

Amy Cogan Wares

Regional Development in Yorkshire and the Humber (C)

The Competitiveness Reinforcement Initiative in the Humber Seafood Cluster

Yorkshire Forward contracted specialized cluster consultants to undertake strategic analysis on behalf of the industry and to facilitate the cluster's discussions and actions. The project had four objectives:

1. To gain an impartial evaluation of the cluster and determine which companies were driving the cluster forward, as well as what the appropriate strategies for the cluster were;
2. To make companies aware of existing Yorkshire Forward programs;
3. To improve the extent to which Yorkshire Forward programs met the needs of the cluster;
4. To coordinate policies with other institutional partners in the Yorkshire and Humber region with the aim of creating a competitive environment adapted to the companies within the cluster.

The project began with structured dialogue between the consultants and local businesspeople in the cluster, followed by a presentation of the results of these discussions. Several key business leaders in the cluster were taken on reference trips to Spain and the Netherlands to learn about world class seafood clusters first-hand.

As the cluster participants and consultants began to better understand the nature of innovation in seafood and the requirements for remaining competitive, it became evident that major strategic change was necessary.

When work started with the seafood cluster, about 80% of the industry's product was frozen fish, mainly in the form of frozen ready meals. The industry had initially requested government support for a filleting plant and for securing raw material

This case was prepared by Amy Cogan Wares on 2011 based on a real experience at the Yorkshire and the Humber Region (England), as the basis for class discussion rather than to illustrate the effective or ineffective handling of an administrative situation. Some situations, characters and companies have been disguised to preserve confidentiality.
Last edition: June, 2011.

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supplies from the local catching industry and trade partners. The analysis done by the cluster project revealed that the industry's instincts were off beam. A CEO of one of the region's largest companies commented, *"People originally thought the issue was about fishermen, but that's not the case. The fishermen are already gone. It is now about fish processing. Shifting the issue has been a huge achievement."*

Despite the compelling evidence, there was, and still is, significant resistance to change. For decades, the region thrived on frozen fish processing and boasted the largest concentration of cold storage facilities in Europe. Several companies had recently made large investments in freezing equipment and cold storage and did not want to acknowledge the threat from cheap imports. Centuries of tradition meant that most businesses were looking to the sea, without understanding that most of the seafood arrives by air. Switching from frozen to fresh seafood required substantial commitment and investment that local businesses, often with CEOs nearing retirement, were reluctant to make.

According to an official at Yorkshire Forward, *"it is likely the changes [from frozen to fresh] would have happened anyway. The cluster work gave the industry an opportunity to anticipate coming trends and act early. The strategy analysis was looking 10 years down the road, but most businesses were only looking 2-3 years down the road. It was a wake-up call. The businesses that had their eyes open are benefiting; the others are being forced out of the market."*

Proposed Cluster Actions

The vision resulting from the cluster discussions was to become the leading value-added fresh/chilled fish hub serving Europe. The strategy for achieving this objective involved innovating both in the marketplace and on value-added production. The cluster initiative identified three specific activities to pursue: 1) improving incoming logistics 2) concentrating the market and 3) developing export products and logistics.

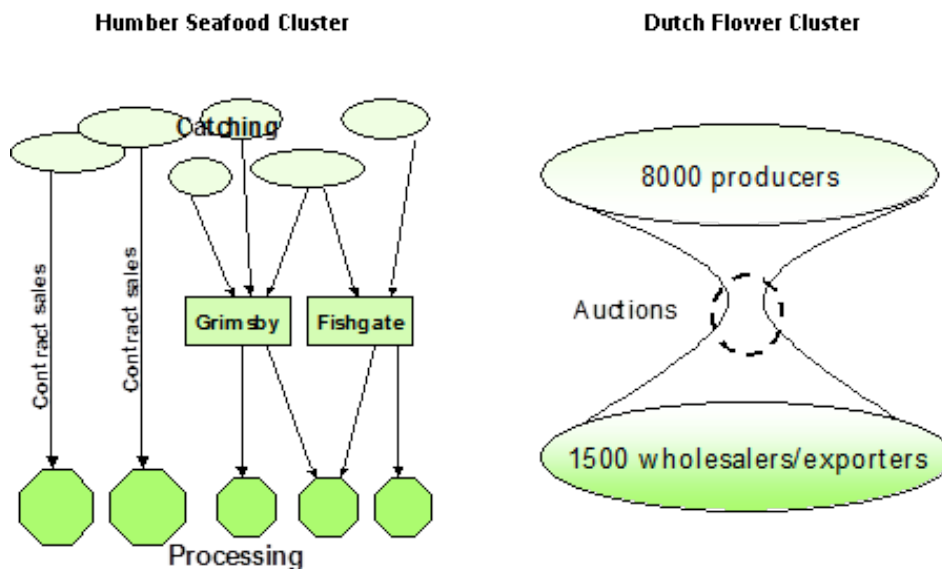
1. Improving Incoming Logistics: Humber Hub for Perishables

Although 70-80% of UK seafood processing is located in the Humber region, as much as 65-70% of the fish used is sourced through distant airports, such as London and Edinburgh, and then transported by road to Yorkshire. With a highly perishable product like fish, these inbound logistics delays place Humber area firms at a significant disadvantage.

The proposed state-of-the-art facility for handling perishable imports at the Humberside Airport would provide more reliable access to high quality raw materials. Products coming by sea would be directed to Immingham port.

2. Concentrating the Market: Humber Seafood Exchange

With the decline in the local catching industry and primary processing activities, neither of the existing markets in Hull or Grimsby has the volume of buyers sufficient for sustainability. Most fish processors purchase raw materials on contract and use the markets only for procuring niche products or to supplement shortfalls in supply. A consolidated marketplace offering additional logistics and other services based on the model of the Dutch flower auctions would not only facilitate purchasing arrangements, but also establish the Humber as the critical hub for fresh seafood in Europe.



Such a marketplace does not currently exist in Europe. Despite substantial consolidation in other perishables auctions such as flowers and fruits and vegetables, there are still more than 400 fish auctions in Europe, most working locally.

3. Developing Export Products and Logistics: “Fresh Convenience Food” Export Initiative

Like in the UK, consumers in mainland Europe are beginning to demand better tasting, higher quality, and healthier convenience foods. The Humber seafood cluster has an opportunity to capitalize on the UK’s leadership in this market by developing products for export to European markets. This initiative will help compensate for decreasing profitability in the UK due to the market power of the supermarkets. It will also help processors better understand the needs of the end markets, an opportunity which is limited in the UK given the dominance of the supermarkets over the value chain.

Questions for discussion

Please prepare the answer to the following questions with your group, and be ready to discuss them with the rest of the teams:

- How to maintain the momentum for change?

- Who should be in charge of the follow up actions? Who should pay for them?
- What will be the measure of success?
- Present a proposal of management structure for following up the actions proposed, defining as well the budget and financial contributions