – both live and frozen. The recent reduction in import duty to 12.5% increased demand significantly;
- WA lobster is starting to enjoy strong awareness and penetration within the foodservice sector;
- Consumers are willing to pay premium for high quality food products;

- The premium food service trade demands only “live” lobster; and
- Apart from foodservice, there are also opportunities in retail sector – as meal solution in gourmet food stores (Paris only).

Immediate Challenge

- Previous trials of ASRL to France have not been successful – high mortality (18-22%);
- Long sales cycle - it took WA five years to develop awareness and generate sales momentum;
- According to the French chefs, the best lobsters are still sourced locally from Brittany;
- South Africa and Quebec already supply France with cold-water rocklobsters;
- Portion serve is important – i.e. half-a-lobster per serving;
- Transport logistics – lack of direct air service to France; and
- Lack of awareness of ASRL by French consumers.

Spain

Market Snapshot

- The annual lobster demand is about 9,000 MT;
- Australian wild caught prawns were recently introduced into Spain and is enjoying good popularity and penetration;
- There is good opportunity to capitalise on the momentum generated by the Australian prawn industry and introduce other seafood;
- The market demands low to middle grade seafood;
- The foodservice trade is supported by a very large tourism sector – some 60 million tourists visit Spain annually;
- Canadian and USA lobsters (live & frozen) are already imported in large quantities. There is also cheaper frozen lobster tails from Cuba and North Africa; and
- In addition, Spain also imports about 1,000 MT from within the EU – same niche market that the ASRL could be targeting.

Immediate Challenge

- Lobster is mainly consumed during special occasions – making demand highly seasonal to the festive seasons eg. Christmas or New Year;
- Lobster is also commonly sold at retail level – demand is for low grade frozen lobster;
- The lack of efficient transport logistics between Australian and Spain will limit export to frozen lobsters only;
- Whilst Spain is one of the highest seafood consuming countries in the world, consumers are not willing to pay for premium seafood;
- Australian seafood suppliers are often seen as opportunistic and lack commitment to consistently supply the Spanish market; and
- ASRL is likely to be benchmarked against Canadian and Maine lobsters.

Italy

Market Snapshot

- Italy consumes about 5,000 MT of lobsters per annum – most of it imported;

- Approximately 1,000 MT is imported from within the EU – (same niche market ASRL will be targeting);
- Lobsters are mainly used by high end hotels and western restaurants only. Traditionally Italian cuisine do not use lobster;
- Imported USA and Canadian lobsters are considered super premium products – available in both live and frozen; and
- Similar to Spain, the Italian market has little appreciation for premium seafood. The market generally demands low to middle grade seafood products.

Immediate Challenge

- The consumption of lobster is highly seasonal – mainly during celebrations and festivities like Christmas and New Year;
- Traditional Italian cooking do not use lobster – instead it uses seafood like scampi, calamari, mussels etc.;
- Consumers tend to opt for other premium Italian dishes like truffle or regional specialties over lobster when dining in restaurants;
- Australian seafood is often considered too expensive for Italian market; and
- Significant investment required to create awareness of ASRL to the foodservice sector.

United Kingdom

Market Snapshot

- WA lobsters are already exported to the UK;
- Apart from the foodservice trade, there is also opportunity to supply lobster and lobster products to high end retailers like Harrods and Harvey Nicholls but demand will be niche in this category;
- Cold water rocklobster is sometimes served in upscale restaurants where they want to provide a differentiated offering to the common Maine lobster. Cold water species like the Irish rocklobster is rarely served due to the lack of availability;
- According to chefs in leading high end restaurants, there is a niche market in London for ASRL provided a marketing strategy is in place to support the demanded price premium;
- The growth in the high end foodservice sector has been largely in “New World” restaurants;
- There is a high presence of Australian chefs in the premium London foodservice market - good potential to seek their assistance in introducing ASRL to the London market; and
- The purchasing decision is largely influenced by the plate cost. The cost for the centre of plate or protein is usually no more than 30% of the plate cost.

Immediate Challenge

- In the food service sector – plate cost is the most important factor influencing the purchase decision;
- Purchase decision lies with restaurant management and the executive chef;
- ASRL was imported into London previously. The importer/distributor found it too hard to sell. There was no marketing support to educate chefs and position ASRL as a super premium product. Most of the restaurants benchmarked ASRL to Maine and Canadian lobsters; and
- Initial export trials of ASRL to London were not very successful experiencing high mortality.

USA

Market Snapshot

- The premium demanded by ASRL means it needs to be positioned in the high-end culinary areas of Nepa Valley, Miami, New York, San Francisco, Las Vegas etc.;
- In high end foodservice, celebrity chefs play an important role in creating awareness and promotion through:
 - TV cooking programs
 - creation of new season restaurant menus
 - educating and influencing other chefs
- The US market is highly marketing orientated. Product branding, packaging and positioning are of most importance;
- The growth in the premium foodservice sector has been dominated by “New World” cooking;
- Maine lobster enjoys a very good reputation due to its strong marketing and brand positioning; and
- The purchasing decision in premium foodservice is largely influenced by the plate cost. In most instances, the centre of plate or protein accounts for about 30% of plate cost. For example, if a main meal sells for \$40, the protein needs to cost no more than \$15.

Immediate Challenge

- The presence of Maine lobster is particularly strong especially along the US east coast;
- The biggest competitor for ASRL in the US will be Maine, Canadian and South African lobsters;
- The difference between ASRL and Maine lobster needs to be communicated to consumer; and
- A marketing program needs to be in place to support ASRL and its push into the premium foodservice market.

Japan

Market Snapshot

- Over 80% of imported lobsters are used in weddings with the remaining used in restaurants and hotels;
- Lobster is usually serve boiled, sashimi or grilled – Japanese style;
- The Japanese prefer the taste and texture of Maine, Canadian or WA lobsters – very similar to the local species found in Japan;
- ASRL is already exported to Japan but not particularly popular with Japanese consumers due to different texture and taste;
- ASRL is not usually found in Japanese restaurants but rather in high-end western restaurants.

Immediate Challenge

- The consumption of lobster is decreasing as Japanese are preferring not to feature lobsters in wedding dinners to reduce cost;

- Many Japanese are unfamiliar and therefore have little appreciation for ASRL – need better promotion and education;
- Portion serve is important for the Japanese market – half-lobster per serve. If served as sashimi then is whole lobster; and
- The penetration of ASRL in Japanese restaurants is very low. Most Japanese chefs are unfamiliar on how best to cook and present cold-water rocklobster.

2.5 Prioritising Market Opportunities

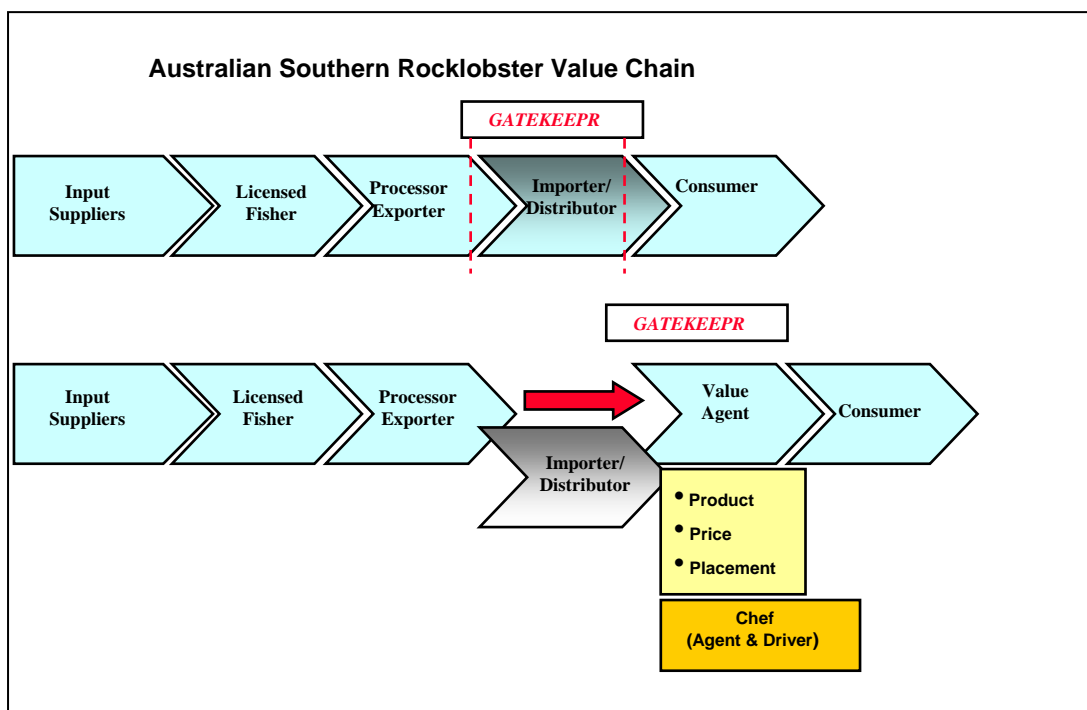
The premium demanded by ASRL effectively limits supply opportunities to fine-dining restaurants. The assessment of seven high wealth countries shows potential for ASRL to be positioned in non-Chinese markets however significant effort is needed to differentiate it from other species such as those originating from Western Australia, Maine, Cuba, Canada and South Africa.

Currently, most importers and distributors accept ASRL as no different to other lobster and rocklobster species, thus subjecting the industry to a commodity trading structure where the buying process is purely driven on price. Feedback from most importers and distributors is that the premium demanded ASRL makes it a difficult sell especially when Maine and Canadian lobsters are selling for significantly less (usually for about half price of ASRL).

To achieve the required premiums demanded by industry, there is a need to elevate and reposition ASRL from its current commodity status to super premium category where pricing is determined not by its intrinsic value but rather on intangible attributes such as uniqueness, prestige, limited harvest, exoticness and exclusivity. Examples of products successful in creating a super premium branded image include Bartter Creek Pork, Wagyu beef, Kobi beef and Sydney Rock Oysters.

As shown in Figure 2.2, the current key influencer (gatekeeper) within the supply chain lies with the importer/distributor. There are little opportunities for importer/distributor to create value as their primary role is to import and distribute the product to the end user.

Figure 2.2 – Identifying the Value Agent



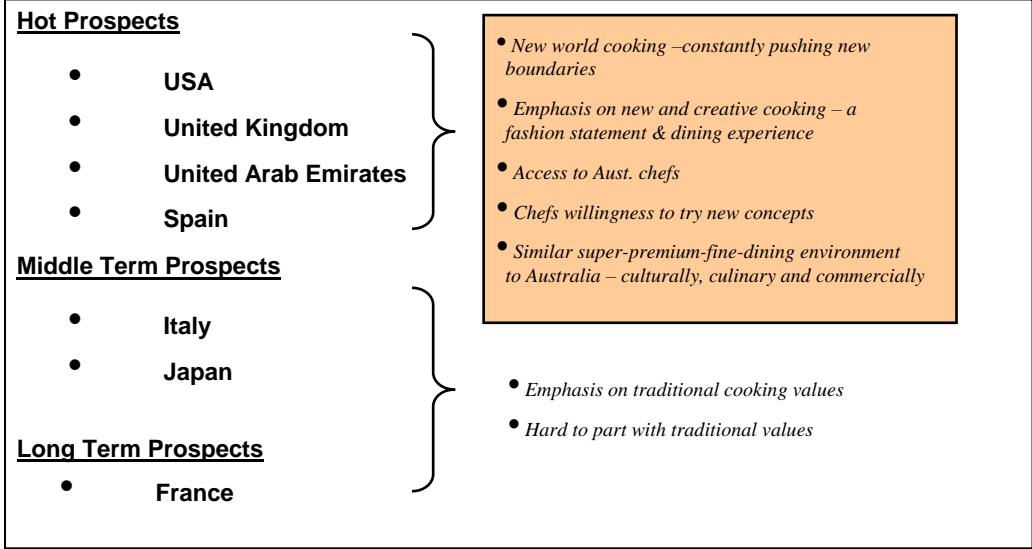
The industry needs to identify key influencers and drivers within the foodservice sector capable of repositioning ASRL to the super premium category. Chefs play the most critical role in creating value as they are able to influence the core marketing fundamentals - product, price, placement and promotion. To position ASRL as a premium product, the industry needs to understand the restaurant trade including plate cost, value proposition, culinary trends, new menu creation and chef needs. It is the understanding and meeting of these needs that will allow the industry to achieve the required returns. The premium demanded ASRL essentially limits supply opportunities to the Super-Premium-Fine-Dining (SPFD) sector or the Top 5% of restaurants in any market.

The current trend within the premium foodservice or fine dining sector is the increasing emphasis on “New World” cooking where chefs are encouraged to test their culinary creativity by creating new dishes often using a combination of French, African, Chinese, Japanese and Thai influences. As chefs in this market segment are constantly experimenting and trying out new food ingredients, it offers ASRL greater prospect of market penetration. In addition, the characteristics of “New World” restaurants is the same around the world regardless of location, whether it is in Sydney, New York, San Francisco, London or Madrid, thus allowing one business model to be replicated to many markets.

As shown in Figure 2.3, the best new prospect for ASRL is to target premium “New World” restaurants in the US, UK and UAE. In the US, cities like New York, Los Angeles, San Francisco, Napa Valley, Miami and Chicago are considered to be highly exciting markets which are currently demanding quality from their seafood suppliers. A similar trend is happening in the UK with restaurants in London, Manchester, Bristol and Glasgow increasingly demand that the best seafood be sourced from around the world. According to local restaurateurs, chefs, distributors and associated products suppliers, the New World restaurants are enjoying strong growth in sales and yield.

These markets are the culinary opinion forming capitals of the “New World” dining market. Trends like super premium raw fish through sushi and sashimi currently sweeping through the broader contemporary food markets originated from London and New York markets. Much sought after ingredients like the Chilean Sea Bass, Loch Fyne Oysters, Hiramasa Kingfish and more recently Australian Barramundi originated from these markets.

Figure 2.3 – Prioritising Identified Markets



3.0 Understanding Foodservice

3.1 The Foodservice Pyramid

The foodservice industry is diverse and spread across multiple tiers of distribution and retailing. The structure of the industry can be best illustrated by Table 3.1 showing the different levels in which foodservice operates.

1) Super-Premium-Fine-Dining

Refers to the top 5% of restaurants where spending per head is highest and where food attract the highest premium. These restaurants are usually multi-award winning and headed by a world renowned executive chef. The chefs are often seen as industry innovators as they set the benchmark for service and menu creation which is subsequently followed by the rest of the foodservice sector.

Examples of such restaurants in Australia include Tetsuya, Rockpool, Aqua Luna, Boathouse, Longrain, MG Garage etc. The chefs in these restaurants are highly respected and are continuously monitored by the food media for latest development within the industry.

2) Food media

Food media plays an important role in communication process through the release of lifestyle and leisure articles in magazines and newspapers, often commenting on the latest development in food and wine. Ideas and influences for articles generally come from the innovators.

The review and recommendation by these columnists are highly influential often drawing significant consumer interest. For example, a good review on the Sydney Morning Herald - Good Living section every Tuesday could draw months of full bookings for restaurants.

Examples of influential food media include the Michelin Guide (Europe), Zagat (US), Sydney Morning Herald Good Food Guide, Health and Fitness, Nature and Health, Women's Day, Vogue, Gourmet etc.

3) Branded foodservice

Branded foodservice refers to the Top 30% of restaurant trade where there is still heavy emphasis on quality but the menu price point is more affordable for the general public. It refers to the wider restaurant, hotel and upmarket café trade. A good example would be the local mid-tier Thai, Japanese or Italian restaurant where families would visit once or twice a month.

This sector is known as the Early Majority as they closely follow the development of the SPFD and Food Media, and implement the latest industry trend and fashion.

4) Broad foodservice

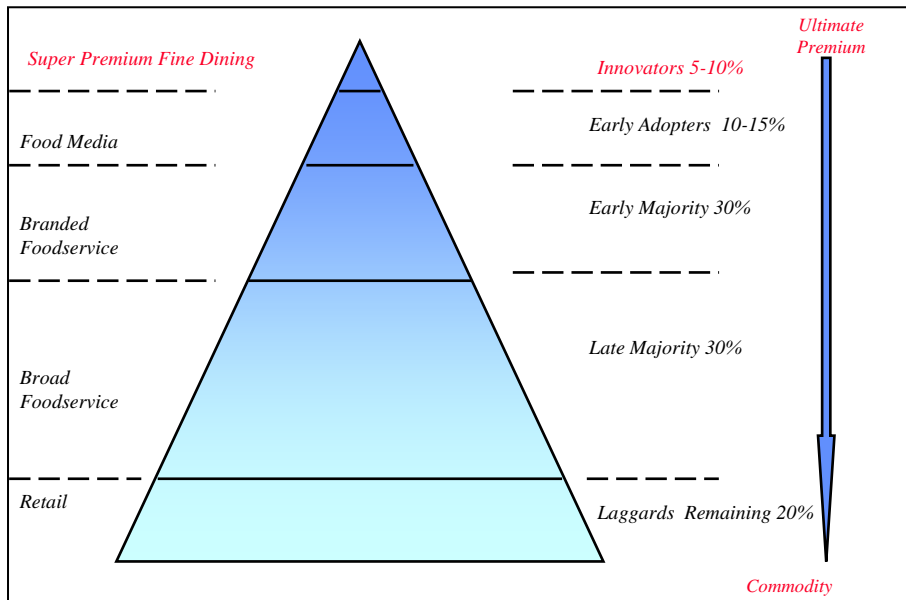
In this sector, the emphasis is on bargain dining. Examples of such outlets include fast food outlets, cafes, takeaways, sushi bars etc.

The focus of sector is to achieve profit through high volume turnover.

5) Retail

Refers to meal solutions found in supermarkets and other retails stores. Examples include fish fingers, lean cuisine, healthy choice, frozen garlic bread etc. The retail level offers the smallest margin for manufacturers in return for the highest volume turnover.

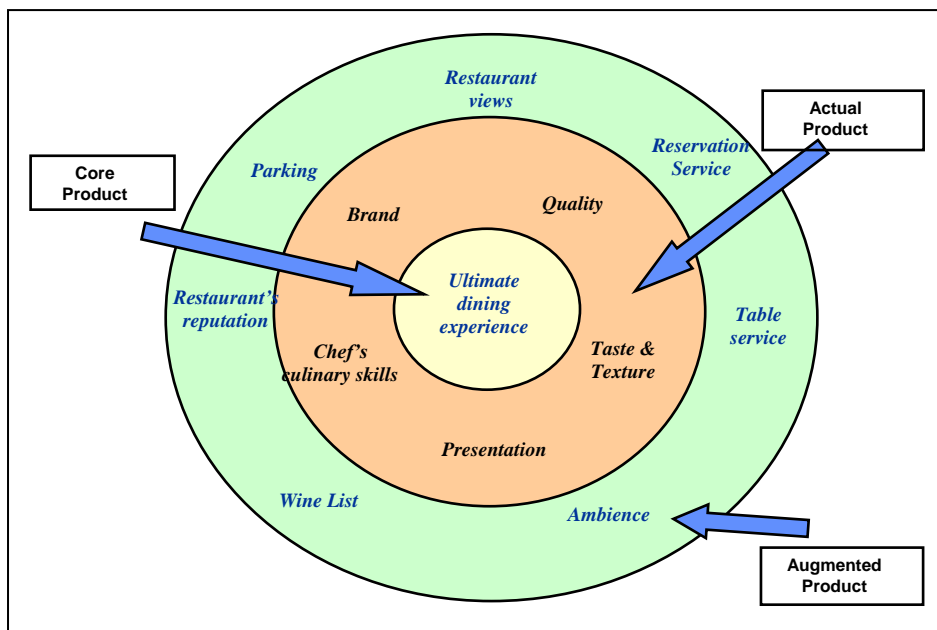
Table 3.1 – The Foodservice Pyramid



3.2 The Concept of Value

In the foodservice sector, how a customer defines value can be attributed to a range of factors. Within the SFPD sector, most customers are essentially after the ultimate dining experience. As shown in Table 3.2, a range of attributes goes to supporting and delivering this enhanced experience to customer.

Table 3.2 – Defining Value in Super-Premium-Fine-Dining

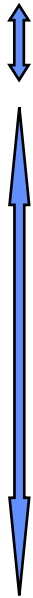


Critical to delivering the ultimate dining experience is the food (actual product). Good food in a restaurant is dependant on the brand, quality, chef's culinary skills, taste and texture of the protein, and presentation. For example, when a customer pays \$60-\$80 for a serve of lobster, they expect the meal to consist live ASRL or Eastern rocklobster cooked to absolute perfection by a well known chef like Neil Perry, David Thompson or Guillaume Brahimi.

Supporting the fine food experience is a range of secondary or augmented attributes including views (harbour, city, ocean, lake), décor, ambience, wine list, table service, dessert and reservation.

It is combination of these factors that ultimately create customer satisfaction or value. Table 3.3 shows the value a leading Sydney restaurant creates by serving ASRL at \$160/kg. Based on a wholesale price of \$40/kg, the restaurant needs to create \$120 worth of actual and augment products in order to deliver value and satisfaction to the customer.

Table 3.3 – Delivering Value in SPFD Restaurants

<ul style="list-style-type: none"> • ASRL – the best lobster in the world • One of the Top 40 restaurants in Australia • Targeted at \$130 - \$150/head – the premium creates exclusiveness • A fusion of English, Japanese, Asian and European cooking and hopefully Sydney Food • High profile head chef – Martin Benn • Extensive wine list – over 85 wines from around the world • Harbour views • Ambience – décor created by local artist Jenny Dolezel • Two Hats (Chef's) in 2000, 2001 and 2002 • “The Best Seafood” Sydney has to offer • Media coverage – Fin Review, SMH, Sydney Good Food Guide etc. 		<p><i>\$40/kg of lobster</i></p>	<p>\$160/kg Menu price</p> <div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: fit-content;"> <p><i>Note: Average serve would be around 400 – 500g (\$60 - \$80)</i></p> </div>
	<p>\$120/kg of value</p>		

3.3 Plate Cost

The price structure for the SPFD sector is very much universal throughout the world. Most restaurants would sell entrée at approximately AUD\$25 and mains at AUD\$40. In some instances, such as weekly or house specials, a restaurant can charge as much as \$60-\$80 per dish.

Lobster dishes are usually classified as house special and sold to patrons at the recommendation of wait staff. Customers in general do not order lobster from the menu largely due to perceived price premium. The training of wait staff is absolutely critical to enable them to recommend lobster to patrons.

The protein component on plate usually accounts for about 30% of cost. Approximate cost breakdown for a lobster main meal in Australia at AUD\$70:

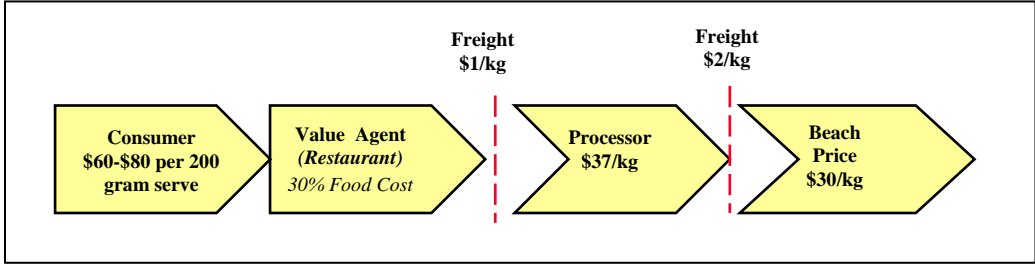
Labour (30%)	\$21.00
Protein (30%) – 200 grams meat	\$21.00
Starch or Carbohydrates (5%)	\$3.50
Fix Cost (20%)	\$14.00
<u>Margin (15%)</u>	<u>\$10.50</u>
<u>Total</u>	<u>\$70.00</u>

<p>Typical Protein Serving</p> <p>Entrée – 80 grams</p> <p>Main – 200 grams</p>

The purchasing decision of restaurants is largely influenced by the plate cost. As most restaurants operate within certain price bands and any protein sourced needs to fit within that framework. For the industry to achieve a higher beach price, it must ultimately work the restaurants (agent & driver) to build value and brand presence for ASRL. Currently customers find it difficult to pay \$70 for a plate of ASRL as they are unable to differentiate it from other cheaper lobster species available in the market. The lack of proper branding further adds confusion in the marketplace. For example, a leading restaurant in Sydney list ASRL as “Tasmanian Crayfish” on their menu due to lack of uniform branding and market positioning.

A marketing program needs to be place to support the restaurants build ASRL brand presence and positioning with end customers.

Table 3.4 – ASRL Price Structure in Sydney Restaurants



4.0 Market Trials – London and Napa Valley

The desk top research identified possible supply opportunities exist in non-Chinese markets, especially within the SPFD sector in high income markets such as the US, UK, UAE and Spain. In-depth and on the ground research had to be undertaken to confirm the culinary capabilities of ASRL to be positioned in the Top 5% of restaurants in these markets.

Two markets were selected for product trial. Both London and the Napa Valley (Napa) were selected for their uniqueness to the target high profile, opinion-leading chefs within the global food community and the existing network of contacts, colleagues and available information. The investigations in London and Napa consequently focussed on establishing a clearer understanding for the commercial, logistical and culinary requirements to mount a successful campaign in these markets

A usage and attitude survey was conducted in both markets –sending samples of live ASRL to leading “premium seafood” restaurants in both markets. The samples were accompanied by a questionnaire and followed by telephone interviews with recipients. All investigations were undertaken by opinion forming foodservice representatives capable of interpreting feedback.

4.1 Seafood Supply

The seafood market in the United Kingdom and the US West Coast is well serviced in the supply of high quality seafood, sourced locally, nationally and internationally. Chefs and restaurants do not limit their selection exclusively to “local” product and are open to supply from 30 minutes to 30 hours away although a higher yield is afforded to local product

The Culinary Quality was seen by chefs in as non-negotiable – “live lobster” is the preferred and only form used in the premium and super premium restaurant markets in London and Napa Valley. Few restaurants have live holding facilities (storage tanks) in-house, preferring to take product daily or multi-deliveries per week.

Lobsters to both markets are shipped via two main channels:

- Direct from processor to restaurants in small volumes, 5-10 pieces per box, in packaging which ensures the lobsters remain the best possible condition – both in transit and on arrival
- Via an importer/distributor – lobster are either stored in tanks at distributor warehouse or cross-docked in set unit packaging

The Fine Dining Market remains the most dynamic sector within the restaurant trade, providing greatest tolerance to macro and micro economic dynamics and broad range of international cuisines. Seafood sales have risen over recent years, resulting in greater menu presence for premium seafood items and greater opportunity. Seafood enjoys an enviable reputation amongst fine dining sector patrons, who have driven this demand through the fine dining market.

Product Quality and service standards are non negotiable in the Fine Dining sector. Most fine dining restaurants are serviced by several seafood suppliers and will change suppliers if quality standards are not met. Food is fashion in this market - every aspect of the offer must deliver to this positioning - the quality of the product, the packaging, distribution mechanism and cachet must all meet the standards of the restaurant. Chefs are open and willing to try “new” seafood providing they have culinary and commercial capability.

4.2 Distribution

Specialty seafood distributors are making a renaissance in both the London & Napa/San Francisco Bay area. A number of these operations are an extension of the general wholesale seafood distribution businesses. These “new generation” specialty seafood distributors have well informed, enthusiastic, professional Product Category Managers who are service focussed often working closely with chefs to introduce new high quality niche products into restaurants, leveraging on quality values.

Pricing is less sensitive with these specialty distributors than in traditional wholesale and distribution businesses. They are instrumental in generating interest and brand equity for “new” seafood through their direct access with the SPFD sector.

These seafood specialty distributors recognise and reward quality in the same manner as the premium restaurateur – knowing that they can create accost metric, which returns them a full yield on every item. They view ASRL as “different” and agree with their clients (restaurants) on the culinary quality and potential for use in the super-premium-fine-dining sector. Based on their feedback, there is good potential for ASRL to be developed into a branded product to suit the SPFD sector.

Most of the restaurants interviewed in both locations sourced their seafood from these specialty seafood suppliers. Most would use 1-3 suppliers and their selection of suppliers is predominantly based on three principle drivers - relationship, service and quality. Very few distributors and restaurants would import seafood direct as the lack of commercial scale would make such an activity unfeasible.

In the distribution of imported seafood products, most niche distributors would source their weekly requirement directly from an importer. Access and direct communication with the importer is critical in managing quality, control and product information.

Live holding facilities for live crustaceans are common amongst importers and some local distributors. The care, management and stocking of these systems vary from a dedicated in-house resource to being the responsibility of the supplier. All of the distributors agree the management of the “live category” is the most significant issue - mortality and wastage (and the associated cost and process of claiming with suppliers) in the live trade is their biggest challenge.

The logistics of completing the last “9 miles” of the transaction demands utilisation of numerous low capacity, small vehicles that cope with the tight streets and parking constraints of the inner city precincts. Average loads are typically less than 20 deliveries with a payload of no more than 250kg.

The specialty seafood distributors servicing both Japanese and New World restaurants are primarily focused on the logistical aspects of the transaction and supplier relationships namely:

- Order Recruitment;
- Processing;
- Packing;
- Despatch; and
- Delivery.

Restaurants in the premium and SPFD category in both London and the Napa are well serviced by specialty suppliers providing the highest quality seafood from global sources.

4.3 Product Feedback

Chefs interviewed placed quality and culinary suitability of the seafood they purchase as the most important driver in their purchasing criteria. Both Premium and Super Premium restaurants receive lobster live, exclusively.

Background as to the history of the fishery and supply is an important issue in the selection and merchandising of lobster in this market sector. Ideally, premium lobsters should be coming from well managed fisheries known for their clean environment and sustainable practices. Customers in developed countries are continuously pressuring industry to adopt best practices to increase quality, and ecologically sustainable. For example, consumers in the US recently pressured restaurants to boycott the much sought after and highly prized “Chilean Sea Bass” when news got out that the fish was caught to the point of extinction. As the result, most premium restaurants in the US now no longer serve Chilean Sea Bass on their menu.

Most restaurants also mentioned that marketing support from suppliers (such as point of sale and promotion materials) is reserved for value-added retail and low-end foodservice products. In premium foods and wines, the marketing support is in the form of staff training, tastings, menu creation and on going product education.

The SPFD market in Napa & London according to restaurateurs and chefs is increasingly demanding a higher level of professional engagement from suppliers than previously – it is no longer appropriate to provide only the product, an informed and educated appreciation for all aspects of growing, harvesting, processing and shipping is essential information for the chef.

A significant trend identified in both Napa and London is the desire by consumers for produce to be presented in its most natural form - simply prepared and cooked.

All chefs unanimously agreed on the culinary capability of ASRL - the flavour and texture profile suited the SPFD sector. All interview recipients confirmed they would only purchase ASRL (live) if the product was made available locally.

When evaluated against available local lobster species in the Napa Valley and London, preliminary results present the cost of ASRL (on current market value) within the Top 5% of available ingredients. Such pricing will elevate it to the level of a super-premium ingredient (in the same category as Iranian Caviar, Foie Gras and Truffle) and position it as one of the most expensive crustacean in the world. Most restaurants also confirmed a target protein spend of between 30% of the dish selling price, which would place ASRL on current market value in the top 3% of all menu items sold in the SPFD category.

The trials to Napa and London highlighted the potential for ASRL to be positioned within the global SPFD sector. However, the servicing of this niche sector requires the industry address the following market drivers:

1. **Quality** – guaranteeing product condition, packaging and presentation;
2. **Availability** – guaranteeing supply consistency within a prescribed season;
3. **Suitability** – for suitable use in the cuisine of the individual operation i.e. “New World” or “Fusion” cooking;
4. **Value** – the price to quality relationship and not price alone; and
5. **Branding** – including provenance, sustainability and the character of the fishery.

4.4 Price Point Analysis

Apart from examining the culinary acceptability of ASRL, it is also important determine the likely plate price for ASRL in both markets. Table 4.1 shows the cost structure involved in landing ASRL in Napa and London at beach prices of \$30 and \$40/kg respectively.

Based on plate cost and margins imposed by restaurants, it would seem that ASRL would be competitive with the very rare Irish spiny lobster which sells for GBP25-35 per serve. The London market is capable absorbing a beach price as high as \$40/kg based on the cost structure illustrated.

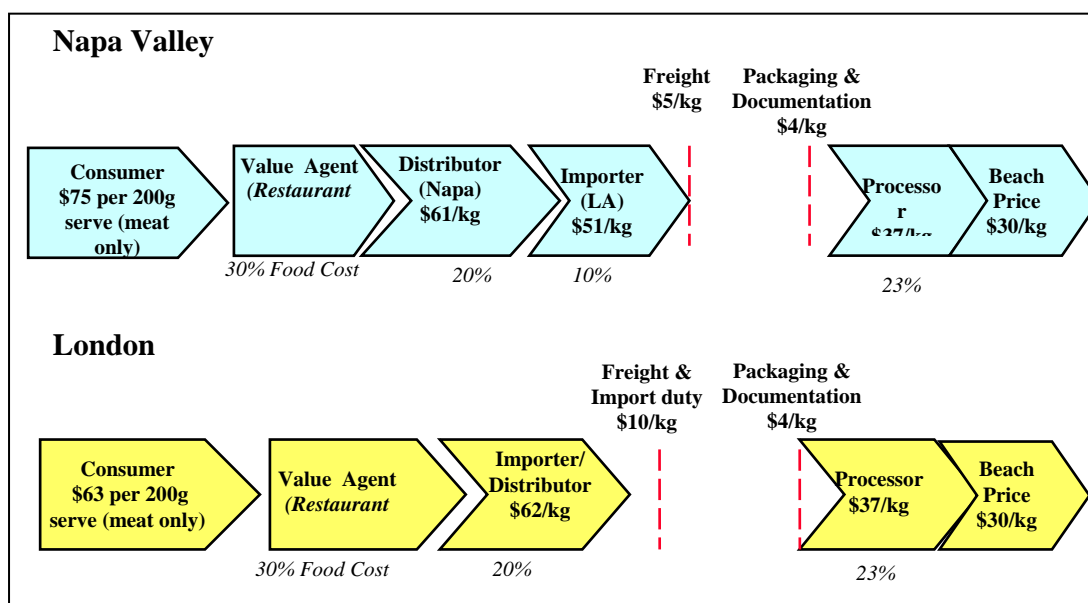
In the US market, the additional link between the importer and distributor led to a price point that placed ASRL in the upper percentile of the Californian spiny lobster price band. Greater cost efficiency needs to be achieved for the US market, such as finding a company that undertakes both the role of importer and distributor in the Napa/San Francisco area. To be a substitute for Californian spiny lobster, ASRL needs to have plate price band of between US\$50-\$70 per serve.

Table 4.1 – Cost Structure in the Supply Napa Valley and London

	US		UK	
Beach Price \$AUD	30	40	30	40
Processor	7	9	7	9
Processing, packing, documentation	4	4	4	4
Freight	5	5	7	7
Import Duty	-	-	3	4
Importer 10% margin	3.70	4.90	-	-
Domestic Freight	1.30	1.30	-	-
Distributor Cost	51	64.20	51	65
Distributor Sell (20% Gross Margin)/kg in AUD\$	61	77	62	78
Distributor Sell Price/kg in local currency	US\$47	US\$60	GBP26	GBP33
Local Spiny Lobsters (US & Irish)/kg	US\$22-33		GBP25-35	
Plate price per 200g (meat only) – Local lobster	US\$30-\$60		GBP25-35	
Plate price per 200g (meat only) –ASRL *	US\$64	US\$108	GBP26	GBP33

* The plate cost for ASRL is calculated on same margins for local spiny lobsters
Exchange rate AUD\$1: GBP0.40, AUD\$1: US\$0.70

Table 4.2 – The Supply Chain and Cost Structure (Napa Valley and London)



5.0 Recommendation

An opportunity exists to create new markets for ASRL within the global western fine dining market. The trial in Napa and London confirmed the culinary capabilities of ASRL to be positioned within the SPFD sector. Both of these markets are highly influential and offer a beachhead into other SPFD markets across the US and UK.

Servicing the SPFD sector requires the ASRL to develop and maintain the highest standards across the product, presentation, logistics and the distribution network to compete with other high quality products available to this sector from various global supplies.

Establishing the culinary and commercial capability of the ASRL and gaining acceptance within this market will require a commitment to a comprehensive campaign, which includes production and logistic issues. Underpinning this will need to be a clear marketing strategy, if the industry is to establish a platform from which it can build the beach value of the fishery, every element of the campaign must speak “Prestige” and “Luxury” – the industry needs to start associating their offer with other premium brands such as Beluga caviar, Mikimoto pearls, Macerate, Moet & Chandon Champagne, Hennessy cognac etc. For ASRL to be positioned as of one the most expensive protein in the world, it needs have distinction and exclusivity – a premium brand presence within the foodservice sector such as Way or Black Angus beef.

The marketing strategy must deliver a premium brand positioning with a set of brand values, which appeal to the super-premium chefs. This will be the essential element of success in “New World” restaurants regardless of location or country. In part, the marketing plan will need to address differentiation, positioning and profile for the ASRL above other various lobster brands and luxury food products available to chefs in the SPFD sector.

Consistency of the offer must be developed across 3 critical success factors:

1) Product

Investment is required to set up systems that provide:

- *Grading* to allow industry to create levels within their own brand, driving even higher prices for the marquee product. Top chefs want the best produce and will pay for it.
- *Logging* into a centralised online system that tracks the provenance of each lobster to the level of time of catch, fishery, processor and despatch time.
- *Handling* guidelines on how to store, package and transport product.
- *Packaging* in a form that maintains product quality and reinforces the premium position and brand.
- *Tagging* each lobster and creating the means by which chefs are reassured of quality. They should be able to enter the unique code on the tag into our online system to be delivered information on provenance.

**DELIVERING THESE DEMONSTRATES
COMMITMENT TO QUALITY & FRESHNESS**

2) Distribution

- Selecting limited number of suitable distributors will be critical.
- The recommendation is to create a hub and spoke network of certified handlers.

- These distributors/handlers are trained by ASRL to:
 - Handle and hold product correctly
 - Manage stock and grade
 - Understand our product differences
 - Deliver product expediently
 - Assess product and refresh or repack if required
- These distributors would be scored by restaurants to ensure that they maintain ASRL standards.
- If required ASRL should fund holding facilities.
- ASRL should also monitor distributors independently.

CORRECT HANDLING, SPEED AND SYSTEMS MAINTAINS PRODUCT INTEGRITY & FRESHNESS

3) Communication

- The need to generate a message that differentiates ASRL to other competing products internationally
- Define ASRL position including brand values, positioning and proposition
- Investment in materials such as packaging, websites and other marketing collateral that can be used by distributors
- Engagement of distributors, restaurants and chefs whenever and wherever possible
- A field media campaign concentrating on influencers and editorial
- Chefs should be supplied with “development product” to provide menu creation
- A range of branded merchandise is also needed to build the brand

BUILD BRAND PROMISES BASED ON PRODUCT AND QUALITY SUPERIORITY

Table 5.1 – Critical Success Factors

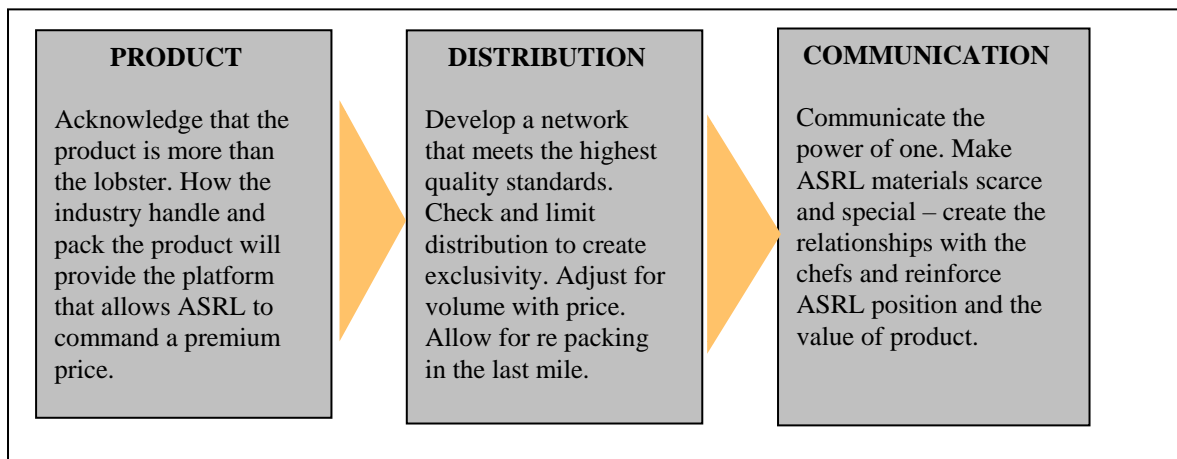
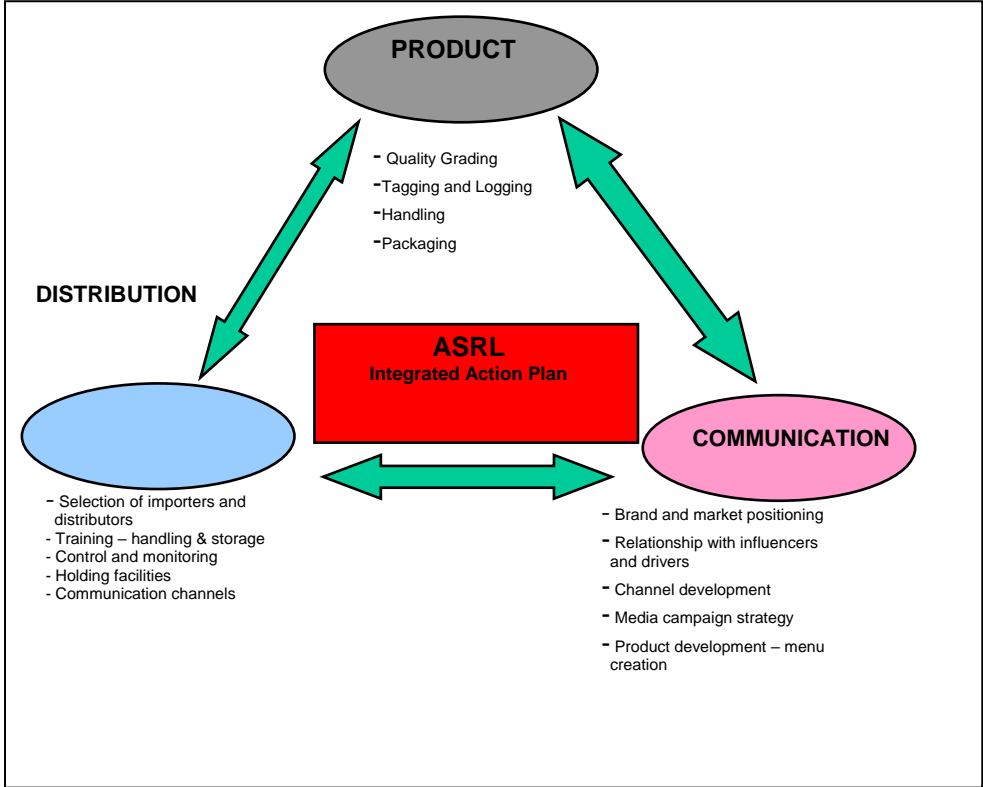


Table 5.2 – ASRL’s Integrated Action Plan



Appendix 1 - Sensory Evaluation Project

US Evaluation – Napa Valley, California

Project Brief

A group of leading chefs and restaurateurs from the Napa Valley and San Francisco bay area were invited to a presentation of Australian Southern Rock Lobsters at a signature restaurant, Hurley's, in the Napa Valley.

Australian Southern Rocklobster was presented live and in a series of preparations - sashimi, steamed (Asian style), Grilled and Barbequed. An ex-pat Australian chef had been briefed and controlled the presentation.

Live Southern Rocklobsters had been trans-shipped via an existing Importer, who had re-tanked the Lobsters for 3 days after their arrival from Australia, prior to on shipping to the restaurant in Napa. The importer and distributor for this project were Kingfisher Trading Co Inc and Osprey Seafood.

Project Participants

Thomas Kellar - French Laundry
Jeffrey Cerciello - Bouchon
Bob Hurley - Hurley's
Steve Litke - Farmhouse inn
Steve Fuji - Ebisu
Aqua - Laurent Manique
Pesce - Ruggero Gadaldi
Swan Oyster Depot - Sam Sancimino

Participant Profile

Hurley's

Host restaurant Hurley's is one of the Napa Valleys most highly regarded restaurants - chef Bob Hurley is somewhat a godfather to the New American cuisine movement.

French Laundry

The most famous restaurant in the US today. Chef/Owner Thomas Kellar is regarded is one of the most sought after chefs in America and a reservation at The French Laundry can mean a 6 month waiting list.

Bouchon

Owned by Thomas Kellar, Bouchon is a hero of the Napa Valley with local winemakers and International visitors alike. The crustacean and oyster bar is a feature of this restaurant.

Farm House Inn

The small, formal dining room in the Napa run by chef/owner Steve Litke is regarded for the quality of produce they use. A formal French style cuisine.

Pesce

A San Francisco institution in the heart of the financial district, Pesce is a formal Italian restaurant, which specialises in top quality seafood.

Ebisu

San Francisco's most highly regarded Japanese restaurant is modest in price by comparison to other San Francisco restaurants but is highly regarded for the quality and uniqueness of the seafood they serve.

Aqua

San Francisco's most famous, high-end seafood restaurant, Chef Laurent Manique is known for his love of crustacean and commitment to quality.

Swan Oyster Depot

A unique retail/diner operation, which is regarded to have the *best* quality seafood in California. A hallmark dish is their steamed lobster.

Participant Feedback

- **What Lobster variety do you currently use - country of origin?**

All recipients' use US lobster from Maine, 7 uses Canadian when Maine, USA not available, 2 uses Floridian in summer (peak period) & 2 use Mexican. All would use Californian if available.

Finding - country of origin is no barrier to the use of Lobster

- **What is the price range you pay for lobster?**

\$US5.50lb Mexican - 15.95lb Californian when available

Finding - the relative low cost/value of local lobster poses a price strategy issue for SRL - current \$A30 beach price = \$US15.95

- **How do you receive the Lobsters?**

Live only – all respondents

Finding - live is viewed as the only product form for the premium restaurant market

- **What is the frequency of delivery?**

All recipients responded - *daily*. They are used to being well serviced by distributors and do not expect to carry stock of live lobsters

Finding - a solid distributor network is essential

- **How are the lobsters you buy packed?**

Maine - packed in seaweed in wooden crates, Florida -poly boxes, Mexico - poly boxes

Finding - market would appreciate a system which offers more product security and information

- **What storage method do you use in the restaurant for lobsters?**

With daily deliveries, most recipients ordered/used all product in the day, others cooked and iced immediately on arrival.

Finding - concern regarding the fragility of Lobsters could be overcome by providing a tanking system for the restaurants or the distributors

- **What are the typical volumes you use weekly?**

If on the menu 15-30kg per week, if as "special item" 50-60kg per week

Finding – a pilot programme of say 20 restaurants would provide adequate volume for 55-60 tonne per year

- **What is the selling price of a main course lobster dish in your restaurant, and what size do you serve?**

Sell price \$US30-60, serve size 200gm meat - 750gm whole/half

Finding – the current cost metrics of exporting SRL into the fine dining market in Napa provide opportunity for all stakeholders

- **How was the condition of the SRL on arrival by comparison to your usual lobster?**

Far better (5) same (2) worse (0) - 0 mortalities “very lively” “excellent condition”

Finding - the distance to market is not an impediment to the logistics

- **Would you use SRL if it were readily available?**

Yes (7)

Finding - an opportunity exists for SRL in the premium dining rooms of the Napa Valley

UK Evaluation – London, England

Project Brief

Live Southern Rock Lobsters were logistic directly to a group of leading restaurants, specialist seafood retailers, a leading London Food Critic and the Food Editor of the London Times.

The Lobsters were transhipped via Singapore, express clearance was arranged with British customs and immediate courier delivery was made to all recipients.

All recipients received handling instructions and questionnaires prior to the arrival of the lobsters. Recipients were verbally interviewed after the assessment to recruit immediate feedback.

The importer and distributor of the consignment was Benair.

Project Participants

Rainer Becker - Zuma
 Mitchell Tonks -Fishworks
 Martin Brito - Nahm
 Darren Wightman -Yo Sushi
 Rowley Leigh - Kensington Place
 Mark Hix - J. Sheekey
 Mark Edwards -Nobu London
 Terry Durack - Restaurant reviewer - Sunday Independent
 Jill Duplex - Food Editor -London Times

Participant Profile

Kensington Place

Restaurateur Rowley Leigh owns and operates one of London’s premium seafood retail shops and his eponymous “Kensington Place” restaurant is regarded as one of London’s best brassiere style operations.

Nahm

Owned and operated by Australian David Thompson, Nahm specialises in traditional Royal Thai Cuisine and was the first Asian restaurant to be awarded a coveted Michelin star.

Nobu

Part of the famous Japanese Chef Nobu Matsushita's restaurant group, Nobu is regarded as the finest Japanese restaurant in Europe

J Sheekey

London's most famous and highly regarded specialty seafood restaurant, known for its simplicity in preparation of superior quality seafood

Fishworks

Owner/operator Mitchell Tonks is regarded as the upcoming star of English Seafood Cookery. With 5 restaurant/fish retail stores across London, Fishworks is setting the pace in quality seafood.

Yo Sushi

Yo is the largest, high end Japanese restaurant group in Britain. Run by ex-pat Australian Darren Wightman, Yo prides itself on the quality of the seafood it purchases

Terry Durack

Ex Pat Australian Durack is the restaurant critic for Britain's Sunday Guardian newspaper and regarded as an authority on quality produce

Jill Duplex

Food Editor for the London Times - recognised authority and keen supporter of the best produce.

Participant Feedback

• **What Lobster variety do you currently use - country of origin?**

Canadian (4), Floridian (2) Cuban Spiny (2) Irish (2) Scottish (4).

Finding - country of origin is no barrier to use, local "British Isle" product regarded as "best

• **What is the price range you pay for lobster?**

BP Canadian 12-15kg, Cuban 11-15kg, Irish 25-35kg

Finding - the relative low cost/value of other lobsters poses a price strategy issue for SRL - current \$A30 beach price = BP22.00

• **How do you receive the Lobsters?**

Live only

Finding - live is viewed as the only product form for the premium restaurant market

• **What is the frequency of delivery?**

All recipients responded - *daily*. They are used to being well serviced by distributors and do not expect to carry stock of live lobsters

Finding- a solid distributor network is essential

• **How are the lobsters you buy packed?**

Canadian, Floridian, Cuban - packed in poly boxes, local product wooden crates with seaweed

Finding - packaging is not particularly sophisticated as daily deliveries are usually made from distributors' tanks

• **What storage method do you use in the restaurant for lobsters?**

With daily deliveries, most recipients ordered/used all product in the day, others cooked and iced immediately on arrival.

Finding - concern regarding the fragility of Lobsters could be overcome by providing a tanking system for the restaurants or the distributors

- **What are the typical volumes you use weekly?**

If on the menu 10-20kg per week, if “specialled” 50-60kg per week

Finding – an opportunity exists for the development of an annual programme for SRL of 50-60 tonne per annum

- **What is the selling price of a main course lobster dish in your restaurant, and what size do you serve?**

Sell price BP25-35, serve size 200gm meat - 750gm whole/half

Finding – the cost metrics on current pricing of SRL can be delivered against the commercial expectations of the London fine dining market

- **What is the most important feature of Lobster to you?**

Flavour (6) Texture (5) Supply (3) Uniqueness (7) Price (1)

Finding - flavour and texture are the predominant influence in the selection of premium seafood in this market sector

- **What is the feature selling point of lobster on your menu?**

Dish (description) (6) Provenance (5) Seasonal Special (6) Price

Finding - the uniqueness of the offer is a greater sales tool than the price -price is not a barrier in the super premium restaurant market - lobster has cachet in this market

- **How does the flavour & texture of the Australian Southern Rock Lobster compare with the lobster you mostly use?**

Better (7) same (2) worse (0) - “SRL is sweeter and richer than Maine lobster”, “ASRL is firmer in texture and more versatile than local lobster” “SRL has a definite sweetness not found in local lobster” “similar to Irish Spiny Lobster and Cuban Spiny Lobster”

Finding - SRL has a real culinary uniqueness, which can be developed

- **How was the condition of the SRL on arrival by comparison to your usual lobster?**

Far better (5) same (2) worse (0) - 1 mortality

Finding - the distance to market can be overcome through well-planned logistics

- **Would you use SRL if it were readily available?**

Yes (7)

Finding - an opportunity exists for SRL in the premium dining rooms of the London Restaurant market

Appendix 2 – Cost Metric

ASRL West Coast USA

The following costing model has been assembled in relation to delivering Australian Southern Rock Lobster to the fine dining sector in Napa Valley.

Required beach price	A\$ 40.00kg
Processor Margin	A\$ 9.00kg
Processing, packing, documents	A\$ 4.00kg
Freight Melbourne to LA	A\$ 5.00kg
Importer 10% margin	A\$ 4.90kg
Domestic Freight	A\$ 1.30kg
Distributor cost	A\$ 64.20kg
Distributor sell (20% gross margin)	A\$ 77.00kg
Portion cost to restaurant per plate	A\$ 46.00
Restaurant Sell Price per plate	A\$ 138.00
US Restaurant Sell Price	US\$ 106.00

Note: Exchange rate AUD\$1: US\$0.70 and Protein Plate Cost of 30%

ASRL London, England

The following costing model has been assembled in relation to delivering Australian Southern Rock Lobster to the fine dining sector in Napa Valley.

Required beach price	A\$ 40.00kg
Processor Margin	A\$ 9.00kg
Processing, packing, documents	A\$ 4.00kg
Freight Melbourne to London	A\$ 7.00kg
Import charges and Customs Clearance	A\$ 4.00kg
Distributor cost	A\$ 65.00kg
Distributor sell (20% gross margin)	A\$ 78.00kg
Portion cost to restaurant	A\$ 47.00
Restaurant Sell Price per plate	A\$ 140.40
Restaurant Sell Price	BP 60.00

Note: Exchange rate AUD\$1: GBP0.40 and Protein Plate Cost of 30%

Appendix 3 – Seafood Importers & Distributors

Specialist London Seafood Distributors

- ✓ Fishworks
- ✓ M&C Seafoods
- ✓ Applebee Fish Co
- ✓ Kensington place Seafoods
- ✓ East End Seafoods
- ✓ Atlantic Fish Co
- ✓ Cutty Seafood Catering
- ✓ William Black Seafoods
- ✓ J Foreman and Sons
- ✓ Loch Fyne Seafoods
- ✓ Cornwall Fish Supplies
- ✓ Point Look-out Fish Dock
- ✓ Lidgate Seafoods
- ✓ Euro Tuna Supplies
- ✓ Japan Food Corporation

Specialist San Francisco Seafood Distributors

- ✓ A&L Seafoods
- ✓ Alaska Feast Seafoods
- ✓ Apollo Fish Co
- ✓ Citarella Foods
- ✓ Down East Seafoods
- ✓ Early Morning Fish Co
- ✓ F. Rozzi & Sons
- ✓ Gotham Seafoods
- ✓ Lockwood Seafoods
- ✓ Osprey Seafoods
- ✓ Ocean Blue Seafoods
- ✓ Pierless Fish
- ✓ Point Look-out Fish Dock
- ✓ Shaffer City Seafoods
- ✓ Third Generation Seafoods
- ✓ Wild Edibles
- ✓ Yamma Seafoods

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