

Sea Fish Industry Authority : University of Hull  
Joint Study

The  
Inland Wholesale  
Fish Markets

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**3. The Distribution of Fresh Fish**

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Technical Report No. 347

July 1988

David Symes

SEA FISH INDUSTRY AUTHORITY : UNIVERSITY OF HULL

JOINT STUDY

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3. THE DISTRIBUTION OF FRESH FISH

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## PREFACE

This is the final report of the Joint Study of the inland wholesale fish markets in Great Britain undertaken by Sarah Maddock (Humber College of Higher Education), John Tower (Seafish) and David Symes (University of Hull). Previous reports have described the position of the markets as seen first by the merchants and then by their customers, relying heavily upon the analysis of questionnaire data. The nature and scope of this final report is different. It takes a much broader look at the inland distribution of fresh fish; it offers a critical analysis of the inland wholesale markets; and it outlines a basic strategy and programme of action for coping with the pressures of increasing competition in the 1990s.

We must express our grateful thanks for the invaluable information and advice received from a wide range of sources during the final stages of the Joint Study. These would include merchants at Billingsgate, Birmingham and Manchester who generously responded to a second round of discussions, and to the Chief Executive of the London FMA, the Superintendent of the Billingsgate Market and representative of the T. & G.W.U. at Billingsgate. In addition we found our interviews with personnel at Grimsby FMA, Ross Fish, Marr International, MAFF and Food From Britain provided a refreshing new perspective on the problems we were dealing with. Notwithstanding these acknowledgements, responsibility for the opinions expressed within this report must lie solely with the author, David Symes of the University of Hull.

David Symes,  
July, 1988.

THE INLAND WHOLESALE FISH MARKETS  
3. THE DISTRIBUTION OF FRESH FISH

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THE INLAND WHOLESALE FISH MARKETS

3. THE DISTRIBUTION OF FRESH FISH

CHAPTER 1 INTRODUCTION

1.1 Identifying the Problem

The problems confronting the inland distribution of fresh fish can be described quite simply. The purpose of any distribution system is to bridge the separations in both time and space between patterns of supply and demand. This is a particularly difficult task in the case of fresh fish. First, it is a highly perishable commodity which demands rapid transfer from landing port to final point of sale and benefits from primary processing before embarking upon the overland haul. Secondly, it is characterised by seasonal variation in species availability and short run fluctuations in the levels of supply and price. Thirdly, it is a heterogeneous commodity in both species and size composition which makes for difficulties in grading and quality control. And, fourthly, it suffers from inelasticities of demand, though the price instability of fresh fish has encouraged its substitution by the more stable priced frozen fish in certain sectors of the market.

But, by far the greatest problem is that posed by the extreme spatial separation between points of supply (the landing ports) and the areas of greatest demand concentrated in the large inland conurbations. Because of the very nature of the fish catching industry, supplies not only originate in geographically marginal locations around the coast but are also fragmented into a very large number of separate supply points.

The top ten landing ports in 1985 accounted for 68% of UK vessel landings, leaving a significant balance to be shared among several hundred small ports and harbours. These inherent factors of spatial separation and fragmentation were made much worse in the 1970s as the result of the collapse of the distant water fishing industry which had been concentrated on the Humber ports (see Chapter 3). There is the further factor that today 55% of the fish sold in the UK derives from foreign sources. The coordination of supplies within the marketing and distribution system is thus a major management problem.

The present inland distribution system for fresh and frozen fish, summarised in Figure 1, has altered significantly in emphasis over the past 40 years reflecting changes in the structure of the catching industry, new food technologies, and changing consumer and retailing patterns. In the immediate post-war period the inland wholesale markets were central to the distribution system. Since that time their position has been increasingly marginalised by the strength of competition from alternative forms of distribution - direct deliveries from coastal processors depots and independent wholesalers. Not that these 'other factors' have made a late entry upon the scene - in most cases they date from the pre-war period - but for various reasons they have been better able to adapt to the changing circumstances surrounding fresh fish distribution.

## **1.2 Method of Analysis**

This study was asked to consider the present and future position of the inland wholesale fish markets in the light of changing conditions. The problem has been approached from two different directions. The initial approach was to gain a merchant's eye view of the situations through interviews on a large number of inland markets. Results of the interviews of 110 merchants on a total of 9 markets are presented in Volume 1 of this report (The Inland Markets Survey) which is, in effect, a self-portrait of the markets in the late 1980s. To complement this picture, a 'postal survey' of the markets' principal customers - the fishmongers, general food retailers and fish friers - was undertaken to gain some insight into their buying behaviour and opinions of the inland markets. Volume 2 (The Retail Survey) describes the results.



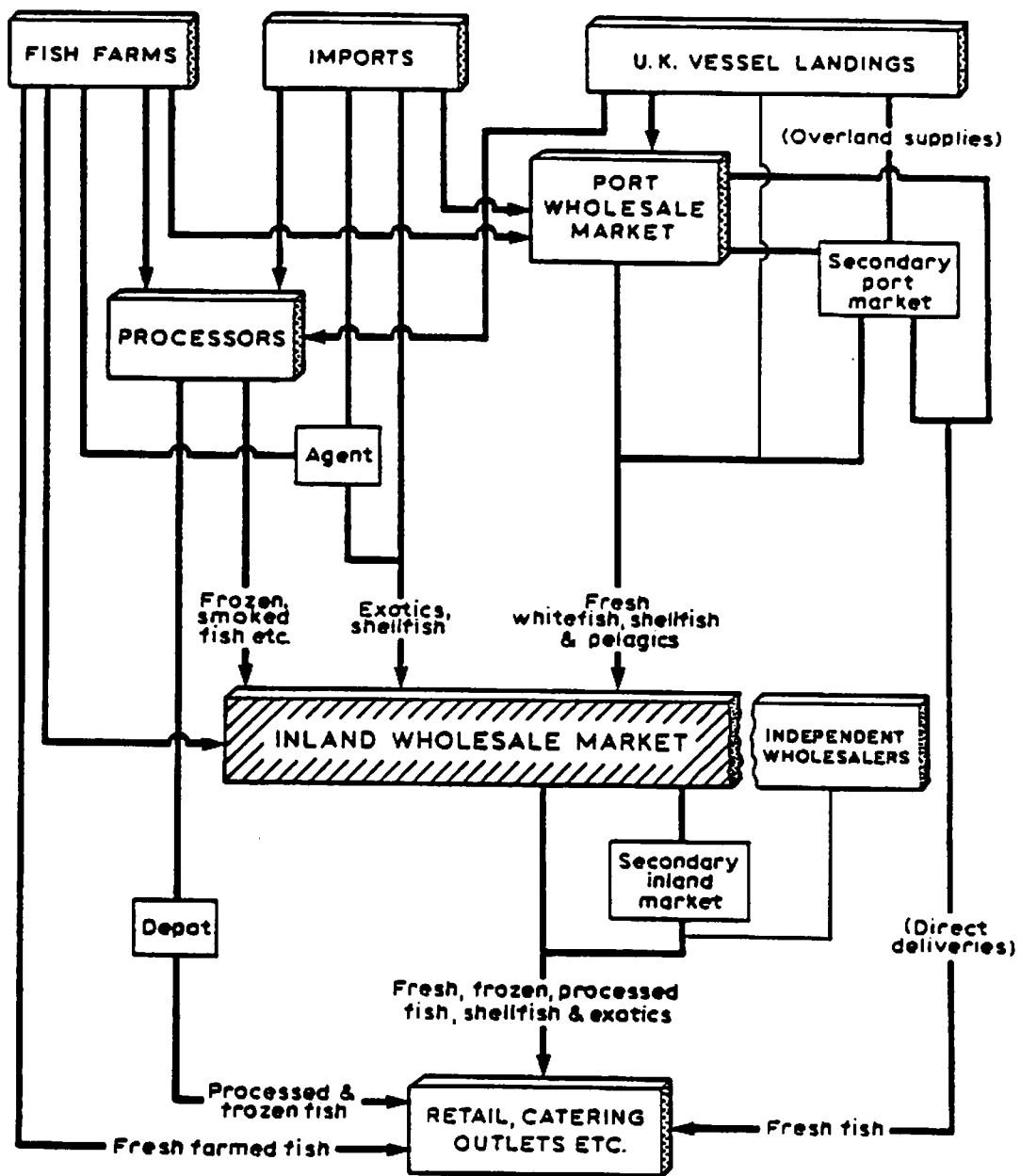


Fig. 1. The inland distribution systems for fish

For this third and final report, the investigation has been widened still further to include the opinions of the 'other actors' within the distribution chain and certain elements of the policy making machine. Interviews have taken place with Grimsby FMA, Marr Frozen Foods, Rossfish and two independent wholesalers. These have allowed us to place the inland markets more firmly in the context of the distribution system as a whole.

### 1.3 Scope and Organisation of the Report

The purpose of this final report is not to reiterate the findings of the earlier reports, though reference to these will be made where necessary. It is instead to provide a critical assessment of the markets' present position and to outline a strategy for their future. Chapter 2 briefly reviews the main findings of earlier reports by Taylor (1960) and Perkins (1969) on the state of the inland markets, while in Chapter 3 the more recent changes affecting supplies, demand and retailing behaviour are summarised. Chapter 4 offers a short, essentially descriptive analysis of the rival systems of inland distribution of fresh fish and this is followed in Chapter 5 by a critical perspective on the inland markets in the 1980s. An attempt is made (Chapter 6) to identify those factors which in the following decade will provide the inland markets with their most formidable challenge yet. In Chapter 7 a strategy for the survival of the inland markets is outlined; this is not a search for specific solutions to the problems of particular markets but a broader plan for the inland markets as a whole. And, finally, a programme of action for all inland markets in general is presented in Chapter 8.

## CHAPTER 2

## EARLIER REPORTS ON THE INLAND MARKETS

- 2.1 Remarkably little attention has been paid to the inland distribution system for fresh fish during the post-war period. Indeed, it is now nearly 20 years since the last major review of the inland wholesale markets.
- 2.2 The important pioneering work by Taylor (1960), The Economics of White Fish Distribution in Great Britain, based upon investigations during the period 1955-8, coincided with the zenith of fortunes for the fishing industry - a time when 70% of the UK catch was taken by the distant-water fleet, before the significant capture of markets by frozen fish and when railways were the principal carriers of fish to the inland markets. Large quantities (in the region of 200,000t fillet weight) were traded through the inland markets, despite the growing competition from direct consignments by the port merchants with lower distribution costs. A major factor behind the continuing importance of the inland markets was the lack of product standardisation, rapid fluctuations in the level of supplies and the fact that most retailers preferred the buy-on-inspection at the market rather than by specification from the port. The inland markets were seen to provide important outlets for fish from the smaller ports which lacked effective marketing organisations. The future for the inland markets was assured, though Taylor advocated the resiting of markets away from the centres of major cities in a series of several peripheral markets to avoid traffic congestion.
- 2.3 Little had changed by the time Perkins (1969) produced A Study of Inland Fish Wholesale Markets for the White Fish Authority, except that the former pre-eminence of rail transport of fish from the coast had been undermined by competition from road transport. There are striking similarities between Perkins' study and the present analysis, not only in the way in which information was gathered but also in the findings. The inland markets' role was essentially construed as providing an

important link in the marketing chain for fish landed in Scotland and at the smaller English ports and as a point of assembly for a diverse range of fish and shellfish catering mainly for the fishmonger. 80% of the markets' business was with customers within a 15 mile radius of the market and in small transactions to the retail trade. The volume of fish sold through the inland markets had declined by 40% since 1956. This was attributed to (i) the fall in the number of fishmongers, (ii) the development of alternative links in the distribution system, and (iii) the growth in the consumption of frozen fish. The response on the markets was for larger firms to increase turnover at the expense of smaller firms, diversification of business structure both within and beyond the market and the introduction of cost-saving measures. As a result the number of merchants trading at the inland markets had fallen less sharply than the decline in the volume of fish handled.

- 2.4 More recent commentaries have added remarkably little to our understanding of the inland market system. Rosson (1975) reviews Perkins' earlier analysis and concludes that further closures and rationalisation appear inevitable, while Goulding (1985) simply ignores the intermediate links between coastal market and retail outlet.
- 2.5 In the early '80s, Seafish launched a number of market-related enquiries though few of these focused attention on inland distribution and the role of the inland wholesale markets. Marketing British Fish (SFIA, 1983a), for example, proposed a plan of action to (i) improve prices and sales through promotional campaigns, (ii) secure greater regularity of supply, (iii) improve the quality of fish at all points in the distribution chain, and (iv) develop new products and better presentation to the customer. Yet the report contains no reference to the inland markets, preferring instead to highlight the system of direct deliveries from port merchant to retail customer. Other reports (SFIA, 1983 b,c) referred to the impact of handling and transport on the quality of fish at its final point of sale.

Only two studies have an immediate bearing on the present analysis. In 1983 SFIA undertook a limited study of the inland distribution system, including an examination of selected delivery systems and surveys of the wholesale market at Birmingham and of the retail trade in parts of industrial northern England. The Interim Report (1983d) reached no firm conclusions but commented critically on two particular points relating to the role of the wholesaler; first, the limited flows of information between the inland market and coastal port covering matters of quality and price; and secondly the lack of anticipatory and reactive action on the part of merchants in face of fluctuations in supplies.

In the following year BRS Consultancy Services were commissioned by Seafish to prepare A Study of Fresh Fish Distribution in the UK (SFIA, 1984), concerned essentially with the efficiency of the network of deliveries from coastal markets. Computer simulations were used to examine the potential for cost savings through greater integration among existing road haulage services. An optimal saving of 10-17% was estimated to arise from an integrated system of secondary deliveries from inland wholesale markets and distribution depots.

Although several of the reports referred to above drew attention to the declining volumes of fresh fish entering the inland distribution system and recognised the particular plight of the inland wholesale markets only a few made specific recommendations to resolve the problems. In general, therefore, the inland markets have been left to find their own solutions.

### CHAPTER 3    CHANGING PATTERNS OF SUPPLY AND DEMAND

3.1     In the two decades which followed the publication of Perkins' report in 1969 profound changes have affected the pattern of fish supplies to the UK market, fish retailing behaviour and patterns of fish consumption. Each in turn has caused severe problems for the inland markets which over the same period have had to face increasing competition from alternative links within the distribution system. In this chapter we examine the dramatically changing contexts of supply and demand within which the inland markets now operate.

#### 3.2    Supplies

The 1970s dealt two devastating blows to the UK fishing industry. The more serious repercussions arose from the declaration of Exclusive Economic Zones (EEZs) throughout the whole of the North Atlantic fishing grounds. As a result the distant water fleet, which in the '60s had been landing upto 70% of the UK demersal catch, was denied access to many of its traditional grounds. One possible solution - the redeployment of fishing effort into home waters - was frustrated by British accession to the European Community (EC) and the surrender of overall responsibility for management of coastal fisheries to the Common Fishery Policy (CFP). The imposition of national catch quotas for all food fish species throughout the so-called 'British Seas' has effectively constrained the U.K.'s fishing industry's ability to satisfy market demand.

The detailed consequences of this period of severe dislocations of fish supplies have been examined elsewhere (SFIA, 1985). It is sufficient here simply to summarise the main developments:

- in the period 1975-87, UK vessel landings declined by 39% from 579,000t to 352,000t of demersal fish;
- there has been a compensatory increase in imports from 111,000t to 329,000t (+196%);

- as a result, total supplies have declined only marginally from 690,000t to 682,000t (-1.2%);
- in the case of cod, Britain's most popular species, landings fell by 63% from 240,000t to 90,000t. Cod imports in 1987 (125,000t) accounted for nearly 60% of total supplies. Yet despite these substantial imports, total supplies of cod in 1987 failed to match the level achieved by UK vessel landings in 1975. Supplies of haddock and plaice remained much more stable with the UK vessel landings falling by less than 10% over the same period;
- the fishing of basically younger stocks of cod and haddock in the North Sea has meant that a much higher proportion of these species is now landed in the less popular smaller sizes;
- competition for supplies has increased due to the greater presence of foreign buyers at the landing ports. But in 1987 exports of fresh or chilled fish accounted for only 11,000t or 11% of total wetfish supplies available to the UK market;
- the collapse of the distant water sector and the increased concentration on inshore fisheries in the northern North Sea and West of Scotland has brought about an emphatic switch in the centre of gravity for the catching industry away from Humberside and towards North East Scotland. Scotland increased her share of demersal landings from 43% in 1975 to 68% in 1987. Thus the spatial separation between the landing port for UK caught fish and the final point of consumption has greatly increased;
- the south coast fisheries have also grown in importance, contributing to the greater diversity of species available to the UK market;

- in general, the share of total landings at the smaller inshore ports has increased;
- as 80% of the imports of demersal fish enter the UK through the Humber ports, the Humberside coastal markets have managed to retain their importance despite the loss of their distant water fleets.

Overall these changes have greatly added to the difficulties of the inland distribution system and especially of the inland wholesale markets. A basic shortage of raw materials, fluctuations in the level of supplies, a more widely dispersed spatial pattern of landings, greater distances of overland transport all exacerbate the problems of uncertainty.

### 3.3 Consumption

Changing patterns were considered in some detail in Part II (The Retail Survey). In summarising the trends it can be noted that:

- the broad downward trend in total fish consumption has been arrested.
- nonetheless, household expenditure on fish remains low - 50p per person per week or 0.5% of total household expenditure on food.
- the decline in the proportion of fish consumed as fresh fish continues, as increasingly the consumer turns to frozen, prepared and processed forms; consumption of fresh fish accounts for 25% of all expenditure on fish consumed in the home, a mere 12.4p per person per week;
- patterns of consumption vary considerably both according to social factors and geographical location. In particular, levels of fish consumption tend to increase with age - young households with children under the age of 16 eat least fish;



pensioner households have the higher weekly expenditure on fish. Regionally fish consumption tends to decline away from the North Sea coast. This is particularly noticeable in the case of fresh fish where, in the past at least, quality (i.e. freshness) has been a function of distance travelled. The exceptions to this rule are the West Midlands and S.E. England where efficient inland distribution systems have overcome the physical and psychological barriers. Several regions are also characterised by strong traditional preferences for particular species.

The inland markets which trade substantially in fresh fish have been severely affected by the decline in fresh fish consumption though turnover values have benefitted from rising unit prices for fish and by an increase in the consumption of higher value species, including both shellfish and exotics which represent a growing but still small share of the markets' trade. Normally inland markets will tend to reflect the consumer preferences of their regional catchments. In this context the more narrowly based, low expenditure, traditional northern regions (Scotland, Northern, North West and Yorkshire and Humberside) contrast with the more diverse and dynamic patterns of consumption in the more affluent south.

### **3.4 Purchasing Behaviour**

Patterns of consumption and of retailing behaviour are closely interlinked. In the food industry in general the growing preference for convenience foods - processed, portioned and pre-packed - with a longer shelf or freezer life can be correlated with the increasing concentration of food sales within a limited number of multiple-outlet firms. There are a number of reasons for this, mainly concerned with changes to the social structure of the household and to family life; they include small households, a high proportion of working housewives with limited time for both shopping and meal preparation and the increasingly fragmented and casual system of meal times. 41% of general food sales are now controlled by the 10 largest multiple firms. Levels

of concentration in fish retailing are very much weaker. Overall only 16% of fresh fish sales are handled by the leading multiples. But their influence is expanding especially in the frozen, processed and prepared fish sectors. The major multiples have been comparatively slow to involve themselves in fresh fish sales but trade in pre-packaged chilled fish is increasing significantly and the number of wetfish counters is growing. The significance of these developments for the inland markets is considerable. Most multiple groups opt for systems of regular planned central buying that guarantees standardisation of product throughout their retailing area. As a result the multiples by-pass the inland markets buy their fish direct from the larger primary processors at the coast and distribute through their own depots or other dedicated networks. Further growth of supermarket sales of wetfish at the expense of the High Street fishmonger is bound to detract from the inland markets' trade. One area of relative weakness in the urban retailing structure is to be found in the newly built, outer suburbs of our expanding urban centres. Although suburban shopping patterns are dominated by the supermarket, the relative absence of the fishmonger from the neighbourhood shopping centre has opened the way for mobile fish traders. These 'vanmen' purchase their supplies of wetfish mainly from the inland markets or directly from the coast.

Decline in purchases of wetfish for consumption in the home has been in part offset by the greater buoyancy of the catering sector - notably the hotel and restaurant trades. This clearly represents an area of opportunity for the inland markets especially in the more affluent southern parts of Britain where high regional incomes and a strong tourism industry combine to boost the private catering trade. The evidence suggests that the inland markets are failing to seize the opportunity - only a third of purchases made by the catering sector are from the inland markets, with a further fifth from retail outlets. Many of the larger hotel and restaurant chains (and a number of brewery groups) have adopted the central buying behaviour of the multiple retail groups. It is the smaller family run catering businesses that have tended to buy direct from the inland market or indirectly through local fishmongers. But like the fish friers, with whom they have many features

in common - not least the unsocial hours of work - they are also looking to direct distribution systems to relieve them of the need for the early morning market visit and to guarantee early delivery of the day's supplies. Only those restaurants that specialise in fish menus and which therefore require the variety of species that only the inland market can provide seem tied to this mode of purchasing.

**PART 2 : ANALYSIS**

- Alternative Systems of Wetfish Distribution
- Inland Wholesale Markets in Perspective

## CHAPTER 4      ALTERNATIVE SYSTEMS OF WETFISH DISTRIBUTION

4.1      The conclusions from the previous chapter clearly indicate a number of problems facing the inland wholesale markets - lower, less reliable supplies of good quality fresh fish available at the ports; a switch in consumer preference to other forms of fish and fish products; and a more comprehensive food retailing system which very largely ignores the traditional distribution chain. Added to these is a fourth problem : increasing competition for the declining trade in wetfish from alternative modes of inland distribution. In addition to the inland wholesale market there are three systems by which fresh fish is distributed from the coastal markets to the final point of sale:

- direct deliveries from the coastal ports
- inland distribution networks (the depot system)
- independent wholesalers.

It has proved difficult to make detailed estimates of the proportions of market share held by each group or to provide accurate statements of the trends in market shares. While it is probably true that the inland wholesale markets hold the largest single share of the market for fresh fish, it is likely that this is being seriously eroded by competition from all three alternatives.

### 4.2      Direct Deliveries

The system of direct deliveries from the coastal ports employs the simple expedience of by-passing the middle links in the distribution chain. In theory this should allow more profit from final sales to accrue either at the first point of sale (the coastal merchant) or at the final point of sale (fishmonger, frier, restaurant owner etc). It is unlikely to lead to an actual reduction in the end price of the product. Among the advantages attributed to direct delivery systems are:

- that the fish will be fresher at the final point of sale, though in reality the advantages over other distribution systems are often only marginal;

- that the quality of the fish will benefit from transport at constant controlled temperatures in a single uninterrupted journey from coast to final destination; this argument assumes firstly that adequate conditions of transport are provided and, secondly, that no transshipment takes place during transit;
- that the fish will be subjected to much less handling en route from the coast (again assuming no transshipment);
- that door-to-door delivery guarantees the customer a regular and early delivery of the fish without the inconvenience and added cost of an early morning visit to the inland market.

Most major landing ports (or groupings of ports) now offer some form of direct delivery system to their customer areas. As was clearly indicated in the Retail Survey, the geographical extent and density of the delivery systems varies very considerably with three broad categories comprising:

- local systems, fairly sporadic in occurrence and rarely extending more than 50km from the port (e.g. North East England; Yorkshire Coast);
- regional systems, basically similar to local systems but with a limited number of vectors for extending the delivery service beyond a 50km radius (e.g. Fleetwood : Lowestoft);
- national systems, which have developed a comprehensive network of trunk and secondary routes so as to permit effective penetration of a national market area (e.g. N.E. Scotland; Humber).

The integration of all three systems to avoid unnecessary route duplication, accelerate delivery times and allow for the further development of backloading could result in a highly efficient, cost

effective and comprehensive national distribution system accommodating both inland markets and private customers alike.

Of the existing systems, probably the oldest and certainly the most comprehensive is that operated by the Grimsby FMA on behalf of the Humber ports. The Scottish service operating out of Aberdeen certainly carries much larger volumes of fish in total, but with a much higher proportion intended for the inland wholesale markets than as 'direct deliveries' to the final point of sale. The Humber markets most closely resemble the concept of a coastal market doubling as an inland wholesale market in the sense that increasing proportions of the fish sold on the quayside markets have been landed at ports throughout the British Isles (including N.E. Scotland, S.W. England, Wales and Ireland). Such fish is either consigned directly to the Humber markets as the first point of sale or purchased by agents at the local auctions for resale on the Hull or Grimsby markets. Humberside is also the principal importing region for supplies of both fresh and frozen fish from the EC and North Atlantic states, accounting for somewhere in the region of 80% of all imports of cod, haddock, saithe and plaice. Thus, despite the collapse of distant water landings, the Humber markets together form the largest single source of supplies of fish for distribution throughout the UK domestic market. The FMA is able to offer not only larger volumes of fish but also regular supplies and a more diverse range of species than any other coastal region.

The direct delivery system, known as UK Fish Distribution, was until recently jointly operated by Grimsby FMA and British Road Services on behalf of merchants at both Hull and Grimsby. It provides an overnight delivery service on 5 days a week (Tuesday-Saturday delivery) to some 3500 destinations throughout a route network of c30,000 km. Practically the whole of Britain south of the Scottish border is covered by the network (see Figure 2).

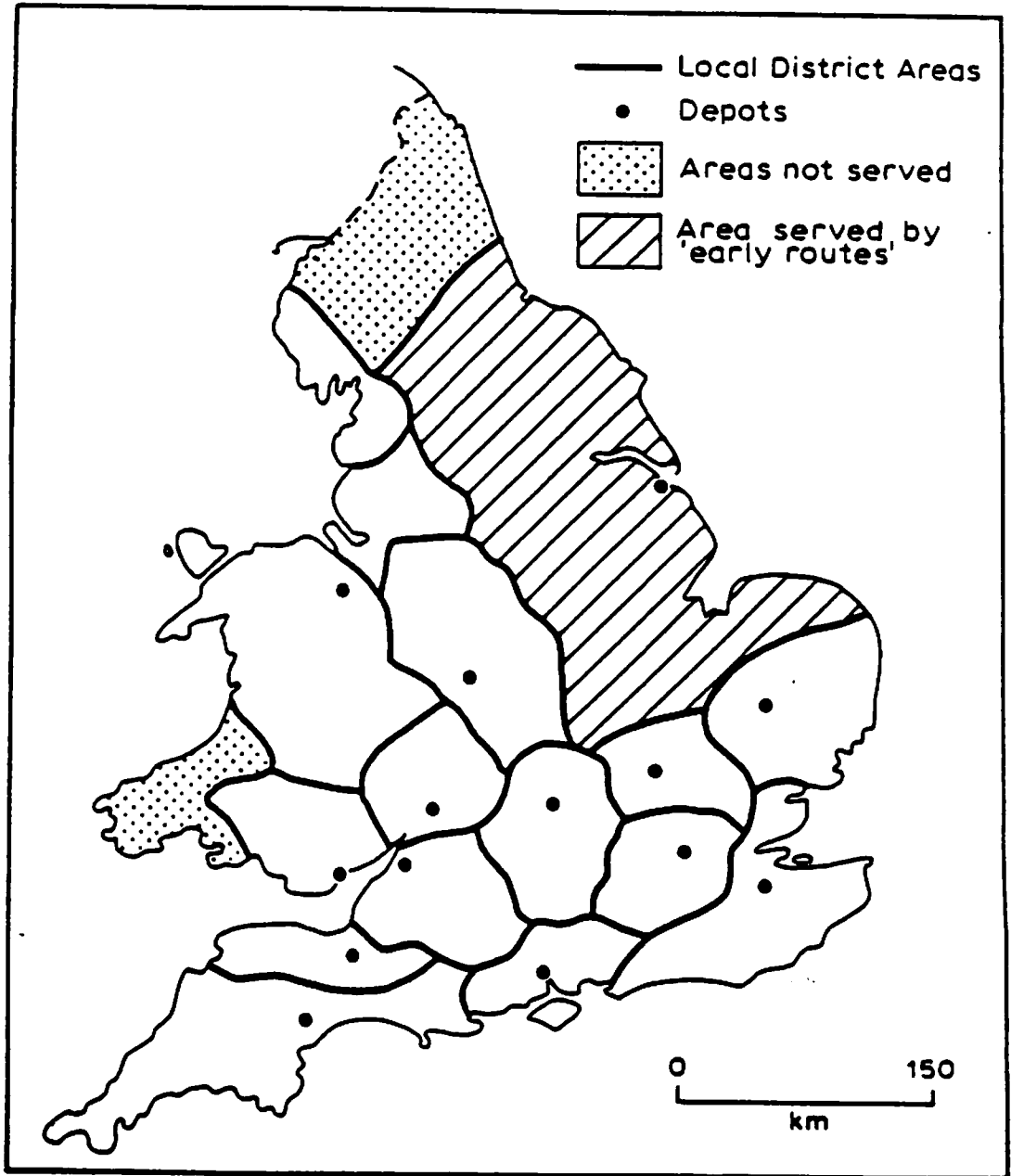


Fig. 2. Gimsby FMA : distribution and delivery areas



Volumes of traffic vary with the largest consignments to the South East (London, the Home Counties, Kent, Sussex and Hampshire) and to individual inland wholesale markets. The 'weakest' parts of the network are East Anglia (competition from Lowestoft), Northern England (competition from Fleetwood and North Shields), Wales (low population density) and the South West, except Bristol. On average some 500t of fresh fish is carried each week, accounting for around 20% of the fish handled at Hull and Grimsby. Of this, nearly a quarter is destined for the inland wholesale markets, with the remainder distributed between the different segments of the retail and catering trade (Table 4.1).

**TABLE 4.1**

**DISTRIBUTION OF FRESH FISH BY UK FISH DISTRIBUTION, 1988**

	%	
Inland Wholesale Markets	23	
Direct Deliveries of which:	77	
- fishmongers		26
- supermarkets		18
- fish friers		29
- private catering		3
- public catering		1

The Grimsby distribution system is divided into two:

- i) an 'early' or local service (the so-called 'Lincolnshire' vehicles) which leave Grimsby between 1.00 p.m. and 1.30 p.m. for Norfolk, the East Midlands (as far as Derby) and northwards to Darlington and Durham. This service includes fish 'shunted' from Hull merchants at midday.

- ii) a 'late' service, leaving Grimsby between 6.30 and 7.30 p.m. for BRS depots throughout the country where fish is transhipped to local secondary delivery services. Also included in the 'late' service are less frequent deliveries to Cumbria, N. Wales, the South West and the Channel Islands and direct daily deliveries to the inland wholesale markets at Billingsgate, Birmingham, Manchester and Liverpool.

Except for the inland wholesale markets which are charged at the cheapest rate (58p/stone) irrespective of distance, delivery costs are charged to the sender according to 50 mile distance bands ranging from 58p/stone to a maximum of £3.70/stone (Channel Islands). Distribution costs are in part subsidised by backloading of fish from other ports (e.g. Brixham) to the Grimsby market.

Basically the system has remained unaltered over the last 20 years, except for the decline in the volume carried. The growth of the supermarket trade has imposed a stricter discipline on delivery times within a narrow window after 7.30 a.m. and coinciding with the build-up of rush hour traffic. Little of the supermarket trade is conducted by direct trunker delivery and the problem is therefore one for the local depots to resolve. In most other instances local delivery drivers have direct access to premises and/or security cages.

Although the Grimsby direct delivery system is currently described as 'viable', it faces a number of problems. Some are external to the organisation as, for example, the need to increase supplies of good quality fish and to attract more business. But most are a matter for internal action - the need to improve the quality of vehicles used in the delivery system, including more refrigerated trunks; delays in the arrival of fish from the primary processors for making up consignments; competition from other smaller Humberside delivery services and split loyalties among members of the FMA which means that the Association's own service is denied the full potential of its members' trade. The system is still searching for the optimal solution in

terms of organisation. Recently the FMA has decided to restructure its links with the BPS formed only in 1984 and to assume direct responsibility for organisation of the delivery service itself.

#### 4.3 Inland Fresh Fish Depots

A more recent development and one which presents a more direct challenge to the inland markets, in that it simulates the behaviour of the market, is the network of inland fresh fish depots operated principally by two firms based on Humberside - Marr Frozen Foods of Hull and Rossfish in Grimsby.

In general each depot behaves in much the same way as a single monopoly market with the manager able to exercise freedom of action in the sourcing of wetfish and in the organisation of deliveries. It will differ from an inland market in one importance respect - the emphasis placed upon the concept of providing a 'complete service' to the customer. Thus they can provide for the fish friers, which make up between 75 and 80% of their custom, a daily delivery service of both fresh and frozen fish, together with small quantities of sausages, chicken portions, beefburgers etc.

The two networks differ both in scale and in their detailed organisation. The smaller of the two - Marr Fish Merchants - has an annual turnover of £10-11M achieved through a limited network of six 'inland' depots at Middlesbrough, Fleetwood, Mansfield, West Bromwich, Bristol and Hook (Figure 3). Customers of the last three depots have the added advantage of chilled stores and onward delivery by means of 35 cwt chilled vans, a facility to be extended to all other depots. Each depot serves a catchment area of 120km radius, with the largest depot (Hook) making regular daily deliveries to some 130 retail outlets. Plans to extend the depot network, through the acquisition of existing businesses or distribution points, are focussed on the South East where an existing business is about to be purchased.

Three quarters of the depot trade is with fish friers. Of the remainder, 15% goes to institutional catering (mainly schools and

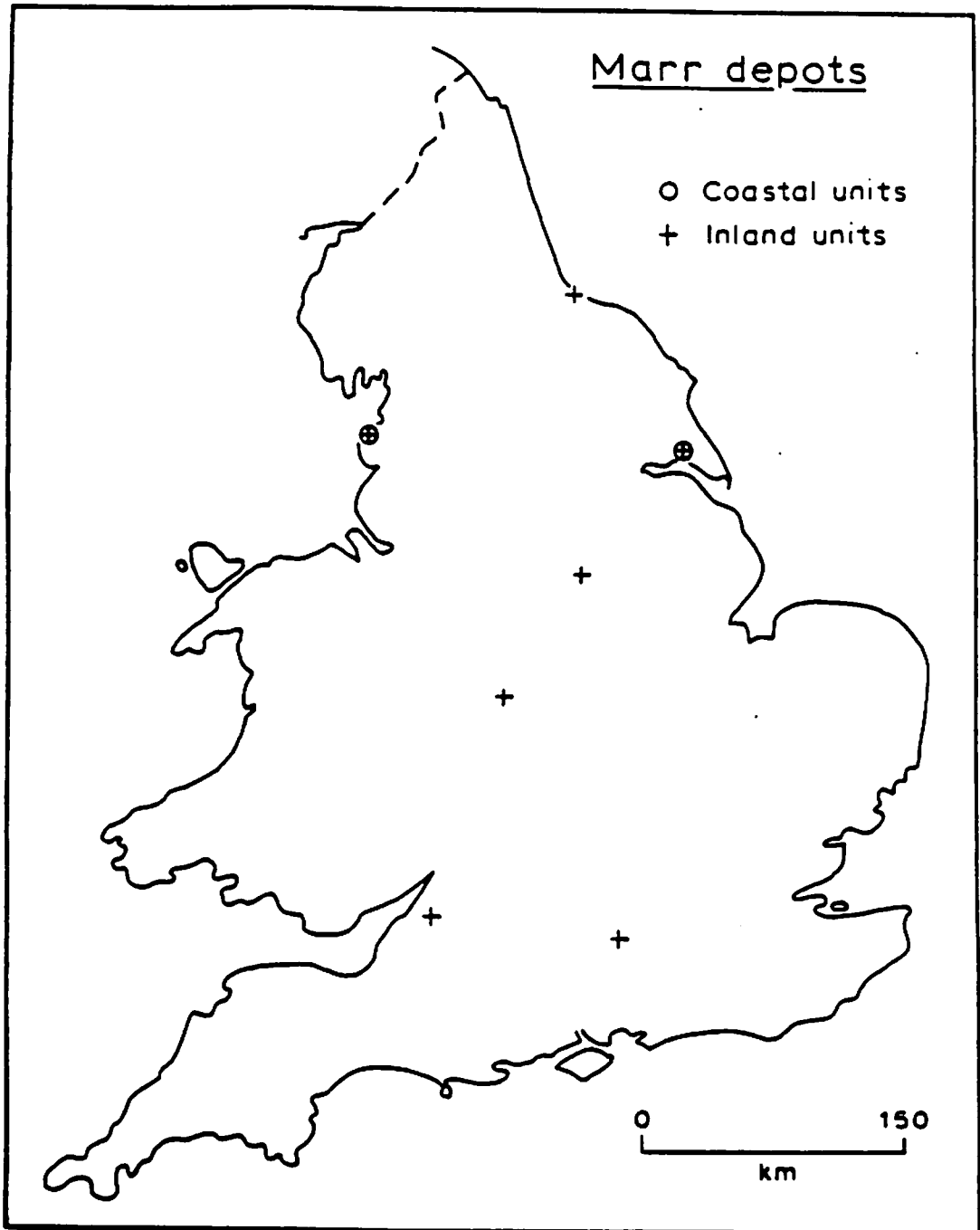


Fig. 3. Inland fresh fish depots : Marr

hospitals) and the rest is divided equally between private catering and retail outlets. Sales of wetfish to the multiple retail organisations, valued at £3.5-4.0M annually, are handled separately from the depot network. Marr Frozen Foods (Fresh fish) arranges direct deliveries to the multiples from the Hull base using UK Fish Distribution transport.

Rosfish is an altogether larger concern with significantly higher turnover and a much more extensive depot network. Of the total £70M annual turnover, £15M is attributable to the export of prime fresh and frozen fish (hake, megrim, turbot) and shellfish to European markets. Domestic sales valued at £55M are made up primarily of fresh and frozen fish and shellfish, with small amounts of sausages, burgers etc. distributed through the depot network. Fish friers are again by far the largest segment of the market followed by retail with public and private catering making up the remainder. Since the division of the former Ross-Youngs combine in 1986 the multiple retail trade accounts for less than 3% of Rosfish total UK sales.

Rosfish operate a total of 29 depots (see Figure 4). Seven are located at the coast functioning both as sourcing and processing centres and as local distribution points. The inland network is made up of 22 depots varying in size from the small 'two vehicle' depots as at Castleford, Stoke, Wigan, Bristol and Bournemouth to the much larger depots, with up to eleven vehicles, concentrated mainly in the south east (Wokingham, Chatham, Brighton and Plymouth). In further contrast to Marr, Rosfish have established a presence on several of the inland markets notably at Billingsgate (Sidwell and McGrath), Leeds (Bookless Bros.) and Nottingham.

Depot managers are responsible for the purchasing and distribution of fish with freedom to acquire fresh fish from any suitable source (including both Rosfish's own coastal depots and other coastal merchants). Frozen fish is normally sourced through the small headquarters staff in Grimsby from designated Norwegian and Icelandic frozen-at-sea sources. The 'independence' of depot managers is regarded as essential in an industry involved in a 24 hour decision cycle.

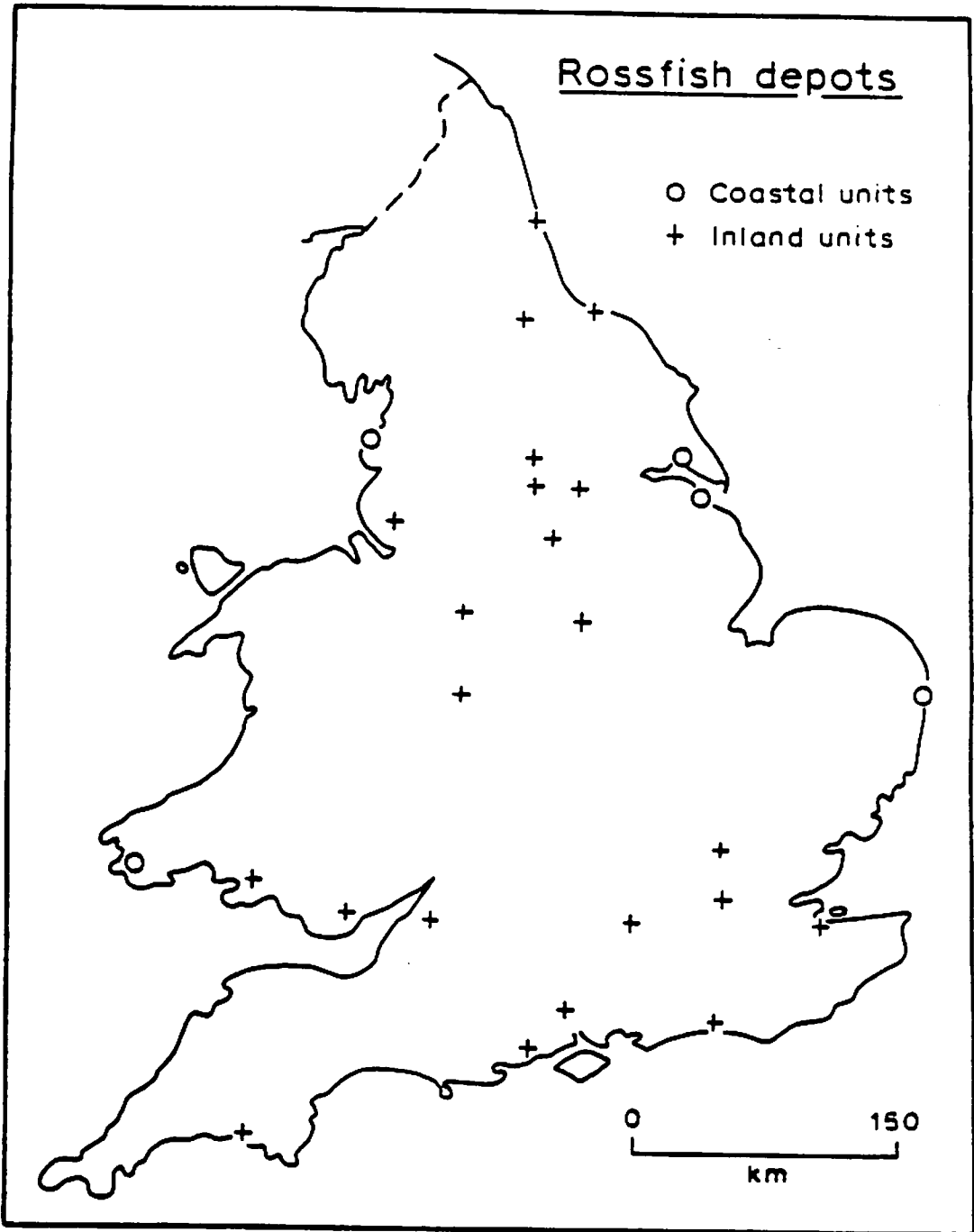


Fig. 4. Inland fresh fish depots : Rosffish

Initial costs of establishing a new depot at around £100,000 (not including the freehold or leasehold on the site) are significantly higher than for the traditional inland market stand, though subsequent operating costs may be lower. Rossfish are therefore looking to expand their network through the takeover of existing firms rather than the development of new sites.

The inland depot systems of Marr and Rossfish offer a number of advantages over both the inland markets and most independent wholesalers. They can compete with the former in terms of the range of species and continuity of supplies. They provide a more complete service with the benefit of substantial back-up facilities and management skills available through the headquarters and depot systems. Finally they have the considerable advantage presented by the opportunity for substantial investment in stocks. Rossfish, for example, is able to invest major sums in the late summer/autumn period for sale through the winter.

#### **4.4 Independent Wholesalers**

The independent wholesalers have proved the most awkward group to define. They are difficult to identify and therefore to enumerate and locate with any accuracy. An attempt - albeit only partly successful - was made to sieve the independent inland wholesalers from the 1326 names listed in the British Telecom Yellow Pages Database under the entries for 'wholesale fish merchants' and 'fish salesmen' by eliminating (i) all coastal locations, (ii) all merchants trading from inland wholesale markets and (iii) all establishments which form part of known depot systems (see Figure 5).

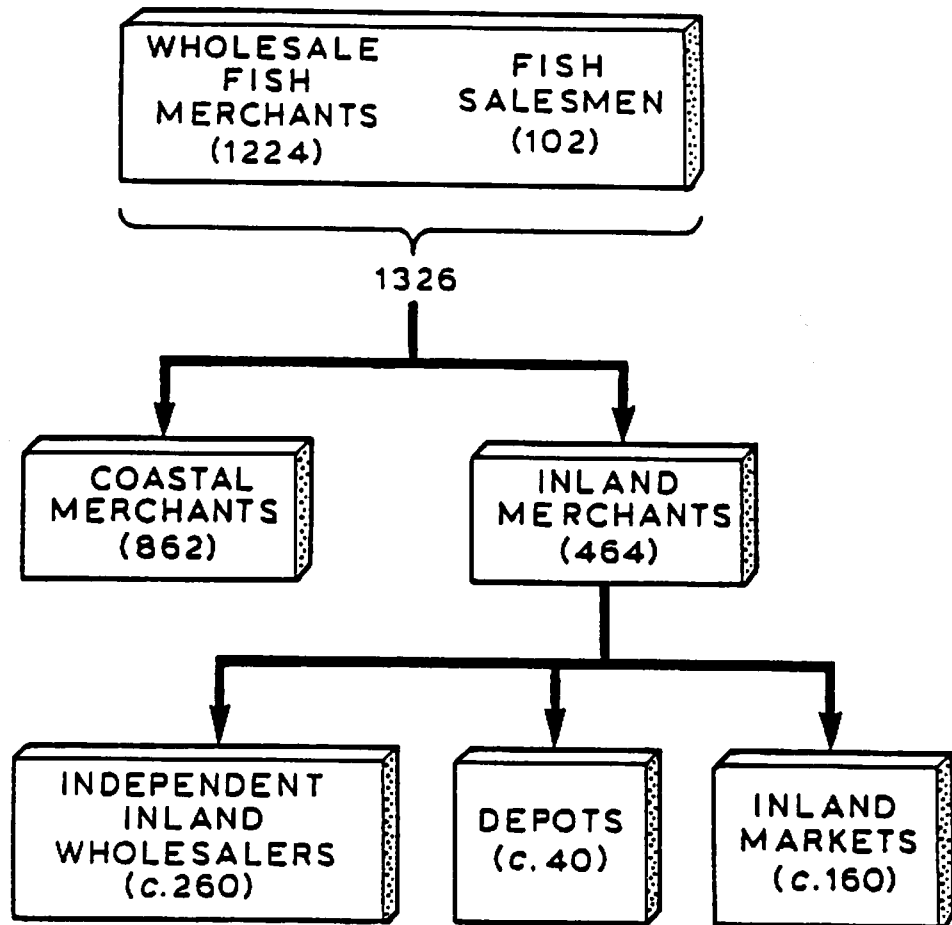


Fig. 5. Identification of 'independent wholesalers'



The problems do not end here. In the first place, there is evidence that the Database is incomplete : it does not, for example, include the Hull Telephone area; it omits most of the merchants at the Glasgow market; and it understates the number of merchants at Billingsgate. None of these omissions directly affects the estimation of the size of the independent wholesale sector, but they raise questions about the comprehensiveness of the Database. Secondly, and perhaps more importantly, the 260 or so names that survive the sieving process comprise what may well be a very wide range of businesses including, inter alia, processors, trout farms, frozen food wholesalers, freezer centres, van men, secondary wholesalers and retailers with a small wholesale trade on the side, as well as the true independent wholesaler. In the London area, too, the list also includes a number of import-export firms. But without extensive further enquiries it is not possible to eliminate the various marginal categories from the list, although they may well account for between 30 and 40% of the total. It follows, therefore, that nothing is known of the overall size, structure and turnover of the independent sector.

In terms of their distribution, it would appear from Figure 6 that they are scarce in Scotland and Wales and most abundant in the southern half of England, that is in the areas of most rapid population expansion and high consumer spending which lie beyond the normal sphere of influence of the inland markets. There are also minor clusters in the urban industrial areas of Yorkshire and Lancashire. A closer analysis would almost certainly reveal that many of the largest independents have selected locations within or close to the motorway network.

An insight into the character of the independent sector is provided by interviews with two firms, one located in the south midlands and the other in south west England. Both had turnovers of c£2.5M derived from a well diversified trade in fish (both fresh and frozen) and non-fish items. Significantly both stressed that the wetfish trade was a declining element in their pattern of sales. Difficulties in securing regular supplies of good quality fish and a lack of adequate advance

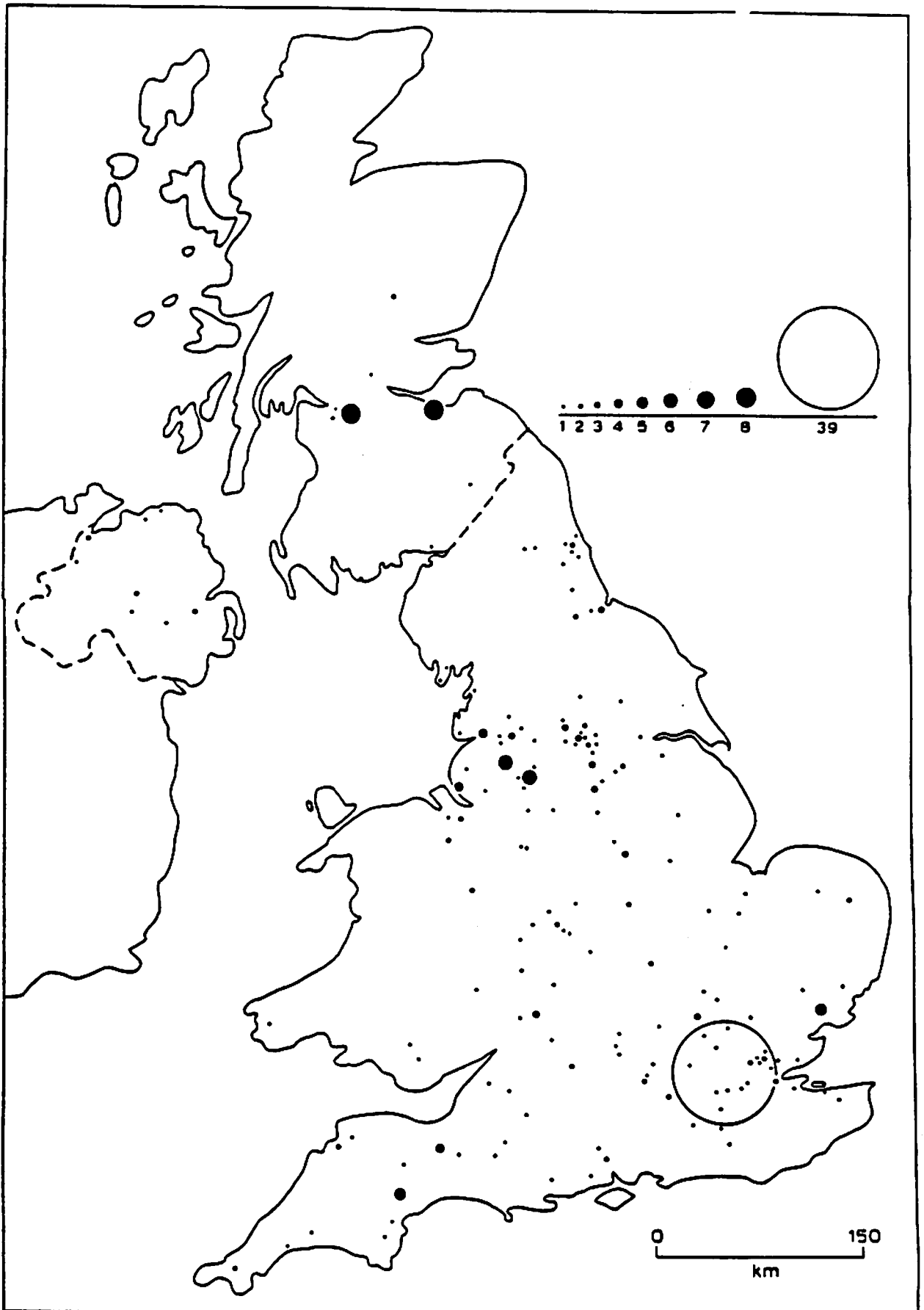


Fig. 6. Distribution of 'independent wholesalers'

information on the availability of fish at the landing ports were cited as the main reasons for the reduction in wetfish sales. Their purchasing behaviour was broadly similar to that of the merchants on the inland wholesale markets - buying from around the coast in pursuit of adequate supplies of a wide range of good quality fish sufficient to match their customers' needs. One firm carried over 100 fish and fish product lines available, within the season, on a daily basis. Its principal customer base lay in the retail and hotel and restaurant trades - the latter described as 'the only location for adventurous eating in Britain' and a strongly expanding sector in the tourism related economy of the South West. Neither firm had been able to retain the custom of the multiple retailers when expansion in the number of outlets and a system of central buying was introduced.

It is in their customer relations that the independents clearly differ from the inland markets. All sales are arranged by telephone and all customers pay by account with a somewhat more ruthless attitude shown towards poor creditors that was generally evident on the inland markets. Customer service is based upon regular, reliable and rapid deliveries of fish and other products. In the case of the S.W. independent deliveries are made within a radius of 100km though a fleet of modern, refrigerated vehicles and the service also includes 'emergency' deliveries made within the hour over a shorter distance, as well as the processing (i.e. cutting) of fish to the customers' specifications. 'In no way could we operate in the antiquated fashion provided by the wholesale markets with their competition, problems of access and poor trading environment'. The independents are unafraid of competition from the inland markets; they are much more conscious of the threats posed by an expansion of the depot systems operated by firms like Marr and Rossfish.

#### **4.5 Conclusion**

It is obviously difficult to draw any firm conclusions from the interviews with only a handful of 'other actors' within the distribution system. Each component in that system is in competition with all the others. But together they pose a serious challenge to the survival of

the inland wholesale markets. The direct delivery system, as operated by Grimsby FMA, has made strong inroads into the traditional market areas of the high street retailers and fish friers. The depot systems have more clearly focussed their targets on the fish friers. For the independents, the basis of trade probably varies from firm to firm but from the evidence available they are in a strong position to capture a significant share of the expanding private catering trade. The response - or lack of it - to this challenge on the part of the inland markets is considered in the following chapter.

## CHAPTER 5      INLAND WHOLESALE FISH MARKETS IN PERSPECTIVE

### 5.1      Introduction

The inland wholesale fish markets have come under very considerable pressure from competition for declining resources and falling demand from other more dynamic actors within the distribution chain. One of the oldest methods of inland distribution for fresh fish, they have in recent years proved to be the most vulnerable.

### 5.2      Definition

Definition of an inland market is, in theory, quite simple: it requires two or more wholesale merchants to be trading independently of each other - and, therefore, nominally in competition - from the same site which is geographically separate from the landing port. But elements of confusion have crept into the question of definition. As, for example, in the case of the rump market at Stoke were today only one wholesale merchant survives on the site of the former wholesale fish market, or at Derby where one fish merchant is trading from within the wholesale fruit and vegetable market. Because the essential ingredient of competition is absent, both instances are here regarded as 'independent wholesalers'. Strict application of the definition therefore leaves only 15 inland markets extant within the UK (see Table 5.1 and Figure 7).

The geographical distribution of the remaining markets betrays something of their history, purpose and basis for survival. Concentrated in the major urban centres, many of which grew during the period of rapid industrialisation in the late eighteenth and early nineteenth centuries, they were established alongside other fresh food markets primarily to ensure access to fresh fish for the expanding urban, industrial, working class populations. Today they share the same locations, the same landlords (the municipal authorities) and, to a large extent, the same problems as the fresh fruit and vegetable markets.

TABLE 5.1

INLAND MARKETS, 1987

	Number of Merchants	Estimated Annual Turnover (£M)
Billingsgate	65	130
Birmingham	18	22
Manchester	16	30
Liverpool	12	21
Sheffield	6 )	
Bristol	4 )	
Coventry	3 )	14
Bradford	2 )	
Halifax	2 )	
*Leeds	5	n.a.
*Nottingham	4	n.a.
*Wolverhampton	2	n.a.
Glasgow	18	15
*Edinburgh		n.a.
*Belfast		n.a.

\*Not included in the inland market survey.

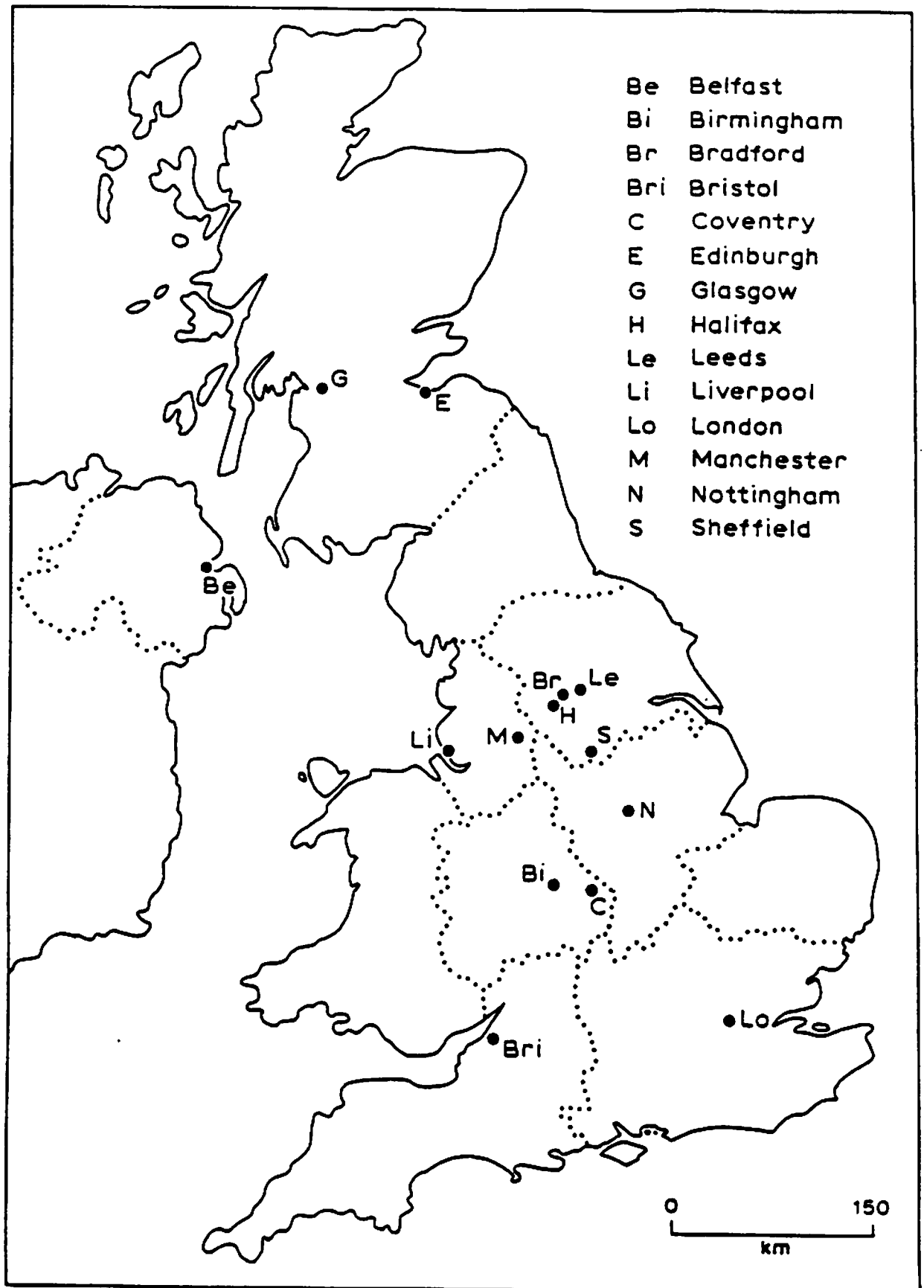


Fig. 7. Distribution of inland markets

### 5.3 Pattern of Trade

From the results of the inland markets' survey (see Technical Report ) it is estimated that the 15 markets handle somewhere in the region of £250M of trade each year. All but 10% of this total turnover derives from the sales of fish with whitefish accounting for half, shellfish a quarter, exotics 10% and pelagics 5%. The markets' principal customers remain the high street retailers (50%) with the specialist fishmonger (30%) the single most important buyer. Significantly, therefore, the inland markets continue to rely heavily upon that sector of the retail trade which in recent years has shown the sharpest decline in market share. The burgeoning catering industry takes 23%, but the friers (the principal target for the direct delivery and depot systems) now account for only 16% of the inland markets' trade.

### 5.4 Internal Structure

Global figures inevitably conceal the very striking inter- and intra-market variations in the size and structure of the inland wholesale trade. From Table 5.1 it would appear that the four main English markets at Billingsgate, Birmingham, Manchester and Liverpool have an eminently sound trading base. But in reality the structure of most inland markets is weak. The majority of firms are simple family businesses built around father-son partnerships. Only a few of the largest firms are hierarchically organised with 'departmental' structures and clear internal divisions of labour and responsibility. Most markets contain a high proportion of small firms (i.e. those with a turnover of less than £1.0M) with a persistent orientation towards the retail sector of fishmongers, market stalls, mobile shops and the grocery trade. All inland markets reveal a more or less diversified internal structure with evidence of strong differential growth among a minority of firms. The resulting internal imbalance is most marked in some of the larger provincial markets, as at Manchester and Liverpool, where one or two very large firms may obscure the market's underlying weak structure. Such large firms behave, in effect, as 'independents' within the framework of the inland market. They are largely unaffected by the trading patterns of their neighbours but can exert a dominant and potentially restrictive influence over the rest of the market.



## 5.5 Geographical Catchment

The inland markets were originally set up to serve an essentially local urban population. This they continue to do today. Despite the fact that many provincial markets have been moved from their inner city locations to benefit from improved access and proximity to the motorway network, they have not succeeded in greatly extending their trade areas. Estimates of the size of individual market hinterlands vary. Using the notion of the most distant customer to define the market area, one can generate a map of Great Britain (Figure 8) in which the hinterlands overlap and leave only relatively small areas of the country beyond the sphere of influence of an inland market. But the reality is somewhat different. The results of the Retail Survey clearly enunciated very much more localised catchments for most of the inland markets, with perhaps 80% of the trade arising within a 30km radius of the market itself. By this definition vast areas of the country are beyond the normal reach of an inland market (Figure 9). Outside Billingsgate, where merchandising and transport are separate activities, a substantial majority of merchants (70%) offer some level of delivery service but mostly to satisfy a local urban need rather than expand into the open spaces. The markets have been surprisingly reluctant to consider developing comprehensive and coordinated delivery services capable of extending their catchment areas. As a result most inland markets continue to rely heavily upon trade generated within the inner urban areas of stable or declining populations with comparatively low disposable incomes. They have largely failed to penetrate the newer, more affluent, expanding urban populations in the outer suburbs, whose consumers are being served direct by mobile retailers.

## 5.6 Changing Market Behaviour

To some extent the original role of the inland market - to provide continuity of supplies of good quality fresh fish at competitive prices and available for inspection by the potential buyer - is coming under threat as a result of changing customer behaviour. The younger generation of mongers, friers and caterers are somewhat less willing to pay the price of walking the market early in the morning in search of the right fish at the right price. There has been a steady increase in telephone sales. Overall these probably account for around 30% of all

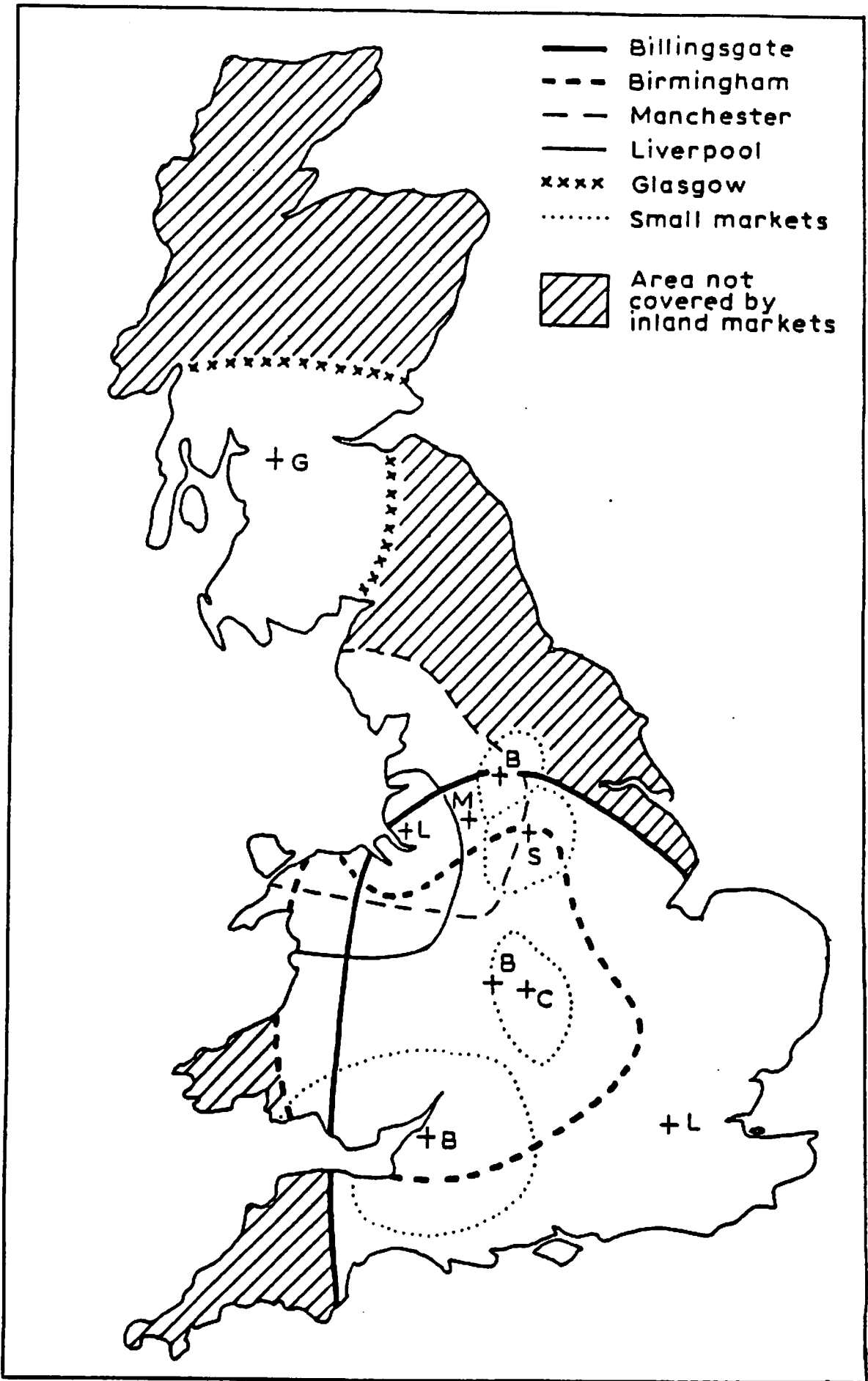


Fig. 8. Catchment areas of the inland markets (a) defined by the most distant customers

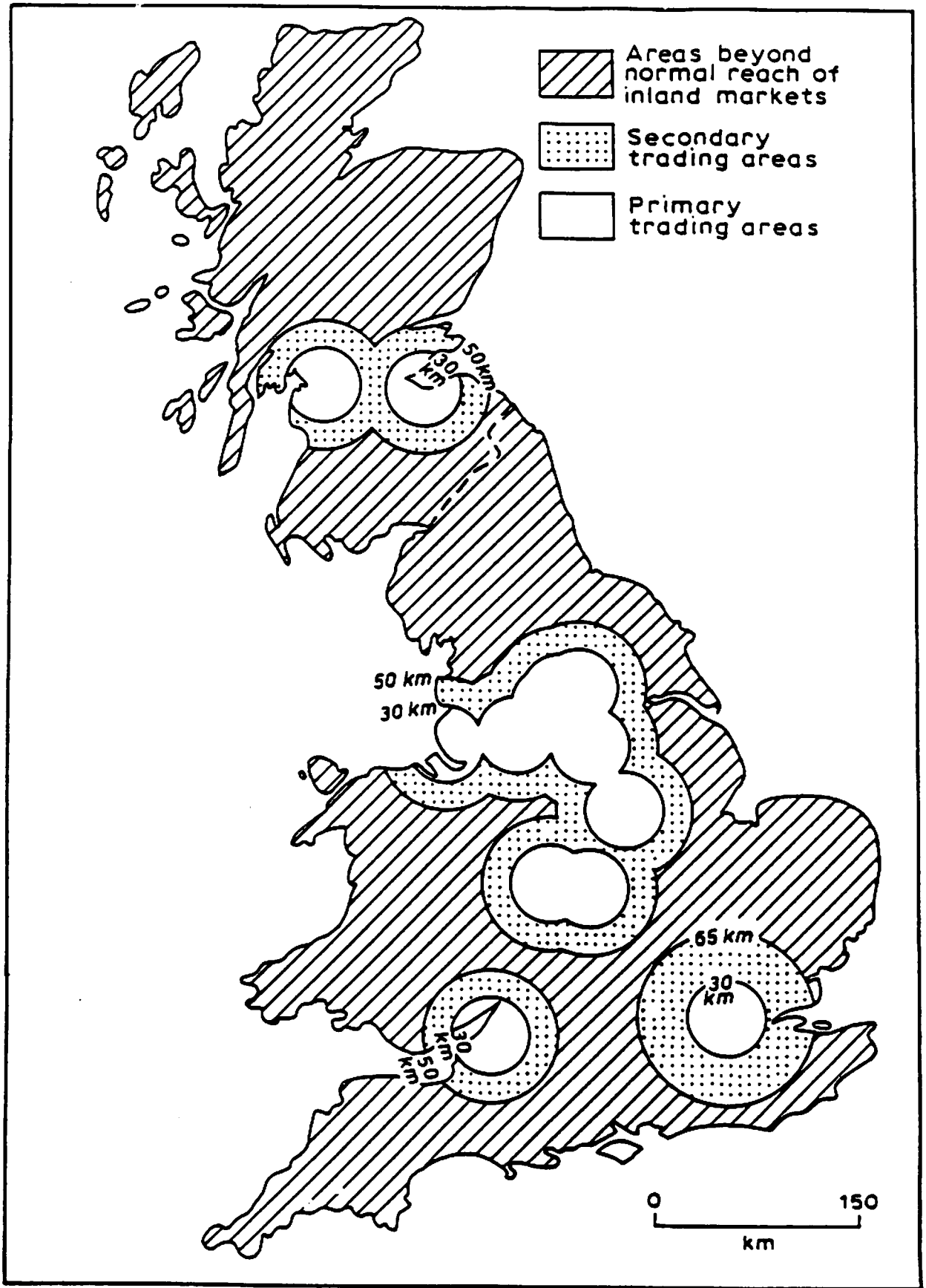


Fig. 9. Catchment areas of the inland markets  
(b) primary and secondary trading areas

sales, though the proportion varies between markets and, within each market, between the different firms. Telephone buying implies trust between customer and the merchant. It also means a reduction in the competitive character of the market. And in this sense it can be argued that the inland markets are gradually losing their identity as 'markets' to become 'distribution depots' - a feature noted by merchant and customer alike. Thus there is a growing convergence in trading behaviour between the inland wholesale markets and their competitors in the distribution system.

### 5.7 The Consequences of Competition

The inland wholesale fish markets are a declining sector of the fresh fish distribution network. This can be seen not only in terms of the number of active markets but also in the steadily diminishing number of merchants present on the surviving markets and, most prominently, in the falling volume of trade (Table 5.2).

**TABLE 5.2**

**MERCHANTS, VOLUMES OF FISH AND VOLUME PER MERCHANT, 1958-87**

	1958 (a)	1967 (b)	1987 (c)	% Decline 1958-1987
Billingsgate : merchants	165	150	67	59
fish (tonnes)	123,000	82,250	35,750	71
tonnes/merchant	745	548	534	28
Birmingham : merchants	60	28	17	72
fish (tonnes)	35,500	21,500	10,000	72
tonnes/merchant	592	768	588	1
Liverpool : merchants	30	25	12	60
fish (tonnes)	13,500	8,000	4,000	70
tonnes/merchant	450	320	333	23

Sources: (a) Estimates based on Taylor (1960) (b) Perkins, 1969,  
(c) SFIA Joint Study.

The survivors have been protected from the full economic impact of the recession in the fresh fish trade as the result of three main factors.

- rising unit prices for fish and the increasing popularity, in some regions at least, of shellfish, exotics and the higher value indigenous species;
- the absence of substantial debt burdens on capital borrowing;
- most important of all, the predominance of small family firms prepared to absorb rising costs and accept lower returns on their management, labour and financial inputs.

Such resilience among the inland market firms may be beneficial in the short term but is proving much more problematic for the long term future survival of the markets. In general, competition and contraction have been met by a 'strategy' of retrenchment. The 'rationalisation' of the structure of the markets apparent from Table 5.2 has been reactive, random and ad hoc and not part of a pro-active strategic plan. Some firms, admittedly, have responded to the crisis by diversifying their trading base and by extending or improving the quality of their customer service (principally through the provision of a delivery service). In this respect, they are responding directly to the challenge posed by other competitors in the distribution system. But for the most part, the reactions of the merchants, both individually and collectively, reflect an essentially conservative siege mentality. Not all the problems can be laid at the merchants' doors. In many cases they have had to contend with disinterest, negative attitudes and a lack of cooperation from the municipal authorities who act as their landlords. And at Billingsgate the scope for concerted action is constrained by the unproductive tensions that exist between management, merchants and the unions. In all this, however, the corporate weakness of the merchants' own organisations (the Inland Fish Merchants Associations) is exposed. Unlike their counterparts on the coast, the inland markets'

FMA's appear to lack the clearly defined, functional identity which would give them effective organisational cohesion. These problems will be re-examined in the final part of the report.

#### **5.8 The Price Effect of the Inland Market**

A familiar argument for shortening the length of the distribution chain by the elimination of the central links - including the inland wholesale markets - is the widespread belief that such links either add considerably to the end price or absorb profit which might otherwise accrue to the original producer or at the final point of sale. To test this assertion in the case of the internal distribution of fresh fish, monthly cod fillet prices have been analysed for the period January 1984 to August 1987. Prices have been determined at four points in the distribution chain: landing price; after primary processing; at the inland wholesale market; and, finally, on the fishmonger's slab.

During the 43 month period, the end price for cod fillets rose by 31% from 145p/lb in January 1984 to 190p/lb in August 1987. However it is clear from Figure 10 that the inland wholesale merchants absorbed only a very small fraction of this overall increase, especially in the period since January 1986. The bulk of the price rise occurred at the end stage of the distribution chain. Fishmongers' prices for cod fillets have in fact risen faster than at any other point in the distribution chain.

Rather than acting as an accelerator of fish price increases, the inland merchants have, in the more recent period, tended to serve as a price stabilising influence, suppressing some of the more volatile price changes occurring earlier in the chain. As a result, the inland market prices show a greater level of monthly fluctuation (Figure 11) but overall only a very weak increase. Only for a brief period in the second half of 1985 are there clear indications of the inland merchants adding significantly to the end price of fish fillets. By contrast the fishmonger, whose pricing policy is largely influenced by the inelasticity of final demand, tends to maintain a more consistent price increase and a wider profit margin in order to cover his higher (and increasing) overheads.

### 5.9 External Consequences of Decline in the Inland Markets

Although this study is concerned primarily with the future of the inland wholesale markets themselves, it would be remiss not to point out that the wider ramifications of a further serious decline in the role of the inland markets for the fish industry as a whole. The inland wholesale markets represent an important outlet for the fresh fish landed at the ports around our shores. Somewhere in the region of 25% of all fresh fish sales in the UK are channelled through the inland markets. In particular they have provided a vital life-line for many of the smaller landing ports. And even among the larger ports, as on Humberside for example, the inland markets are regarded as valuable customers, providing a ready, regular and reliable market for substantial volumes of fish and with the added bonus of being able to move variable quantities of fish according to the availability of supplies. The value of the inland markets' custom is recognised in the fact that they benefit from preferential freighting rates in the transfers of fish from port to inland market.

The consequences of closure for the opposite end of the distribution chain are perhaps less easy to predict. Some might argue that the demise of the inland markets would cause no more than a temporary dislocation of the pattern of supplies to the retail and catering trades and that the process of adjustment would be rapid. But this would be to underestimate the importance and nature of the inland markets. It is doubtful whether any alternative system could quickly reproduce the services provided by the inland markets in terms of the volume and range of fresh fish. Attention is drawn to the findings of the Retail Survey which indicated that a significant minority of the markets' customers considered the hypothetical closure of their inland market to be potentially disastrous for the continuation of their own businesses. Closure of the inland markets could therefore have quite far reaching consequences for the structure of fresh fish retailing, particularly in the inner urban area of our major conurbations.

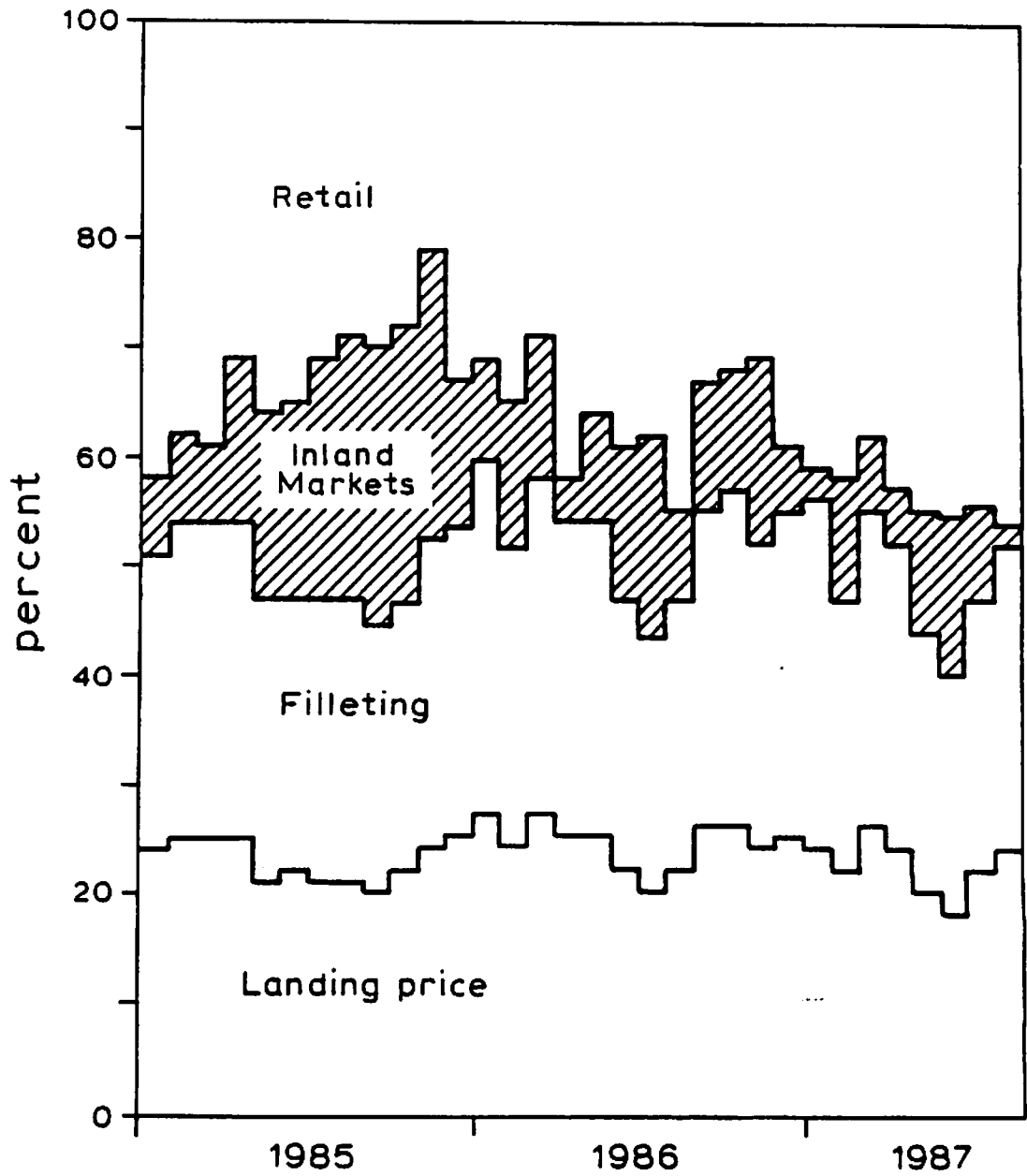


Fig. 10. Cod fillet prices, (Jan 85 - Aug 87) : percentage share of end price



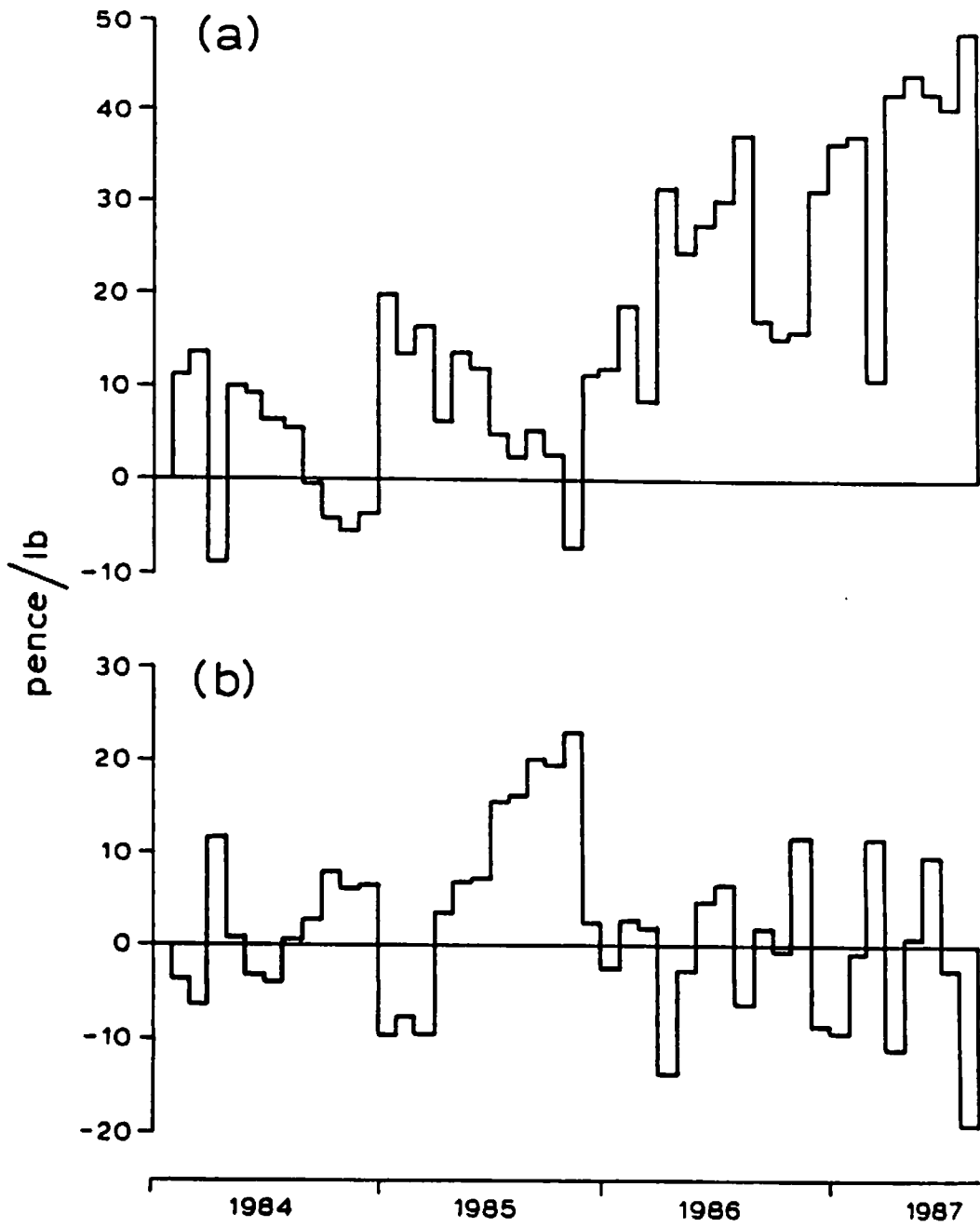


Fig. 11. Monthly price changes for cod fillets (Jan 84 - Aug 87)  
 (a) Retail price (b) Wholesale price

### PART 3 : THE FUTURE

- The Challenge of the 1990s
- Inland Markets : A Strategy for Survival
- Inland Markets : A Programme of Action

**6.1 Introduction**

The inland markets are already in crisis. Their consumer base is moving away; the volumes of fish handled are declining year by year. Yet the effects are not readily visible to the outside world nor, indeed, to the merchants themselves, because the shift in the consumer base and the decline in the volume have been compensated by increases in unit prices so that turnover values have remained fairly stable and concealed the underlying problems. Thus, so far there is no sign of a concerted response to the problem and no evidence of the markets' capacity for crisis management. This capacity, both individually and collectively, is certain to be put to the test in the 1990s when the markets will be called upon to face a number of general and specific problems. At present the markets are unprepared for the challenge.

**6.2 Supply and Demand**

Here there is neither the scope nor the information to generate reliable projections of the supply and demand for fresh fish into the 1990s. Nor are we aware of the availability of any such studies. But there seems no reason to suppose that the existing trends, outlined in Chapter 3, will be significantly altered over the next decade. If anything, they are more likely to worsen than to improve.

The supply of fresh demersal fish is notoriously unstable; resources are scarce and competition for them is severe. We are unlikely to see any major improvement to domestic supplies, available through the UK landing ports, in the short-term because of the continuing pressures of quota management and conservation measures in European Community waters. But the longer-term prospects are perhaps brighter - on the assumption that the conservation measures will bear fruit and providing that stocks are not, in the meantime, damaged by external environmental factors. The UK already depends heavily upon imported supplies and is likely to continue to do so throughout the 1990s. Uncertainty in the availability of imported fresh fish is likely to be governed as much by financial factors - in particular the £ : \$ exchange rates - as by the state of North Atlantic fish stocks.

Again, on the demand side of the equation, it is unrealistic to expect any major recovery in the inland markets' customer base. Within the retail sector, the crucial question surrounds the future policy of the supermarket chains with regard to fresh fish sales. At present their level of penetration is comparatively low. But as the supermarkets move towards the concept of the 'superstore', with a very much more comprehensive range of fresh food lines, it seems inevitable that their interest in fresh fish will increase. And that will be bad news for the surviving high street fishmonger and, ultimately therefore, for the inland markets. The only major area for the expansion of fish sales in general - and thus a major opportunity area for the inland markets - is in the private catering sector (hotels and restaurants). This is especially true for shellfish. But at present the catering industry looks directly to the inland markets for only 17% of its fish supplies, with 40% of fresh fish catering sales being sourced through the fishmongers. Although the major catering chains - especially at the lower end of the market with their standard set menus - will increasingly look to the central purchasing of fish from the coastal suppliers, the small scale independent hoteliers and restaurateurs will continue to be an appropriate target for the inland markets.

### **6.3 1992 : The Single European Market**

The Single European market, scheduled for completion in 1992, presents a major challenge to industry and commerce throughout the European Community. Although only four years away, no work has so far been done on the impact of the SEM on the fishing industry in general and the inland distribution system in particular.

#### **6.3.1 The Economic Impact**

The economic benefits are based upon the removal of non-tariff barriers to trade within the Community. These non-tariff barriers include the physical barriers of customs controls and the associated documentation; technical barriers caused by variations in technical regulations and divergent national product standards; and fiscal barriers created by variations in VAT, excise duties etc. Their removal is expected to increase competition, lower prices for materials and

goods, and stimulate international trade within the Community. It is expected 'to trigger a supply-side shock to the Community's economy as a whole'.

It is difficult to assess the economic consequences for the fresh fish trade and it would be unwise to exaggerate the potential effects. There is a limit to which one can move fresh fish around Europe and the greater impact may be on frozen and processed fish and fish products. But there is already competition at the UK landing ports for the scarce supplies of good quality fresh fish, with the best quality prime fish allegedly being creamed off by foreign buyers from France, Spain inter alia. With the planned reduction in the non-tariff barriers the activity of foreign buyers at the British ports is likely to increase.

There is another, potentially darker side to the problems. If fish processing, merchanting, distribution etc. proves to be more efficient in Europe than in the UK then there must be a real risk of the large UK consumer market drawing in volumes of fresh, frozen and processed fish from abroad which then bypass the existing inland distribution systems. The lucrative S.E. England regional market is likely to prove especially vulnerable. Consider, for example, the potential impacts of the SEM and the Channel Tunnel, scheduled for opening in 1993 with high speed rail transfers between Paris and South East England. What is to prevent the efficient, quality conscious Paris wholesale market's penetration of the South East market, especially in high unit priced fish (e.g. shellfish and exotics) for which the Paris market is already renowned? More specifically the Paris market could challenge Billingsgate for the supply of quality fish to the flourishing catering industry in the South East - with the distinctive cachet of 'direct form the Paris market'. Such penetration would simply be the thin end of the wedge which could hold the door open for the import of other prime wetfish from Paris.

### **6.3.2 Fish Hygiene**

The discussion of the economic outcome of the SEM is admittedly speculative. Rather less speculative - but still partially obscured by continuing negotiations - is the proposal to harmonise regulations concerning fish hygiene, in pursuit of the removal of technical barriers to intra-Community trade. There are three separate pieces of Euro-legislation under consideration. The first is a proposal for a Council Regulation 'laying down health conditions for the marketing of fish and fish products concerning nematodes', published by the Commission in February 1988. It seeks to impose a stringent code of practice for the processing and inspection of fish which, if strictly interpreted, could cause serious problems throughout the catching and processing sectors of the industry.

Of rather more direct relevance to the inland distribution of fish are the proposals for establishing standard conditions for the production and marketing of shellfish and finfish throughout the European Community. These are contained in two draft documents. The first is a draft Regulation on 'the health conditions affecting the production and placing on the market of live bivalve molluscs'. The second, a draft Directive on 'the health conditions affecting the production and placing on the market of fishery products', covers all fresh, frozen, prepared and processed fish with the only permitted exclusion referring to small quantities of fishery products disposed of by inshore fishermen directly to retailers or customers. Both proposals seek to impose stringent conditions for the handling of fish throughout the distribution system. Though they do not precisely specify wholesale markets, it seems highly probable that the conditions will be applied to the wholesale fish markets.

The draft Directive on fishery products refers not only to the handling of fish on board the fishing vessel but also to the processing, packaging and labelling of fish and fish products at shore-based establishments and to the storage and transport of fish en route to the customer. Despite a considerable modification of the first draft, drawn up on the basis of regulations in the meat trade, the latest working

draft makes very strict demands on all parts of the fish industry for facilities, practices and inspection, which the industry could not now satisfy and which would be very costly to achieve. According to some, the proposals are out of all proportion to the risks to public health from fish. It is unlikely that the fish industry will be allowed to find an escape route through 'double standard' regulations, such as have served the meat industry with different standards applied to products intended solely for domestic consumption and those with an international market in view. Enforcement of the new code of conduct through an EC Directive allows some discretion in their interpretation to the national Government. But they are certain to require the registration and licensing of establishments engaged in the preparation and placing on the market of both fresh and other forms of fish products, including the inland wholesale markets.

## CHAPTER 7    THE INLAND MARKETS : A STRATEGY FOR SURVIVAL

### 7.1    Introduction

Despite the severe pressures presently facing the inland markets and notwithstanding the singular challenge of the 1990s, it is reasonable to argue that the inland wholesale markets will continue to exert an important role in the inland distribution of fish. This statement is not meant to imply the certain survival of all existing inland markets; nor does it rule out the possibility of developing new markets. It is likely, however, that the future network of markets will be built substantially upon the present pattern. But the inland markets will require an overall strategy if they are to survive the intensified pressures of competition, tighter controls over food hygiene and the challenge of the Single European Market.

The aim of the strategy will be to increase or, more realistically, to defend the market share of a declining level of sales of fresh fish. It will require the careful coordination of effort from several parties : the Sea Fish Industry Authority, MAFF, the National Federation of Inland Wholesale Merchants, local FMAs, individual merchants as well as from the Local Authorities and the Unions. Its success will further depend upon the continued cooperation and goodwill of the coastal merchants, transport firms and, certainly not least, the markets' customers. But above all else the success of the strategy will come to rely upon a correct assessment of the strengths and weaknesses of the inland market system and its component parts and finally upon the ability to develop and direct the corporate energy of the markets themselves.

It is not intended here to prescribe a future for individual markets. This must be left to a subsequent formulation of action plans for those markets which are able to participate in the strategy. What follows, therefore, is a brief outline of a broad national strategy, a summary of the strengths and weaknesses of the present inland market system and, finally, a more detailed statement of those areas which need urgent improvement in order to be able to sustain the strategy. This



last part will also include some indication of the roles and responsibilities of particular organisations in bringing the strategy to fruition.

## 7.2 The Outline Strategy

The strategy is based on the premise of the need to establish a spatially coherent and comprehensive network of markets throughout the UK, taking due account of the population distribution. It postulates a simple hierarchical structure (Figure 12), comprising three types of market - national, regional and local (or urban) - each serving a different order of catchment and, to a degree, interconnected by information systems and flows of resources. For each level there will be some differentiation of function and also a different threshold of viability, measured in terms of the number of merchants and the volume of trade:

- national market - minimum of 40-50 merchants
- regional market - minimum of 15 merchants
- local (urban) market - minimum of 5 or 6 merchants.

Figure 12 describes the reality - or rather one possible variant. The proposal builds upon the existing structure and is more closely informed by knowledge of the present inland distribution system. Thus, Billingsgate is readily identified as the national market, serving not only the lucrative London and South East region but also acting as agent for other inland markets in respect of imported exotic species. The second tier of regional markets is here represented by Birmingham, Manchester and Glasgow (the latter chosen purely for its location although its present character defies such an elevated status). Not only would these markets directly supply a region of up to 120km radius (and possibly beyond) but they could also serve as transshipment points for bulk supplies of fish to the third tier of local urban markets. These could be established at various major urban centres like Belfast, Edinburgh, Leeds, Sheffield, Nottingham and Bristol and would serve a dual function as wholesale and retail markets. Other centres could be substituted for this list of local markets but it is important to avoid

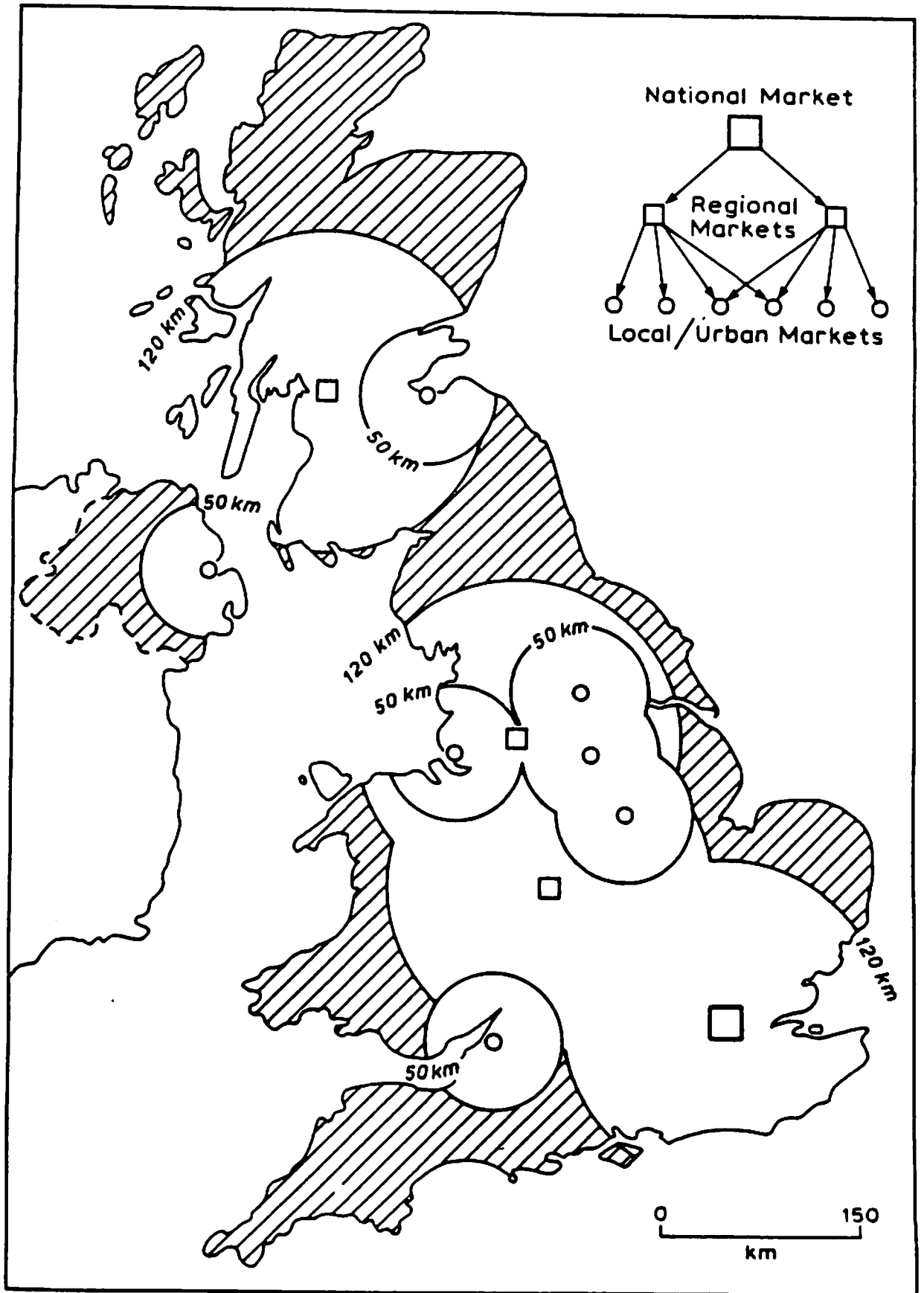


Fig. 12. A strategic plan for the inland markets

excessive duplication of effort and unnecessary inter-market competition. Consideration might also be given to the establishment of depots operated and managed by the newly constructed inland market system to supply the remoter areas which lie beyond the normal range of the regional and local markets.

The future inland markets must look to opportunities for diversifying their trading base and for adding value to the products they handle. This will require a careful assessment of their future customer base which is likely to remain closely identified with the high street retail outlets (mongers and general retail trade) - and only to a diminishing extent with the more traditional areas of the frying trade. The most important growth area - though by no means an unlimited one - is likely to come from the private catering sector (hotels and restaurants). Facilities provided at the inland markets must therefore complement the requirements of these two sectors (retail, catering) in particular. Thus all markets must look to develop facilities for holding fresh (live) shellfish which make up an important segment of the catering trade. In addition, at each regional market facilities should be provided for simple, small scale processing of wet fish as, for example, with the portioning and pre-packing of prime fish for both the retail and catering industries.

## CHAPTER 8      THE INLAND MARKETS : A PROGRAMME FOR ACTION

### **8.1**      Strengths and Weaknesses of the Inland Market System

In order to lay the basis for the programme of action to realise the outline strategy, it is first necessary to restate briefly the strengths and weaknesses of the present inland market system. The strengths derive almost exclusively from looking at the inland market as a collectivity i.e. the sum total of the market's activity rather than the separate contributions of individual merchants. From this perspective we can summarise the advantages of the inland markets as:

- providing the largest single concentrations of fresh fish supplies available at inland locations, in terms of both the volume of fish and the range of species;
- supplies of the principal species (cod, haddock, plaice etc.) should in theory be assembled at the lowest possible cost because charges for freighting fish from the coast are normally scaled according to volume;
- the reliability of deliveries of fish from the principal coastal locations;
- the accumulation of knowledge and expertise in the buying and selling fish;
- the strength of longstanding trust and loyalty established with both senders and customers;
- the opportunities for intra-market specialisation;
- and the principle of competitive trading which allows the customer to select, on inspection, the 'best buys' for his particular needs.

The disadvantages, on the other hand, stem from a number of factors which may be listed as:

- the poor trading environment provided by what are, in some cases, ill designed and badly maintained physical structures;
- underdeveloped distribution networks whereby the absence of an effective delivery service reduces the role of an individual market to an essentially local one;
- poor customer service;
- conservative attitudes on the part of many merchants;
- the weak internal economic structure of the market;
- an absence of any effective internal administrative organisation and, linked to this;
- a failure to reinforce the collective strengths of the market through vigorous corporate action.

It may be useful at this point to elaborate on one or two points. First, with regard to the economic structure of the markets, the majority of firms are small in size, simple in structure, poorly capitalised and non-technical in outlook. Their principals lack training in marketing and business management, except through experience on the market floor. They are unaccustomed - by a system of business which both recruits and disposes of its raw materials over a 24 hour cycle - to concepts of long-term planning. And they are seemingly reluctant to invest capital or extend their business activities beyond the buying and selling of fish on a regular daily basis.

These weaknesses are further exposed by the lack of any professional management structure at all markets, except Billingsgate,

and by the apparent failure of local merchants' associations to exert a strong organising role. Indeed the inland markets, both individually and as a whole, are seen as incapable of exerting any positive influence on the distribution systems. They are regarded as passive victims of changing circumstances rather than as holding their destiny in their own hands. Reasons for this may be given as:

- the absence of a strong corporate administration;
- lack of professionally trained management;
- the undue influence exerted by the less dynamic and forward thinking merchants - were it not for the protection afforded by the market canopy most of these would have been removed by the normal processes of rationalisation in a competitive economy;
- weak levels of interaction with the local authority as landlord : the landlord-tenant relationship is a passive one and is sometimes used as an excuse for the lack of modernisation and development.

## 8.2 A Programme of Action

Any action programme should seek to

- maintain and, where possible, improve the existing strengths of the system;
- correct those deficiencies in the system which restrain its further development; and
- identify the roles and responsibilities of the different agencies in securing the successful completion of the programme.

In the sections that follow, emphasis is placed on the second of these requirements.

### 8.2.1 Market premises

One certain outcome of 1992 and the harmonisation of regulations concerning fish hygiene will be the need for a major refurbishment of the physical structures of the markets to a standard where they can qualify for a trading licence. Such renovation would be necessary with or without EC legislation. At present only the major markets at Billingsgate, Birmingham, Manchester and Glasgow are adequate, though even these will probably require some upgrading. Of the other, those at Bristol and Liverpool are clearly unsuitable. In a few cases, therefore, the extent of the modernisation called for may require the total rebuilding of the market on the same or a different site. There are others where the existing market premises, though sufficient to cope with the new standards in the immediate future after some major modification, will be reaching the end of their planned life by the end of the 1990s. Here again thought should be given to the question not only to the appropriate site but also of the plan and design features of the new market. It would be unfortunate, to say the least, to follow the example of Billingsgate where, in the eyes of many merchants, the new market has simply incorporated many of the design faults of the previous building. The strategy envisages a changed role for certain of the markets and these changes need to be accommodated within the design of the building. But for all markets, the introduction of design features which minimise the manual handling of the fish and which facilitate good chilled storage, reasonable display and ease of movement on the market floor during trading hours should be given high priority. It may be that, under stricter trading conditions, the idea of a samples market - as is at present operating at Billingsgate - will prove attractive.

Under their present organisation, responsibility for the refurbishment of the market will be shared unequally between the local authorities, as owners of the market premises, and the merchants. The onus for major redevelopment will fall squarely on the local authorities and they will be the initiators of applications for grant aid. At present grant aid is available from the European Community through Regulation EC/355/77 which covers all aspects of marketing and

processing of fish from the point of landing to the point of final sale. Thus the local authorities have a crucial role to play in taking the inland wholesale markets into the future that lies beyond 1992. Should they prove unwilling to shoulder this responsibility, then the markets might be forced to entertain the idea of 'privatisation' or, at least, leasing the premises (rather than individual stands) from the local authorities on a long lease and with full rights to develop the site. This would, of course, entail establishing the market as a limited company in its own right.

#### 8.2.2 Labour Management and Training

The reorganisation of the economic structures of the inland market, together with the refurbishment of the market premises, will provide an opportunity for the rationalisation of labour and of labour relations. Labour relations have not been identified as a particular problem at any of the markets, except Billingsgate. Nevertheless, the fish wholesale trade remains one of the most archaic and labour intensive activities and labour costs probably account for a high proportion of total wholesaling costs. Automated handling systems which have the aim of reducing the physical handling of fish within the market area will necessarily mean a reduction in the demand for portering etc. Any proposal for the rebuilding or relocation of the market creates the opportunity for renegotiation of the conditions of work (including the structure of wages) which would serve the interests of both the merchants and the workforce alike.

It is likely that new codes of practice for fish hygiene will carry the additional requirement for the setting up of training schemes in fish hygiene, fish handling, display etc. for all sections of the markets' workforce. Responsibility for these should lie initially with the Sea Fish Industry Authority. At the same time, Seafish may wish to consider the introduction of regular management seminars for the benefit of the principals of the merchanting firms together with senior administrative staff at the markets. The new generation of merchants must be able to compete on equal terms with the management skills of other firms and organisations involved in the inland distribution of fish.



### 8.2.3 Market intelligence

One handicap under which both the merchants and their customers have laboured in the past is the extreme uncertainty of both supplies and prices of fresh fish available on the market from one day to the next. A lack of information undermines the confidence that potential customers have in the ability of the markets to meet their needs. And, in consequence, some have turned their backs on the markets in search of alternative, more reliable supplies - often implying a switch to frozen products. Some consideration should therefore be given to establishing a system of market intelligence linking the principal landing ports and the major inland markets capable of providing reasonable advice on the availability and price of fish on a 24-36 hour forecast basis. Were it possible to introduce such a system, advance information could be relayed to customers through the local media.

### 8.2.4 Customer service

Evidence from the Retail Survey has pointed to a significant level of dissatisfaction among customers concerning several aspects of what might broadly be termed the customer service provided by the inland markets. Customer loyalty is being threatened and it is in these areas that the inland markets tend to suffer badly by comparison with other inland distribution systems. The term 'customer service' covers a wide range of factors. Some refer to items already considered above (e.g. trading environment, market intelligence); others may simply reflect the merchants' attitudes. But there are also a number of specific points which can reasonably be incorporated within a programme of action.

In the first place, it is important to continue to attract the discerning customer who visits the market regularly, buying from different merchants in order to fulfill his daily requirements. Such customers are the markets' raison d'etre - the feature which distinguishes them from all other forms of inland distribution - and the best guarantee that the markets will retain their genuinely competitive character. An important provision, therefore, must be for adequate and convenient parking for the customers' vehicles within the market precinct.

Secondly, the question of the markets' opening hours needs to be carefully reconsidered. Any attempt to enlarge the markets' trading areas presupposes the need for earlier opening in order that deliveries of fish from the market can reach the customers' premises at an appropriate time. This 'simple' issue is, in fact, fraught with difficulties, not only in terms of renegotiating conditions of employment among the portering staff but also in guaranteeing the arrival of supplies of fish from the coast in sufficient time for the earlier opening. There were also some calls (by both merchant and customer) for later trading and in particular for greater opportunities to place late telephone orders for fish. Presumably this can be solved quite simply by the use of answerphones, together with perhaps the imposition of a small surcharge to discourage late orders becoming the norm. The problem here is that late orders could disrupt the balance between supply and demand to the detriment of the customer who makes an early morning visit to the market to secure his supply of fish.

Reference above to the extension of the markets' trading areas also highlights the need for comprehensive, coordinated and integrated delivery services linking the markets to the outlying parts of their catchments. This we believe to be one of the more serious defects of the inland markets in comparison with their competitors within the distribution system and therefore one of the key factors in the implementation of the survival strategy. At present, apart from Billingsgate, 70% of merchants provide some form of delivery service; significantly the proportion rises to 100% in the small markets which are already engaged in the fight for survival. But in all cases the delivery systems operated by individual merchants are uncoordinated and therefore tend to duplicate each other - at no benefit to either merchant or customer. And in the majority of cases the service is confined to the local urban area, leaving customers in the outlying areas to collect their own fish or rely upon weekly or at best twice weekly deliveries. It is in these outlying areas that the inland markets are clearly losing out in the competition from direct deliveries, depot operations and the independent wholesalers.

Ideally the options open to the inland markets in the long term will be either to provide their own comprehensive delivery services using fleets of chilled vehicles or to contract the organisation of such a service to an outside specialist haulage firm. In the interim, consideration should be given to some informal, internal rationalisation of existing delivery services through a limited degree of cooperation between individual firms on the market, with a view to reducing the duplication of routes and the redeployment of 'surplus' vehicles on new routes which extend the area of service.

#### 8.2.5 Public Relations

Throughout our surveys of the inland markets we were continually aware of their poor public image and dismayed by the lack of importance attached to the role of public relations. Only at Billingsgate, and to a lesser extent at Birmingham, were we aware of any attempts being made to improve public awareness and to open their doors to the general public. Many of the recommendations contained elsewhere in these proposals will undoubtedly help to enhance the markets' image - not least of which will be the physical refurbishment of the market. But more will need to be done to project a favourable image among the local public through, for example, the design of a local market logo to be used on publicity, the market's delivery vans and in the customers shops etc., the promotion of Open Days and the design of small portable exhibitions for display at local shows etc; and the use of the local media for news, information and advertising. Such activities should be linked to the Sea Fish Industry Authority's national promotion schemes. It would also be useful to establish a closer liaison with local schools and colleges both by encouraging school parties to visit the market and by taking simple fish cuisine demonstrations into the domestic science classrooms.

#### 8.2.6 Administration

The recommendations contained in this report have been based upon the view of the inland market as a 'collectivity' rather than as a loose unstructured grouping of individual merchants. We have deliberately emphasised the importance of the inland markets' collective strength and

the need for corporate action. But here we come across a fundamental problem - the absence, at most markets, of any semblance of strong corporate organisation.

A distinction must be made between Billingsgate and the other markets. At Billingsgate separate corporate organisations do exist for the merchants (London FMA), the porters (T & G.W.U.) and management (Corporation of the City of London) but their clearly defined sectional interests tends to make them pull in different directions over crucial policy issues. The Consultative Advisory Committee does not seem able to bridge the differences very effectively.

At all other markets the situation is quite different, for an executive and administrative structure appears to be virtually non-existent. There is an urgent need to strengthen the executive function of the FMAs which at present exert only a nominal role in negotiating for development, have a poor record of successful action, and claim relatively little respect and support from their membership. In the case of the three regional markets of Birmingham, Manchester and Glasgow immediate consideration should be given to the formation of the FMA as a limited company and to the appointment of a full time Executive Officer to be accountable to the general membership of the FMA through its Council or Executive Committee. Its role would include assisting in the drawing up of an action plan for the market, monitoring the market's performance, supervising the market's distribution service and acting as the principal liaison or negotiator with all external organisations.

#### 8.2.7 The Agencies : their role and responsibilities

Although the revitalised FMA and, in particular, the Executive Officer will necessarily bear the brunt of the work involved in developing, promoting and carrying through an action plan for the market, its success will also depend on the emergence of a stronger and more effective partnership between the FMA and the local authority and upon the continuing close support of Seafish. It will be necessary to allocate responsibilities among the leading agencies for the market's

development and to integrate the work of these agencies through an effective consultative committee.

- (a) Sea Fish Industry Authority. Initially, Seafish might act as the catalyst in bringing together the other agencies (and in stimulating inter-market discussions). Thereafter, Seafish's role would be to monitor progress, to provide the market with periodic trade reports and forecasts, to establish training programmes for the market's staff and to continue the general promotion of fish - in the form of both basic cuisine and new up-market species and dishes.
  
- (b) The Local Authority. Cooperation between the local authority and the FMA is essential. One way of cementing such a relationship might be through the formation of a limited company, incorporating both parties, to use the inland market. (Because the local authority's interest in the wholesale food market usually extends beyond fish to include meat, fruit and vegetables, a larger 'holding company' may be more appropriate with 'subsidiary companies' for each separate market sector). In any event, as owners of the market premises the role of the local authority will obviously centre upon the physical renewal of the market in order to meet any new conditions imposed by the European Community's fish hygiene regulations. This will require a direct financial commitment to the inland market. But the local authority is also capable of providing the market with considerable expertise in planning, commercial, financial, and legal matters on a continuing basis.
  
- (c) The Fish Merchants' Association. The FMA is certain to be the lead agency in the development of the market. Through its Executive Officer it will be involved in all phases and in all aspects of the action plan. More specifically, its responsibilities will include: overseeing the design and

execution of the action plan; negotiation of revised opening times for the market and of new conditions of employment; promotion of public relations; and all external liaison, including the convening of consultative committees, etc.

- (d) External Agencies. It will be important at all phases of the action plan (and thereafter) to remain in close consultation with all other organisations upon which the functioning of the inland market depends. These will include, iner alia, the coastal merchants, the overland transport firms and the market's own customers. In general, the proliferation of consultative bodies is inadvisable but the incorporation into the main consultative committee of the different segments of the market's customers (retailers, friers and caterers) is worthy of consideration.

**PART 4 : SUMMARY AND CONCLUSIONS**

## 9. SUMMARY AND CONCLUSIONS

- 9.1 The inland wholesale markets find themselves sliding deeper and deeper into a crisis compounded of uncertain supplies, a diminishing customer base and aggressive competition for declining fresh fish sales from direct deliveries, depot operators and independent wholesalers. To date the depth of the crisis has been partially obscured by the fact that the decline in the volume of fish handled by the inland markets has been offset by rising unit prices, with the result that turnover value at current prices remains relatively stable. Although there has been some ad hoc rationalisation of the structure of the markets and individual attempts to diversify trade, there has been little or no collective response to the problems.
- 9.2 The 1990s will provide the inland markets with their most serious challenge to date. Against a background of continuing instability of supplies from both domestic and overseas sources, the customer base of the inland markets will come under increasing pressure from supermarket expansion in fresh fish sales and increasing competition from alternative inland distribution systems will intensify. But the greatest threats may well result from completion of the Single European Market in 1992. The removal of non-tariff barriers to intra-Community trade could increase the presence of foreign buyers at U.K. landing ports and also open up the lucrative S.E. market area to foreign competition, especially with the completion of the Channel Tunnel. Harmonisation of fish hygiene regulations threatens to impose a stringent code of practice on the processing and marketing of fish.
- 9.3 The inland markets are totally unprepared to meet the challenge of the 1990s. They require a coordinated strategy to help them defend their current market share (amounting to around £250M or roughly a quarter of total fresh fish sales) and a definitive programme of action. An outline strategy is proposed which



recognises a simple hierarchical structure of national, regional and local markets which will vary in size and function. The programme of action is based upon the identification of the inland markets' strengths in terms of the concentration of large volumes of fresh fish assembled in inland locations at relatively low cost and the accumulation of knowledge and expertise in the buying and selling of fish. It seeks to harness the collective strengths of the market through the development of a much more positive administrative organisation and a closer partnership with other sections of the industry and with the local authority landlords. It also outlines the action required to remedy particular weaknesses in the existing market situation including the refurbishment of market premises, the improvement of customer services and attention to public relations.

- 9.4 Overall, our analysis allows us to express some confidence in the future of the inland wholesale fish markets in the potentially turbulent years ahead. The degree of confidence must ultimately depend upon the level of action which the markets are prepared to take in order to combat the problems outlined in this report. We strongly recommend that each individual market should, with the cooperation of their FMA, Local Authority and Seafish, take immediate steps towards the drawing up of an action plan in line with the recommendations contained in Section 3 (Chapters 7 and 8) of this report.

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