



Market dynamics

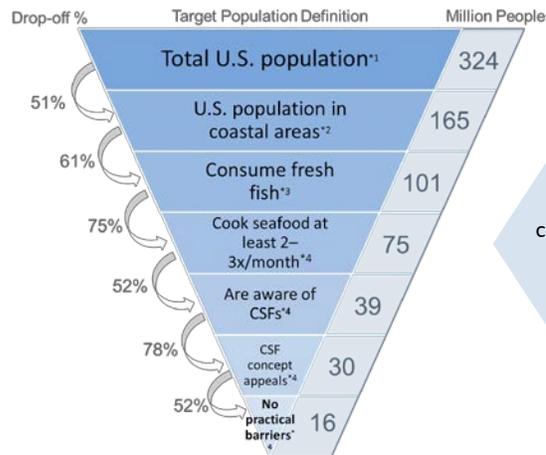
Community-Supported Fisheries (CSFs) provide a shortcut to trust. Much like their agricultural counterparts, CSFs connect small- and medium-scale fishers directly with consumers to offer them high-quality, locally caught, fully traceable seafood. They seek to improve the livelihoods of fishers, monetize by-catch, and reduce food miles, while also educating consumers on fisheries issues and encouraging them to eat new species.

The nascent CSF sector is marked by experimentation of business models and product offerings to improve customer lifetime value. In recent years, the sector has seen a move toward more flash-frozen and value-added products, as well as add-ons of complementary goods. Equally, CSFs have focused on providing members with more choices and convenience by introducing more share types, delivery options and opt-out flexibility.

In the U.S., the CSF sector is currently valued at \$8.2M, but it has a market potential of \$3B. The 37 active, U.S.-based CSFs currently serve 35,000 consumers, representing a mere 0.2% of the potential target market of 16 million consumers (5% of the U.S. population). The sector shows encouraging early signs, such as member retention rates of 80+%, relatively high spend levels (\$220/year p.p. vs \$52/year national average spend on seafood⁵), and high concept appeal among non-members.

The CSF market is supply-constrained. The key challenge in adding supply is to help more fishers market directly and serve the untapped demand profitably. A lack of flexible processing and cold-storage capacity keeps capital costs high. Efficiency is low because of exceedingly manual processes and a dearth of data-driven systems. Many fishers don't have adequate business management skills and face steep learning curves, yet they are eager to grow.

CSF market potential funnel – U.S. Market



There is huge untapped market potential for CSFs. Even before concept awareness or appeal levels are increased, the U.S. target market is 16M people, a 400x increase over the current levels.

How investors can help the sector grow

Boost marketing: tap that mass (market)

With 0.2% target-market penetration, CSFs have barely scratched the surface of their potential. Because of limited marketing efforts so far, they have recruited only the most enthusiastic early adopters. Growth strategies must focus on attracting more consumers in underserved geographies (e.g., Los Angeles, Miami, Gulf Coast) and in untapped demographics (e.g., minorities, singles, families), and by going deeper and denser in communities they already serve.

Build flexible capacity: share costs to scale faster

In a production system that fluctuates between waste and asset under-utilization, the pooling of volumes into shared assets can improve unit costs, keep capital costs low, and enable faster scaling. The CSF sector needs flexible access to shared processing, cold-storage, and cold-delivery capacity. Such support infrastructure could help catalyse the local food movement and enable many more market entrants, beyond even seafood.

Automate: fill the need for speed and data

There is great unmet need for efficiency tools that help automate, optimize, and track processes that are currently performed manually, or not at all, such as catch allocation, catch reporting, CRM, and inventory management. Greater efficiency and data access are necessary to step-change CSF performance and customer service. Equally, plug-and-play software tools could enable many more small-scale producers to start selling faster.

Go global: look where the fish are

Having originated in the U.S. and Canada, the CSF concept is now being replicated around the world, particularly in countries with large seafood markets that traditionally export most locally captured seafood, such as Taiwan, Indonesia, Mexico, Chile, Peru, and India. Growing consumer demand for local seafood, driven by a rising middle class and a desire for healthy, unprocessed foods, is being met by emerging businesses offering mail order, grocery, and neighbourhood pickups.

Sources:

*1. US Census Feb 2017; *2. NOAA, 2011; *3. Packaged Facts Fish & Shellfish Report June 2013; *4. Hennig, J.; "Scaling Community-Supported Fisheries", Stanford University, March 2017; *5. Mintel Fish & Shellfish Report, Nov 2016.

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