



“INTERNATIONAL MARKETING”- REENTERING THE CHINESE
SALMON MARKET: A CASE STUDY OF LERØY SEAFOOD ASA.

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Project submitted as a partial requirement for the conferral of Master in Management

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Resumo

A indústria do salmão de viveiro desenvolveu e cresceu rapidamente nas últimas quatro décadas. Hoje, há mais atores nesta indústria do que nunca e a concorrência está crescendo. A demanda por salmão não está sendo atendida em muitos dos mercados, especialmente na parte asiática do mundo.

Esta tese de mestrado dá uma visão geral da indústria exportadora de salmão norueguesa. Isso leva uma perspectiva de marketing, e o foco principal é o mercado chinês, o crescimento da classe média e o fim da frente policial fria entre a Noruega e a China são os motivos deste estudo.

A tese é escrita da perspectiva de Leroy Seaffod ASA, tentando analisar e caracterizar os consumidores chineses em relação à demografia, renda, posição geográfica, idade, diferenças culturais e classe social.

O principal objetivo da tese é desenvolver uma estratégia de marketing para o salmão norueguês no mercado chinês, com propostas de resolução específicas sobre como a Leroy pode entrar, entrar no mercado de salmão chinês com sucesso.

Palavras chaves International marketing, Content Marketing, Consumer Behavior

JEL classificacao M3 Marketing and advertising M30 General, M3 Marketing and Advertising M31 Marketing.

Key words: International marketing, Content Marketing, Consumer behavior, Asian adaption.

JELClassificacao: M3 Marketing and Advertising M30 General; M3 Marketing and Advertising. M31 Marketing.

Abstract

The farmed salmon industry has developed and grown rapidly over the last four decades. Today, there are more actors in this industry than ever before and the competition is growing. The demand for salmon is not being met in many of the markets, especially in the Asian part of the world.

This master thesis gives a general overview of the Norwegian salmon exporting industry. It takes a marketing perspective, and its main focus is the Chinese market. The high demand for salmon in the Chinese market, the growth of the middle class and the end of the political cold front between Norway and China are the reasons for this study.

The thesis is written from Lerøy Seafood ASA perspective, trying to analyze and characterize the Chinese consumers regarding demography, income, geographical position, age, cultural differences and social class.

The main objective of the thesis is to develop a marketing strategy for Norwegian salmon in the Chinese market, with specific resolution proposals regarding how Lerøy can re-enter the Chinese salmon market successfully.

Key words: International marketing, Content Marketing, Consumer behavior, Asian adaption.

JEL Classification: M3 Marketing and Advertising M30 General; M3 Marketing and Advertising. M31 Marketing.

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1. Case

1.1 Identification of type of thesis

The reason for my choice of thesis is primarily my close relation with both Norway and the seafood industry. Since I come from one of Norway's largest coastal cities, the seafood industry has always been a part of my environment and is the reason my home city exists today.

Furthermore, I have friends directly involved with this industry and work with it on a daily basis, which has given me the opportunity to acquire knowledge about the industry. The seafood industry is growing and it is becoming more and more important due to the insecure future of the oil and gas industry that we have seen the last two years.

Moreover, this will be an opportunity to learn more about the seafood industry, and apply theories I have learned during the master program into reality. Considering that the seafood export market is a possible working place for me in the future, this project can help me achieve valuable knowledge and experience for my future job career.

A case study needs to Characterize a business situation, identifying the company and presenting a compelling and concrete business problem as well as their pedagogical note. This case project will therefore be based on marketing of farmed salmon, and how they can re-enter the Chinese seafood market. Because of the turbulent relationship between Norway and China since the peace price went to Liu Xiaobo in 2010, Norway has experienced a ban of their products in the Chinese market. However, the chilly relationships between the two countries are coming to an end. Business agreements are being signed between the two countries again. Now, the challenge is to find the right market strategy in order to preserve the relationship and increase the Norwegian salmon import to China.

As the future of the oil export is uncertain due to the big drop of oil prices and measures against climate changes, it is likely that the seafood will be the greatest export product from Norway in the future. Therefore, this is a relevant topic for today's situation.

1.2 Problem presentation

The world is getting smaller and smaller. It seems like the globalization trend we have seen the last decades has no intention of stopping in the near future. It has led to a tremendous increase of import and export across borders, made trade easier and the borders of countries does not have the same importance as earlier. Take for instance the European Union, with their trading agreements and opportunity to freely move around and work within the member countries. Because of this, the trade within the EU has increased remarkably since its founding in 1993 (see appendices graph 1). The Norwegian salmon is the market leader of the world salmon export with a market share of over 60 % (WISER Trade 2011).

To simplify the trade amongst countries leads to benefits, but it has also increase the competition amongst companies worldwide. The local super market now has to compete against big corporations from the other side of the world, companies are being outsourced to less costly countries, and in the long run it is the most adaptive companies that experience most of the success (see appendices figure 2), (Information service group 2017).

The internet has also had a big influence regarding import and export. It has made the availability of products only a few clicks away, and services have taken over for products in many areas.

The seafood industry is a very old profession in Norway, and can be traced back to the 15th century. Traditionally, it was the now world- famous stock fish that was exported. Since the 1980s another product grew and took over as the most exported fish from Norway, the farmed salmon. The Norwegian salmon has been appreciated and spoken of as the best salmon in the world. Both the sale and the price of the product have increased steadily in the last decade, which has led to a huge success for the actors operating in this business (Wold H. 2015).

Today, companies within the farmed salmon business have to be intuitive and technological superior in order to survive. It is not enough anymore to have a good product. The consumers have to know that you have a good product, it has to be appealing and they need good reasons to choose your product instead of competitive products and substitutes.

A big challenge for international actors in today's business world, is to do trade across different business cultures. To succeed, the company has to be well informed about the

market they want to operate in, their customs, traditions and try to construct good relationships.

Although, the export of farmed salmon now is experiencing an all-time high regarding price and volume, the actors need to stay alert. In order to preserve the market, share they have acquired, they always need to think about their marketing strategy, pricing, product development and potential expanding possibilities. To take into account globalization, is also a must in the global trade of products and services in order to achieve the company's goals. After losing close to their whole market share in China, it is now time to create a functioning marketing strategy in order to regain their earlier position in the Chinese market.

The digital age we are facing today, force companies to be up to date in their marketing capabilities in order to achieve success in the market. The marketing regarding most markets today is moving towards more and more digital marketing, with the help of social media, home pages and e-mail in order to reach their customers.

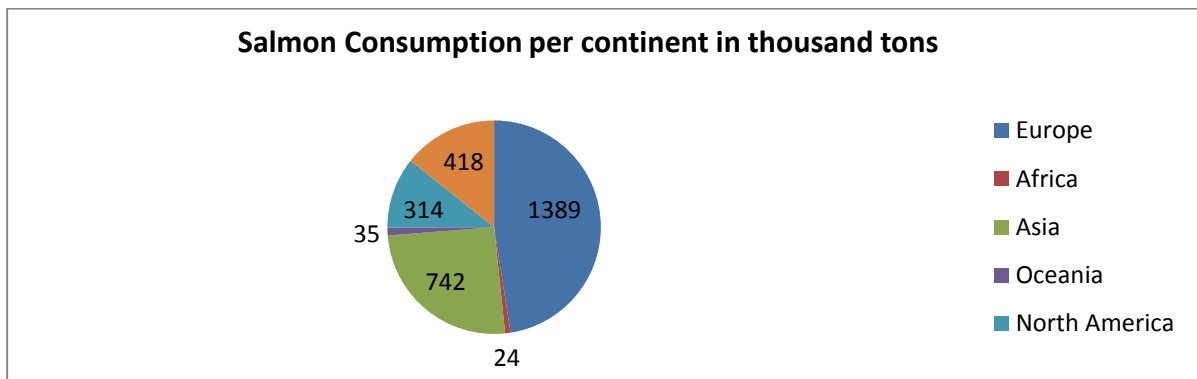
In this case we will focus on the Chinese market, and look at the possibilities of the Norwegian seafood company Lerøy Seafood ASA has to regain market share, after the cold political climate between Norway and China.

1.3 Case study context

1.3.1 International salmon market

The farmed salmon production has created over 121 000 jobs and produce over 14.8 billion meals every year. *"Salmon farming is one of the most efficient protein producers in the world, with land and fresh water resources shrinking, the global salmon farming industry represents one of the best ways to feed the worlds growing population with a minimal environmental footprint."* (ISFA 2015). In addition, McNickle (2015) state that *"Farmed salmon has a much lower impact on the environment compared to meat production, such as chicken and beef."*

Figure 1 Salmon consumption by continent in thousands of tons

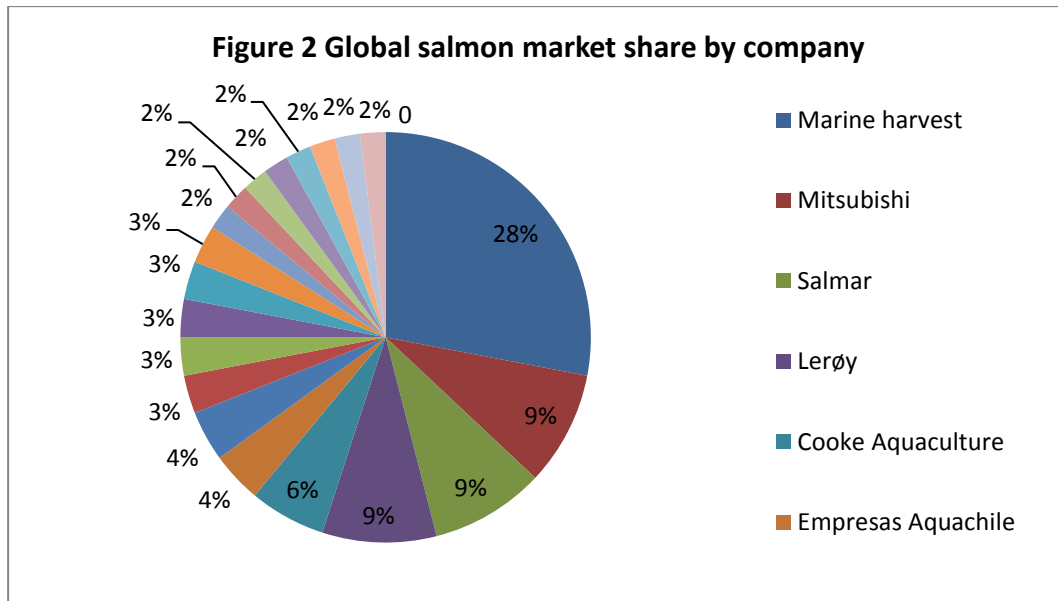


Source- Fishstat 2010.

Figure 1 state that Europe is by far the largest consumer of salmon with 1389 thousand tons per year. Furthermore, we can observe that North America, South America and Asia have a more or less equally consumption of salmon, with around 300-400 thousand tons per year, while Oceania and Africa have a very low consumption with only 25-35 thousand tons per year (Fishstat 2010).

The European market is a very important market because they are the biggest importer of Norwegian salmon. However, the Asian market with the economic growth is also a very interesting market to explore further. It is a region of the world where salmon is considered as one of the most exclusive foods, and the inhabitants wealth is increasing. Asia is also the part of the world with most inhabitants, which means more potential customers (Nisseu 2011).

The Norwegian seafood export is growing every year, and Norwegian salmon stands for about 62% of the total salmon export in the world (Norwegian seafood council 2013). The Norwegian company Marine Harvest, produced 420 500 tons of salmon in 2016. In comparison, the second largest salmon producer in the world, produced 139 000 tons (Seaman 2016).

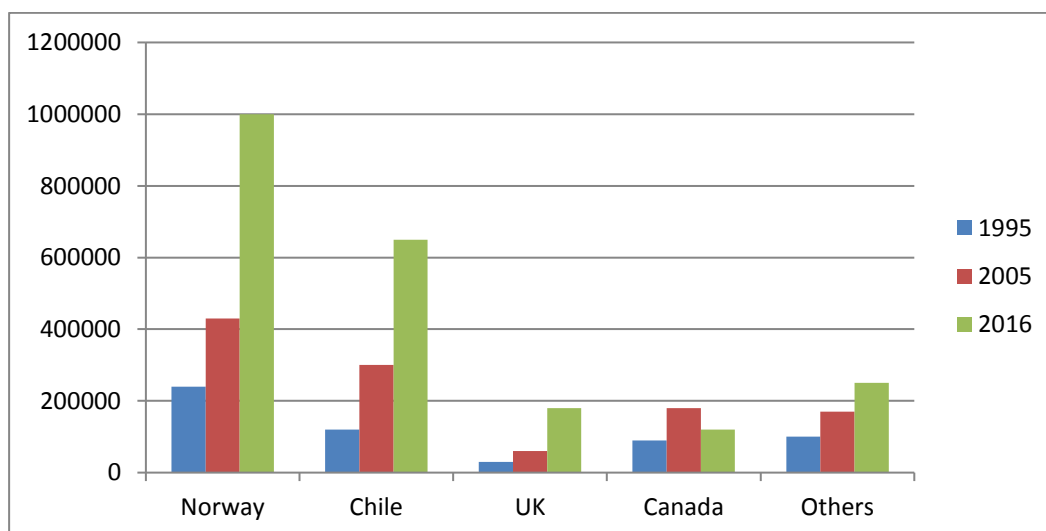


Source- Nodland 2016.

1.3.2 Present and future

The farmed salmon export is a largely increasing business, and has experienced a more or less steady increase in production, sales and prices over the last two decades.

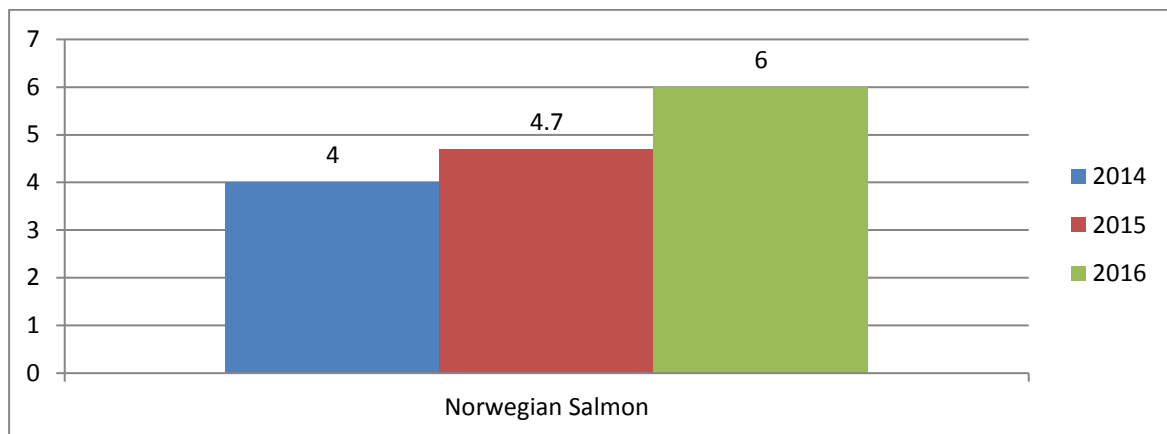
Figure 3 Export increase of farmed salmon by country in thousand tons 1995-2016



Source- Journal of Agribiotechnology Management and economics 2017.

According to figure 3, there is a more or less steady growth of the export of farmed salmon. We can observe that the Norwegian salmon export has increased accordingly to the general export increase, and that the Norwegian salmon stands for about 50% of the exported salmon worldwide in 2016. Lastly, we can observe that the total export of farmed salmon has increased about four times the volume from 1995 to 2016, with respectively 500 000 tons in 1995 to 2 250 000 tons in 2016 (Information service group 2017).

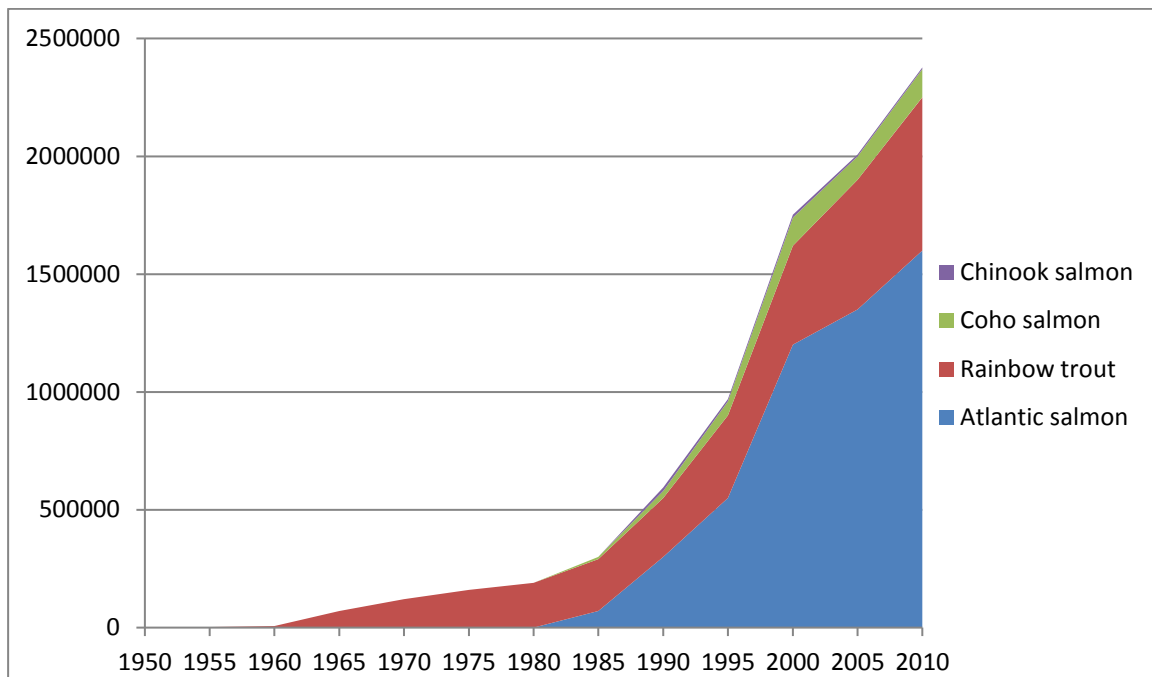
Figure 4- Norwegian salmon price development in Euro 2014-2016



Source- Money week 2016.

Taking into consideration figure 4, we can observe that the Norwegian salmon prices reached an all-time high by the end of 2016. It is claimed that this is an effect caused by the salmon lice outbreak, which the salmon farmer companies have experienced the last years, that resulted in a lower production. Therefore, the prices are pushed up because of the uncertainty of if the production can meet the demand (Money week 2016). This phenomenon, together with a record high consumption of farmed salmon within the European Union, has led to the highest revenues ever from the Norwegian salmon (Mcferron 2016).

Figure- 5 Salmonids production worldwide 1950-2010 in tons:



Source- Food and aquaculture organization of the United Nations 2014.

From figure 5, we can observe that the fish farming of Salmon and Trout started to increase a lot in the middle of the 1980s, and the production quantity is still increasing every year.

Figure 5 states that it was the Rainbow trout that first started to be farmed during the 1960s. Later, during the 1980s, we can observe that the production of Atlantic Salmon is taking over as the preferred fish to farm, and the Atlantic salmon is today the clearly most produced fish. It is also worth noticing that the Rainbow Trout is still being produced, and stands for about 25% of the total production volume in 2010, and the Atlantic Salmon for about 70% (FAO 2014).

1.4 European market

The European Union is the largest importer in the world. In 2015 the EU imported food for 120 billion Euros. About 20% of this amount (24 billion) comes from fish product import (European commission 2016).

1.4.1 Present and future

Regarding salmon, the EU is only 18% self-sufficient, which means that they import about 82% of the salmon they consume (European commission 2016). Of the 82% of the imported

salmon, 80% of it is Norwegian salmon. In other words, Norwegian salmon has 80% of the market share in the European salmon import market (Eurostat 2009).

The weak Norwegian krone (See appendix figure 3) combined with the Russian fish import ban has led to hard competition in the farmed salmon industry for the EU salmon farmers. Although the production increased 2% in EU in 2015, they cannot compete with the prices from outside the EU region (European Union market observatory for fisheries and aquaculture products 2016). The consumption of fish in the EU region is increasing. From 2013 to 2014 the average consumption per person increased by 1 kilogram. Fish is trendy, especially during the last decade with the sushi wave that has hit Europe with full force (EUMOFA 2016).

Figure 6 European Seafood production in thousand tons per country 2000-2015

Country- year	2000	2005	2010	2015
EU total	7650	7281	6530	6397
Belgium	65	65	51	45
Bulgaria	-	-	63	58
Czech Republic	-	-	-	-
Denmark	393	325	241	220
Germany	168	159	150	141
Estonia	-	62	40	44
Ireland	212	227	198	194
Greece	617	531	500	435
Spain	1340	1133	940	800
France	1114	1104	991	1000
Croatia	0	0	0	410
Italy	1395	1223	1100	985
Cyprus	-	47	43	36
Latvia	-	65	61	43
Lithuania	-	-	-	-
Luxembourg	-	-	-	-
Hungary	-	-	-	-
Malta	-	99	86	73
Netherlands	522	400	343	304
Austria	-	-	-	-
Poland	-	105	67	62
Portugal	399	382	371	358
Romania	-	-	7	6
Slovenia	-	11	11	9
Slovakia	-	-	-	-
Finland	198	172	173	157
Sweden	246	219	168	164
UK	986	860	827	773
Iceland	523	520	467	467
Norway	1351	1273	1238	1258

Source- Eurostat 2009

Considering figure 8 above, Spain, France UK, Italy and Norway are the European countries with the highest seafood production in the period 2000-2015 (All fish types included). The trend we can observe from the table is that Spain, France and Italy have experienced a decrease of about 20% in the period 2000-2015, but Norway's production has been kept more or less stable in this time periods. We can state that there is an overall decrease in the production volume of seafood in Europe, and that the decrease in fish production is mainly caused by the EU member countries cutting their production (Eurostat 2009).

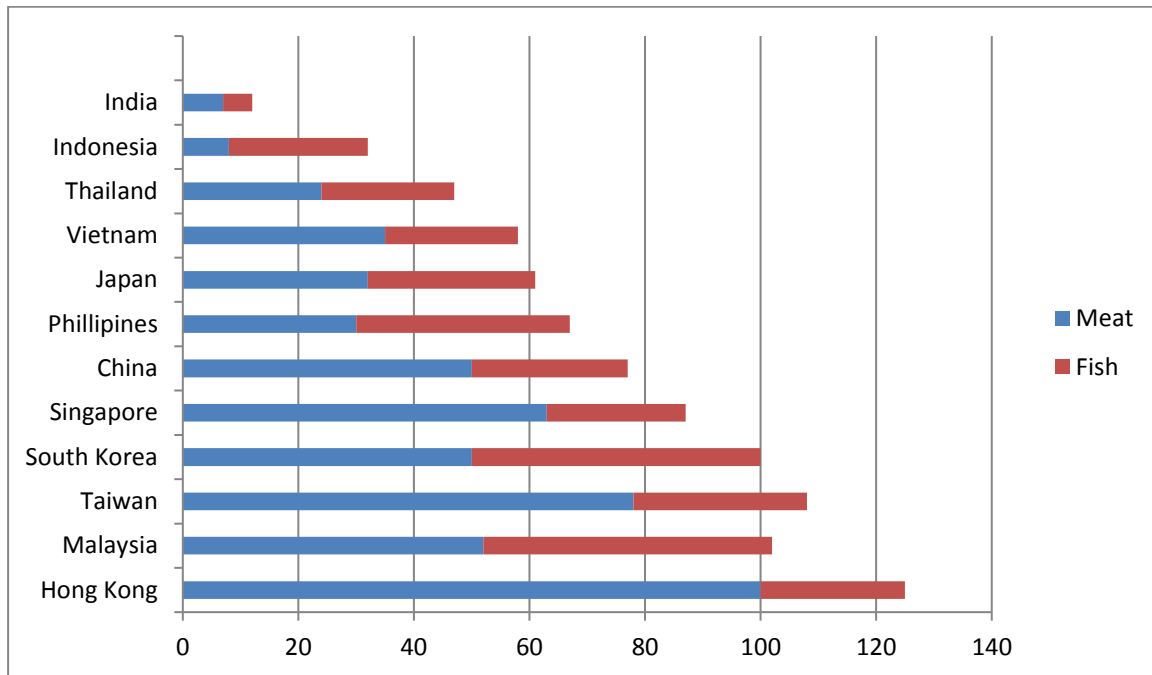
1.5 The Asian market

Asia is the home of sushi. The demand for salmon is high, and are highly dependent on imported salmon to meet the demand. Especially Japan and China has had a steady increase of salmon demand. The seafood export to China has doubled in the period 2005-2014. It has increased from 452 million pounds in 2005 to 1046 million pounds in 2015. Today, China depend on importing salmon in order to meet their increasing demand, however, simultaneously Chinese producers are increasing their production trying to take over some of the market share from the exporters to China (Miller 2015).

1.5.1 Present and future

In most of the Asian countries, the meat consumption is higher than the seafood consumption. The only exception is Indonesia. We can see from figure 7 that seafood consumption on average stands for around 25 kg out of 70 kg of total annual meat consumption in Asia, and stands for about 30% of the protein source in the Asian region (Friend 2015).

Figure 7- Meat and fish consumption asia per capita in kg year 2014



Source- World Bank 2013.

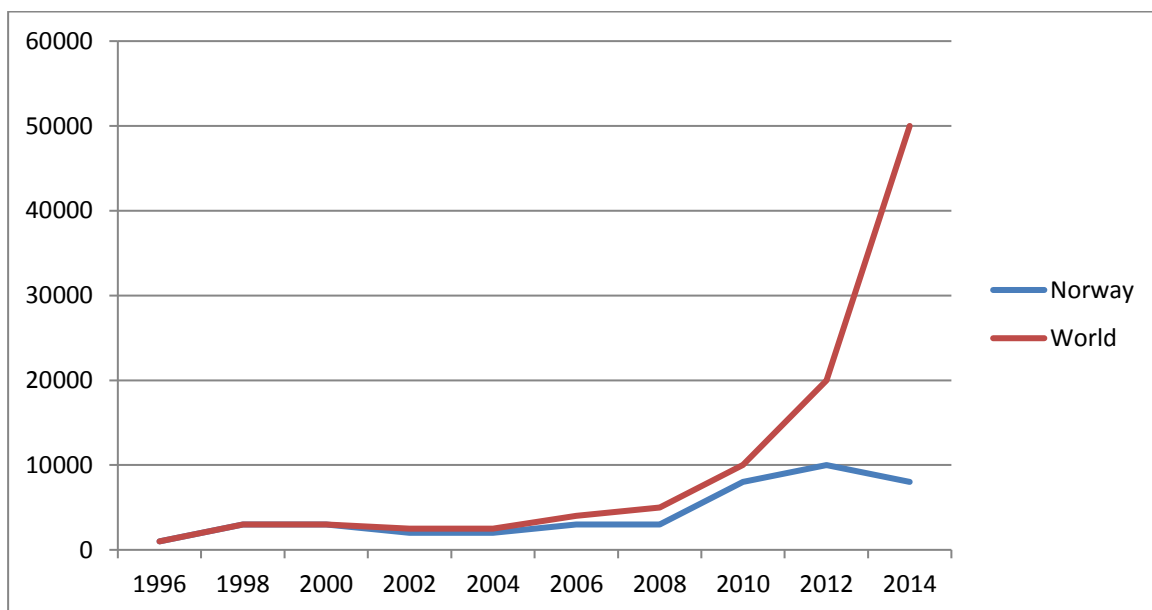
It is estimated that in year 2030, the consumption of seafood will increase in Asia. In the largest countries of Asia, such as China it is estimated a consumption increase of more than 30%. Vietnam is expecting an increase of 36%, while the consumption in Japan is expected to decrease 9% in within year 2030; The overall trend in the Asian seafood consumption is an increase of minimum 8%, reaching up to around 85%. The only exception is Japan with a possible negative development of consumption of seafood (World Bank report 2013).

1.6 The Chinese market- Salmon

The Chinese salmon market has always relied on import in order to meet the demand. After the political differences in 2010 regarding the Nobel peace prize, the Chinese import of Norwegian salmon has fell close to zero. From 1997-2010, the Norwegian farmed salmon accounted for at least 70% of the total salmon imports to China per year. It is by far the largest actor in the Asian seafood market China is the largest exporter, consumer and importer of seafood. The Chinese consumption has exploded in the last decades increasing from 11, 5 kg per person in 1990 to an expected increase of 35, 9 kg per person in 2020. Although they are the largest seafood exporter in the world, they rely on huge imports of seafood in order to meet the demand of the population (Sorenson 2014).

1.6.1 Present and future

Figure 8- Chinese salmon import Norway vs Rest of the world in tons 1996-2014

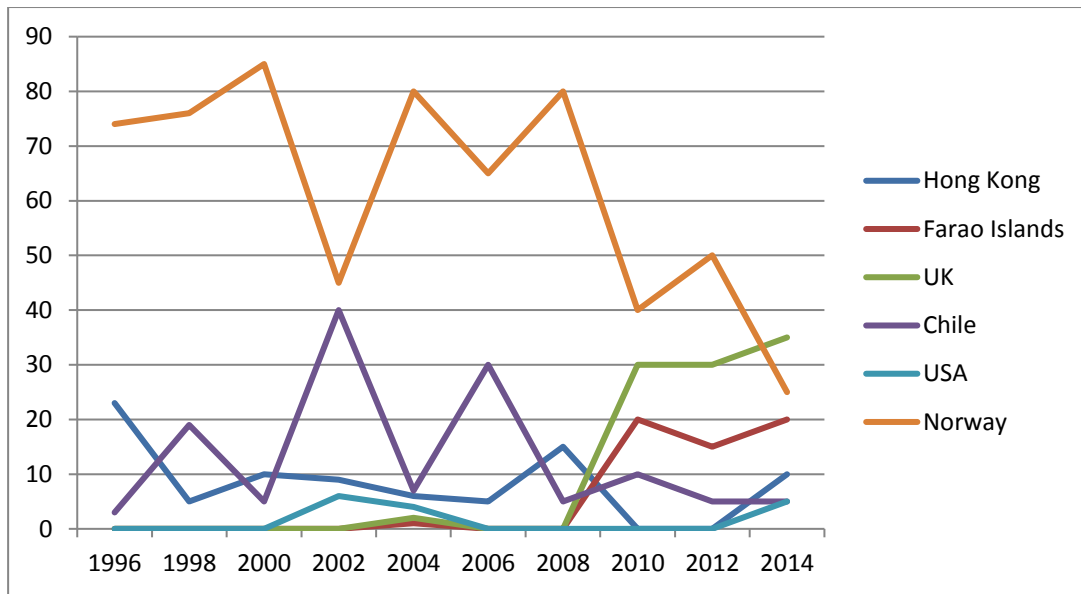


Source- Statistical central Agency 2015.

Figure 8 states that there is a decrease in the import of Norwegian salmon after 2010, however, the salmon import from the rest of the world starts increasing dramatically around the same time period. Leaving Norway with a very small percentage of the imports compared to their earlier market share which was around 70% (Statistical central Agency 2015). The countries that took over the Norwegian market share were the UK and the Farao Islands,

which had 54% of the Chinese market share in the time period 2011-2014. At the same time, we can see that the import of salmon in general, has increased from around 10 000 tons to around 50 000 tons from 2011 to 2014 (Chen & Garcia 2016).

Figure 9 Market share of the Chinese whole salmon by country in percent, 1996-2014.



Source- Bakkevold 2015.

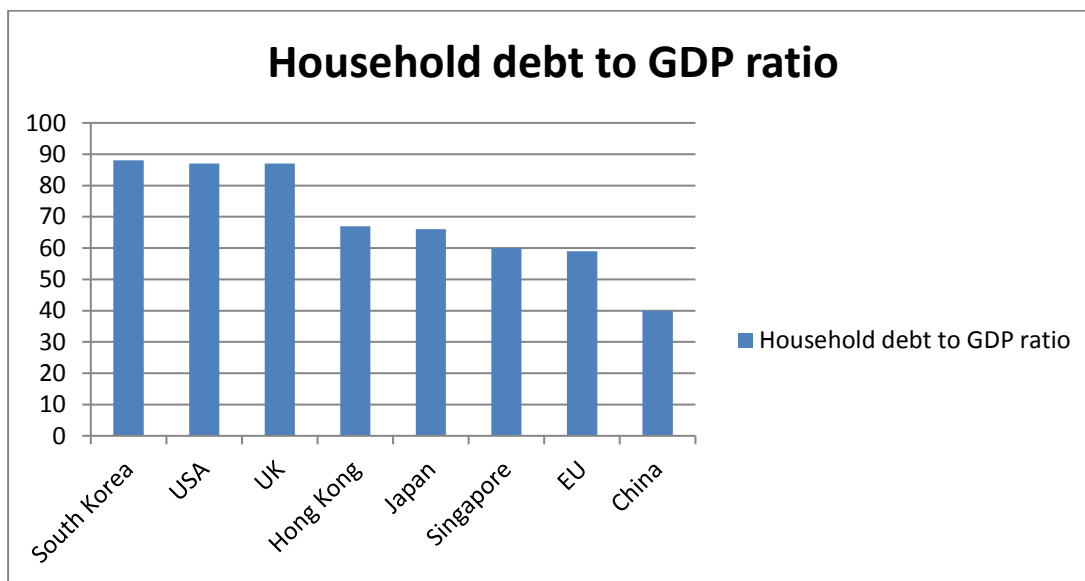
Observing the data in figure 9, we can see that the market share of the Norwegian salmon drops by around 40% during 2010-2011, and that salmon from UK and Farao Islands, experience an increase of around the same amount, substituting the Norwegian salmon import to the Chinese market. The Chinese salmon market has always relied on import in order to meet the demand. After the political differences in 2010 regarding the Nobel peace prize, the Chinese import of Norwegian salmon has fell to more or less zero. From 1997-2010, the Norwegian farmed salmon accounted for minimum 70% of the total salmon imports to China per year (Bakkevold 2015).

1.6. 2 Consumption trends

In the Chinese society consuming seafood is a status symbol, and it is noteworthy to register that the size of the Chinese middle class is predicted to be around 75% of the inhabitants of the urban population in the larger cities in 2022 (See appendix figure 4). This means that of the 730 million (2015) people which lives in urban areas, 550 Million of them will be considered as middle class by 2022. Today, the earning limit for being called middle class is 9000\$ per household, but is estimated to increase to minimum 16000\$ per household within year 2022 (Sorenson 2014).

Another interesting aspect about the Chinese increasing middle class is the average degree of debt per household compared with the GDP ratio. As western countries households normally operate with a high degree of household debt, the Chinese household has around half of the debt:

Figure 10 Household debt to GDP ratio



Source- Bank for international settlements 2016.

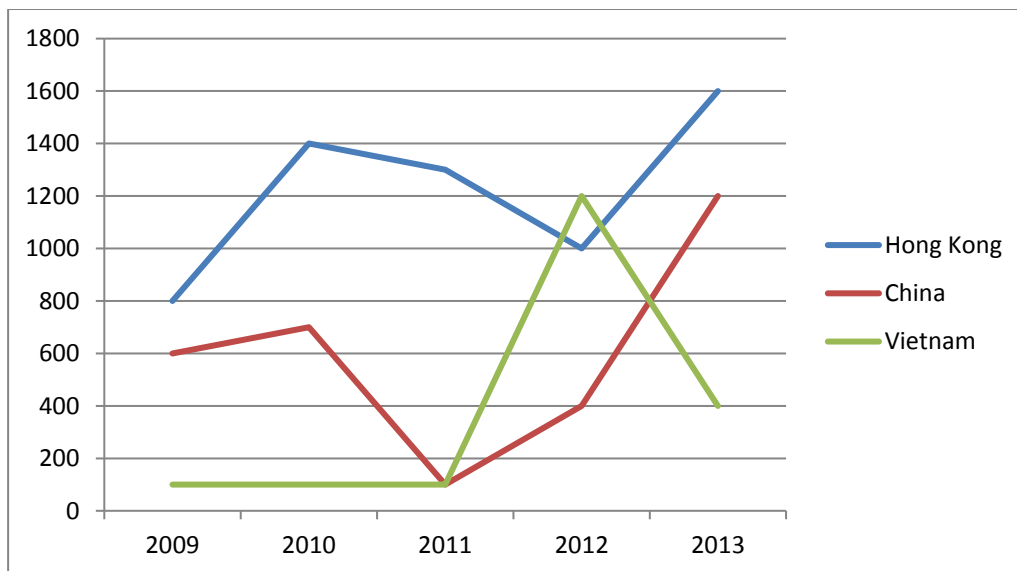
Because of the low household debt, Chinese consumers have more money to spend on other products compared to the larger western countries as well as Hong Kong, Japan and Singapore (Bank for international settlements 2016).

1.6.3 Political climate

The relationship between Norway and China took a turn for the worse in 2010. The reason for this is the Nobel peace prize which is given from the Norwegian Nobel committee every year. In 2010, Liu Xiaobo received the prize for his many years fighting for human rights in China. This peace prize led to sanctions regarding Norwegian export to China (Norwegian Nobel Institute 2017).

From 2010 to 2011 Norway was expecting a general increase on salmon export to China by 30-40%, but because of the sanctions related to the peace prize they experienced a decrease in the import on 55% (Normann 2012).

Figure 11- Norwegian salmon export to China, Hong Kong and Vietnam 2009-2012 in thousand tons.



Norwegian Statistical central agency 2014.

As we can see from figure 11, the import of Norwegian salmon to China almost drops to 0 in January 2011. Here we see the beginning of the decrease of Norwegian market share in the Chinese market, which went from 80% in 2010 to 5% in 2011. The Norwegian exporters have lost almost all their market share to the UK, Faro Islands and Chile because of this dispute (Norwegian Statistical central agency 2014).

In December 2016, the Norwegian foreign minister announced that the relationship between the two countries has normalized, and that they would resume the free-trade agreement. However, there have still not been any remarkable changes, and none of the Norwegian salmon exporter's dears to send big quantities of salmon, because they are afraid their

products will be quarantined in the Chinese customs, losing their freshness and value. This has led to that Vietnam is now the largest importer of Norwegian salmon outside of Europe (Bjorgo 2017). It was predicted that the salmon export to China would increase by 60% the first 6 months after the normalization, but so far little has changed. The two countries have agreed on normalizing the relationship, but any measures beside signing the agreement has not yet been seen.

In April 2017 the Norwegian prime Minister announced that she had been working in secret with the Norwegian foreign minister and the Norwegian ambassador in China for normalizing the relationship between Norway and China. She announced that they now have signed business agreements with Chinese companies and that the trade between the two countries now will flourish once again (Eide 2017).

1.6.4 Business customs- Guanxi

The literal translation of Guanxi is relationship, and is used to describe relationships which may result in exchanging favors or connections, that are beneficial for the parties involved. The term Guanxi can also in certain situations mean networking, and often involve exchanges of gifts among the parties. Having good Guanxi with a Chinese company is often a door opener to opportunities that otherwise would be closed. A part of the Guanxi also involves mutual trust amongst the parties. For an outsider to get an entrance in the Chinese market, it is important to take time to invest in building the relationship. This has been an obstacle to many western companies in the past. Building Guanxi is not only the exchange of gifts amongst the involved parties. It can also involve hosting dinners with your business partners, exchange of favors and inside information. Regarding Guanxi it is important to note that there is a thin line between gifts and bribery, and the Guanxi can fade easily if a part of the relationship chain is being questioned by one of the other parties involved (Goh & Sullivan 2011).

1.6.5 Chinese seafood perception

The potential Chinese consumers are concentrated to the wealthier areas of the country. The majority of the Chinese people are poor/mass middle class and their cuisine mainly consists of rice and vegetables. It is therefore within interest to concentrate the marketing strategy to the more wealthier areas of the country (Karr 2017).

Luan (2011) claims that *"The Norwegian salmon holds a unique position in Chinese consumers mind, and is perceived as very well suited for raw consumption as sashimi, or as the main ingredient of sushi. It is perceived as a high- end kind of seafood, which they can entertain their family members and friends with"*.

A survey conducted in 2017 regarding Chinese salmon preference, showed that 48% of the respondents preferred Norwegian salmon instead of salmon from other origins. However, only about 5% of the Norwegian salmon sold, were clearly marked as salmon from Norway (Harkell 2017).

Another survey by (Hu et. al 2014) regarding Chinese seafood consumption and trends, showed that seafood consumption has a correlation with the area and income. The findings of the survey showed the following correlation between Chinese sashimi consumption and income.

The Chinese salmon consumers see salmon as a very exclusive and fashionable meal. With the strong economic development, the country has experienced, many Chinese people want to display their wealth through food, and ordering salmon is among the most exclusive kind of food which can be ordered at Chinese restaurants. The fact that the salmon is red is a big advantage as the country's favorite color is red. In China, the red color is a big asset because it is associated with luck, wealth and power (Sorenson 2014).

A study, which was conducted regarding the Chinese importers and distributors of salmon, showed that the salmon from Norway scored 2.88 - 3 (See appendix Figure 5) regarding the importance of its origin. (3= very important 2= important 1= less important.) While for salmon from other countries, their importance score was between 1 and 2. We can therefore conclude that the Chinese distributors have Norwegian salmon as a clear favorite. The same

study showed that product quality is the most important capability of the product for the Chinese distributors, with a score of 3 out of 3. (3= very important) (Jingjing 2006).

In the last decades it has been observed a high increase of convenience product purchases in China. The Chinese consumers have also gone from a quantity preference towards a quality preference when it comes to purchasing products. According to International Markets Bureau (2010) "*educating consumers about specific attributes of new food products or ingredients, could help to establish a market for premium food products to the health-conscious Chinese consumer*".

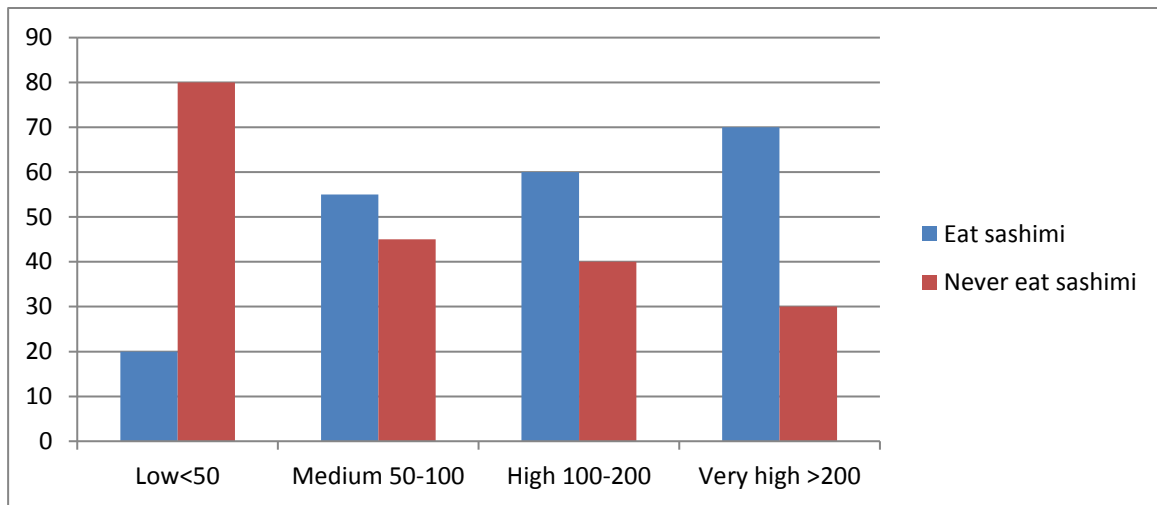
1.6.6 Sociocultural context

The majority of the world's countries today, it is trendy to eat healthy. Salmon is considered to be very healthy containing omega 3 and healthy types of fat. In the art of sushi, the salmon is the most preferred kind of fish to use (Food network 2014).

The data results of the Chinese salmon consumption in a survey performed by (Hu et. al 2014) suggested that there is no correlation between the variable gender and seafood consumption in the Chinese market. The data results indicated that the most popular place to buy seafood is in fish markets with a score of 47%. Super markets had the value of 28%, wholesale markets 17% and grocery stores 5%. Regarding the capabilities of the seafood, the capability which was the most important to the respondents, freshness was the capability which got the highest score with 49%.

A cross-cultural study performed by (Skallerud 2012) also showed that the Chinese salmon consumers preferred to buy salmon in fish markets, in a higher degree than the other countries in the study (Sweden and Italy). As Swedish and Italian consumers preferred buying salmon in super markets (60-70%), only 48% of the Chinese respondents answered that they want to buy salmon in super markets. As 15-25% of the Swedish and Italian consumers answered that they want to buy salmon in fish shops, 40% of the Chinese consumers answered that they preferred to purchase salmon from fish shops (See appendix figure 6).

Figure 12 Correlation between income and sashimi consumption in China.



Source- Hu et. al 2014.

The pattern observed in figure 12, shows that the higher the income is, the more likely it is that they consume sashimi. For persons with a salary of under 50 000 Yuan per year, there is a 20% probability that they consume sashimi. On the other side of the scale, we find the respondents which earn 200 000 Yuan or more per year. Here we can observe that there is approximately a 70% probability for that they consume sashimi. The survey's respondents were 19-30 years, the majority living in urban areas (around 70%), 53% females and 47% males, and all attending higher education. The survey states that there are more than 1000 Japanese restaurants per city in in Shanghai, Dalian and Beijing. Of the respondents from Shanghai, 65% answered that they had eaten Sashimi, but in the more inland areas such as the city Wuhan only 23% answered they had eaten Sashimi. The results regarding income, shows that the coastal cities such as Qingdao, Dalian and Shanghai have a larger concentration of people with high or very high income (100 000 Yuan or more per year), decreasing the probability for salmon consumption (Hu et. Al 2014). Another correlation we can observe from the survey conducted by (Hu et. al 2014) is that there is a pattern between income and the type of fish that is being consumed. The majority (55%-75%) of the respondents that earns less than 100 000 Yuan per year prefer freshwater fish, while over 70% of the respondents with a salary of 200 000 Yuan or more per year prefer marine fish (see appendix figure 7).

A research project regarding in-store promotions of Norwegian salmon in China, concluded that this kind of promotion has very little impact on the Chinese consumer behavior. The

conclusion of the research claims that it is the communication noise that is the reason why this kind of promotion does not support the sales of Norwegian salmon. Further, the results suggested that “The Norwegian seafood council” needs to focus on the potential salmon consumers prior their shopping trip. According to their research, this includes activities such as point-of activities to enhance the learning process about Norwegian salmon for the Chinese consumers, and can also increase the brand awareness (Bang et. al 2012).

Summary of possible salmon consumer’s characteristics

Age: 30-34 years and over 50 years

Gender: No significant impact

Geographic area: Coastal urban areas with economic growth and growing middle class.

Cities: Shanghai 24 million, Dalian 6 million and Beijing 21 million.

Household income: 100 000 Yuan or more per year

Education: Higher education has a positive impact on trying foreign seafood

Preferred purchase place: Fish shops and fish markets.

Preferred state of the salmon: Fresh

Challenges: No knowledge about preparing salmon and hard to find in stores

Solution: Teach about Salmons characteristics, how to prepare, and make easier access able in fish markets, fish shops and super markets (Robinson 2012).

1.7 Norwegian salmon production and marketing

Salmon farming goes under the general term regarding water farming called aquaculture. It can be defined as *“The raising of water animals as fish for food, or the growing of plants in water for food”* (Cambridge dictionary 2017). The commercial salmon farming in Norway started in the 1970s after a breakthrough taking fish nets to use in the production. Since then, the salmon farming industry has developed into a major industry in many of the country’s coastal areas (Fisheries and Aquaculture Department 2017).

The Norwegian salmon farmers have experienced a huge success in the salmon market. But what are the causes for their success? *“According to head of communication at Nordlaks, the clean cold water outside the Norwegian shore is the main reason. The cold water makes the salmon grow slowly, developing a unique taste in the fish meat and making it extra juicy. Further, he explains that Norway has managed to become one of the world’s greatest seafood nations for many reasons, but it is essential to highlight the natural advantages, the sustainable management and the expertise in the practice of aquaculture, fishing and manufacturing of seafood”* (Malvik 2015).

To summarize the critical success factors of the Norwegian salmon farming, he states the following success factors as critical:

Unique taste: The climate condition leading to a unique and juicy quality of the product.

Experience: The Norwegians long experience regarding fisheries and seafood manufacturing.

Sustainable management: Development of the production in a sustainable way by the management.

Expertise: The Norwegian salmon farmers have acquired expertise within the field of aquaculture making them the leading Atlantic salmon farmer nation in the world.

Technology: Norway is in the lead regarding aquaculture technology, which has led to always be in front of or at the same technological level as their competitors.

The farmed salmon has in modern times (since early 2000s) been marketed digitally to the world. Digital marketing can be defined as “a form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications etcetera” (Kotler, Armstrong 2009).

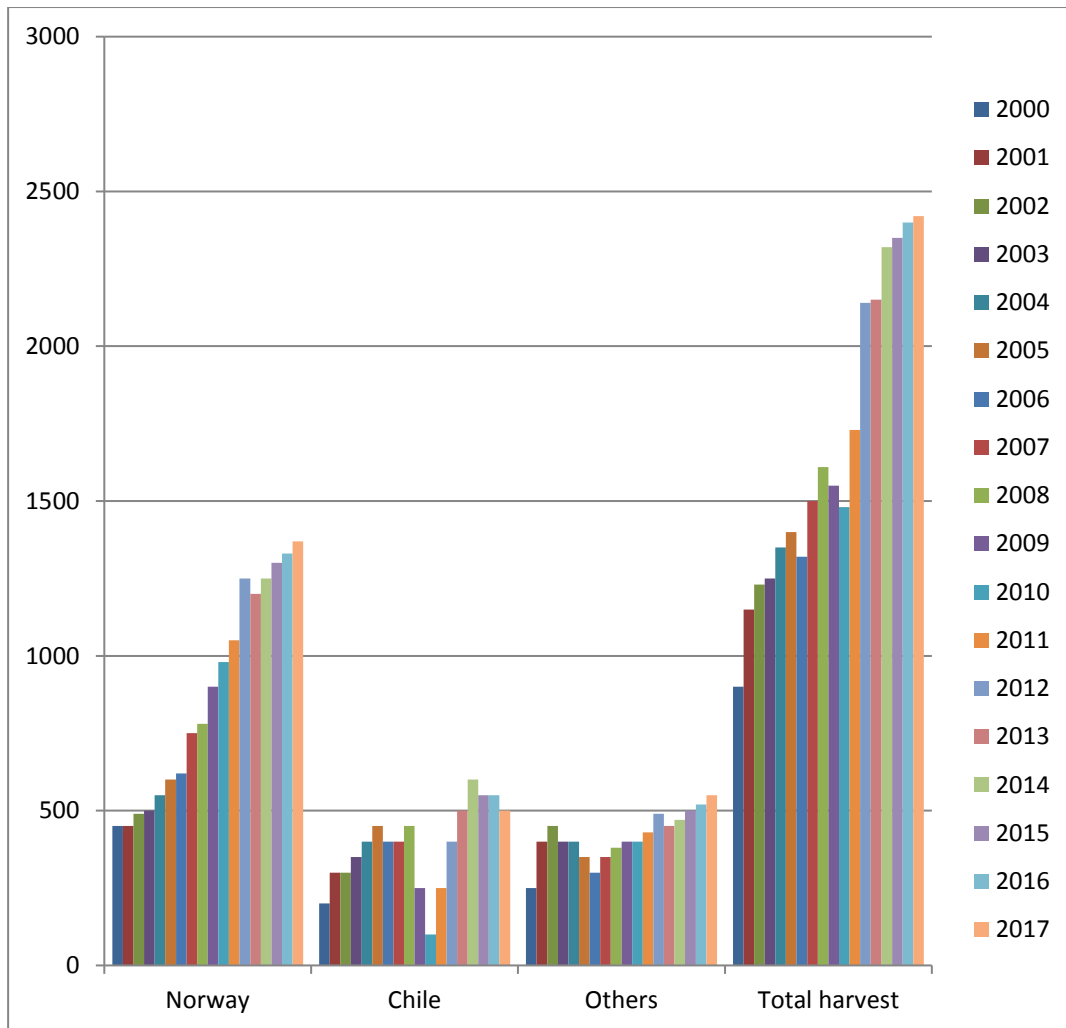
However, in addition to the digital marketing of the farmed salmon, content marketing has been introduced the last couple of years. Content marketing use in business has increased a lot the last decade, (see appendix figure 8) and can be defined as “*the marketing and business process for creating and distributing relevant and valuable content to attract, acquire, and engage a clearly defined and understood target audience, with the objective of driving profitable customer action*” (Pulizzi 2012). The content marketing of the Norwegian farmed salmon involves brochures on paper and electronically with the purpose of inspiring consumers with recipes, and informing them about the positive effects the seafood products can have regarding health (Fossbakken 2015).

1.7.1 Present and future

The marketing of Norwegian farmed salmon focuses a lot on the idea that the actors in the market follow the production from the beginning to the end. This ensures the consumers that the products are safe and being monitored properly. In most markets in today’s global society, it is a trend that companies are trying to show social and environmental responsibility. Consumers are getting more aware of this, and companies that don’t show this responsibility are often banned or neglected for the benefit of other companies. As much as 84% of global consumers say they seek out CSR products whenever they can (Post 2017).

It is predicted that by the year 2030, the consumption of farmed seafood will increase from 49% to 62% (see appendices figure 9) (FAO 2014). This indicates that the production of farmed salmon will increase accordingly, and that the wild salmon consumption will be drastically reduced. In other words, this information suggests that it is estimated that the demand for farmed seafood in general will increase, and the salmon which is one of the most preferred seafood products, will need to be expanded. Likewise, the farming and their export in old and new markets will expand in the future in order to meet the growing demand (Aquabounty 2014).

Figure 13 Projected world supply of farmed salmon 2000-2017 in thousand tons



Source- Seaman 2016.

The global salmon market has experienced a great growth since year 2000 as we can see from figure 13. The model only mentions Norway and Chile by name because they are by far the largest Atlantic salmon exporters in the world. We can observe that during around 2006, the Norwegian production increased from around 500 000 tons to around 1 300 000 tons in 2016. The other countries however, are almost at the same supply level as they were 15 years ago. The Chilean supply even experienced a decrease from 2010 to 2012 (Seaman 2016). Today Norway is responsible for about 62% of the global salmon production, and within the 20 largest salmon producers, 9 of them are Norwegian companies. The largest producer in the world is Marine Harvest, which stands for 28% of the total salmon export worldwide (Nodland 2016).

1.8 Lerøy seafood ASA

Lerøy seafood ASA is today the fourth largest farmed salmon producer in the world, in 2016 they produced 135 000 tons of farmed salmon (Seaman 2016). Lerøy's core activities are production, distribution, sales and marketing of seafood. The Lerøy group has 14 processing facilities located in different European countries. The company is fully integrated and follows the production from the salmon egg to the final product. Their product quality is ensured by control systems based on HACCP, BRC and ISO, and they deliver full traceability on all their 2500 different products. Lerøy Seafood ASA has over 2300 employees and was listed on the Oslo stock exchange in 2002 (Lerøy 2017).

The company today known as Lerøy seafood ASA, was founded in 1939 and has experienced turbulent times which almost led to bankruptcy several times. Their real success started in the early 2000s, and in 2006 they started to farm their own salmon. In 2012, Lerøy acquired 50,1% of the stocks of the Dutch company Rode Beheer BV group. Since then, Lerøy have continued the development of existing facilities (Lerøy 2017).

Today Lerøy Seafood ASA delivers seafood to over 70 markets spread all over the world, and produce 16% of the exported Norwegian farmed salmon. The salmon production stands for about 77% of Lerøy's revenue, which clearly makes it the most important and valuable product. The EU region is the most important market, which generates 58% of their exported products (Lerøy Annual report 2015).

1.8.1 Mission, vision and values

The mission of the Lerøy group is that their products should be in every family's kitchen. The vision of Lerøy Seafood ASA is to be the leading and most profitable global supplier of sustainable quality seafood. The sustainability of their production is a factor they value above everything else according to Lerøy annual report from 2015, and they describe their production facilities as a way to feed the world in the future, without causing damage to the environment. Lerøy seafood ASA is occupied of producing their products according to the rules, in an environmental responsible way, creating a healthy and sustainable source of food to markets all over the world (Lerøy 2017).

1.8.2 Products

Lerøy has a varied assortment of salmon products. They sell salmon as whole, half side, smoked carved salmon, paned salmon, salmon fillet for sushi, family pack, and smoked salmon for having on bread, marinated salmon fillet and salmon in a tray ready to eat (see appendix figure 10 to 21) (Lerøy 2017).

The price of Norwegian salmon reached an all-time high in December 2016, due to the salmon lice outbreak causing a decrease in the production. This led to a higher demand than production, pushing up the prices to record high 70 NOKs per kilogram. In addition to sales offices in Norway, Lerøy has offices in Sweden, Finland, France, Netherlands, Portugal, China, Japan and USA, and they sell their products in more than 70 different countries (Lerøy annual report 2015).

1.8.3 Main competitors

The main competitors of Lerøy in the global market are Marine Harvest, which is the largest producer of salmon in the world (produced 420 000 tons in 2015), Mitsubishi (159 000 tons in 2015) and Salmar (136 000 tons in 2015). Lerøy is as mentioned earlier the fourth biggest farmed salmon producer and produced 135 000 tons in 2015 (see appendix figure 22). Marine Harvest is by far the largest farmed salmon producer in the world. It is responsible for 24% of the produced Norwegian farmed salmon. Before 2010 the company had 60% of the salmon market share in China (Bjorgo 2017). Mitsubishi salmon, which is the second largest salmon producer is concentrated in Chile, North America and Norway. The company has today not a noteworthy salmon export to China, but it is said that if they choose to enter the Asian market, more precise the Chinese market, it is likely they will have an advantage because the company has Asian owners (MySalmon 2017).

Salmar is the 3rd largest salmon producer and is located in the middle of Norway. Just as Marine harvest and Lerøy they experienced a big decrease in their export to China after 2010, but they are just as eager as them to reenter the Chinese market (Intrafish 2012).

Chinese salmon farmers are eager to take over market shares from the imported salmon. They are currently experimenting with developing their own farming facilities and have achieved success to some degree. However, they find it hard to sell because it is a local product, and

competitor's sells trout, which is one third of the price confusing consumers by calling it salmon. Therefore, a larger Chinese salmon success is yet to be seen (Gao 2016).

1.8.4 Positioning

Lerøy is today the second largest producer of salmon and trout. They want to position themselves according to the future environmental concessions that will come. Their products are to be associated with low environmental impact and sustainability. Lerøy has together with its competitors many similar features, it does however exist differences in some areas. The production is located only along the Norwegian coast in Norway and the UK. Lerøy is differentiated from Marine harvest which has their production in several countries, and is also differentiated to Salmar, which has all their production and their processing facilities in Norway. The national production leads to disadvantages in the means of costs and long distances to important markets. The advantage with the production in Norway, is the topographical advantages such as clean water and good growth ratio possibilities (Berge 2013).

The main products of Lerøy are salmon and trout, with a high focus on processing and product development. In this area, there are many similarities to their competitor's Marine harvest and Salmar. A higher focus on branding is one of the differences we can find. Lerøy's logo is clearer and is seen more often on the finished products than on their competitor's products (see appendix figure 20 and 21 for comparison). With a high focus on processing, Lerøy can offer different products to people with different needs, which again can lead to a consumer growth. Lerøy is also processing different products in addition to salmon and trout. This makes them less vulnerable to changes in the salmon price and they can achieve better margins (Lerøy annual report 2015).

All actors in the Atlantic salmon market are active in most of the markets worldwide. What differentiates Lerøy from the others (with the exception of Salmar) is that they focus more on the Asian and European market, and less on the American market than their competitors. Marine Harvest controls the whole value chain, including the production of the fish food. Therefore, they have the strongest position, because they are self-sufficient when it comes to fish food for their farming. Lerøy also controls the whole value chain, but they are dependent on buying fish food from other fish food producers, which makes them more vulnerable. By

owning their own fish food, it is reason to believe that Marine Harvest also gets better prices than Lerøy, which has to buy from other companies. Lerøy's financial situation is very similar to the other actors in the salmon farming business, and delivers good results. All actors have a high equity, although Lerøy has a little higher equity than their main competitors (Hanøy, Smolskas 2015).

1.9 Restatement of the issue

Now, after we have discussed the peculiarities of the farmed salmon business, mentioned the global consumption trends, how it is being marketed and mentioned the most important markets, we are now ready to specify the questions we will seek to find the answer to in this thesis:

1 Which marketing strategy should be applied in order to successfully reenter the Chinese market?

2 How to obtain a good and sustainable relationship with the Chinese consumers?

3 How can Lerøy differentiate from its competitors?

4 Which products should be in focus in the export to China?

2. PEDAGOGICAL NOTE

2.1 Case study target

This case has been elaborated for educational purposes to Management and Marketing students, as well as for professionals within the area of Management and Marketing. Furthermore, this thesis is created to give an overview of the farmed salmon industry in the context of international marketing. The thesis analyses and its resolutions can also benefit people with a general interest in export and content marketing field.

2.2 Pedagogical objectives

This case thesis has the following pedagogical objectives:

- Give an overview of the farmed salmon market worldwide, in Europe and in China.
- We pretend we are reestablishing the Norwegian farmed salmon export to China.
- Applying research material: We pretend to make a concrete business plan and procedure for Lerøy seafood ASA to apply in the Chinese market.
- Learn how to adapt theoretical concepts and apply them in a real business situation.
- Increase the knowledge about farmed salmon export, as well as the trends in the market.
- Educate in the marketing terms digital Marketing, Transformational and Content Marketing.
- Finally, practice problem solving and contribute to relevant business solutions aligned with the organizations mission, vision, values and challenges.

2.3 Case study lecture plan and action plan

Session	Activities	Objectives	Time
<i>Class 1</i>	-Presentation of case -Read pages 8-20	- Discuss farmed salmon market. - Study market shares and statistics.	90 minutes
Homework 1	Read until page 34.	-Gain further information about the salmon market, as well as Lerøy as a company.	60 minutes
<i>Class 2</i>	Discuss the salmon market and Lerøy ASA.	Gain further information from colleagues.	90 minutes
Homework 2	1 SWOT and 2Porters five forces	-Identify Lerøy's capabilities as a company. -Determine the market attractiveness of the farmed salmon industry.	90 minutes
<i>Class 3</i>	Read page 35-49. Discussion about the literature review.	-Gain knowledge about international marketing, digital marketing and content marketing.	90 minutes
Homework 3	3 Characterization of salmon market and PEST analyses. 4 Critical success factors of Lerøy ASA.	-Increased knowledge about peculiarities of salmon business. Understanding of which variables that has led to success.	60 minutes
<i>Class 4</i>	5 Develop marketing mix 6 Develop 2 specific measures increasing Lerøy's brand recognition.	Use obtained knowledge to develop a marketing mix. Using obtained knowledge to make specific marketing decisions.	90 minutes

Market analyses:

1. Develop a SWOT analyses for Lerøy seafood ASA based on the given information to identify Lerøy's capabilities.
2. Determine the attractiveness of the farmed salmon market industry with the help of Porters five forces.
3. Characterize the farmed salmon market worldwide, in Asia and China. Compute a PEST analyses of the Chinese market.
4. Determine the Critical success factors of Lerøy seafood ASA, as well as which of their main competitors they should be focusing on.
5. Develop a 4P marketing mix strategy with the help of your previous answers, and in line with the previous information obtained in the case text.
6. Develop 2 specific measures Lerøy can perform in the Chinese market in order to increase Lerøy's brand recognition and reputation.

2.4 Literature Review

2.4.1 Export

According to Investopedia (2017) export can be defined as *"a function of international trade whereby goods produced in one country are shipped to another country for future sale or trade"*.

"The elements that separate successful exporters from the less successful, is that the successful export companies have a management which are engaging actively in the export development" (Aaby, Slater 1989).

Rubidge (2014) suggests 10 critical key steps for export success: *"1. Review your export potential. 2. Develop an action plan. 3. Research and prepare to visit a market. 4. Explore routes to market entry. 5. Find out about selling and marketing your products overseas. 6. Think about cultural and linguistic challenges. 7. Prepare to manage finance, payment and risk. 8. Prepare to protect your intellectual property. 9. Prepare to fulfil your orders and get your documentation rights. 10. Choose your distribution, shipping and delivery methods"*.

In addition to Rubidge key steps, Ashe- Edmunds (2017) suggests that an important success factor, especially concerning food export is *"to find a market which needs your product, preferably with little competition and with reasonable regulations. Looking over the market trends now regarding demand and projected demand, is also essential in order to pick the right market for your product or service"*.

The risk of running an import or export business is greater than running a domestic company. Tekle (2017) explains that domestic experience can be of great value when entering the import/export market. Further, he states that planning, making sacrifices, knowledge and relationship building are the most crucial ingredients in order to be a successful importer/exporter. His statements of ingredients to success is in contrast to Edmund's more on an intern and personal level, more relied on personal experience and capabilities rather than analyses of the potential markets.

According to Suominen (2016) there are 8 critical success factors that exist in order to achieve a successful export business:

Figure 14. Business aligned goals.

Management	International background and vision, external orientation
Capital	Working capital and growth capital for exporting
Workforce	High skills intensity, sectoral-specific skills in niches
Planning	Systematic methodology, historical process accounts for risk
Product strategy & adaption	Optimizes match with export market, invests in product winners
Relationship development	High trust, communications, contact with foreign buyers
Production & delivery	Meet foreign requirements on price, quality, schedule-always
Technology & innovation	Adapts, particularizes, improves upon codifiable knowledge

Source- Suominen 2016.

She separates the assets and capabilities of the Organization, and claims all the features of the business must be aligned and focused on the mutual goals in order to achieve success in the export business.

In contrast to Souminien (2016), Babakhania (2010) claims that "*the critical success factors of export are more external, and driven by forces outside the company: 1. The government should reduce taxes providing low interest loans, 2. Supporting marketing planning abroad, 3. Active Union, 4. Maintaining a long term high level of quality and 5. Good and efficient packaging*".

In the business of export, we usually divide export in direct and indirect export. In direct export the producer deals directly with a foreign buyer. The principal advantage of indirect marketing for a smaller company is that it provides a way to penetrate foreign markets, without the complexities and risks of direct exporting. Several kinds of intermediary firms provide a range of export services. Each type of firm offers distinct advantages for the company. The advantages of direct exporting for a company include more control over the export process, potentially higher profits, and a closer relationship to the overseas buyer and

marketplace. These advantages do not come easily, however, since the company needs to devote more time, personnel, and corporate resources than are needed with indirect exporting. Controlling the export process can lead to higher profits, but it also involves more risk because it will involve a higher investment and involvement compared to indirect export (Liraz 2012).

2.4.2 Aquaculture

Oxford dictionary (2016) defines Aquaculture as *"the rearing of aquatic animals or the cultivation of aquatic plants for food"*. The aquaculture profession has developed a lot the last decades. After the development of fish nets for aquaculture in the 1970s and 1980s, the actors started to select the most profitable sea animals and plants, including seabass and seaweed for farming. As the technology developed, the competition of the markets combined with product quality and standards, has become one of the major concerns of the industry (Rabanal 1988).

Cousteau (1973) explained that as *"the world's population keeps on growing, the feeding demand grows, and we must turn to the sea with a new understanding and technology in order to meet the world's future feeding demand"*. Modern aquaculture has in the 21th century revolutionized the methods and accessibility of seafood. It has led to many advantages, such as taking the pressure of the wild life fish stocks, providing hundreds of thousands of jobs, producing healthy affordable food, and it has provided an efficient use of protein to the worlds growing population (Norges Miljøvernforbund 2013).

However, it has led to problems regarding the product quality and health issues.

Chattopadhyay (2017) states that in many cases traditional farmers turned into fish breeders, learning the profession from neighbors and family. He claims that this has led to a breeding which is unaware of the scientific principles of the technology, and only focus on profit. This ignorance has according to Chattopadhyay led to inbreeding and contamination of the native gene pool of the fish.

In contradiction to these claims, National oceanic and atmospheric administration (2016) state that the environmental impacts caused by Aquaculture are low and temporary. With that being said, it does exist well- documented problems associated with the aquaculture business.

Amongst the biggest problems are water pollution, chemical use and threats to the natural fish

stock. Although governmental agencies are aware of these problems, they believe in a long-term sustainable solution for these issues in the future (Souza (2017)).

Regarding possible future trends, except from the purely money driven aspects such as price and income, Food and aquaculture organization of the United Nations (2012) states that urbanization, increasing health concerns and environmental challenges together with other social and ethical issues, can affect the preferences of the consumers. World Bank (2012) estimates that from 2010 to 2030, Chinas GDP is expected to almost triple in size, making China the possible largest future consumer of aquaculture products.

2.4.3 Digital marketing

"Digital marketing is an umbrella term for the marketing of products or services using digital technologies, mainly on the Internet, but also including mobile phones, display advertising, and any other digital medium ". Digital marketing includes social marketing, word ads, banner ads, video advertisement etc (Financial Times 2015).

Digital Marketing has experienced a comprehensive evolution since the first clickable links appeared on the internet in the early 1990s to smartphone apps, such as Facebook, twitter and snapchat in 2015. According to Monnappa (2015) as much as 99% of the companies which are using digital marketing, are using Facebook as a part of their marketing. She explains that the digital marketing tools are in constant change, and that as a marketer you have to keep up with the changes in order to succeed.

Janal (1998) stress that *"the biggest difference between traditional marketing and the digital marketing channels, is that information becomes the dominant element in the marketing exchange, and that both the product and the communication is information. The information becomes the main ingredient to teach the possible consumers about the benefits of the product or service"*.

The value and rewards for a successful digital marketing strategy can be great. But it is also important to be aware of that the communication works both ways. Satisfied customers can help your company to get a good reputation, and give free promotion of your products or services, but it is noteworthy to mention that in same time unsatisfied customers can contribute to a negative reputation, and harm your business (Email- Manager Blog 2015).

Digital marketing is of great importance to companies and is growing rapidly. Companies that have not yet included digital marketing in their marketing strategy, needs to adapt fast in order to keep up with the competition. The digital communication methods are faster, cheaper, more practical and streamlined. One of the greatest advantages with the digital marketing methods, is the opportunity to easily monitoring the results and effects of the chosen marketing strategy. Lastly, it is a fact that digital marketing is taking over traditional forms of information consumption (Irwin 2015).

2.4.4 New Marketing shift paradigm

Kotler (2016) stated 27 fundamental phrases to take into consideration regarding Digital Marketing. In his phrases he claims that the markets now are experiencing a new market shift paradigm involving a higher CSR focus, rather than the traditional customer focus. Kotler claims that we are in a new Marketing shift paradigm, and that the majority of today's successful companies are highly focused on corporate social responsibility, rather than the traditional customer focus. Taking this into consideration, this new focus leads to new challenges. Instead of only considering the value of the products to the customers, the consumer's environmental awareness has risen and it is a possibility that consumers now are considering the company as a whole, and if they reflect the same social and environmental values as they stand for. Digital Marketing does in most cases involve content Marketing, which is an excellent arena for the companies to explain their CSR policy and beliefs to its consumers.

In contradiction to Kotler's statement of a higher CSR focus, Price (2016) argues that the customer focus is the most crucial variable, and that companies with a high customer focus are 60% more profitable than companies which do not focus on the customers. On the other hand, Price agrees with Kotler regarding lecturing the companies' customers about the company values and beliefs.

However, there is reason to believe that CSR and customer focus together helps building a good relationship, and will increase loyalty between the company and its customers. (Luan, Ailawadi 2011) state that CSR in certain situations increase the customer loyalty, mentioning the Pepsi refresh Project, where they contributed 15 million dollars for bringing pure drinking water to less fortunate people. But, they stress that their findings of CSR contribution to customer loyalty only has an effect if it directly affects consumers experience with the Brand.

2.4.5 Content marketing

There is not a universally accepted definition of content Marketing. According to Pulizzi (2012) content marketing can be defined as *"the marketing and business process for creating and distributing relevant and valuable content to attract, acquire, and engage a clearly defined and understood target audience, with the objective of driving profitable customer actions"*.

Another definition for content Marketing from (Kotler, Armstrong 2009) is that content marketing is *"a form of direct marketing, which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television and mobile communications"*.

Wainwright (2016) define Content marketing as *"a marketing program that focuses on creating, publishing, and distributing content for your target audience, usually online with the goal of which is to attract new customers"*. The definitions of content marketing vary and can be perceived as vague, but the factors which will lead to success are of a more concrete nature.

Baltes (2015) suggests that the strategy of content marketing is adapted to each company, but it must consist of the following elements: *"1. objectives of content marketing, 2. analyses of the target, 3. types of used content marketing, 4. promotion channels, 5. content marketing timetable (frequency), as well as metrics for measuring the impact of marketing content. Regarding the objectives of content marketing, the most common are: - increasing brand awareness; building a relationship based on trust with the target; attracting new leads; solving the problems related to low audience; creating a need for a specific product; developing customer loyalty; testing a product idea / business; and finally creating an audience"*.

Meltwater (2015) suggests 9 areas to take into consideration when using content Marketing as a Marketing strategy: *"1. Focus on quality. 2. The topics should be of interest to the target. 3. Don't ignore SEO. 4. Variety of media usage. 5. Build a social foundation to help sharing and re-sharing. 6. Get your employees to share. 7. Align content marketing and advertising. 8. Monitor the reactions online by metrics. 9. Engage with people who share and comment"*.

Ionescu and Meltwater both agree on achieving a close relationship with the customers are of high value regarding the level of success achieved with content marketing.

"The motivation behind content marketing is the belief that educating the customer results in the brand's recognition as a thought leader and industry expert" (Content Marketing Institute 2015). "To build a beneficial relationship with your customers with content marketing, you must win their trust and admiration. With the creation of valuable content, you build interest that transforms into lasting relationships" (Vuelo6 2015).

Content Marketing is amongst the most important Marketing strategies in Digital Marketing, and digital Marketing cannot be successful without Content Marketing. Therefore, you cannot have a digital marketing plan without content marketing. The purpose of content marketing is to educate people about their products and how they can benefit from buying them. (Baltes 2015).

2.4.6 International Marketing

International marketing is the performance of business activities designed to plan, price, promote and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit (Cateora, Graham 2007).

Another definition stated by Encyclopedia of Business and Finance (2007) define international marketing as *"the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and Organizational goals"*.

International marketing has developed a lot the last decades, especially since the start of the digital age. The digital age has led to great changes regarding companies marketing strategies, such as that they now have to tailor their strategies in order to reach the customer. With that said, it is now easier than ever before to reach your target audience (Agrawal 2016).

Although the principals regarding international marketing are the same as national marketing, the geographical location of the target market can lead to differences regarding advertising, distribution and prize. It is therefore important that the marketers address these differences, and that the marketing strategy is customized based on the demands of the current market they want to operate in. For a company to succeed in a foreign market with their marketing strategy, the organizations need to adapt, manage and oversee a marketing campaign in a foreign market (Gould 2015).

A common challenge in the field of international marketing is the relationship between standardization and local adaption of products and services. Standardized products are in most cases cheaper to produce, but at the same time the marketing strategy and products has to be adapted according to the market which the Organization wish to penetrate. Ruwanpahtirana (2016) defines standardization of products as *"a uniform representation of all aspects of the product such as the quality, the materials that has been used, product name and packaging for all markets, regardless of the location around the world"*. She stresses that the advantage with standardization is that products are kept with the same layout and material, the production of the product will not experience increase in the production expenses.

"Product adaptation is the changes and special modifications are made in order to adjust to each market" (Ruwanpahtirana 2016). With adaption of products to new markets it is in many cases the layout of the products that are being changed. Product features as the colour of the product, package, design, and it can also involve adaption of the product ingredients in order to fit the consumers taste in the desirable market (Ruwanpahtirana 2016).

"The debate of standardization and adaption in marketing strategy has been going on since the last century. Professor Brown stated in 1923, that he viewed humanity as possessing common attributes, thus allowing for standardization, While Professor Propson in the same year argued that adaptation was often necessary to appeal to divergent local markets" (Ryans, et. al 2003). Adaption of products to new markets is strongly related to culture. Hofstede (1984) defines culture as *"the collective programming of the mind, which distinguishes the members of one category of people from another"*. In other words, the perception of a product can vary from a location with another culture than the culture of the company.

In order to succeed in a market, it is crucial to understand the consumer's perception and point of view of the product you intend to sell. According to a study performed by Tai, Pae (2001) the Chinese perception towards local advertising is better than the foreign advertising, and the advertising made by local companies is favorable in the terms of generating a more positive attitude towards the product that is being marketed. Further, their findings suggest that Transformational advertising is even more effective regarding creating a positive attitude towards the ad, regarding of the ads point of origin. Transformational advertising can be defined as a form of emotional advertising that aims to relate emotional experiences to the

product or service being advertised, and then tries to change these emotions into an active interest in purchasing (Dictionary central 2017).

As the European and American are low-context cultures (the mass of the information is vested in the explicit code), the Chinese society is a high context country (A high context message is one in which most of the information is already in the person, while very little is in the coded, explicit, transmitted part of the message) (Hall 1976). Because of the Chinese low- context culture, it is not surprising that they prefer transformational advertising rather than informational advertising. (Informational advertising can be defined as publicizing a product in a way that educates the public on a number of fronts such as the features of the product, how the product gains a competitive advantage over its competitor products similar in value and benefits, places of availability and so on. It is usually succeeded by brand-building advertising) (Frost 2013).

The literature is very conclusive regarding Chinas preference of transformational advertising. Cui et. al (2012) has similar conclusions as Tai & Pai (2001). They also emphasize that the transformational marketing is the more effective ad version regarding Chinese consumers, but they also state that China has different cultures depending on the province and city, and it is therefore important to conduct research regarding this issue before starting to advertise in the actual area.

2.4.7 International business

"International business comprises all commercial transactions (private and governmental, sales, investments, logistics, and transportation) that take place between two or more regions, countries and nations beyond their political boundaries. Usually, private companies undertake transactions for profit; governments undertake them for profit and for political reasons" (Daniels et. al 2007).

In order to succeed in the international market today, knowledge about international business is a key- factor. The digital age has transformed the international trade to a 24- hour open market place. The cost regarding communication and the speed it is being communicated, has increased a lot. The shipping of goods has also increased because of competitive airline rates, and effective shipment is increasing the competitive edge of the company (Williams 2017).

If a company succeeds in international business it can lead to great benefits such as increased brand awareness, sales increase and less vulnerability towards changing trends. However, there are also disadvantages when going international with the company, such as language barriers, currency fluctuations eliminating the profit, and timing issues are well-known challenges regarding international business (Gaille 2015).

2.4.8 Asian vs western business customs

The western business culture has a lot of different customs when comparing with the Asian business culture. While the western business culture has a very directly approach, the Asians tend to be more indirect and communicate more with non-verbal communication. The Asian business society is also more hierarchy- based than the western culture, and for them it is important that everyone knows their place, unlike western business culture which has a more flattened socio- economic structure. Regarding punctuality, the western culture is normally punctual to the minute, but for the Asians, the time is more fluently and it is considered normal to arrive 5-15 minutes late (Mills 2015).

3. Methodology

This thesis is intended to be solved with secondary information, but if needed, there will be conducted primary data collection. Should the available secondary information not be satisfying enough in order to find a solution to the stated issues, measures regarding primary data collection will be undertaken.

This Case study thesis will contain both qualitative and quantitative methods. Quantitative analysis gives us the opportunity to find patterns and relations without the results being affected by personal meanings and perceptions on the personal level. The quantitative analysis gives us the opportunity to use statistics, it is unanimous and the information can be gathered quickly. The qualitative analyses give us the opportunity to explore the topic in more depth, getting information from expert from the field you are investigating and the researcher can go more in detail of the topic (Sheragy 2012). Both research methods has its positive and negative aspects depending on the field of study, and in most cases using both quantitative and qualitative research methods gives the most reliable results (Griffin 1994).

In this Case, the quantitative information is coming from previously obtained questionnaires undertaken about the seafood industry Market size, economics and segmentation comes from annual reports by Lerøy seafood ASA and their main competitors Marine Harvest, Mitsubishi and Salmar.

The qualitative information will supplement the quantitative information and will come from experts within the seafood industry, opinion leaders and highly experienced persons from the seafood and farmed salmon industry.

As mentioned, the purpose of this Case thesis is to seek an answer to the following questions:

1 Which marketing strategy should be applied in order to successfully reenter the Chinese market?

2 How to obtain a good and sustainable relationship with the Chinese consumers?

3 How can Lerøy differentiate from its competitors?

4 Which products should be in focus in the export to China?

In order to seek an answer to the stated issues, the methodology will be divided in 4 stages:

Stage 1. Investigate Lerøy's earlier and present market approach to the Chinese salmon market.

The market strategy of Lerøy will be investigated and compared with the Chinese perception of the salmon products from Norway. In order to seek for a solution regarding this issue, Lerøy's annual reports and articles about the Chinese salmon market trends will be compared

and analyzed for finding out if they conform. If they do not, we will seek how it can be adapted for a better fit to the Chinese market.

Stage 2. Retrieving information about the Chinese trading customs, relationship building and traditions against foreign business partners.

Regarding this issue, it will be taken a deeper look at the Chinese customs regarding foreign business partners, exploring which factors which are the most crucial in order to achieve a healthy and sustainable relationship. With the help of scientific articles about this issue, it will be revealed what measures that must be taken from the Norwegian actors which wish to operate in the Chinese market.

Stage 3. Analyze how Lerøy's competitors are marketing their products in the Chinese market.

The marketing strategies of Lerøy's main competitors will be studied in order to find out how Lerøy can differentiate themselves from its competitors. In order to achieve this, the annual reports of the main competitors and the marketing strategy of Marine Harvest, Mitsubishi and Salmar will be studied.

Stage 4. Compare Lerøy's product inventory with the Chinese market trends and consumption patterns.

In order to characterize the Chinese salmon market trends, it will be conducted an analysis of the present and possible future development of the salmon consumption in China. Statistics and articles about the Chinese consumer behavior will be investigated and compared with Lerøy's product inventory in order to align the product specters Lerøy is offering to the market, with the expectations of the Chinese consumers.

3.1 Analytical framework

In order to secure that the content of the case contains both quantitative and qualitative analyses the following marketing tools will be applied:

1.S.W.O.T analysis

2.Porters five forces

3.PEST analysis

4.Critical success factors

5.Communication mix

6.Marketing mix

4. **Resolution proposal** (It is expected that the case text has been read beforehand and that the students has knowledge about analytical marketing tools in order to be able to respond to the following questions).

1. Develop a SWOT analyses for Lerøy seafood ASA based on the given information to identify Lerøy's capabilities.

Resolution proposal:

<i>Strengths:</i>	<i>Weaknesses:</i>
<ol style="list-style-type: none"> 1. High product quality 2. High liquidity 3. Control over the value chain 4. High focus on corporate social responsibility 5. Price premium 6. Long experience in the seafood business 7. Large product specter 8. Experienced employees 9. Environmental focused production 10. Good conditions for salmon farming: cold and clean water 11. High customer awareness of Norwegian salmon 12. Health beneficial products 13. Second largest salmon producer in the world 	<ol style="list-style-type: none"> 1. They are not the market leader worldwide or in the Chinese market 2. The revenue is geographically concentrated 3. Few business partners in the Chinese market because of the Chinese salmon ban 4. Salmon lice causing a decrease in production 5. Does not have their own fish food supply
<i>Opportunities:</i>	<i>Threats:</i>
<ol style="list-style-type: none"> 1. Reentering the Chinese market which has a growing middle class and demand 2. Continuing focus on the European market which are experiencing economic growth 3. Growing demand for seafood 4. Growing trend of salmon consumption 5. High CSR focus which is still being developed 	<ol style="list-style-type: none"> 1. Risks regarding foreign exchange 2. National competitors: Marine Harvest and Salmar 3. International competitors: Chilean salmon, Irish salmon and Chinese salmon 4. Challenges regarding the export market 5. International laws and trading limitations

2. Determine the attractiveness of the farmed salmon market industry with the help of Porter's five forces.

Resolution suggestion- Porter's five forces

Threat of future competitors	Moderate
Event	Comments
Growing industry and high increase in potential consumers.	The salmon farming industry is a rapidly growing industry and Norway is far from the only country which exports salmon. With that being said, the Norwegian salmon is the market leader with over 60% of the worldwide salmon export, they are in the lead regarding the farming technology, and has already an established good reputation in China regarding taste and quality of their products. The largest competitors for Lerøy Seafood ASA are therefore other national Salmon farming companies. Considering that Lerøy is the second largest Norwegian Salmon company, we place the threats of future competitors on a moderate level.
Customers bargaining power	Low
Event	Comments
How high the impact of the consumers is on the prize of the product.	In general, customers are often concerned about the prize of the products and services. However, according to the survey earlier discussed, the prize of seafood was a moderate concern for the Chinese salmon consumers, and the quality and origin of the seafood product was the most important capabilities of the product. As the demand is higher than the offer, and Chinese consumers purchase salmon mainly because of its status, it does not look like prize is a main concern for the consumers in this case, considering one of the main points about consuming the product is to display their wealth. Based on this, we conclude that the customers bargaining power is on a low level.
Distributors bargaining power	Low
Event	Comments
The level of reliability of the distributors in the salmon market.	As discussed earlier, Chinese distributors main concerns about imported salmon were that the salmon came from Norway and the quality of the product. Therefore, it is fair to assume that the distributors have less bargaining power over the Norwegian producers compared to salmon exporters from other countries such as Chile, UK and the Farao Islands. There is however, a huge increase in Norwegian actors wanting to export to China. It is therefore likely that the Chinese distributors will have more bargaining power amongst different Norwegian production companies as all of them provide a high quality Norwegian

	salmon product. Per now, the demand is so high that the distributors do not have a lot to bargain with. Therefore, we place the distributors bargaining power on a low level.
Threats of substitutes	Moderate
Event	Comments
The possibility of salmon being substituted by other products.	As with most of the products on the market today, there does exist substitutes which can replace Norwegian salmon. Products that are considered as substitutes to salmon are for instance Ocean Trout, Mackerel, Stripped Bass, Milkfish and Bluefish. Basically, we can state that any fat fish with a high content of Omega 3 can be considered as a substitute of Salmon. Although there are many substitutes to Salmon, none of them has the same unique perception in consumer's minds, and the same level of cultural popularity as the Salmon. Therefore, we conclude that the threat from substitutes is on a moderate level.
Industry Rivalry	High
Event	Comments
Degree of competition amongst the actors in the Salmon industry.	The Salmon farming industry has grown into a huge Business over the last decades and the actors in the industry are growing rapidly. On an international level, Salmon farmers from Chile, UK and Canada are the biggest rivals to the Norwegian Salmon. These countries have about 25% of the global Market share. The biggest competitors to Lerøy Seafood ASA are national companies from Norway, such as Marine Harvest and Salmar. In such a growing business with many actors with a lot of money for further investments, and the growing consumer target in China, the industry rivalry is considered as high.

After conducting Porters five forces analyses of the salmon market, we can conclude that the salmon business is a moderately attractive business. The only force that got the score of “high” is regarding the industry rivalry, while “threats of substitutes”, “Distributors bargaining power” and “threats of future competitors” fall under the “moderate” category. “Customers bargaining power” are set in the category “low” because of the demand of the product in the market.

3. Characterize the farmed salmon market worldwide, in Asia and China. Compute a PEST analyses of the Chinese market based on the given information.

Salmon market worldwide: The farmed salmon production has created 121 000 jobs and produce over 14.8 billion meals every year. The farmed salmon is taking over more and more of the market share from the wild salmon. Norway is the market leader in the field with almost 60% of the production of the produced farmed salmon in the world. The demand is

growing every year and has since the start of the 1990s to 2010 increased from 400 000 tons to 2400 000 tons, which results in a 600% increase or 30% per year of farmed salmon production.

Asian salmon market: The Asian part of the world is among the highest consumers (except Europe) of salmon (25%) in the world. The art of sushi has led to a high demand for salmon and other seafood. The preferred salmon type for sushi is the Atlantic salmon. The growing culture of eating healthy, might be considered as an advantage for the salmon industry because of the health rewarding characteristics of the product.

The Chinese market: Because of the increasing middle- class population in China and the increased economic growth China has experienced over the last decades, status food such as salmon has experienced a demand increase. China is not capable of supplying the salmon demand of the country, and rely in high degree on imports from foreign countries. It is estimated that in 2022, the middle- class in China will consist of about 76% of the population, and 54% of these will belong to the upper middle- class. As China is a country that likes to display wealth, there is reason to believe we will see a trend of quality before quantity development by the Chinese consumers in the near future.

PEST analyses

- China is today being controlled by the communist party, and has since the 1990s been the single locus of power. China has many restrictions regarding trade and western social media such as Facebook, Twitter etc. The last years the country of China has opened up to more western inspired companies, such as Mc Donald's and fast-food. After having a cold relationship with Norway since 2010 (As a result from Liu Xiaobo winning the peace prize), China has now opened for a normalized relationship again (Yeh 2016).
- The Chinese GDP growth rate for the second quarter of 2017, shows an increase of 6,9%, annual income is higher than ever with an average of 67 500 Yuan, and the unemployment rate is about 4% (Trade economics 2017).

- The Chinese consumers like most of the rest of the world, are more concerned about having a healthy lifestyle with a healthy and environmental friendly diet. As the average income per household is increasing, the consumers in China has started to be somewhat more interested in quality rather than just the price of their purchases (Pew research center 2013).
- The central parts of China have over the last decades evolved into a high technological country and has in 2017, 637 million smartphone users. This helps increasing the possibilities for companies in reaching many consumers through social media and digital marketing (Statista 2017).

4. Determine the Critical success factors of Lerøy seafood ASA, as well as which of their main competitors they should be focusing on.

Reslution suggestion:

Lerøy seafood ASA is already a highly successful and profitable company. The main reasons for its success are:

- High quality
- Pure and cold aquaculture conditions
- Long experience
- Environmental friendly production facilities
- Value chain control
- Consistency, taste and color of the product
- Technological superiority

The main competitors of Lerøy is Marine Harvest, Salmar and Mitsubishi. Marine harvest is clearly the largest salmon producer with a global market share of about 28%. Lerøy is together with Salmar and Mitsubishi, the second largest salmon producer with a global market share of about 9% each.

As Marine Harvest has a three times larger market share than Salmar and Mitsubishi, the main focus for Lerøy should for the time be to try gain market share from these two actors, since their market share today is almost identical with 9%. By gaining market share from these two main competitors, Lerøy can establish itself as second largest salmon producer in the world, and continue working towards their ultimate goal, which is to be the largest actor in the farmed salmon industry.

5. Develop a 4P marketing mix strategy with the help of your previous answers, and in line with the previous information obtained in the case text.



Product- Fresh whole salmon, salmon filets and pre cooked fast food salmon meal.

Description: In order to meet the Chinese customer needs of fresh salmon, the product fresh whole salmon and salmon filets are being implemented in the Chinese salmon market. The salmon is for home consumption. The fast food version of the salmon is meant to fulfill the Chinese consumers increasing demand for fast food, which can be cooked in 5 minutes. The fast food version kit will contain a plastic bag of fish, rice and vegetables, which can be cooked inside the bag in boiling water or microwaved.

Design: The products are to be marked with a clear Lerøy logo, with blue and white packaging referring to the ocean and pureness, as well as the colors of the company. The now clearly marked Lerøy product is attempted to increase the brand awareness of Lerøy ending the poorly marked salmon products which has circulated for a long time in the Chinese market.

Place- Fresh salmon and filets are to be sold in fish markets and restaurants. The fast food kit is to be sold in super markets.

Description: As the favorite place for the Chinese consumers to buy seafood is at fish shops, the two fresh versions are to be sold in these locations in order to meet the consumers preferences. The fast food kit however, will be sold in super markets in order to attract the attention of possible consumers not visiting fish markets frequently. The products will be distributed for sales in Shanghai Beijing and Tianjin, as these cities have a high number of middle class families with improved economy, and a culture which are more open to seafood and foreign products.

Price- Premium price and the whole salmon and fish filets will follow the Nasdaq index (6 Euros per kilogram), The fast food kit will be 30% cheaper (around 4 Euros) because of the products lack of freshness and it is supposed to attract the attention to skeptical consumers.

Description: As fresh Norwegian salmon is considered as an exclusive product in the Chinese market, the price has to be high in order for it not to become an everyday meal and lose its status. The reason for the cheaper fast food version is a part of the process of displaying the opportunities of salmon, and the main ways it can be served. This strategy is based on premium price like Lerøy's competitors, therefore, a decrease in the price can in this case actually lead to a decrease in the customer value.

Promotion- Taste samples, informational stands about the product, and the health and environmental benefits it contains, Digital marketing in mainstream Chinese social media, digital banners in popular Chinese internet pages, targeting the middle class (100 000 Yuan per year or more).

Description: The taste samples will take place in the city centers of Shanghai, Tianjin and Beijing, giving free product samples in fish markets and super markets. The informational

stands will be in the same locations, handing out Chinese brochures about the products. In order to succeed in promoting the products digitally, it will be necessary to use the largest Chinese social media pages such as the social platforms “Renren”, “Pengyou” and the video sharing platform “Youku”. In this case, it will be more beneficial for Lerøy to reach as many consumers as possible, instead of focusing only on the families earning more than 100 000 yuan per year. Because of the products premium price, it is likely that the consumers who cannot afford the products will not buy the products. The promotion of the products will have working middle class families ages 30-50 as the primary target because of their income.

6. Develop 2 specific measures Lerøy can perform in the Chinese market in order to increase Lerøy’s brand recognition and reputation. (Try also to include the approximately costs of your suggestions.)

Solution proposal:

1)

Increase the awareness of Chinese consumers about Lerøy and their products.

Digital Marketing campaign

For Lerøy to not disappear between its competitors, it is important to educate and enlighten the Chinese consumers about their products regarding quality, health benefits and sustainable environmentally friendly production. The communication mix will be aimed at the middle class in China which has grown tremendously the last 10-15 years.

Problem: How to increase the brand awareness of Lerøy in the Chinese market?

Opportunity: The increasing use of smart phones and social media platforms in China.

What: An intensive 6 months digital marketing campaign directed to the Chinese market. The campaigns focus will direct to the middle class and contain content/transformational

marketing explaining the quality of the products, as well as the appearance and the exclusiveness of the products with a main focus on the salmon products, its health and environmental benefits.

Where: Because of the special restrictions regarding western social web platforms in China, the marketing campaign will take place on the largest social network platforms in China: Renren, Pengyou and Youku.

Who: The campaign will be conducted mainly by the Lerøy marketing department, but considering the special circumstances regarding the social network platforms, Lerøy will need to hire Chinese translators or marketing consultants which can translate their marketing content into Mandarin.

Costs estimation: Commercial space on Chinese social media platforms 6 months:

$6 \times 10\,000 = 60\,000 \text{ euros}$

Lerøy marketing employees developing campaign: 3 employees' x 3000 Euros x 6 months
 $= 54\,000 \text{ Euros}$

Hiring two Chinese marketing agents to translate and control the social media platforms of Lerøy in Chinese social media: 2 employees' x 3000 Euros x 6 months
 $= 36\,000 \text{ Euros}$

Total costs: 150 000 Euros

Expectations:

- Increase the number of customers.
- Increase awareness of Lerøy and their products.
- Increase sales of Lerøys products.

- The company's presence in Chinese social media resulting in more likes and sharing of their products, causing a higher market- share and brand awareness.
- Teach Chinese consumers about the health benefits and the CSR of Lerøy.

2)

The Delegation trip

In order for Lerøy to re- establish their business in China, they are depending on Chinese business partners and importers. The following proposal is meant to increase the awareness and cooperation willingness of potential Chinese business partners and importers.

Problem: After the embargo of Norwegian products in China as a result of the cold political relationship between Norway and China from 2010, Lerøy as the rest of Norwegian companies, needs new business partners and to build a good reputation in the Chinese salmon market.

Opportunity: Building a good, sustainable and personal business relationship with Chinese business partners and importers, creating value for both parties in a mutual beneficial business partnership.

What: Lerøy seafood sends a delegation of employees from their marketing department, inviting potential business partners, giving them information about their products, product samples and presentations of their company.

Where: The delegation from Lerøy will be sent to Chinas wealthiest cities, which includes amongst others Shanghai Beijing and Tianjin.

Who: To national Chinese import companies looking for import partners in the seafood business, and particularly salmon.

Costs estimation (approximately based on today's market price): Sending a delegation of 10 employees by airplane $10 \times 1000 = 10\ 000$ euro

Hotel: 150 euro per person per night x 10 persons x 14 days= 21 000 euro

Renting hotel meeting rooms for hosting their presentations estimated price 5 days per city = 20 000 euro

Food/spending money for employees 10 x 70 euro x 14 days= 9800 euro

Total: 60 800 Euros

The benefits that are intended from the delegation trip, is to create an arena for relationship building between Lerøy Seafood ASA and Chinese seafood importers. Considering Lerøy's equity and the potential in the growing Chinese seafood market, the expenses of the delegation trip are perceived as fairly small, and have a very small impact on the company's economy.

Promotion

The delegation trip will be promoted through Digital Transformational marketing with a focus on the quality, pureness, health beneficial and environmental friendly production. It will be promoted heavily on the largest social media platforms in China, such as Renren, Pengyou and Youku, which are substitutes to Facebook, YouTube and Twitter (because of the Chinese government blockade of the largest western social media platforms). Further, it will be promoted with emails to potential Chinese business partners, and on the home page of Lerøy the last two months before the trip will happen.

Expectations:

- Gain interest from Chinese distributors and importers.
- Develop business relationships with potential Chinese partners and importers.
- Increase number of connections in the Chinese salmon market.
- Increase brand awareness of Lerøy and their products.
- Increase the export quantity to Chinese salmon consumers.

5. CASE RESOLUTION SLIDES



Content of presentation

- 1 SWOT analyses
- 2 Porters five forces
- 3 Market Characterization PEST
- 4 Critical success factors and main competitors
- 5 4Ps Marketing mix
- 6 Specific solution proposals suggestions



1 SWOT

1.1 Strengths

- 1 High product quality
- 2 High liquidity
- 3 Control over the value chain
- 4 High focus on corporate social responsibility
- 5 Price premium
- 6 Long experience in the seafood business
- 7 Large product specter
- 8 Experienced employees
- 9 Environmental focused production
- 10 Good conditions for salmon farming: cold and clean water
- 11 High customer awareness of Norwegian salmon
- 12 Health beneficial products
- 13 Second largest salmon producer in the world



1.2 Weaknesses

- 1 They are not the market leader worldwide or in the Chinese market
- 2 The revenue is geographically concentrated
- 3 Few operative business partners in the Chinese market because of the Chinese salmon ban
- 4 Salmon lice causing a decrease in production
- 5 Does not have their own fish food supply



1 SWOT



1.3 Opportunities

- 1 Reentering the Chinese market which has a growing middle class and demand
- 2 Continuing focus on the European market which are experiencing economic growth
- 3 Growing demand for seafood
- 4 Growing trend of salmon consumption
- 5 High CSR focus which is still being developed



1.4 Threats

- 1 Risks regarding foreign exchange
- 2 National competitors: Marine Harvest and Salmar
- 3 International competitors: Chilean salmon,
- 4 Irish salmon and Chinese salmon
- 5 Challenges regarding the export market
- 6 International laws and trading limitations

2 Porters five forces

2.1 Future competitors

Growing industry and high increase in potential consumers.

Hugh Chinese demand

Chinese seafood farming increase

Norwegian production growth

Threat level: **Medium**



2.2 Customers bargaining power

How high the impact of the consumers is on the prize of the products.

Unmet Chinese demand

More quality and country of origin orientated

Consume for displaying wealth

Threat level: **Low**



2 Porters five forces

2.3 Distributors bargaining power

The level of reliability of the distributors in the salmon market.

Prefer Norwegian salmon

Increased competition between Norwegian salmon farmer companies

To high Chinese demand

Threat level: **Medium**



2.4 Threats of substitutes

The possibility of salmon being substituted by other products.

Omega 3 fish: Trout, Mackerel striped bass etc.

Norwegian salmon has unique perception in Chinese consumers mind

Threat level: **Medium**



2 Porter five forces

• 2.5 Industry Rivalry

Degree of competition amongst the actors in the salmon industry.

Canada, UK and Chile 25% of Market share

Norwegian Market share 60%

Norwegian companies: Marine Harvest and Salmar greater threat.

Unique product

Threat level: **High**



2.6 Conclusion

Modemate attractive Market



3 Market characterization PEST

• 3.1 Market characterization

• 3.1 Political

- Strict trade regulations
- Western social media forbidden (Facebook, Twitter and Youtube)
- Later years opened to more western inspired companies (Mc Donalds, Kentucky fried Chicken)
- Liu Xiaobo peace prize 2010
- Relationship improving



3.2 Economical

-GDP growth rate second quarter 2017 6.9%

-Average salary 67 500 Yuan per year (Highest ever)

Unemployment rate 4%



3 Market characterization PEST

• 3.3 Sociocultural

- Health conscious
- Increased environmental awareness
- Economic growth
- Leaning towards quality before quantity mindset



3.4 Technological

-Largest cities becoming more high tech

-Increased production of high tech products

-673 million smart phone users (2017)



4 Critical success factors and main competitors

• 4.1 Critical success factors

- High quality
- Pure and cold aquaculture conditions
- Long experience
- Environmental friendly production facilities
- Value chain control
- Consistency, taste and color
- Technological superiority



• 4.2 Main competitors

- Marine Harvest (Market leader 28%)
- Salmar & Mitsubishi (9% market share as Lerøy)
- Same product quality as Lerøy and same geographical place of production



5 4p Marketing mix

• 5.1 Product

- Fresh whole salmon, salmon filets and fast food version
- Primarily home consumption
- Clear blue and white Lerøy logo



5.2 Place

- Shanghai Beijing and Tianjin
- Fish shops- Whole/filet
- Super markets- Fast food meal



5 4p Marketing mix

• 5.3 Price

- Price Premium
- Fresh whole: 6 euro per kilogram
- Filet: 10 euro per kilogram
- Fast food version: 4 euro per unit
- Exclusiveness



5.4 Promotion

- Digital marketing:
Social Chinese media: Renren, Pengyou and Youku.
- *Transformational focus:* Environment and health
- *Target:* Middle class (100 000+ Yuan)
- Taste samples/ stands with information



6 Specific solution proposals

• 6.1 Digital marketing campaign

Problem: How to increase the brand awareness of Lerøy in the Chinese market?

-Opportunity: The increasing use of smart phones and social media platforms in China.

What: 6 Months digital/transformational campaign.

Where: Chinese social media Renren, Pengyou and Youku.

Who: Lerøy marketing department and Chinese translators/marketing consultants.

Total cost estimate: : 150 000 Euros

Expectations

Increase the number of customers.

Increase awareness of Lerøy and their products.

Increase sales of Lerøys products.

Increase sharing and likes on Chinese social media.



6 Specific solution proposals

• 6.2 The delegation trip

Problem: Re-gain Chinese Business partners after the political embargo.

Opportunity: Building a good, sustainable and personal business relationship with Chinese business partners and importers.

What: Employees from their marketing department inviting potential Chinese business partners.

Information, samples and presentation.

Where: Shanghai Beijing and Tianjin.

Who: Chinese salmon import companies looking for import partners in the seafood business.

Total cost estimate: 60 800 Euros

Expectations

Gain interest from Chinese distributors and importers.

Develop business relationship with potential Chinese partners.

Increasing number of connections in the Chinese salmon market.

Increasing brand awareness of Lerøy and their products.

Increase the export quantity to Chinese salmon consumers.



5.1 Marketing conclusions

This case study gives a relevant overview of the world farmed salmon market from a marketing perspective. It provides an overview of the marketing branches international Marketing, digital marketing, content and business Marketing. The case provides relevant information about the salmon market, different Marketing approaches and Marketing tools, which are relevant to both students and professionals. The case also provides a broad coverage of the largest producers in the salmon market worldwide, and the peculiarities of the Chinese Market, covering the consumer's preferences as well as the Chinese importers.

The case concludes that the farmed salmon business is experiencing a large increase in both production and demand, and that there are great possibilities for further growth in the Market. The competition is an increasing factor too, but the demand is still too large to be covered.

The growth of smartphone users worldwide opens for more creative and less costly ways for companies to market their products and services. Companies can now more easily reach large audiences with their message at the same time, which can give the opportunity to reach their goals more cost effectively and faster than before.

The Lerøy seafood ASA case has a wide perspective and closes in at the end to the final target audience. This broad perspective gives the readers of the case the opportunity to gain an overall knowledge about the farmed salmon business, and which possibilities for growth that exist for the future.

I would consider this case thesis for professionals in the farmed salmon business and students with an interest of this field of industry. For the reason that farmed fish is estimated to be the greatest source of protein for human consumption in the future, the case is also very relevant for its time.

This case emphasis on the Chinese market, but in the globalized market we have today, it is possible that the resolutions of the case can be adapted to other markets for further research and development.

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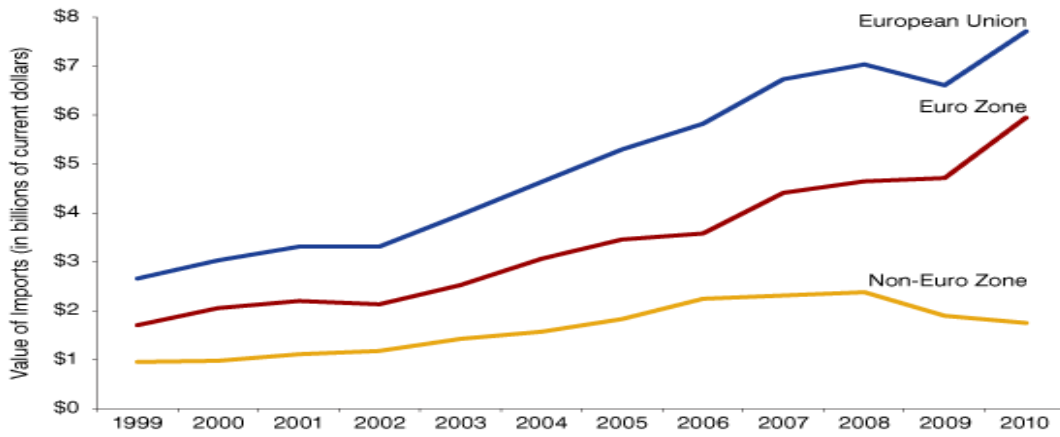
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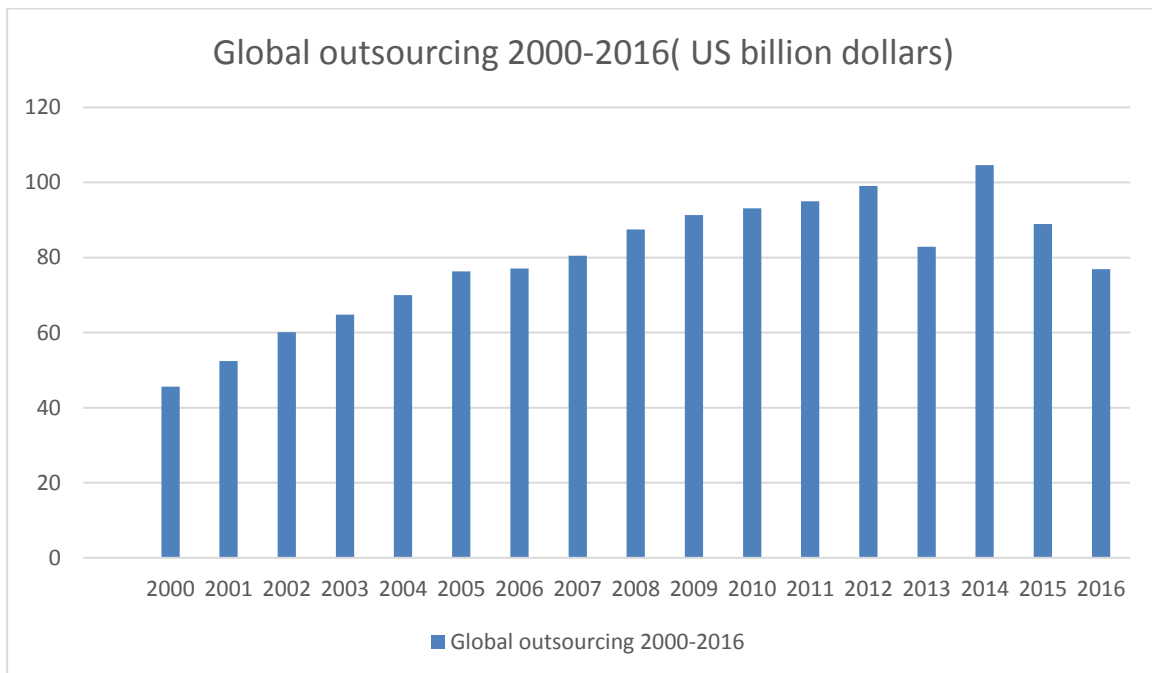
7. Appendices

Figure 1. Trade increase within the EU



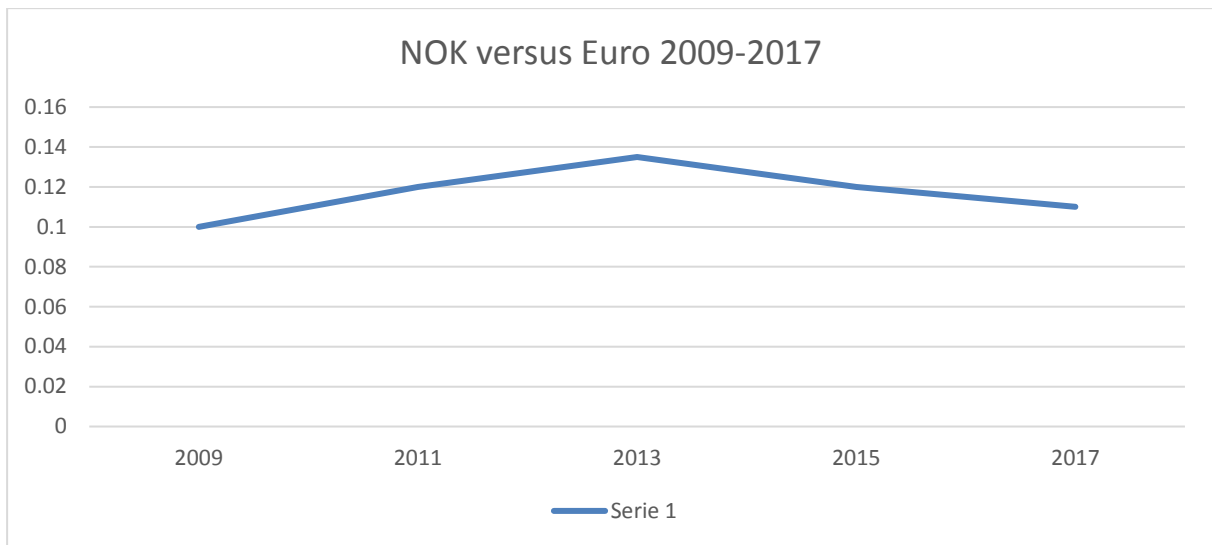
Source- WISER Trade 2011

Figure 2. global outsourcing 2000-2016



Source- Information service group 2017.

Figure 3 NOK versus Euro development 2009-2017



Source- XE currency charts 2017.

Figure 4. Estimated China Middle Class as Percent of Urban Household 2012 and 2022

Social class /Year	2012	2022
Affluent(More than 34 000\$)	3%	9%
Upper middle(16 000-34 000\$)	14%	54%
Mass middle(9000-16000\$)	54%	22%
Poor(Less than 9000\$)	29%	16%

Source- Business insider 2016.

Figure 5. Chinese importers perception of key success factors in salmon import (questionnaire results)

1= Less important

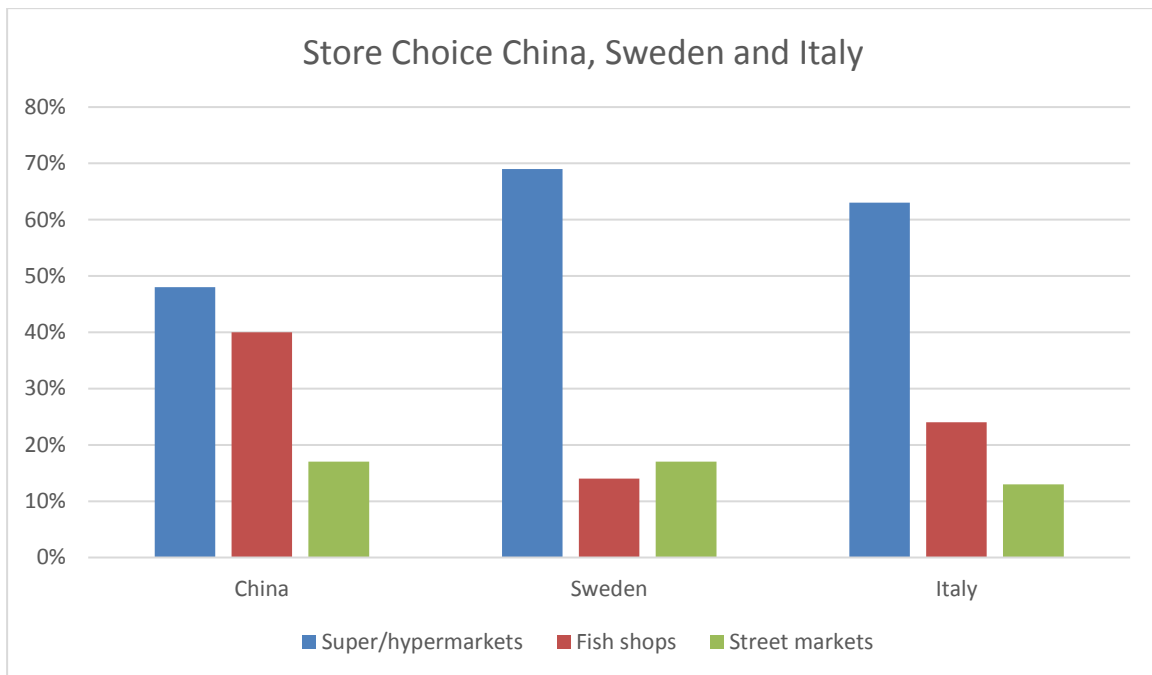
2= Important

3= Very important

Key success factors	Results
Focus on high quality	3
Country of origin- Norway	2,88
Company's own Customers orientation	2,75
Focus on stable supply	2,75
Focus on low price	2,63
Product form- Fresh	2,63
Satisfaction of customers paying premium price	2,38
Relationship to distributors	2,25
Worker competence	2,25
Focus on certification	2,25
Focus on traceability	2,25
Product form- farmed	2,13
Transportation management	2,00
Delivery time	2,00
Low cost labor force	2,00
Country of origin-Chile	2,00
Product form-Frozen	1,88
Product form- smoked	1,88
Import tax, tariffs, duties	1,75
Payment terms	1,63
Product form-wild salmon	1,63
Focus on packaging form	1,63
Product form -fillets	1,50
Country of origin-Japan	1,25
Country of origin- Canada	1,25
Product form-salted	1,13
Country of origin-USA	1,00

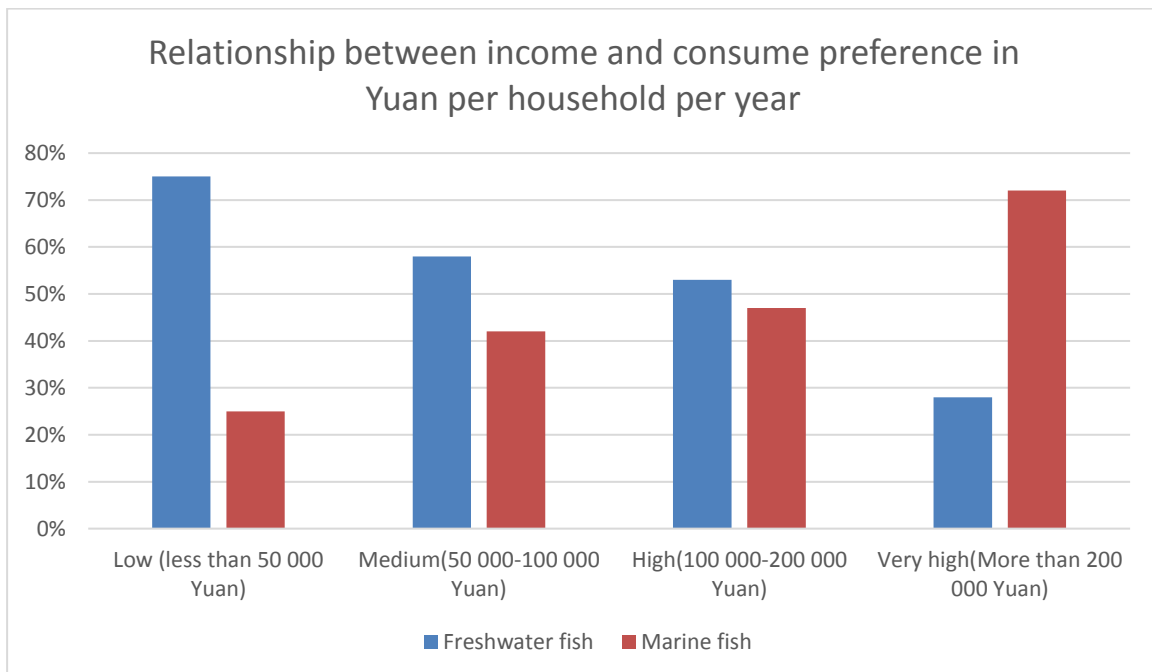
Source- JingJing 2006.

Figure 6. Store Choice China, Sweden and Italy



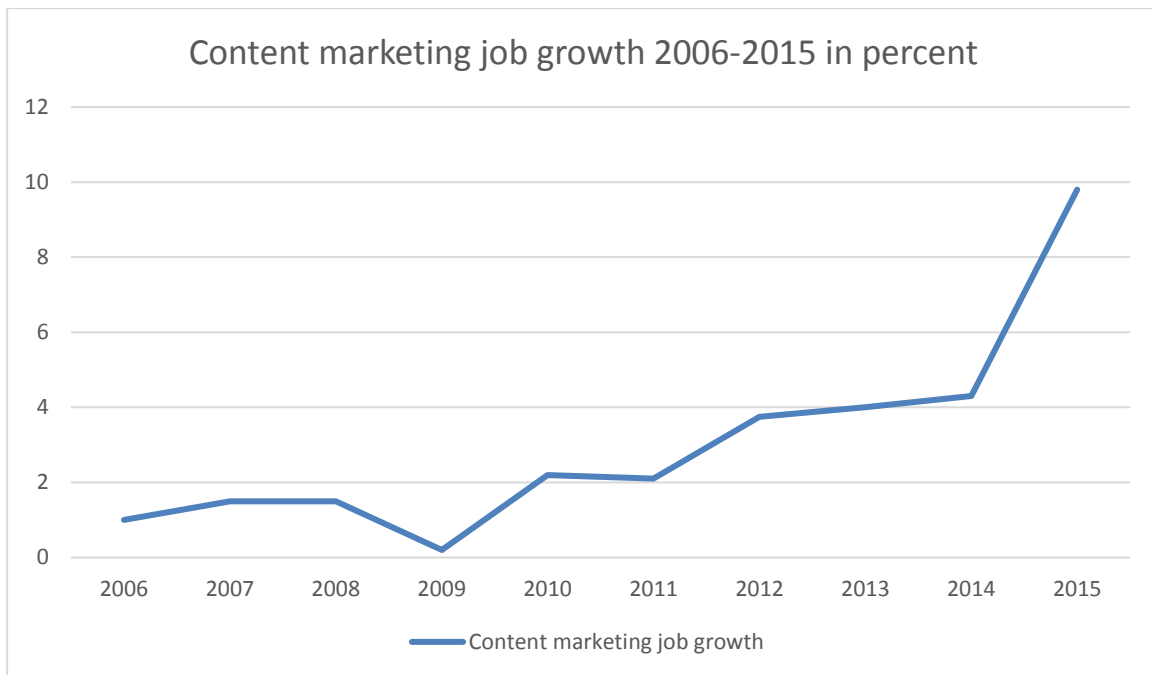
Source- Skallerud 2012.

Figure 7. Relationship between income and consume preference



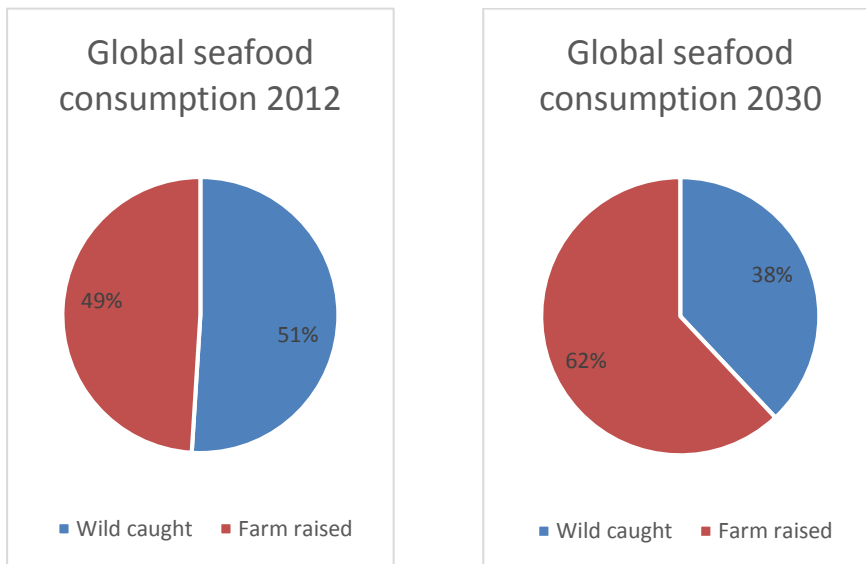
Source- Hu et. al 2014.

Figure 8. Content marketing job growth 2006-2015



Source- Jones K. 2015.

Figure 9. Global seafood consumption 2012 vs 2030



Source- Food and aquaculture organization of the United Nations 2014.

Figure 10-21 (Lerøy 2017) Paned Salmon



Figure 11. On lay salmon for bread



Figure 12. Ready to eat salmon lunch



Figure 13. premium sushi salmon



Figure 14. carved smoked salmon portion



Figure 15. Fresh salmon fillets natural



Figure 16. Salmon fillet creoles



Figure 17. frozen salmon fillets



Figure 18. Frozen family pack salmon fillets



Figure 19. Whole salmon



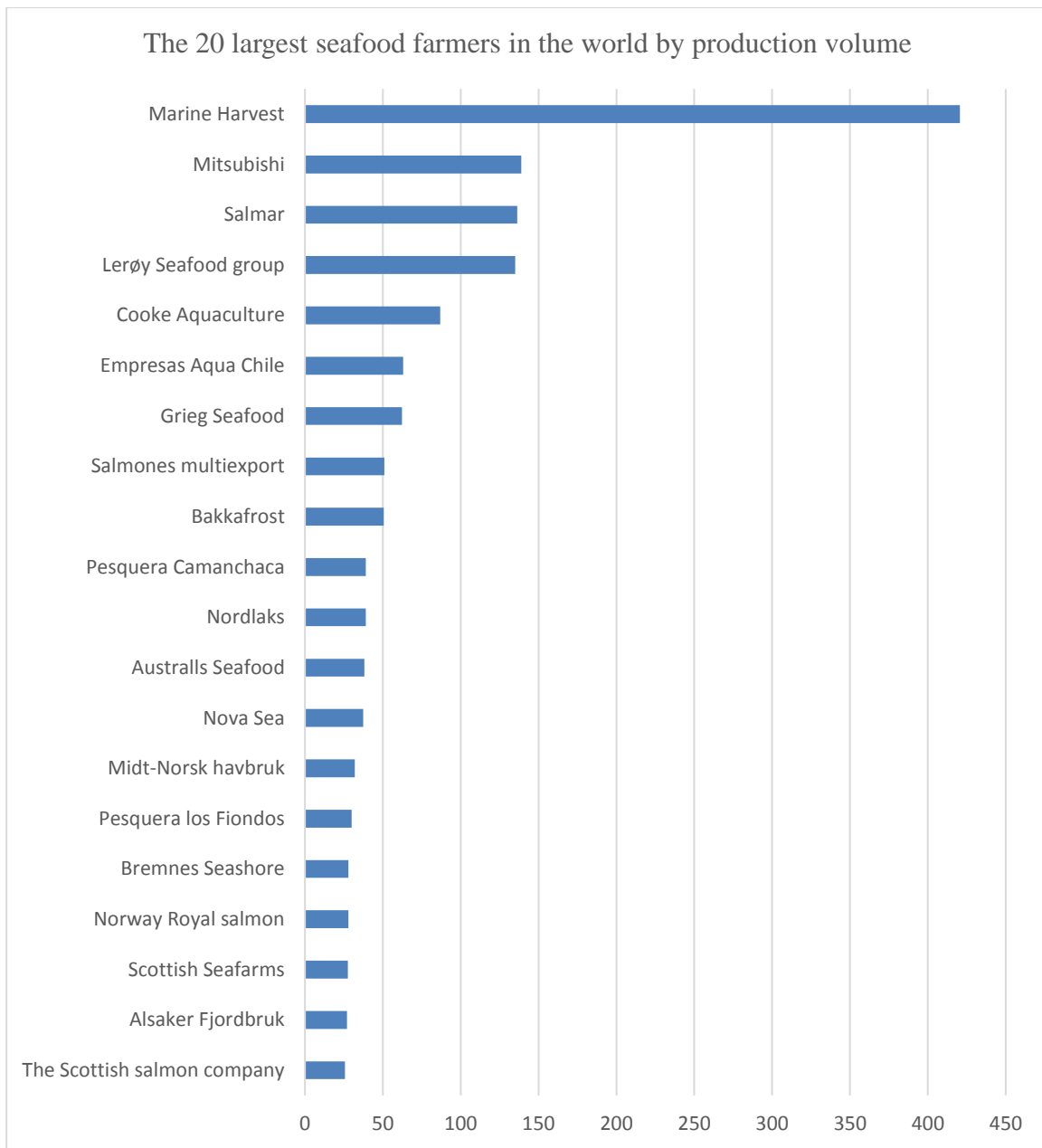
Figure 20. Marine Harvest package design



Figure 21. Lerøy package design



Figure 22. The 20 Largest seafood farmers companies in the world in thousand tons



Source- Nodland 2016.