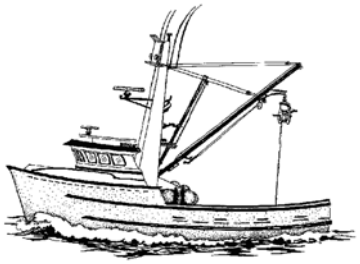
Tips for
DIRECT MARKETERS



Calculating Profitability for a Direct Marketing Operation

A feasibility analysis: Don't leave home without it

Starting a direct market business requires changes to a traditional fishing operation. The boat may need new equipment and facilities. There may be changes in production. The regulations get tougher and marketing is more complex. All of these changes carry a cost. Before plunging headlong, a fisherman should weigh the costs against the benefits.

Many harvesters start direct market operations without knowing enough about potential revenues and expenses. Instead, they learn over time that the new business model is not profitable or at least not as profitable as the regular fishery. For anyone pondering direct marketing, some good advice is to develop a thorough feasibility analysis.

Defining direct marketing

In this article **direct marketing** refers to a commercial fishing operation that moves its own harvest, and no others, to a buyer beyond the traditional primary seafood processor. The new buyer may include a broker, wholesaler, retailer, food service, or end consumer.

The direct marketing business model is referred to throughout the article. There are several business models for "direct market," and there is variation within those models. When the term "direct marketing" is used in this article, it is not specific to a type of model. Rather, it refers to any model within the broad spectrum.

A direct market business will always catch the fish and be responsible for marketing. What tends to fluctuate is the processing part of the business. Following are the two ends of the spectrum for direct market processing models.

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- **Catcher-processor model:** In this model, the product that a fisherman sells through direct marketing is processed by the fisherman. The fisherman either converts the vessel to feature a processing area or builds a land-based facility. This is generally the most labor-intensive type of direct market operation for the fisherman.
- **Custom processor model:** This model employs a separate seafood processor to handle all the production. This allows the harvester to focus on catching fish and marketing the product, and saves on significant regulatory compliance that comes with seafood processing. Using a custom processor does mean less control for a fisherman.

First things first: The business plan

Before starting a direct market operation it is crucial to know the upfront costs, the business income, and how that income compares between direct marketing and traditional fishing. A feasibility analysis, or study, is the "number crunching" part of a business plan. In this article, the feasibility analysis shows the potential profits of a proposed business.

A business plan leads the prospective investor through critical business functions of a new venture. For a fisherman considering the move from traditional fishing to direct marketing, a business plan helps determine changes in the production system, clarify new regulations, and develop a marketing plan. Each change to the operation bears a cost that is reflected in the feasibility analysis.

Regardless of the type of business under consideration, the content of a business plan is generally the same. A business plan might include the following:

- Executive summary
- Business description, including organizational structure and management experience
- Strategic plan including goals and a competitive review
- Regulatory constraints and requirements
- Marketing plan, including the marketing strategy and its treatment of products, pricing, promotion, placement
- Production/operation considerations that describe the business operations
- Financial information (the **feasibility analysis**), which projects 3 to 5 years of earnings, net holdings, and breakeven analysis.

Business plan writing: Do it yourself

Individuals with little training in business often seek professionals to write the business plan for a new small business. This can be a mistake. The person considering a new venture is the one who will run the business and he or she needs to know all the facets and pitfalls. Hiring a professional can also be very expensive. The person taking the risk will likely dig the deepest to find information. There is nothing wrong with hiring a consultant or using a public small business advisor, but consider them as advisors rather than the primary author.

Absent training, the prospect of writing a business plan can be intimidating. Here are some tips that might help:

- A business plan does not need to be a masterpiece. If it is just for the owner, the plan can be informal. It is intended to serve as a working document.
- A business plan does not need to address every subject that could go into a plan. For instance, if a seafood broker will sell the products, the marketing plan needs only minimal detail.

Start-up costs

One of the first steps of a feasibility analysis is to research the start-up costs. Knowing these costs helps determine the new owner's financing needs and net investment.

The first category is capital costs. Capital costs are items with a useful life greater than one year and may serve as collateral for a bank loan. See Table 1 for types of capital costs.

The other category is working capital costs, which involve operating costs that occur before revenues return to the business. In a direct market operation fish harvested in June may not earn money until September or later. New businesses need financing to cover costs until money comes through the door. Often a business secures a line of credit from a bank. Try not to cover working capital costs with credit cards. Table 1 offers examples of working capital costs.

Depending on the business model there may be others costs. It might help to include a little "contingency" on top of the upfront costs. Who knows what the cost of steel will be tomorrow?

Table 1. Direct market start-up costs.

Capital costs	Working costs
Building/remodeling • Construction/labor • Materials • Freight costs of material **Production equipment and installation** • Vacuum packer • Tables and fixtures • Freezer/refrigerator • Vehicle/truck • Strapping machine • Handcarts, tubs, containers **Office equipment** • Computer, printer, fax, phone, software • Desks and furniture **Property**	**Inventory** • Strapping materials • Gloves and sanitation supplies • Cleaning supplies • Packaging supplies including vacuum pack bags, fish boxes, and liners **Regulatory fees** • Permits • Licenses • Taxes **Marketing expense** • Travel • Logo/label/packaging design **Research/Product development** **Custom processing fee**

Make a timeline

As a direct marketer plans the business, it is useful to map out a timeline. All businesses require some tasks at start-up. Some tasks must be completed before others are initiated. Some tasks take a long time to accomplish. Following are topics that a direct marketer may need to consider:

- **Regulatory requirements:** List and briefly describe all the regulatory hurdles (bonding, permitting, licensing, etc.) the business needs for start-up. Check to see if one permit is contingent on another. (Less extensive if using a custom seafood processor.)
- **Facility construction/remodeling:** Describe any type of construction or remodeling required to establish the processing facility. Be sure to factor in bid time, contractor availability, and contingency time for unforeseen events. (Not necessary if using a custom seafood processor.)
- **Production equipment purchase and installation:** Describe the equipment necessary for operations, and the estimated time for purchase, shipment, and installation. Be sure to factor in bid time, installation contractor availability, and contingency time for unforeseen events. (Not necessary if using a custom seafood processor.)
- **Hiring personnel:** Determine the number and type of employees required and how long it will take to solicit, interview, hire, and train the new employees. (Not necessary if using a custom seafood processor.)
- **Source materials:** List each major raw material requirement and estimate how much time it will take for the order to arrive. (May not be necessary if using a custom seafood processor.)
- **Production to sales cycle:** Determine how long it will take to complete one production cycle of your product, from the time production is initiated (harvest) to the time you will receive cash payment.
- **Get adequate financing:** If outside cash is needed to pay for the start-up costs, how long will it reasonably take to have the cash in hand? List proposed sources and time estimated to meet all due diligence requirements. This is one of the first things that must be done if funds are needed.
- **Find markets:** Describe the steps required and the time it takes to market the product before it leads to initial sales. Do this before committing product to a direct market model.
- **Business plan development:** Proceeding without a business plan is unwise. Fortunately, all the work done establishing this timeline will fit nicely into a plan.

When developing a timeline, write down all the tasks within each function and how long it will take to accomplish each task. Once that is complete, take each task/timeline and line it up with the other tasks. Remember that some functions need completion before others can begin. Table 2 allows entry of each function/task and a timeline. Try this for each of the tasks.

Table 2. Timeline tracking table.
Fill in the table with the functions, tasks, and time requirements, and chart the tasks along the timeline, using a bar as shown. The dotted line indicates when your production cycle starts (harvest). The timeline is in quarters, or three-month periods. Most tasks will be finished on or before the dotted line.

Function	Task	Time	Qtr 2 200X	Qtr 3 200X	Qtr 4 200X	Qtr 1 200Y	Qtr 2 200Y	Qtr 3 200Y	Qtr 4 200Y
Regulatory requirements	DEC permit	3 mos							
Regulatory requirements	ADFG ITO	1 mo							
Regulatory requirements	Revenue license	1 mo							
Facility construction	Design	2 mos							
Facility construction	Bid	1 mo							
Facility construction	Build	3 mos							
Production equipment	Research	1 mo							
Production equipment	Order/deliver	1 mo							
Production equipment	Install	1 mo							
Personnel	Crew hire	1 mo							
Materials	Research	1 mo							
Materials	Order/deliver	1 mo							
Production to sales	Harvest to sale	3 mos							
Financing	Capital equipment	3 mos							
Financing	Working capital	3 mos							
Marketing	Research	6 mos							
Marketing	Branding/ logo	3 mos							
Marketing	Web develop/ promotion	3 mos							
Business plan development	Research and write	3 mos							

Setting up a pro forma statement

The concluding step in a feasibility analysis is projecting future cash flows through a **pro forma** statement. Pro forma statements show the best guess for future cash flows by projecting income against expenses. Pro forma statements most resemble cash flow statements as they attempt to cast a realistic look at cash flow—or at least as good as one can, looking into the future.

Projecting cash flow is a must. If a negative return is calculated, it may mean the business idea is a dud. It may also mean the idea needs a little tweaking to make money. Projecting cash flows saves time and money.

A typical pro forma statement looks at 3 to 5 years worth of future cash flows. It is possible the first few years will have a negative cash flow until revenues begin to kick in. In that event, extend the pro forma statement a few more years. Lenders do not like lengthy pro forma statements, but sometimes it is the best one can do.

Table 3 offers a common pro forma structure and components. Depending on the type of business, this can vary quite a bit.

Table 3. Typical pro forma structure.

Sales **–Variable expense** **–Fixed expense** **Projected cash flow**
Sales: The first section contains the gross sales, also called revenues. A business may want to factor in a reduction in sales from customers rejecting product (sales return and allowance). That may happen from time to time in a direct market operation.
Variable expenses: Variable expenses are related to the production of the business. Variable expenses as a category will rise and fall based on activity. If boat 1 fishes one opening and boat 2 fishes 100 openings, and everything else is equal, boat 2 will have 100 times the variable expense as boat 1. When an operation determines its variable expense, it then knows how many pounds of fish are needed to cover fixed costs described below. Knowing your variable expenses will tell you when the price for fish is too low to justify heading out. It will also tell you when costs are too high, like the cost of fuel. In a traditional fishing operation, variable expenses include fuel, bait, ice, grub, crew wages, supplies, transient moorage, and other operating costs. In a direct market catcher-processor model, variable expenses along with those from the traditional fishing operation may include freight, labor, shipping, packaging, supplies, utilities, and tax. Many of these variable expenses are eliminated in a direct market custom processing model.
Fixed expenses: Fixed expenses do not widely fluctuate through the year and are not based on activity level. They are the cost of doing business whether you catch one pound or 100,000. For a traditional fishing operation fixed expenses may include office expense, loans, insurance, annual maintenance, legal and accounting, permits, and moorage. Direct marketers might need to pay office expenses, loans, insurance, marketing and selling, legal and accounting, and processing permits. Obviously some of these expenses are shared with the harvesting side of the business.
Projected cash flow: The bottom line. How much the business may expect to earn in a year.

A direct marketer has an unusual pro forma statement. It includes traditional fishing components as well as processing and marketing costs. Table 4 provides a side by side comparison of a traditional fishing operation and that same operation dedicating 10% of its production to a catcher processor direct market model. Table 4 demonstrates that increasing sales through direct marketing does not necessarily lead to greater net income. The net result is a reduction in net income through a combination of various factors that our direct marketer can examine and possibly change to improve the outcome.

Table 4. Comparison of pro forma statements between traditional fishing and direct market.

Traditional fishing	
	Delivery to shoreside processor
Total pounds (raw)	200,000
Percent of production	100%
Total fish sales	$330,000
Variable costs of harvesting	
Crew shares ($0.45/lb)	$90,000
Provisions ($0.13/lb)	$26,000
Fuel and lube ($0.14/lb)	$28,000
Gear ($0.04/lb)	$8,000
Bait and ice ($0.03/lb)	$6,000
Misc operating costs ($0.09/lb)	$18,000
Subtotal variable costs	$176,000
Variable cost/lb	$0.88
Contribution to fixed costs and profits[a]	$154,000
Gross profit margin	47%
Fixed costs	
Port and harbor costs	$3,500
Maintenance	$12,500
Permit and IFQ costs	$15,500
Vessel and equipment payments	$35,890
Crew insurance (P&I)	$6,500
Insurance hull and machinery	$7,500
Professional fees	$1,000
Office expense	$500
Subtotal fixed costs	$82,890
Projected cash flow	$71,110

Key assumptions	
Average ex-vessel value	$1.65
Total pounds harvested	200,000
Total pounds processed	20,000
Finished processed weight (45% for fillets)	9,000
Wholesale price for fillets	$4.25

Direct market catcher processor			
	Delivery to shoreside processor	Fillet sales	Total
Total pounds (raw)	180,000	20,000	200,000
Percent of production	90.0%	10.0%	
Total fish sales	$297,000	$38,250	$335,250
Assignment of variable costs of harvesting by percent of production			
Crew shares ($0.45/lb)	$81,000	$9,000	$90,000
Provisions ($0.13/lb)	$23,400	$2,600	$26,000
Fuel and lube ($0.14/lb)	$25,200	$2,800	$28,000
Gear ($0.04/lb)	$7,200	$800	$8,000
Bait and ice ($0.03/lb)	$5,400	$600	$6,000
Misc operating costs ($0.09/lb)	$16,200	$1,800	$18,000
Subtotal variable costs of harvesting	$158,400	$17,600	$176,000
Variable cost/lb	$0.88	$1.96	
Variable cost of production			
Freight in ($0.08/lb)	N/A	$675	$675
Labor ($0.11/lb)		$1,013	$1,013
Shipping ($0.23/lb)		$2,025	$2,025
Packaging ($0.15/lb)		$1,350	$1,350
Factory supplies ($0.38/lb)		$3,375	$3,375
Utilities ($0.08/lb)		$675	$675
Fish tax @ 4% of ex-vessel		$594	$594
Subtotal variable costs of production		$9,707	$9,707
Variable cost/lb		$1.08	
Contribution to fixed costs and profits	$138,600	10,944	149,544
Gross profit margin	47%	29%	45%
Fixed costs			
Port and harbor costs	$3,500	–	$3,500
Maintenance	$12,500	$1,000	$13,500
Permit and IFQ costs	$15,500	$550	$16,050
Vessel and equipment payments	$35,890	$2,500	$38,390
Crew and general liability	$6,500	$2,000	$8,500
Insurance hull and machinery	$7,500	–	$7,500
Professional fees	$1,000	$1,000	$2,000
Office expense	$500	$500	$1,000
Rent and utilities	–	$3,000	$3,000
Sales and marketing	–	$1,500	$1,500
Subtotal fixed costs	$82,890	$12,050	$94,940
Projected cash flow	$55,710	$(1,107)[b]	$54,604

[a] See Analysis point A, page 8.
[b] Parentheses indicate a negative number.

Traditional fishing: In the traditional fishing mode, our fisherman predicts a total harvest of 200,000 pounds. With fixed costs of $82,890 and variable costs at $0.88 per pound, the operation must harvest 107,649 pounds before breakeven.

Breakeven volume for traditional fishing:
= Fixed costs/(Sales price per unit – Variable expense per unit)
= $82,890/($1.65 per lb – $0.88 per lb)
= 107,649 pounds raw harvested fish

Put another way, the captain does not begin to make money until 107,649 pounds are caught because she is still paying off the fixed costs.

Analysis point A: If any of the following occurs—ex-vessel price increases, variable costs decline, total fixed costs decline—the harvester stands to make a little more money. Knowing the variable costs per pound indicates to the operator when fishing is going to be unprofitable or substantially riskier. Such might be the case with escalating fuel prices. Knowing the breakeven mark provides valuable insight to a business owner about how much harder they need to work, where they need to cut costs (and by how much), and when they simply need to walk away.

Direct market: In the scenario, our direct marketer is handling her own processing. To test the new venture, she takes only 10% of the total harvest, 20,000 pounds, for direct marketing. The buyer, a grocery store, is buying fillets at $4.25 per lb. The recovery rate (the weight of the seafood after it is processed into a different product form) for fillets is 45% of the total round weight. That means 20,000 pounds of raw product is processed and sold as 9,000 pounds of fillets (20,000 pounds × 45% fillet recovery rate). The harvest variable costs are the same, while the processing variable costs are provided and determined at $1.08 per lb (this is based on the fillet pounds sold at 9,000). Additional fixed costs stemming from the new product line was $12,050.

Analysis point B: When a fish is reduced to a new product form, the processor has less weight. If a 5 pound fish that cost the processor $5 is filleted to 45% its previous weight, it is now 2.25 pounds, but the processor still has $5 into the fish. The actual cost per pound for the fillet is $2.22, not $1.00. This is important for direct marketers to remember. Less total volume is sold compared to the traditional fishing model.

Analysis point C: Part of a direct marketer's production cost is the cost of the fish. In the scenario, the variable cost of fish to the direct marketer was $1.96 per lb (traditional fishing cost per pound/45%). The remaining variable processing costs were $1.08 per lb ($9,707/9,000 lbs). If isolating just the direct market portion of the business, the direct marketer will need to produce almost 10,000 pounds before breakeven.

Breakeven volume for direct market processing segment of business:
= Fixed costs/(Sales price per unit – Variable expense per unit)
= $12,050/[$4.25 per lb – ($1.96 per lb + $1.08 per lb)]
= 9,959 pounds finished fillet production
Of course that means more products pulled away from the traditional fishing, which at current ex-vessel and wholesale prices appears unwise.

Analysis point D: In this example our direct marketer may want to consider a custom processor. If the variable processing costs are greater than a custom processing fee covering the same expenses, it may be better to go with the custom processor. Some direct marketers still opt to run their own processing to maintain quality control.

When is direct marketing worth the effort?

It is important to compare the potential outcomes from a traditional fishing operation versus adding direct market components to the business. When fishermen market directly, they are foregoing income from the traditional fishing. In the previous example, direct marketing was not profitable even though total sales were greater. Greater net income will occur when various factors fall into place, such as a rising wholesale price or falling ex-vessel price. This unavoidable link in production requires a comparison between the two models.

Any product the fisherman puts toward her direct marketing reduces the income received from fishing. The fisherman needs to know that the gains from direct marketing will more than compensate the loss to traditional fishing.

This section reviews how variable analysis can advise an individual when to direct market, and also determine an appropriate pricing strategy.

In the preceding section there were several assumptions. Eight important pro forma categories are listed in Table 5. Several of the assumptions—like variable costs—contain many assumptions for individual expenses. For simplicity, the analysis holds many large categories the same.

In our scenario, a fisherman is considering moving product to a small, high-end grocery store in Cambridge, Massachusetts. The store manager wants 20,000 pounds of finished fillet product at $4.25 per lb. Our direct marketer is not really sure what the ex-vessel price will be this summer, but last year it averaged $1.65. Historically, the price ranges from $1.00 to $2.50 so it is possible the price might move up and down. Our fisherman is also unsure that the store's offer price is worth the effort.

Table 5. Pro forma assumption categories.

Harvesting fixed costs	$82,890
Harvesting variable costs	$0.88/lb
Harvesting ex-vessel value	**Variable**
Harvest volume	200,000 pounds
Processing fixed costs	$12,050
Processing variable costs	$1.08/fillet lb
Processing wholesale value	**Variable**
Processing volume	**Variable**

Table 6. Variable analysis comparing traditional fishing with direct marketing.

Ex-vessel ($/lb) =	$1.00	$1.25	$1.50	$1.65	$1.75	$2.00	$2.25	$2.50	$2.75	$3.00
Traditional fishing										
Projected cash flow (× 1,000)	$(58.89)[a]	$(8.89)	$ 41.11	$ 71.11	$ 91.11	$141.11	$191.11	$241.11	$291.11	$341.11
Direct marketing catcher processing – 10% of total production or 20,000 pounds Finished pounds = 9,000 (with 45% recovery rate)										
Wholesale ($/lb) = $4.25										
Projected cash flow (× 1,000)	$(62.41)	$(17.41)	$27.59	$54.59	$72.59	$117.59	$162.59	$207.59	$252.59	$297.59
Wholesale ($/lb) = $5.25										
Projected cash flow (× 1,000)	$(53.41)	$(8.41)	$36.59	$63.59	$81.59	$126.59	$171.59	$216.59	$261.59	$306.59
Wholesale ($/lb) = $6.25										
Projected cash flow (× 1,000)	$(44.41)	$0.59	$45.59	$72.59	$90.59	$135.59	$180.59	$225.59	$270.59	$315.59
Direct marketing catcher processing – 25% of total production or 50,000 pounds Finished pounds = 22,500 (with 45% recovery rate)										
Wholesale ($/lb) = $4.25										
Projected cash flow (× 1,000)	$(49.62)	$(12.12)	$25.39	$47.89	$62.89	$100.39	$137.89	$175.39	$212.89	$250.39
Wholesale ($/lb) = $5.25										
Projected cash flow (× 1,000)	$(27.12)	$10.39	$47.89	$70.39	$85.39	$122.89	$160.39	$197.89	$235.39	$272.89
Wholesale ($/lb) = $6.25										
Projected cash flow (× 1,000)	$(4.62)	$32.89	$70.39	$92.89	$107.89	$145.39	$182.89	$220.39	$257.89	$295.39
Direct marketing catcher processing – 50% of total production or 100,000 pounds Finished pounds = 45,000 (with 45% recovery rate)										
Wholesale ($/lb) = $4.25										
Projected cash flow (× 1,000)	$(28.29)	$(3.29)	$21.71	$36.71	$46.71	$71.71	$96.71	$121.71	$146.71	$171.71
Wholesale ($/lb) = $5.25										
Projected cash flow (× 1,000)	$16.71	$41.71	$66.71	$81.71	$91.71	$116.71	$141.71	$166.71	$191.71	$216.71
Wholesale ($/lb) = $6.25										
Projected cash flow (× 1,000)	$61.71	$86.71	$111.71	$126.71	$136.71	$161.71	$186.71	$211.71	$236.71	$261.71
Direct marketing catcher processing – 100% of production or 200,000 pounds Finished pounds = 90,000 (with 45% recovery rate)										
Wholesale ($/lb) = $4.25										
Projected cash flow (× 1,000)	$14.36	$14.36	$14.36	$14.36	$14.36	$14.36	$14.36	$14.36	$14.36	$14.36
Wholesale ($/lb) = $5.25										
Projected cash flow (× 1,000)	$104.36	$104.36	$104.36	$104.36	$104.36	$104.36	$104.36	$104.36	$104.36	$104.36
Wholesale ($/lb) = $6.25										
Projected cash flow (× 1,000)	$194.36	$194.36	$194.36	$194.36	$194.36	$194.36	$194.36	$194.36	$194.36	$194.36

[a]Parentheses indicate a negative number.

With five of our eight variables set at projected levels, the direct marketer sets up a variable analysis to see at what price the grocery store becomes a viable customer. Table 6 provides a summary of these results. The top portion labeled "traditional fishing" provides the projected cash flows for the traditional fishing business with a changing ex-vessel value, which is listed at the very top. The traditional fishing projected cash flows should be the basis for comparison with all the projected cash flows listed below. For instance, if the ex-vessel price increases to $2.50 per lb, the traditional fishing operation expects to net $241,100. Under the scenarios provided, there are no situations where the direct market operation will exceed this net income.

The subsections that follow are organized first by different levels of wholesale production, 9,000, 22,500, 45,000, and 90,000 lbs. Within each of the wholesale production levels, different wholesale prices generate new cash flow projections. Within each of the cash flow projections, the table highlights (in blue) those cash flows that begin to exceed the net income in the traditional fishing operation. For instance, if the direct marketer produces 22,500 lbs and earned $5.25 per lb, the only time this becomes a good option is if the ex-vessel price falls to $1.50 or less. Under this scenario, if the direct marketer earns $6.25 per lb, it is a good idea until the ex-vessel price starts to exceeds $2.00 per lb.

Consider the value of your time

In the variable analysis laid out in Table 6, at certain ex-vessel values, levels of production, and wholesale prices, more net income is earned by adding a direct market component. The analysis did not consider the amount of time each task absorbs from the owner. The value of your time is a very important consideration.

An easy way to determine the value of your time is to ask, "What could I get paid doing something other than fishing?" Consider working in another field you are qualified at—a good construction job or perhaps teaching—and determine an average wage. For example, consider that the fisherman could earn $5,000 a month in another job.

The second step is to determine how much time goes into the traditional fishing operation. If the fisherman puts in 6 months total time in the traditional fishing operation, including pre- and post-season maintenance and administrative work, the fishing job should earn at least $30,000 (based on our estimation of $5,000 above). However, if employment opportunities are limited by working as a fisherman part of the year, it may be more realistic to consider the required fishing income to rest at $60,000 ($5,000 x 12 months). Even when running a pro forma statement for your traditional operation, an operator should at least compare the net fishing income to what they might make doing something else. Many people fish because they love it, not because it makes them a "ton" of money. Conversations about financial affairs in fishing do not reflect quality of life considerations, so if your earning potential is $1 million a year as a software engineer, but you would rather catch fish—fantastic!

Finally, one needs to understand how much more work is required in a direct market operation. Will the additional 10,000 pounds of product require 2 months more work to sell? Perhaps 4 months? Regardless, some estimation of time should figure into the decision to head toward direct marketing. Using numbers from our example, the estimated net income from traditional fishing is $191,000 when the ex-vessel price hits $2.25 per lb. This figure is slightly trumped by the calculation of 100% of all production toward fillets at $6.25 per lb, which pulls in a net income of $194,000. But clearly, it will require significantly more effort to move 90,000 pounds of product than is made up for in the $3,000 more our direct marketer earns.

One way to make this measurement within the calculation is to simply include a "salary" or "management fee" for your work in the fixed cost section. You may also include a "sales and marketing" expense.

Conclusion

The intent of this publication is neither to rally the troops to direct marketing, nor to throw a wet blanket on the idea. The reality is that sometimes direct marketing makes sense and sometimes it does not. Knowing the numbers before entering into direct marketing, or whenever you change your fishing operation, will enable you to look at your ideas logically.

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