

Course Manual

Business Strategies

For Fisheries and Aquaculture



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BUSINESS STRATEGIES FOR VENTURING INTO FISHERIES ENTERPRISES

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Introduction

The Indian nation is on the move. The people are astir. The economy is developing Agriculture is blooming. Industry is booming. The legacy of self-deprecation and self-doubt inherited from the colonial period has given way to a newfound dynamism, confidence and sense of self-determination. No longer harping critically about its past, the country has come to recognize its commendable achievements and become aware of the tremendous opportunities which the future holds for even more rapid progress. This change in attitude and this emerging consciousness of opportunity are the most essential ingredients for accelerating development.

Fisheries, is one of the fastest growing food sector in the world .the fisheries sector has emerged form the crutches of a mere subsistence activity towards a commercially viable enterprise, enterprise .The food security problem in India has been alarming due to the rapid growth of population and the reduction of the per capita land. The current scientific, economic, environment and social trends are forcing farmers and policy makers to look for alternatives to fulfill the nutritional requirement for the growing population. Fish with an average of 18-21 percent protein can be the best alternative in this context. Fisheries sector have been playing an important role in the national economy through improved food supply, employment and income. The seafood exported from India in terms of volume is 4.6 lakh tonnes and Rs.6800 crores in terms of value. Fish farming practices hold promise for many small farmers and potential significant benefits for strengthening the rural economy. How fast farmers adopt fish farming practice depends on economic opportunities and incentives. Available resources, technical information, market forces, environment society, research priorities and government policies influence these incentives.

Different Fish Business Enterprises

There are numerous fisheries enterprises, which had been evaluated, based on the performance for their economic feasibility and commercial viability.

AN ECOLOGICALLY SOUND, ENVIRONMENT FRIENDLY, SOCIALLY ACCEPTABLE, TECHNOLOGICALLY SOUND INVOLVING ALL THE STAKEHOLDERS IS SUGGESTED.

Some of the eneterprises, which are commercially viable, are listed below

1. Poly carp culture
2. Shrimp farming
3. Prawn farming
4. Catfish culture
5. Seaweed Culture
6. Integrated fish farming
7. Mussel/Clam culture

8. Clam culture and Oyster culture
9. Brackish water aquaculture of sea bass, mughil and
10. Value addition of fishes
11. Carp hatchery
12. Shrimp hatchery
13. Prawn hatchery

Pre requisites for a business

Starting a business is risky. One thing you can do to improve your odds is to conduct some careful planning, preparation, and insight. If you can evaluate your strengths and weaknesses before you start, you'll not only know whether starting a business is a good idea, you'll also be able to concentrate on areas where you may need help.

Here are some questions to reckon with:

- Are you a self-starter? You're on your own to start projects, follow through, and pay attention to the details. You need to be able to manage your own time.
- How well do you get along with different personalities? Business owners need to develop working relationships with a variety of people including customers, vendors, staff, bankers, and professionals such as lawyers, accountants or consultants.
- Can you deal with a demanding client, an unreliable vendor, or a cranky receptionist if your business interests demand it? How good are you at making decisions? You'll constantly need to make them quickly, independently, and under pressure.
- Do you have the physical and emotional stamina to run a business? Business ownership can be exciting, but it's also a lot of work. Can you face six or seven 12-hour workdays every week?
- How well do you plan and organize? Research indicates that poor planning is responsible for most business failures. Good organization - of financials, inventory, schedules, and production - can help you avoid many pitfalls.
- Is your drive strong enough? Running a business can wear you down emotionally. Some business owners burn out quickly from having to carry all the responsibility for the success of their business on their own shoulders. Strong motivation will help you survive slowdowns and periods of burnout.
- How will the business affect your family? The first few years of business start-up can be hard on family life. It's important for family members to know what to expect and for you to be able to trust that they will support you during this time. There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk in the short-term.
- Success in business is never automatic. It isn't strictly based on luck - although a little never hurts. It depends primarily on the owner's foresight and organization. Even then, of course, there are no guarantees.

Why Small Businesses Fail

It is heartening to state that starting a small business is always risky, and the chance of success is slim. It has been found that, over 50 percent of small businesses

fail in the first year and 95 percent fail within the first five years. The basic reasons for the failure of the small business include:

1. Lack of experience
2. Insufficient capital (money)
3. Poor location
4. Poor inventory management
5. Over-investment in fixed assets
6. Poor credit arrangements
7. Personal use of business funds
8. Unexpected growth
9. Competition
10. Low sales

Don't fall into the trap of starting a particular business just because someone tells you, "It's a sure thing." Potential customers will part with their hard-earned money only if you convince them that they're getting their money's worth, so you'll need to know what you're doing, no matter what the task.

Business Planning and Strategies

Underestimating the difficulty of starting a business is one of the biggest obstacles entrepreneurs face. However, success can be yours if you are patient, willing to work hard, and take all the necessary steps. It is often told that well planned is half done. On the context of starting a fish business enterprise as like in any other business the most important requirement is to furnish a well conceived goal oriented business plan. The plan will provide a direction for action and divide the entire business into milestones and targets are envisaged. As a result of completing the plan they will be much better prepared and know whether or not their business idea is feasible. The business strategy should be based on substantial experience or knowledge about the area of expertise

The nine-pronged strategy which will help in enunciating a well-planned business is as follows

How is your fish business unique, and why will your goods or services appeal to customers and market? What are the primary differences between your firm and your competitors? What are the driving factors to choose your business over another? In other words, what is the underlying reason a customer would do business with your company?

a) Define your business & vision

Defining your vision is important. It will become the driving force of your business. Here are questions that will help you clarify your vision:

- Who is the customer?
- What business are you in?
- What do you sell (product/service)?
- What is your plan for growth?
- What is your primary competitive advantage?

b) Write down your goals

Create a list of goals with a brief description of action items. If your business is a start up, you will want to put more effort into your short-term goals. Often a new business

concept must go through a period of research and development before the outcome can be accurately predicted for longer time frames.

Create two sets of goals:

1. Short term: range from one to two years.
2. Long term: can be two to ten years.

Explain, as specifically as possible, what you want to achieve. Start with your personal goals. Then list your business goals. Answer these questions:

- As the owner of this business, what do you want to achieve?
- How large or small do you want this business to be?
- Do you want to include family in your business?
- Staff: do you desire to provide employment, or perhaps, you have a strong opinion on not wanting to manage people.
- Is there some cause that you want the business to address?
- Describe the quality, quantity and/or service and customer /market satisfaction levels.
- How would you describe your primary competitive advantage?
- How do you see the business making a difference in the lives of your customers?

c) **Skills and training**

Do you have the skills needed to produce the product or produce the services. If not, can you learn them?

Can you learn how to make the product or provide the service?

You need to know:

- What type of skills are required?
- Do you have the physical ability to do the tasks required?
- Are you interested in learning the needed skills?
- Does someone in the group or a person in the local community already have the necessary skills and does s/he have the capacity to teach it to others?
- How long will the training be? *and*
- What will it cost?

d) **Understand your customer**

It is not realistic to expect you can meet the needs of everyone, no business can. Choose your target market carefully.

- Needs: what unmet needs do your prospective customers have? How does your business meet those needs? It is usually something the customer does not have or a need that is not currently being met. Identify those unmet needs.
- Wants: think of this as your customer's desire or wish. It can also be a deficiency.
- Problems: remember people buy things to solve a specific problem. What problems does your product or service solve?
- Perceptions: what are the negative and positive perceptions that customers have about you, your profession and its products or services? Identify both the negative and positive consequences.

You will be able to use what you learn when you start marketing and promoting your business.

To find possible customers (*how much they want and at what price*), we must find answers to the following questions:

- What price will people offer for your product?
- Who will buy or who are the customers and where do they live?

- How often and for how long will they buy; will they be prepared to buy every market day, continuously after 3 months?
- Are there any competitors? *and*
Where will raw materials come from and at what price?
Can you obtain the raw materials, tools and equipment, which will be used in the business?
It is especially important that the materials needed can be obtained within the locality as often as they are needed
If something like equipment is to be imported, then it must be well known and arrangements for purchase and maintenance are made.

To find out what customers are willing to buy and pay, you can visit and observe customers in a market, and talk to people who are interested in your product.

d) Learn from your competition

You can learn a lot about your business and customers by looking at how your competitors do business. Here are some questions to help you learn from your competition and focus on your customer:

- What do you know about your target market?
- What competitors do you have?
- How are competitors approaching the market?
- What are the competitor's weaknesses and strengths?
- How can you improve upon the competition's approach?
- What are the lifestyles, demographics and psychographics of your ideal customer?

e) Financial matters

Production Costs (*Expenses*)

All costs related to any micro enterprise must be explored and considered.

Even the long-term expenses relating to equipment, like annual depreciation, should be worked out so that the entrepreneurs know the full costs before venturing into business.

- Identify all the items (*inputs*) needed to produce or sell;
- Calculate the cost of getting them for the production of a specific quantity;
- Identify Production Inputs:
 1. Raw materials: These are items required to produce a product;
 2. Equipment: These are the tools, implements and machinery required to produce a product;
 3. Labour: This is human effort directly involved in the production process. All salaries and wages, including the family plus other expenses on workers should be included in this cost;
 4. Transport: This consists of the cost of transporting raw materials for production and finished goods to the market or to buyers;
 5. Other expenses: These are all other costs that cannot be classified with the above and include: utilities like water, fuel, repairs, and interest on loans.
- Calculate the total production cost.
 - Total cost of producing or selling will be arrived at by getting total of 1-5 i.e.
 - Total cost = 1+2+3+4+5

Cost per unit = total cost divided by number of units produced.

Production Income (*Sales*):

It is important to remember that money we get from selling the product or service must pay for three things:

- All production costs;
- Labour expenses; *and*

Maintenance and replacement costs for tools, equipment and machinery. When added together, these three are called recurrent expenses. Every year sales must at least be equal to recurrent expenses, or the enterprise will lose money and the business will collapse.

When starting a micro enterprise, there are also start-up costs: These are costs that will have to be met before any product or service is sold. Start-up costs usually include cost of tools, machinery and furniture as well as any goods. It usually takes six months from the time someone starts a business until she is able to make a profit.

How will you make money? What is your break-even point? How much profit potential does your business have? Take the time to invest in preparing financial projections. These projections should take into account the collection period for your accounts receivables (outstanding customer accounts) as well as the payment terms for your suppliers. For example, you may pay your bills in 30 days, but have to wait 45-60 days to get paid from your customers.

A cash flow projection will show you how much working capital you will need during those "gaps" in your cash position.

1. Start up Investment
2. Assumptions
3. Running Monthly Overhead
4. Streamlined Sales Forecast
5. Cumulative Cash Chart
6. Break-even Charts

f) Identify your production planning and marketing strategy

Your main concern is to find out how your micro enterprise will operate from beginning to end,

ie how each product is produced, or bought and sold

You need to know the following:

- What is the production cycle (*daily, weekly, bi-weekly, monthly*)?
- What quantity is produced (*level of production*)?
- What is used in production (*raw materials*) and are they readily available?
- Who will assist you? *and*

What special skills do you need and how do you acquire them?

This will help to determine the ways and means as well as the raw materials that will be needed to achieve high output

There are four steps to creating a marketing strategy for your business:

- Identify all target markets: define WHO is your ideal customer or target market. Most companies and business firms experience 80 per cent of their business from 20 per cent of their customers. It makes sense then to direct your time and energy toward those customers who are most important.
- Qualify the Best Target Markets: the purpose of this step is to further qualify and determine which customer profile meets the best odds of success. The strategy is to position your business at the same level as the majority of the buyers you

are targeting. It is critical to figure out who your best customers are and how to best position your company in the marketplace.

- Identify Tools, Strategies and Methods: a market you cannot access is a market you cannot serve. Marketing is the process of finding, communicating and educating your primary market about your products and services. Choose a combination of tools and strategies, that when combined, increase your odds of success.
- Test Marketing Strategy and Tools: the assumptions we do not verify are typically the ones that have the potential to create business problems. Take the time to test all business assumptions, especially when you are making major expenditures.
- If you want to work for yourself, but don't have a particular business in mind, you're probably wondering what kind of business you should start. Fortunately, the answer is always the same: Start a venture you know intimately.

Selling Place

Can you find a suitable place to sell from? You may want to sell the product: In a local area only; Elsewhere (*eg export*); or In both a local and in a wider area.

Most businesses find it best to start selling in a local area and later think about expanding outside the community when your business is running well. Here are some possible places to sell. You may think of others also

- At a local weekly market;
- At a town daily market;
- On a roadside where many people pass;
- To a wholesaler
- To a marketing board;
- To an international market

g) Choosing a business you know

Starting a business in which you already have experience has many advantages: You can use your knowledge about the industry, your training and skills, and your network of contacts, who might help you find financing, suppliers and customers.

If you're interested in turning something you know and love into a business, talk to people you've worked with about what it takes to run that kind of business. Learn all you can about start-up costs, overhead and expenses and how much revenue you can expect to make. If you have several interests, but aren't sure which would make the best business, consider how you can translate your strengths, education and skills into business opportunities, and research the marketplace to see which types of business are presently needed in your area.

Unfortunately, the lure of quick profits convinces many people to start businesses in areas they know little or nothing about. This is a sure recipe for failure.

If you don't know much about the business you want to start, but are set on it, be prepared to spend enough time learning it before you begin.

After going through all the above, then you may decide whether the enterprise is worth the efforts put in.

Among the available alternatives, you should be able to choose the best enterprise:

- Look at the micro enterprise that will make the highest profit.

- Do you think it is a good micro enterprise to embark on?
- If not, look at the micro enterprise that will make second highest profit;
- Finally, make a choice; *then*

Check with others so that other groups and individuals in the community are not intending to start the same micro enterprise to avoid competition.

h) Research and evaluate your business idea

Here's a step-by-step guide to evaluating whether you and your chosen business are a good fit.

- Try it out: Before you start a business of your own, get some experience in the industry or profession that interests you -- even if you work for free. Learn everything you can about every aspect of the business.
- Talk to Entrepreneurs in the Same Field: If you're not familiar with the business you want to start and you're unable to find work in the field, talk with others who provide the product or service that interests you. To increase your chances of getting interviews and reliable answers to your questions, it's best to do this in a different locale from the one in which you plan to locate. Small business owners are often quite willing to share their knowledge once they are sure you will not compete with them.
- Evaluate whether you enjoy the work and excel at it: If not, find a new venture. It's a lot harder to make a success of a business you don't like, and it's unlikely you'll like something you're not good at. If you enjoyed the work and determined you were skilled enough to base your own business on it, go on to the next step.
- Judge your ability and desire to handle every aspect of the business: If you don't want to or can't pitch in wherever and whenever something needs to be done -- whether it involves manufacturing a product, dealing with customers or keeping the books -- you should think twice about starting that kind of business.
- Determine whether the business has a solid chance of turning a profit: After working in the field for a few months, you should have a good idea of whether the business is a potential moneymaker. To be sure, you should analyze your market and conduct a break-even analysis, a preliminary financial projection that shows you the amount of revenue you'll need to bring in to cover your expenses (this amount is called your break-even point). If you're able to bring in more revenues than your break-even point, you'll be in the black (that is, you'll make a profit).
- Evaluate the risk this particular business requires: Even the best-laid plans can sour if you pick an unusually risky business. There is an inherent risk involved in all business. The evasion of the risk and uncertainties of the business depends upon the amount of the diversification incorporated in to the business. The market news and market intelligence will help to curb the risk and uncertainties at a manageable level

i) Know your industry before you start

You also need to explain the type of business you're in. You'll be expected to explain the general state of your industry and the nature of the business, especially if your plan is going outside your company to banks or investors. Whether you're a service business, manufacturer, retailer, or some other type of business, you should do an Industry Analysis, describing the different Industry participants, distribution Patterns and competition and buying patterns. Also it is important that a complete analysis of the Main competitors. This includes listing

the main competitors. What are the strengths and weaknesses of each? Consider their products, pricing, reputation, management, financial position, channels of distribution, brand awareness, business development, technology, or other factors that you feel are important. In what segments of the market do they operate? What seems to be their strategy? How much do they impact your products, and what threats and opportunities do they represent?

Requirements for initiating a fish business enterprise- the case with an aquaculture project

In order to ascertain whether an aquaculture investment project is feasible or not, a cooperative evaluation should first be conducted by both the biologist and economist. Only those species and projects that are suited to the local environment and are biologically feasible for development should be considered. Thereafter, a socioeconomic study can be undertaken. Basically, an economic evaluation includes both the production and marketing functions.

1. The first requirement for any aquaculture investment project in both the public and private sectors is the availability of suitable land and water resources.
2. The species selected for development should be adapted to the local environmental conditions and the stocking materials and suitable feed should be readily available at reasonable cost. The species should also be fast growing and culture technology should be locally available.
3. There should be no legal constraints on development (this is particularly important for private investors).
4. The products of the investment project should have a high market demand with a reasonable price.
5. The investment project should be financially lucrative compared to other investment opportunities for private investors and should also be socio-economically feasible with alternative means of achieving the national objectives for public investment. Private investors usually use profitability as a measure of financial feasibility when assessing commercial aquaculture projects, and public officials usually consider socio-economic benefit-cost and/or the social internal rate of return as measures of economic feasibility along with some qualitative judgments.

In order to evaluate the feasibility of an investment project in aquaculture, one must consider six criteria :

- Resource availability,
- Environmental suitability,
- Biological feasibility,
- Market potential,
- Economic feasibility, and
- Institutional feasibility,

6. It is also important to realize that many variables ought to be considered for each criterion. Each variable can be assessed as favourable, partially favourable, unfavourable, etc. Each ranking can then be scored (or coded) numerically—weighted or unweighted. Next, a general score or code can be assigned to each criterion after evaluation of all the sub scores and codes, and the bio-economic feasibility can be determined by weighting the general score or code for each criterion. This procedure can be varied to suit particular projects. (Appendix I)