

FINAL

# **Assessing Direct Export Feasibility, Marketing and Branding Opportunities for Torres Strait Fisheries Derived Products**

Project 2016/244

**Emily Mantilla, Jayne Gallagher, Helen Johnston, Claire Winkel and Ewan Colquhoun**

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### Researcher Contact Details

Name: Emily Mantilla  
Address: 76 Henderson Rd  
Sheldon Qld 4157  
Phone: +61 400571201  
Fax: Not applicable  
Email: [emily@honeyandfox.com.au](mailto:emily@honeyandfox.com.au)

### FRDC Contact Details

Address: 25 Geils Court  
Deakin ACT 2600  
Phone: 02 6285 0400  
Fax: 02 6285 0499  
Email: [frdc@frdc.com.au](mailto:frdc@frdc.com.au)  
Web: [www.frdc.com.au](http://www.frdc.com.au)

In submitting this report, the researcher has agreed to FRDC publishing this material in its edited form.

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# Abbreviations

AFMA	Australian Fisheries Management Authority
BCA	Benefit Cost Analysis
BDA	Beche de Mer
PZJA	Protected Zone Joint Authority
TSPZ	Torres Strait Protected Zone
TSRA	Torres Strait Regional Authority
TSF	Torres Strait Fishers

# Executive Summary

## Background

Commercial fishing is an economically important activity in the Torres Strait providing financial opportunities for the traditional inhabitants of the region. A key barrier to development of this fishery has been identified as the additional cost of reaching markets and the cost of doing business from a remote location. Currently, export of fisheries-derived products is primarily through Cairns, the costs of which appear to erode the competitiveness of Torres Strait product.

The TSRA, working with Torres Strait Islander fishers and communities, wanted to identify viable options for direct exports and brand differentiation.

## Aims & Objectives

This project aimed to

- Develop a viable marketing and brand strategy with implementation examples for execution that may improve the profitability of TSF products
- Develop a suggested implementation plan (with three budget options that aligns with the developed marketing and brand strategy)
- Take the stakeholders of the Torres Strait on a marketing and branding learning journey
- To assess the feasibility of exporting fisheries products directly from the Torres Strait

## Methodology

An initiation consultation workshop was undertaken to brief stakeholders and to obtain a deeper understanding of the issues, opportunities and challenges from their perspectives. It was an important first step to develop relationships with key stakeholders.

The market research component of the project was undertaken in three stages as follows:

- Stage 1: Desktop review - An initial desktop review of the products produced by the Torres Strait Fisheries and the markets that they are sent to (domestically and internationally) was conducted. The research considered a range of factors that might impact on either direct export and/or collaboration in marketing a Torres Strait branded product.
- Stage 2: In-depth interviews - Based on the desktop research, an in depth interview questionnaire was developed and approved by the TSRA. The questionnaire was designed to test ideas identified in the desktop review and to generate discussion and elicit views on the current and potential growth areas for their products, the potential commercial opportunities, and to identify what would make Torres Strait fisheries product “stand out from the crowd”. It was also an opportunity to collect data about prices, supply chains and export performance. A series of face-to-face interviews with current Torres Strait exporters, fishers and processors then took place.
- Stage 3: Product/market priority ranking - Using the desktop review and the in-depth interview findings, four product/market combinations were identified as having particular potential for development. A product/market priority ranking was then developed by considering the attractiveness and difficulty of each. The attractiveness ranking was based on consideration of the potential return to TSF (including opportunities for developing existing and new market niches taking into account competitors, prices and product positioning opportunities).

The next step evaluated the feasibility of direct export and included the following activities:

- Export Infrastructure Analysis - An onsite gap analysis of two current TSF export facilities was undertaken to identify gaps in capability to meet export and importing country requirements was conducted. The gap audit considered facilities, business systems and capabilities.

- Supply chain analysis - This part of the project considered the current logistics for the movement of TSF products from catch to export to assess whether the arrangements could be improved and the potential for direct export from communities to local and international markets and current freight options out from Torres Strait to identified market/product combinations to identify efficient and economical routes to market.
- Legislative and Administrative Requirement Review - The methodology of this part of the project was to review legislative frameworks and summarise requirements for exporting from Australia and importing into selected markets (based on the top four potential product/market combinations).
- A benefit cost analysis (BCA) was undertaken to compare and rank the planned options for the direct export of Torres Strait Fisheries. The scope of the analysis included tangible and intangible financial benefits flowing along the whole seafood supply chain. The methodology compared the financial position without direct export and with it to identify whether there was a positive or negative net benefit.

Concurrently, the project researched and developed a branding and marketing strategy, utilising suitable marketing tactics. Potential unique selling propositions were researched and tested with stakeholders. This informed development of the marketing and branding strategy, branding concepts and an activation/implementation roll out plan.

Final stakeholder consultation occurred at the Fisheries Summit on Thursday Island in August 2018.

## **Results - Key Findings**

Analyses of the products and markets (competitors, prices and market trends/opportunities) resulted in four product/market combinations that were used to focus the rest of the research project.

The supply chain analysis and export logistics study illustrated how the current product supply chain and logistics are managed, as well as the barriers and opportunities for direct export. Information and knowledge generated in this component of the project, together with the legislative and administrative requirements for direct export was incorporated into the TSF exporter's handbook (Appendix 7).

Direct export from the Torres Strait was defined as producers having control of and managing the supply chain all the way to the customer in export markets. Achieving this will require the establishment of strong collaborative supply chains – which may or may not include current players. The Supply Chain Analysis report (Appendix 14) identifies six areas that need to be worked on.

The export readiness gap analysis (Appendix 6) key findings were:

- All processing plants visited during this project were not ready for export accreditation and would need substantial investment in structures and training to achieve accreditation.
- The vast majority of the Tropical Rock Lobsters from Torres Strait are being exported via various supply chains. Only one plant is registered to export directly but has chosen not to. Three Tropical Rock Lobster packing plants are registered by Safe Food Queensland.
- Currently there is no incentive for the Beche de Mer (BDM) fishers/processors within the Torres Strait to achieve Safe Food Queensland registration or implementation of Approved Arrangements, as there would appear to be a constant supply of 'cash buyers' who require no documentation or product traceability. This is consistent with the situation currently in other parts of the South Pacific region.
- There are a number of areas that require further work and changes to current practices to ensure commercial success, such as plants, would have to be audited against Department of Agriculture, Water and Resources Approved Arrangements, be at least HACCP certified. Staff competency would have to be dramatically increased to achieve certification.
- Opportunities exist if the Torres Strait Tropical Rock Lobster fishery follow in the footsteps of other indigenous community based fisheries (e.g. in USA, Taiwan) and achieve community sustainability labelling of product via Fair Trade certification.

A BCA model (Appendix 22) was also developed based on what is known about the fishery, the current infrastructure, the supply chain and the market and what is needed to capitalise on opportunities and to minimise threats.

Three scenarios were used to calculate the BCA:

- Scenario 1: Torres Strait light (stay in business)
- Scenario 2: Torres Strait medium (achieve moderate growth)
- Scenario 3: Torres Strait brand turbo (achieve fast growth)

The BCA found that a moderate growth and a branded growth strategy are both viable. Importantly, it showed that investing in only small improvements will not produce a commercially viable export fishery.

Finally, the branding and marketing component of the project suggested that luxury product differentiation would be a good strategy for Torres Strait products capitalising on several unique selling propositions. A draft unifying landmark was developed that could be used on all fishery products sourced from the Torres Strait (Appendix 16).

A marketing and brand strategy (Appendix 15) was developed, as well as three brand concepts and messaging. These were presented to stakeholders as a series of mood boards (one for each of the three brand concept options) that illustrated how each concept could be developed and evolved (e.g. label, in-store poster).

To supplement the brand concepts, a fully costed and budgeted brand communication implementation plan was also produced (Appendix 17).

## **Implications for stakeholders**

This project has helped articulate a future pathway for the entire industry branding of Torres Strait fisheries products and determined that direct export (whereby the product remains owned by and under the control of the producers to the export customers) from the Torres Strait to the main markets of China, Hong Kong, Singapore and Japan is indeed feasible. While it is feasible, achieving it will require investment. The BCA scenarios demonstrate that such investment would provide a positive net return to the Torres Strait.

During the project, it was evident that there are a number of key industry champions who wish to take the information presented and move forward with activation. This should be encouraged and an implementation committee formed to take the recommendations from this report and implement them.

There are lessons to be learned from this project for other remote fisheries communities. Challenges and opportunities will be unique to those communities, however there are likely to be common solutions that could be applied. If further work is done to support a direct export model and a collaborative unified brand, then it will become a case study for others to learn from.

There are also opportunities, particularly relating to training and capacity building for remote communities to work together.

## **Recommendations**

### *Communications*

- Expand the communication of the project outputs to all communities (and re-instate the project website)
- TSRA to provide hard copies of the exporter's handbook to all TSF interested in becoming exporters
- Appoint industry leaders/champions to progress the next steps by forming a group to guide the next steps

### *Marketing and Branding*

- Develop final ITorres Strait unifying logo and rules of use
- Undertake a branding workshop to define brand DNA elements



- Protect the brand by registering the trademark/s with IP Australia
- Establish the rules for using the trademark and determine who will manage it
- Produce marketing collateral for all Torres Strait products detailing supply, product specifications, source of supply, story about the product, the region, the fishers, the community and the culture

#### *Governance*

- Develop a legal entity that will be responsible for the management of a whole of industry brand and that will develop and oversee the application of the rules of use for those that wish to collaborate and/or use the brand

#### *Set Up New Supply Chains and Supplier Relationships*

- Set up supply chain trial shipments to test capabilities and performance
- Coordinate a buyer visit to the Torres Strait to see first hand the production environment and to meet the fishers and their communities
- Investigate building a domestic sales presence at Sydney Fish Market's redevelopment and in key centres, such as Cairns, to capitalise on the Asian visitor opportunities
- Investigate opportunities to develop value-added products and services targeting niche market opportunities

#### *Capacity Building*

- Concerns were raised about the availability of expertise to develop the capacity for direct export in the Torres Strait. This capacity included all aspects of establishing and growing a profitable export business (at all levels – community to region to fishery). Options for funding the development of the capacity should be explored
- Take producers to the marketplace (e.g. China, Hong Kong, Singapore and Japan) to meet with organisations and buyers to understand first hand what the market wants and needs, as well as what competitors are doing. This should be a professionally coordinated itinerary for members to undertake a market investigation study
- Undertake a subsequent workshop to discuss what was found in the market (from the international visit) and develop an action plan and timetable for further engagement with the market

#### **Keywords**

Tropical Rock Lobster, Coral Trout, Sea Cucumber, Torres Strait, export, branding, marketing, indigenous fisheries

# Introduction

Commercial fishing is an economically important activity in the TSPZ providing financial opportunities for the traditional inhabitants of the region. The PZJA has a policy of maximising the opportunities for Islander participation in all sectors of the commercial fishing industry (<http://pzja.gov.au/the-fisheries/#.V3BzIKKAnh4>).

It is a requirement for all commercial fishers (traditional and non-traditional inhabitants) to hold a relevant commercial fishing licence to participate in any of the Torres Strait commercial fisheries. The licences are issued by the Australian Fisheries Management Authority.

Current commercial Torres Strait fisheries (and their current missed opportunities) include:

- Prawn – Currently majority sold live/chilled/cooked on the domestic Northern Queensland market. Little effort appears to have been undertaken to build export markets
- Tropical Rock Lobster – The most valuable of the Torres Strait fisheries. It will soon be quota managed (implemented in 2019 and planned to be in place by 2020 season) with the vast majority exported live to Hong Kong/China and where it is not differentiated in the market place
- Spanish Mackerel - Common fish caught around tropical regions. There is an export market for this species but at cheap prices. It appears to not be regularly monitored to take advantage of other supply source shortages
- Pearl Shell - Used for re-seeding or mother of pearl button/inlay, etc. There are small catches from the Torres Strait which are exported to Vietnam, India, China for processing. There is also a market in the Middle East for this product
- Barramundi – Small catches with the majority sold domestically. Again, no product differentiation in the market place
- Finfish – The target species in the Torres Strait is Coral Trout, which is sent live/chilled to Hong Kong, with some sent to Singapore where it demands a high price. Reef fish are also targeted for similar markets to crab (such as, Mud Crab and Blue Swimmer Crab). The level of participation in the commercial fishery is low due to other fisheries being relatively more profitable. There is a potential for export markets to be explored including value adding opportunities
- Trochus – A small fishery. Used for traditional consumption. Market testing of Trochus meat could be explored as it is a sweet tasting meat that is similar to locos in appearance and when sliced, similar to Abalone
- Sea Cucumber - One of the main fisheries with Lobster. Currently dried and frozen destined predominantly for Hong Kong, again with no product differentiation in the market place

Despite this rich fishery of high-quality products being in strong demand by the Chinese and domestic markets there is none of the following;

- Market differentiation of product once it reaches either domestic markets or overseas export markets
- Control over where or how the product is marketed
- Significant profit being directed back to communities. There is additional value that can be captured through greater ownership of the supply chain. Currently significant profits tend to be made by the 'middle man' or the wholesaler who buys direct from the TSF and then on-sells product to domestic or Chinese buyers
- Direct export market straight from the Torres Strait, reducing transport times, cost and increasing shelf-life of product

This project will attempt to identify what are the export and marketing opportunities for TSF's products and what opportunities exist for TSF to be able to control their own supply chain – from catch to retail, including a whole of industry brand for their products.

## Need

The TSRA, working with Torres Strait Islander and Aboriginal fishers and communities, wanted to identify viable options for direct exports and brand differentiation.

A key barrier to development of this fishery has been identified as the additional cost of reaching markets and the cost of doing business from a remote location. Currently, export of fisheries-derived products is primarily through Cairns, the costs of which appear to erode the competitiveness of Torres Strait product.

Research was needed to identify the legislative, administrative and infrastructure requirements for direct export from the Torres Strait, and the key export market opportunities that could be met by Torres Strait derived products. The research conducted needed to assess whether direct export is feasible compared to the status quo.

Competitive access to viable markets, including export markets, as well as the identification of unique market differentiation strategies will provide opportunities to improve the profitability of the TSF products (increase prices and potentially improve market access), thereby having a positive socio-economic flow on effect to the Traditional Inhabitants of the region and the associated communities.

## Objectives

The objectives of the project were to:

- Develop a viable marketing and brand strategy with implementation examples for execution that may improve the profitability of TSF products
- Develop a suggested implementation plan (with three budget options that align with the developed marketing and brand strategy)
- Take the stakeholders of the Torres Strait on a marketing and branding learning journey
- To assess the feasibility of exporting fisheries products directly from the Torres Strait

## Method

A team of experts from the following skill sets were gathered to undertake this project:

- Project management
- Stakeholder consultation
- Market research
- International trade analysis
- Export infrastructure
- Regulation and compliance
- Logistics
- Economic analysis
- Marketing strategy
- Brand development

Appendix 1 provides a summary of the team members' qualifications and experiences.

The following is a description of the steps that were undertaken for this project.

## **Initiation Consultation Workshop**

An initiation consultation workshop was firstly undertaken with key stakeholders. The participants were identified by the TSRA to ensure a broad representation of the stakeholders. The workshop was held on Thursday Island with participants from other islands traveling there to attend. The purpose of the workshop was to brief them on the project and to get a deeper understanding of the issues, opportunities and challenges from their perspectives.

A copy of the agenda is provided at Appendix 2, as well as a Honey and Fox team information pack at Appendix 3.

This workshop was an important first step to develop relationships with key stakeholders.

## **Market Research**

The market research component of the project was undertaken in three stages as follows.

### **Stage 1: Desktop Review**

An initial desktop review of the products produced by the Torres Strait Fisheries and the markets that they are sent to (domestically and internationally) was conducted. The research considered a range of factors that might impact on either direct export and/or collaboration in marketing a Torres Strait branded product, including:

- Volumes and values of seafood products sold into the market
- Customer insights and market trend studies undertaken for other purposes and publicly available
- Case studies of collaborative marketing initiatives, particularly those owned and managed by indigenous people
- The history of the Torres Strait, their culture and connection with the sea
- Previous studies involving TSF

### **Stage 2: In-Depth Interviews**

Based on the desktop research, an in-depth interview questionnaire was developed and approved by the TSRA. The questionnaire was designed to test ideas identified in the desktop review and to generate discussion and elicit views on the current and potential growth areas for their products, the potential commercial opportunities, and to identify what would make Torres Strait fisheries products 'stand out from the crowd.' It was also an opportunity to collect data about prices, supply chains and export performance.

A copy of the final approved interview protocol is in Appendix 4.

Two members of the project team visited Cairns and the Torres Strait in December 2017 to conduct face-to-face interviews with current Torres Strait exporters, fishers and processors. Due to the unavailability of some stakeholders, some of the interviews were undertaken by telephone.

Five fishers/processors/community representatives were interviewed, as well as one existing export company and covered the three major Torres Strait products under consideration:

- Tropical Lobster
- Sea Cucumber
- Tropical Finfish (Spanish Mackerel and Coral Trout)

### **Stage 3: Product/Market Priority Ranking**

Using the desktop review and the in-depth interview findings, four product/market combinations were identified as having particular potential for development. A product/market priority ranking was then developed by considering the attractiveness and difficulty of each. The attractiveness ranking was based on consideration of the potential return to TSF (including opportunities for developing existing

and new market niches taking into account competitors, prices and product positioning opportunities).

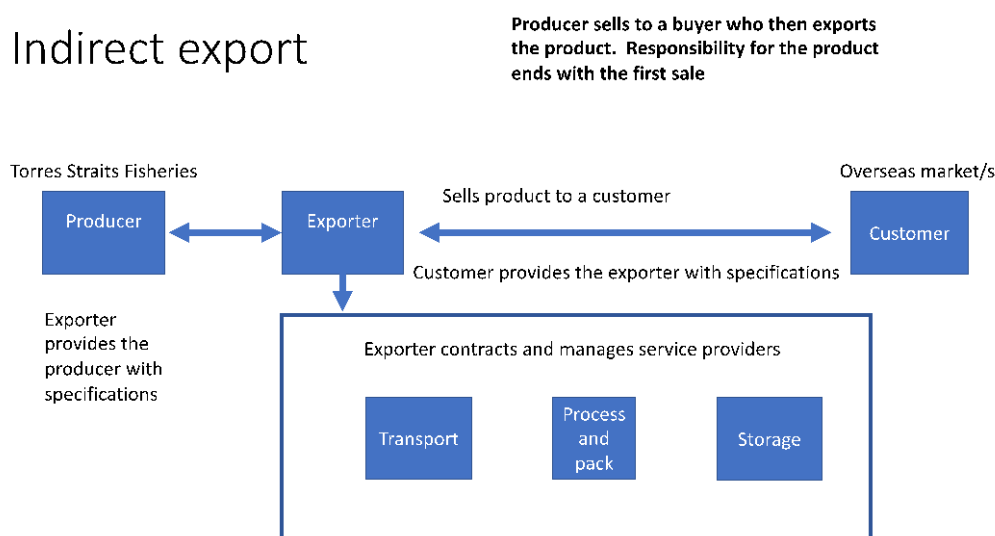
The difficulty ranking considers how difficult it is to do businesses with those products to those markets particularly taking into account language/social/cultural/economic and political factors.

The report associated with the product/market priority ranking can be found in Appendix 5.

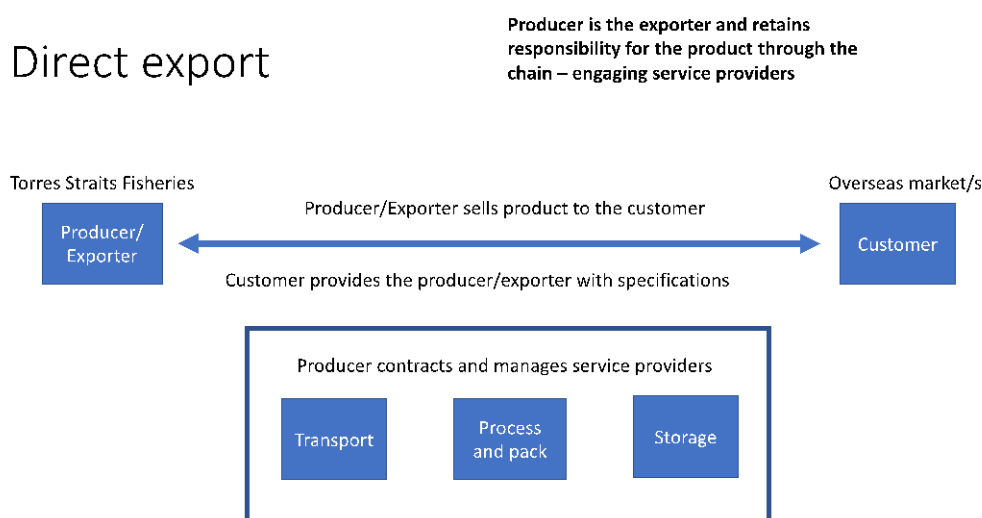
## Direct Export Feasibility

For the purpose of this project, 'direct export' refers to the product ownership and control remains with Torres Strait owned businesses until it is sold or exported direct to customers. This may mean that the product is physically exported from Cairns. The two diagrams below articulate the differences between direct and indirect export:

**Figure 1: Indirect Export**



**Figure 2: Direct Export**



## **Export Infrastructure Analysis**

An onsite gap analysis of two current TSF export facilities to identify gaps in capability to meet export and importing country requirements was undertaken. The gap audit considered facilities, business systems and capabilities.

The gap analysis was originally intended to be conducted against FSSC 22 000 (the easiest GFSI standard to meet) and China/Hong Kong/Singapore/Japanese Government requirements and Friend of the Sea (easiest Eco label to meet). Following the in-depth interviews and a review of the TSRA project 'Fisheries Infrastructure and Services Audit in the Torres Strait,' it was agreed to restrict the gap audit to the Export Control Orders (Fish & Fishery Products) 2005. The audits were undertaken during a visit to the Torres Strait in April 2018. Two facilities were considered in-depth while two more were considered only in general food safety terms as they were considered not eligible for assessment for export.

Due to the sensitive commercial nature of the audit, a consolidated summary report of all plants was done to provide:

- An assessment of current capabilities (physical and human)
- Advice on the status of plants capable for registration for direct export
- Details of training and qualifications needed to support direct export
- Seafood businesses with a blueprint for improvement and a list of actions to address

A copy of this report is provided in Appendix 6.

Two plants taking part in the gap audit received individual (commercial in confidence) reports. These are not included in this report, but were provided to the TSRA for distribution to plant owners.

## **Supply Chain Analysis**

This part of the project considered the current logistics for the movement of TSF products from catch to export to assess:

- Whether the arrangements could be improved, and;
- The potential for direct export from communities to local and international markets, and;
- Current freight options out from Torres Strait to identified market/product combinations to identify efficient and economical routes to market

## **Legislative and Administrative Requirement Review**

The methodology of this part of the project was to review legislative frameworks and summarise requirements for exporting from Australia and importing into selected markets (based on the top four potential product/market combinations).

The permits and approvals required for export to the four selected markets were identified based on information available from:

- Department of Agriculture and Water Resources
- Austrade
- State government agencies
- Importing country authorities (where accessible).

Information gathered was then incorporated into an Exporters Handbook which can be found in Appendix 7.

## **Benefit Cost Analysis**

The BCA was designed to establish and use a financial tool to compare and rank the planned options

for the direct export of Torres Strait Fisheries. The scope of the analysis included tangible and intangible financial benefits flowing along the whole seafood supply chain. The methodology used compares the financial position of the business without direct export and with it. The difference is the net benefit which may be positive or negative.

## **Branding and Marketing**

This part of the project was to determine the directions/options for brand story development and to ascertain how the TSF products are different to others currently in the market.

After the initial consultation workshop, additional research was undertaken to better understand the potential unique selling propositions. The research included consideration of:

- Species
- Quality
- Environment
- Indigenous stories
- Geography
- Communication goals and objectives/expectations
- Target audiences
- Which existing brands are currently used in the Torres Strait that may have penetration
- Potential messaging
- Marketing and brand competitive position
- Past/present communication tactics

This knowledge was then used to define the marketing and branding strategy, branding concepts and an activation/implementation roll out plan.

Stakeholders provided input to the branding concepts during face-to-face interviews during December 2017 and April 2018 Torres Strait visits by the project team.

## **Stakeholder and Project Team Communication**

A stakeholder engagement and consultation plan and recommended consultation activities that respect the cultural values and communication protocols of TSF participants was developed and provided to the TSRA.

A website for communication with project stakeholders and post relevant documents, reports and information relevant to the project topics, as well as the project reports was established. This was to ensure online access to the reports and tools were available in real time to any stakeholder. This was later unpublished at the request of the TSRA.

The TSRA took responsibility for the communication of project progress and outputs as instructed to the project leaders by TSRA executives.

A copy of the stakeholder engagement and consultation plan can be found in Appendix 8.

## **Final Stakeholder Workshop**

A final stakeholder's workshop was originally planned. At the request of the TSRA a presentation on the branding and direct export options was made at the Fisheries Summit on Thursday Island in August 2018.

The presentations provided a summary of the findings and invited comments and input. Subsequently the presentation, the draft exporter handbook and the BCA was provided to the TSRA who then circulated them to stakeholders for comment.

# Results and Discussion

## Initiation Consultation Workshop

On the 27th April 2017, Emily Mantilla and Jayne Gallagher conducted an initial consultation workshop with a number of stakeholders as selected by the TSRA on Thursday Island.

This workshop was well attended and allowed Ms Mantilla and Ms Gallagher to introduce the project, explain the potential outcomes of the project and to gather market and export intelligence, as well as explain how other industry groups come together under a unified umbrella brand.

The positive workshop outcomes was achieved through a series of workbook activities, facilitated group discussion and prepared activities.

As part of this initial visit, Ms Mantilla and Ms Gallagher visited Badu Island with two TSRA staff (Ms Mariana Nahas and Ms Alli Runck) to view typical island processing facilities and to speak with the owners. They then visited Pearl Island Seafood on Thursday Island to view further processing facilities and interviewed the General Manager as part of this visit about the potential for direct export and for developing a cooperative unified Torres Strait brand.

The initial consultation workshop resulted in a summary of the workshop outcomes prepared by Honey and Fox which was distributed to workshop participants by the TSRA, along with the PowerPoint presentation.

A copy of the workshop notes and recommendations report can be found in Appendix 9.

A copy of the workshop presentation can be found in Appendix 10.

Copies of the workshop activity books can be found in Appendix 11.

## Market Research

At the initial consultation workshop with the Torres Strait fishers, it was clear that (with few exceptions) the workshop attendees had very little knowledge of where their product is sold. Furthermore, their level of knowledge about the market requirements and the supply chain to get there was low. A desktop review was undertaken to try to fill some gaps in this knowledge and two reports were completed.

- Cultural insights desktop market research report
- Business model and stakeholder analysis market research report

Copies of these reports are attached in Appendix 12 and 13 respectively.

Analyses of the products and markets was conducted (competitors, prices and market trends/opportunities). Based on this research, a product/market attractiveness and difficulty ranking was undertaken which when combined, provided a product/market priority ranking. These four product/market combinations were used to focus the rest of the research project.

**Figure 3: The product/market priority ranking resulting from the assessment of attractiveness and difficulty**

Product (species and form)	Market	Ranking
Rock Lobster (live)	China/Hong Kong	1
Sea Cucumber (dried salted)	Hong Kong, Singapore	2



<b>Finfish (chilled/frozen)</b>	Australia (domestic)	3
<b>Rock Lobster (frozen tails)</b>	China/Hong Kong	4

A report detailing summarising the findings of this part of the project and providing the product/market rankings is attached as Appendix 5.

## Direct Export Feasibility

### Supply Chain Analysis

Combining the information gathered at the initial consultation workshop and through the initial in-depth phone interviews, as well as the findings of the market desk top research, all the information gathered provided input to the supply chain analysis and export logistics study. The analysis illustrated how the current product supply chain and logistics are managed and the barriers and opportunities for direct export from the Torres Strait fishery. The information and knowledge generated in this component of the project was critical to the creation of the TSF exporter's handbook, an important output of this project.

Establishing direct export from the Torres Strait will require the establishment of strong collaborative supply chains – which may or may not include current players. The key findings of this supply chain analysis are as follows;

1. **Logistics:** There are sufficient logistics options, by sea and air, to support the establishment of a new Torres Strait direct to market supply chain. This would need to include a back-up facility in Cairns to deal with the inevitable delays or cancellation of flights both domestically or internationally. Fish would most likely have to be re-tanked, held for several days to recover from stress of delay and handling, then be re-packed for export.
2. **Information flow:** Any new arrangements will need to ensure better information flow between the market and the fishery. This information needs to cover more than price information. It will need to include information about demand, patterns, competitor behaviour, customer feedback and quality specifications.
3. **Business structure:** While there is potential for individual companies to commence exporting directly from the Torres Strait, there are significant business risks and investment capital required for such a venture to be successful. Therefore agreement needs to be reached on the most appropriate business model to support direct export from the Torres Strait.
4. **Island infrastructure:** Consideration should be given to how to consolidate shipments and to reach agreement about the establishment and maintenance of facilities in the communities, including live tanks/ocean pens and freezers, to hold product until the market is ready to receive the product.
5. **Stakeholder engagement and communication:** There was a fear that this project could sit on the shelf and not be released for comment or progressed. This needs to be addressed.
6. **Access to expertise:** Concerns were raised about the availability of expertise to develop the capacity for direct export in the Torres Strait. This capacity included all aspects of establishing and growing a profitable export business (at all levels – community to region to fishery). Options for funding the development of the capacity should be explored.
7. **Drivers for change:** While there are individual differences, the common driver for change is the anticipated improvement of financial returns to communities but more importantly there is an expected employment career opportunity for Torres Strait community members.

Further information can be found in the supply chain analysis report in Appendix 14. The Commercial in Confidence version was provided to the TSRA for distribution to relevant stakeholders. This version has not been provided with the final report of this project.

## Legislative and Administrative Requirements Review

A range of publicly available sources were used to research:

- Legislative framework and requirements for exporting from Australia
- Importing country requirements for the priority target markets

The results of this review are incorporated in the TSF Exporter's Handbook. A copy is provided at Appendix 7.

## Export Infrastructure Gap Analysis

The objective of this assessment was to conduct an onsite gap analysis of current TSF export facilities to identify gaps in capability to meet export and importing country requirements.

Ms Jayne Gallagher, Mr Ewan Colquhoun and Ms Clare Winkel from ICS, visited the Torres Strait to undertake a gap analysis against the Export Control Orders (Fish & Fishery products) 2005 and to gather data to enable the benefit cost of direct export to be completed. The branding concepts were also shown and discussed with other stakeholders to ensure consultation took place as widely as possible.

Key findings by ICS were:

- All processing plants visited during this project were structurally in far worse condition and staff competency has diminished since Ms Winkel last visited. Ms Winkel was last involved with the seafood sector and these plants in the Torres Strait over 15 years ago. The change is to a large extent due to changes in the Island Council responsibilities and in the Export Control Orders in 2005
- The vast majority of the Tropical Rock Lobsters from Torres Strait are being exported via various supply chains. Only one plant is registered to export directly but has chosen not to. Three Tropical Rock Lobster packing plants are registered by Safe Food Queensland
- Currently there is no incentive for the BDM fishers/processors within the Torres Strait to achieve Safe Food Queensland registration or implementation of Approved Arrangements, as there would appear to be a constant supply of 'Chinese cash buyers' who require no documentation or product traceability. This is consistent with the situation currently in other parts of the South Pacific region
- There are a number of areas that require further work and changes to current practices to ensure commercial success:
  - To facilitate export markets, the plants would have to be audited against Department of Agriculture, Water and Resources Approved Arrangements, be at least HACCP certified and ideally certified against a GFSI standard, a Responsible Fishing standard and a Fair Trade standard. Staff competency would have to be dramatically increased to achieve any of these certifications
  - Opportunities exist if the Torres Strait Tropical Rock Lobster fishery follow in the footsteps of other indigenous community based fisheries (e.g. in USA, Taiwan) and achieve community sustainability labelling of product via Fair Trade whilst starting the process of biological sustainability labelling of product via Responsible Fishing and HACCP (food safety) certification using the results of the existing AFMA/CSIRO ESD risk assessment. There is also an opportunity to supply to the Sydney Fish Market

Further information can be found in the Export Infrastructure Gap Analysis report in Appendix 6.

## Benefit Cost Analysis

A benefit cost analysis (BCA) model was developed by Mr Ewan Colquhoun from Ridge Partners. A draft was presented to TSF at the Fisheries Summit in August 2018. Subsequently, the analysis was sent to the TSRA to send to stakeholders for input and comment, particularly on the assumptions. At the time of writing no formal comments have been received.

The BCA model is based on the following:

1. What is known about the fishery, the current infrastructure, the supply chain and the market?

- Difficult marine geography with limited capacity – communications, freight, etc.
- Uncertain biomass/undocumented TACCs and catch – Rock Lobster, finfish, BDM
- Old rusty seafood infrastructure spread across approximately 16 island locations
- Low participation in fishery – but increasing TIB control
- Transition to TIB – 3<sup>rd</sup> party leases which have pros and cons
- Low skills and capacity for most operators and supply chain parties
- Low QA quality capacity - no shared Torres Strait QA program
- Low and irregular harvest of key species – especially BDM and finfish
- High cost supply chain – long time and low productivity
- Strong market demand for key seafood species
- Product mix – Whole green, tails, trunks, fillets, live
- Opportunity for ranching over long term
- No direct link by fishers to markets – limited Torres Strait Indigenous brand recognition

2. What is needed to capitalise on opportunities and to minimise threats?

- Good marine infrastructure at key Torres Strait centres – communications, freight, etc
- Higher and predictable participation (especially TIB) in fishery
- Clear sustainability and TACCs for key species – Rock Lobster, BDM, finfish
- Constant predictable harvest supply of key species
- Supply chain skills – from harvest through processing to export
- Efficient low cost seafood supply chain – owned and managed locally
- Through-chain QA and quality management – one scheme across the Torres Strait
- Approved export accreditation and skilled operators
- Direct logistic links to markets
- Product mix – need to optimise live
- Brand recognition
- One Torres Strait based seafood sector organisation

The BCA test scenarios:

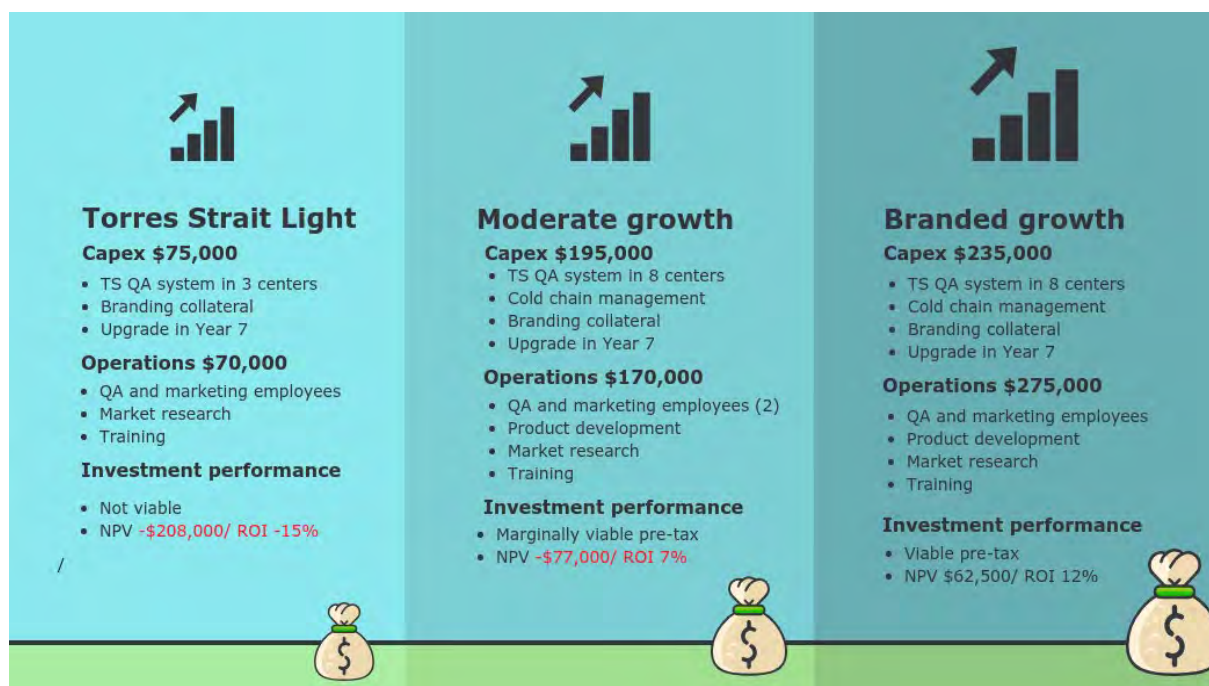
**Scenario 1:** Torres Strait light (stay in business)

**Scenario 2:** Torres Strait medium (achieve moderate growth)

**Scenario 3:** Torres Strait brand turbo (achieve fast growth)

These are summarised below. Essentially the BCA finds that a moderate growth and a branded growth strategy are both viable. Importantly, it shows that investing in only small improvements will not produce a viable result for the fishery. This is summarised in the following diagram.

**Figure 4: Three investment scenarios and potential returns**



These scenarios are based on the the model supplied as part of this report which is a locked Excel workbook file. It can be opened with the password: **TSRAopen#**. Contact the TSRA for a copy of this model. The file contains a number of worksheets labelled as follows:

**TS Contacts:** This is a list of the people contacted or consulted about this project and who have been approached for data and information that informs the BCA.

**GVP Metrics:** This is the place to start. The green cells on this sheet can be adjusted. This sheet is linked to the next sheet and once populated will provide granularity for the different harvest zones and island communities in terms of the benefit and costs of direct exporting. The total kg is based on data from ABARES for the Torres Strait Fishery.

**TS Cost Benefit Analysis:** This is the core of the BCA. The yellow cells are the initial estimates of the capacity and infrastructure investment required for each of the three investment scenarios. The green cells can be changed if new information is provided. The processing costs are based on information provided by industry sources. Further granularity can be obtained if data is provided.

**ABARES Data:** Data provided by ABARES covering the period 2004-05 to 2015-16 (the most recent data available). Provides historic values and volume data for the Torres Strait.

**TS Fisheries Licences:** Data from AFMA provided in May 2018.

**AFMA Seafood Flow:** Map of catch and product flow. Data from AFMA provided in May 2018.

**TAC and TIB Harvest:** Data predicting TAC and TIB harvest for use in BCA estimates.

## Quality Management Systems Investment

The BCA Model includes allowance for the development of a through-chain Quality Management System. The investment in such a system will depend on CAPEX facilities and the training of people to run them. The assumptions for quality management systems in each of the three BCA scenarios are summarised below.

### **Scenario 1 – TS LIGHT (STAY IN BUSINESS)**

- \$45k through-chain investment in CAPEX in three Centres – assume these are the chosen core centres. This investment would enable the three sites to deliver a standard QA system adequate to the base minimum market expectations (i.e. branded for domestic or export) for Scenario 1
- \$45k OPEX training to support the through-chain CAPEX investment. Training needs are hard to estimate as it depends on the scale and scope of existing and regularly available skills at each of the three sites. As these sites are currently operational, it is assumed an annual cost of \$45,000 would be required to identify and run one person (.5 FTE) to guide and implement a common through-chain QA system across these three sites. Part of the costs would include conducting training on all sites

### **Scenario 2 – TS MODERATE GROWTH (150% bigger than Scenario 1)**

- \$195k through-chain investment in CAPEX in eight Centres – assume the program is expanded across the Torres Strait to include seven island sites and one central Torres Strait processing facility (Horn Island is recommended), all using a common through-chain QA system appropriate to the market expectations at that level. The extra \$120,000 CAPEX (including branding) for this scenario is to enable greater Torres Strait participation by more island communities and species. The three core sites would still be the leading processing centres working to a central Torres Strait processing facility (95% of the money to establish a central plant could come from a separate funding application to the Commonwealth). These four (3+1) centres would then support and draw product from smaller cluster community centres around them, perhaps focused on a key species. It is inefficient and unnecessary for every island to have a state-of-the-art processing facility – two to three good remote QA certified centres are needed with skilled people where product is landed, processed and despatched to the central processing facility efficiently
- \$170k annual OPEX training by two retained staff to service all the centres, probably based at Horn Island once established. This would be a minimum – the staff running the central Torres Strait processing centre would also be doing training and market research to support the three main centres and the other four remote sites

### **Scenario 3 – BRAND LEVERAGE (40% bigger than Scenario 2)**

- This scenario builds on the Scenario 2 budget around a common through-chain QA system appropriate to the market expectations at that level. It does this by adding greater capability (mostly OPEX, not CAPEX) to support branding, product development and market research.

## **Branding and Marketing**

### **Marketing and Brand Strategy**

A luxury differentiation strategy was determined as the best strategy for Torres Strait products due to the unique selling propositions of the following;

- Hand caught – natural harvesting
- Ecological sustainability
- History and culture
- The stories – 100 islands, 100 totems

As a result, the luxury differentiation strategy focuses on the following seven pillars.

## ***INCLUSIVITY***

For the strategy to work, it must avoid commercial conflict with existing traders, processors, wholesalers – lobster and finfish already well established and dominated by small, medium and large processors.

## ***NICHE AND RARE PRODUCTS***

Focus on one rare/luxury product that is not mainstream (yet) that can be grown and expanded through branding stories (value-adding).

## ***LUXURY 'HIGH VALUE HERO' PRODUCT***

Develop one luxury hero product that tells the Torres Strait island story – rarity, uniqueness, etc. This can flow to other products over time once structures and branding are in place.

## ***LUXURY 'PULL' STRATEGY***

Build demand from outside through high-end aspirational consumers (e.g. Chinese luxury buyers in Brisbane/Sydney/Melbourne and Shanghai/Beijing).

## ***QUALITY ASSURANCE***

A luxury product has to do what it says it will do – delivery of the promise. Quality assurance is therefore, very important.

## ***REGIONALITY***

Added value from sub-regions (islands) identified by totems – some may be rarer than others, or have different flavour characteristics.

## ***HEALTH***

Heightened health awareness by Chinese affluent consumers leads to demand.

As a result, it was determined that the strategy should focus on hand caught BDM as the hero product that will pull through other TSF products. This can be summarised in a four stage process.

- Stage 1: Focus marketing efforts/budgets on a single unique product that best reflects place (in this case, hand caught BDM)
- Stage 2: Build awareness of this rare and unique product and place to build point of difference
- Stage 3: Pull through secondary products (e.g. Tropical Rock Lobster, Coral Trout) through leverage of place and brand
- Stage 4: Expand to other Torres Strait products (e.g. bespoke environmental tourism or native plant products)

A copy of the strategy can be found in Appendix 15.

Based on the developed marketing and brand strategy, three brand concepts and appropriate messaging was developed and presented as a series of mood boards (one for each of the three brand concept options). The mood boards made recommendations on colour palette, typography and logo style. Each brand concept also contained a draft identity for each to illustrate how the brand could develop and evolve (e.g. label, in-store poster).

During December 2017, as part of the supply chain interviews and visits, the brand pitch deck was presented to all interviewees to gain their feedback, thoughts and suggestions on the brand concepts. This feedback was then incorporated into the final brand concepts.

To supplement the brand concepts, a fully costed and budgeted brand communication implementation plan was also produced. These budgets and their recommended tactics can be found in Appendix 17. The recommended activations included:

- Website (design and build)
- Digital (content marketing in Australia and Asia)
- Advertising (design, media buying)
- Labelling and packaging
- Public relations (national and international)
- Events (launch, tastings, family visits, etc.)
- Potential strategic collaboration (e.g. Tourism Australia, other seafood/food)
- Measurement and evaluation metrics

Clarification on how the brand will be protected (e.g. the trademark ownership is yet to be determined). This is currently in progress with the TSRA undertaking a parallel process by looking at cooperative frameworks, as well as an investigation of the community management model of New Zealand Maori fisheries assets.

For a copy of the brand concepts, refer to Appendix 16. For a copy of the implementation plan refer to Appendix 17.

## Conclusion

This project has demonstrated that:

1. There is an opportunity and a willingness to develop a unified collaborative brand for the Torres Strait fisheries
2. Direct export (maintaining control and ownership through to the customer in the export market) is possible, but it will require investment in market development, supply chain establishment, export infrastructure and capacity building
3. The cost-benefit analysis shows that investing in these areas will provide a positive rate of return.
4. There is a willingness among the TSF to undertake direct export with a branded Torres Strait product

## Implications

This project has helped articulate a future pathway for whole of industry branding of Torres Strait fisheries products and outlined that direct export from the Torres Strait to the main markets of China, Hong Kong, Singapore and Japan is indeed feasible.

Importantly, it has developed key industry champions who wish to take the information presented and move forward with activation.

There are lessons to be learned from this project for other remote fisheries communities. Challenges and opportunities will be unique to those communities, however there are likely to be common

solutions that could be applied. If further work is done to support a direct export model and a collaborative unified brand, then it will become a case study for others to learn from.

There are also opportunities, particularly relating to training and capacity building for remote communities to work together.

## **Recommendations**

It is recommended that the direct export pathway and the whole of industry branding progresses forward with the following steps.

### **Communications**

- Expand the communication of the project outputs to all communities (and re-instate the project website)
- TSRA to provide hard copies of the exporter's handbook to all TSF interested in becoming exporters
- Appoint industry leaders/champions to progress the next steps by forming a group to guide the next steps

### **Marketing and Branding**

- Develop final logo and rules of use
- Undertake a branding workshop to define brand DNA elements
- Protect the brand with an appropriate trademark and determine who will manage the trademark
- Produce marketing collateral for all Torres Strait products detailing supply, product specifications, source of supply, story about the product, the region, the fishers, the community and the culture

### **Governance**

- Develop a legal entity that will be responsible for the management of a whole of industry brand and that will govern the rules of use for those that wish to collaborate and/or use the brand

### **Set Up New Supply Chains and Supplier Relationships**

- Set up a supply chain trial shipment to test capabilities and performance
- Investigate how to set up an online sales project and trial (e.g. via a platform, such as GFresh)
- Coordinate a buyer visit to the Torres Strait to see first hand the production environment and to meet the fishers and their communities
- Investigate building a domestic sales presence at Sydney Fish Market's new redevelopment and in key centres like Cairns to capitalise on the Asian visitor opportunities
- Investigate opportunities to develop value-added products and services targeting niche opportunities

### **Capacity Building**

- Concerns were raised about the availability of expertise to develop the capacity for direct export in the Torres Strait. This capacity included all aspects of establishing and growing a profitable export business (at all levels – community to region to fishery). Options for funding the development of the capacity should be explored
- Take producers to China, Hong Kong, Singapore and Japan to meet with organisations and buyers to understand first hand what the market wants and needs, as well as the undertakings of competitors. This should be a professionally coordinated itinerary for members to undertake a market investigation study



- Undertake a subsequent workshop to discuss what was found in the market (from the international visit) and develop an action plan and timetable for further engagement with the market

## Extension and Adoption

### Stakeholder and Project Team Communication

The project commenced with an introduction of Honey and Fox to the TSRA (Ms Mariana Nahas) by the PI, Ms Emily Mantilla, by telephone. This telephone meeting provided an opportunity for Ms Nahas to provide a briefing about the Torres Strait fisheries and the expectations from the project by the TSRA. Ms Mantilla provided an introduction of the team and confirmed the scope of the project. Ms Mantilla subsequently prepared and shared a project team document that outlined each team member's expertise and role in the project. This can be found in Appendix 1.

A stakeholder consultation and engagement plan (see Appendix 8) was developed to support effective communication throughout the project. As part of this plan, an online project asset portal was planned for launch that housed all the project outputs for all in the Torres Strait community to be updated on the project's progress ([www.torresstraitseafood.com.au](http://www.torresstraitseafood.com.au)). This website was planned to be updated continuously as the project progressed and widely advertised widely throughout the community by the TSRA. However, after making the website live, it was discovered that there was a commercial company using the name Torres Strait Seafood and that, while they did not have a website, it was not appropriate for the project to use the domain name. As a result, some recommended new website domains that could be activated include:

- [TSdirectexporttools.com.au](http://TSdirectexporttools.com.au)
- [TorresStraitexporttools.com.au](http://TorresStraitexporttools.com.au)
- [Directexportresources.com.au](http://Directexportresources.com.au)
- [TStoolkit.com.au](http://TStoolkit.com.au)
- [TorresStraittoolkit.com.au](http://TorresStraittoolkit.com.au)
- [TSexporttoolkit.com.au](http://TSexporttoolkit.com.au)
- [TorresStraitexporttoolkit.com.au](http://TorresStraitexporttoolkit.com.au)

The TSRA advised that they needed to see and clear all communications materials and that they (the TSRA) would be responsible for communicating with decision makers, communities and other interested parties about the project moving forward. As a result of this, all subsequent materials during the life of the project was provided to the TSRA for transfer to stakeholders.

After the initial workshop, a media release was distributed by the TSRA to various Torres Strait Island publications and posted on TSRA digital sites to communicate to communities about the project and why it was being undertaken. A copy of the media release can be found in Appendix 18.

A second teleconference meeting was held on the 1st August 2017 with Ms Allison Runck (TSRA), Mr John Ramsey (TSRA), Ms Emily Mantilla (H&F), Ms Jayne Gallagher (H&F) and Mr John Wilson (FRDC) (Ms Mariana Nahas (TSRA) and Mr Crispian Ashby (FRDC) were apologies) to discuss the next visit to the Torres Strait, to report on project progress and to discuss stakeholder communications.

Ms Nahas met with Ms Mantilla and Ms Gallagher of Honey and Fox, with Mr Crispian Ashby, FRDC and Mr Ewan Colquhoun, Ridge Partners at the 2017 Seafood Directions conference in Sydney to discuss the project and deadlines for critical visits to the Torres Strait.

Interviews were conducted with members of Torres Strait fisheries and their communities in December 2018 on Thursday Island to show the initial brand concepts and to interview fishers for the direct export

feasibility study. Discussions were also held with the TSRA regarding the interview protocol and with making arrangements for the next steps of the project both in person while on Thursday Island and via teleconference.

Visits to Thursday Island and Erub were conducted in April 2018 to undertake the export readiness gap audit and to collect data for the BCA. At the same time, another round of stakeholder consultation was undertaken with the branding concepts to get feedback on the three concepts and the marketing strategy.

A Fisheries Summit (final workshop with stakeholders) took place in August 2018 on Thursday Island. Honey and Fox provided a full project update and presented the research findings and branding concepts and implementation plan to a much wider group than those who attended the initial consultation workshop. A copy of this presentation can be found in Appendix 19.

Honey and Fox had a final teleconference with Ms Allison Runck of the TSRA on 17<sup>th</sup> October 2018 to discuss the exporter's handbook and to clarify data for Ewan Colquhoun.

Four visits were undertaken to the Torres Strait to consult with and provide information to stakeholders:

1. Visit 1: (April 2017) – Thursday Island for project initiation workshop and visit processing facilities. Visit to Badu to inspect processing facilities
2. Visit 2: (December 2017) – Cairns to visit exporters and processors. Thursday Island to conduct in-depth interviews and present initial branding concepts
3. Visit 3: (April 2018) – Thursday Island to consult on the BCA and to inspect processing facilities. Horn Island to interview and discuss the branding concepts with stakeholders. Phone discussions with stakeholders from outer Islands. Visit to Erub Island to inspect facilities and consult on BCA and branding
4. Visit 4: (August 2018) – Thursday Island to present at the Fisheries Summit and discuss with stakeholders the BCA and the marketing and branding strategy and branding concepts

## **Project Coverage**

This project has produced a number of resources for TSF (both experienced and emerging). These are listed below. All research outputs have all been made available to the TSRA for extension to stakeholders.

# **Project Materials Developed**

A significant amount of project materials were developed as part of this project, which have been provided to the TSRA as separate appendix documents for easy access to key outputs.

## **Initial Consultation Workshop**

- Torres Strait direct export and branding project team information pack (Appendix 1)
- Initial consultation workshop agenda (Appendix 2)
- Introducing Honey and Fox (workshop handout) (Appendix 3)
- Initial consultation workshop PowerPoint presentation (Appendix 10)
- Initial consultation workbook – Getting to know you (Appendix 11)
- Initial consultation workbook – Understanding Torres Strait exports (Appendix 11)
- Initial consultation workbook – Branding (Appendix 11)
- Initial consultation workshop meeting notes, outcomes and recommendations (Appendix 9)
- Initial consultation workshop media release (Appendix 18)

## **Stakeholder and Project Team On-Going Communications**

- Online project progress and asset portal – [www.torresstraitseafood.com.au](http://www.torresstraitseafood.com.au) (unpublished at request of TSRA)
- Torres Strait Seafood domain name registration
- Stakeholder engagement and consultation plan (Appendix 8)
- Supply chain analysis and branding interview templates/protocol (Appendix 4)
- Fisheries Summit presentation (final stakeholder workshop) (Appendix 19)

## **Market Research**

- Desktop market research – Cultural insights (Appendix 12)
- Desktop market research – Business model and stakeholder analysis (Appendix 13)
- Product/Market priority ranking combination (Appendix 5)

## **Export Logistics (Direct Export Feasibility)**

- Supply chain analysis report (commercial in confidence) – Not supplied as part of this report
- Supply chain analysis report (public version) (Appendix 14)

## **Legislative and Administrative Review**

- TSF Exporter's Handbook (Appendix 7)
- Review of China regulations and requirements for seafood report (Appendix 21)

## **Infrastructure Gap Analysis**

- Infrastructure review and gap audit report (Appendix 6)

## **Cost Benefit Analysis**

- Direct Export Cost Benefit Analysis and model (Appendix 22 – contact the TSRA for a copy)

## **Branding and Marketing**

- Marketing and branding strategy (Appendix 15)
- Branding concepts (Appendix 16)
- Branding concept interviews with TSF report (Appendix 20)
- Branding and marketing implementation plan (with budget roll out options) (Appendix 17)

**Appendices: Provided separately to this final report. Please contact the TSRA or the FRDC to obtain copies**