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Centre for International Management
and Development Antwerp

INVE AQUACULTURE, Market Expansion of Fish and Shrimp Diets in Asia

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ASEAN Business Case Studies No 12

December 1998

This case was written by Dr. Pakpachong Vadhanasindhu and Dr. Dirk Van den Berghe on behalf of Chulalongkorn University, Thailand. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.
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At the end of November 1996, Mr. Flor Indigne, Dr. Philippe Leger and Mr. Dries Agneessens, respectively the Chairman, Managing Director and the Executive Director of Asia of Inve Aquaculture Co. Ltd., looked back at their last year with great satisfaction. Inve Aquaculture had maintained its breathtaking growth rate, penetrated several new markets, competition remained weak, and the new factory in Pitsanulok-Thailand had become operational despite several initial hiccups. The three top managers of Inve Aquaculture were not, however, sitting back and congratulating themselves on their successes, they were exploring new ways to continue the company's rapid expansion in Asia.

1. The exciting world of Aquaculture!

Aquaculture, or the industrial farming of shrimp and fish in a controlled environment, was a rather young science. The first international congress that emphasized its huge potential was the F.A.O. conference in Kyoto-Japan. This conference had been especially useful in pointing out the critical role of artemias in the future success of Aquaculture around the world. As a result of this conference, several international universities engaged in research regarding Aquaculture, and the possibilities of artemias as Aquaculture feed.

Later, F.A.O. (Food and Agricultural Organisation - UN) studies confirmed the huge growth potential of Aquaculture around the world. By 1989 the F.A.O. calculated that the total production of proteins in 1989 was about 268 million tons, of which approximately 100 million came from fish stocks, and about 11 million tons from Aquaculture. The F.A.O. forecasts that for the year 2025, with a world population of 8.5 billion people, the demand for fish stocks could rise to 162 million tons, at a constant consumption pro capita. Most analysts forecast that the consumption of fish stocks, pro capita, would rise substantially (approximately +0.7% per year). This was due to changing eating habits - an evolution towards high protein, low calorie food products. Unfortunately, wild catch and commercial fishing seems to be limited to a maximum sustainable yield estimated at 100 million tons. As such, demand for Aquaculture products was expected to rise from 11 million tons in 1989, to 20-29 million tons in 2000, to 62-109 million tons in 2025.

Inspired by the Kyoto conference, and buoyed by some initial research breakthroughs, Aquaculture got off to a large scale start at the end of seventies and early eighties in countries like Panama, Ecuador, the US and France. Several world-leaders, among them Fortune Top 500 companies like Petrofina from Belgium, Mars Inc. from the US and Sanofi/Elf from France, began to engage in farming or Aquaculture research. By the mid-eighties Aquaculture started to move to the Southeast Asian nations. Lured by the warm tropical climate, long seashores, cheap labour, and proximity to the world's leading consumption market for fish stocks, Japan, by the mid-nineties, the Asian countries represented (according to F.A.O. statistics) 80% of world Aquaculture output. Europe constituted $\pm$ 9% and the Americas and Africa accounted for the rest.

All recent studies depicted a rosy future for Aquaculture in Asia. As the Far Eastern Economic Review¹ stated "Asia's fish stocks are dwindling because of over-exploitation and pollution. As fleets compete for catches, the region might be heading into an era of fish wars. Could Aquaculture be the answer?".

Despite the recent boom in output, Aquaculture remained in 1998, a largely unexploited scientific area. The mortality rate of broodstock was still hovering between 25% and 80%, way above the animal raising counterpart, a sector benefiting from scientific research for many decades. Size limitations were causing constraints for Aquaculture (it was not only difficult to find food smaller than the mouths of the small fishes and shrimps, but also forced feeding remained a problem). There were also huge problems concerning the scale of growth (from a young chicken to a grown chicken is a factor 1 to 15, but from a hatched salmon to a grown salmon the factor is not less than 1 to 100.000). Moreover, disease control, genetic manipulation and environmental control of Aquaculture remained more or less scientific green-fields.

2. Artemias, the key to success in Aquaculture

An important limiting factor for the controlled cultivation of fish and shrimp, was the availability of sufficient broodstock. Therefore, over the last ten years the cultivation for broodstock had become a new bio-industry. Mother animals were induced to produce eggs, which after conception, were hatched and the larvae subsequently transferred to large tanks. There the larvae were raised under artificial circumstances until they were large enough to be transferred to fish farms.

One of the most limiting factors for commercial hatcheries was the limited availability of sufficient amounts of feed. In commercial animal livestock breeding, as well as in Aquaculture, the selection of the right feed was extremely important for successful breeding. The right feed should fulfill the criteria of availability, price, user-friendliness and nutritional qualities. The most appropriate feed would be one that the larvae find in their natural environment, namely an unlimited variety of fauna and flora plankton. The commercial harvesting of plankton turned out to be impossible after taking into account availability and the costs of harvesting.

The brine shrimp artemia, was thus chosen as the preferred feed for Aquaculture. The artemia, as a small crevice, can produce encapsulated embryos in the form of cysts. These cysts are so small in size, that they look more or less like sand. These encapsulated embryos can be stored for a long period of time if dried in the appropriate way. After hydration in sea water, they hatch into living larvae (approximately 0.5 mm of size) within 24 hours.

Artemias are found around the world, but commercial harvesting was only possible in environments where no other animals could live. This was because artemias were the preferred feed of so many fish and shrimp larvae, that their life-span, under normal circumstances, was extremely short. The only area where artemias survive was the Great Salt Lake in Salt Lake City, Utah, United States. The salinity of the water and the severe winter weather conditions made it impossible for other living creatures

¹ "The Seas, Fishing for Trouble", Far Eastern Economic Review, p.50-54, March 13, 1997

besides the artemia to survive beyond September. Artemia brine shrimps, in order to survive the long winters, produced artemia cysts (dormant eggs). During the winter these cysts float on the surface of the lake. Commercial harvesters can catch them at the end of this period by sweeping the lake with huge nets guided by airplanes. The harvesting operations were regulated by a state license administered by the Division for Wildlife Resources.

23 harvesters obtained an area of concession on the Great Salt Lake. After collecting the cysts, the companies dried, stored and canned them in their dormancy shape. The cysts were exported around the world to shrimp and fish hatcheries, for use as feed. The hatchery operators had only to put the artemia cysts in sea water at the right temperature and light, they would hatch within 24 hours into free-moving nauplii. These nauplii (small artemias) were the preferred feed for shrimp larvae during their first 30 days and for fish larvae the first 100 days of their existence (except for the first 10 days during which both were fed algae).

Artemias also existed in sufficient commercial amounts in other places around the world, such as Central Asia, Russia and China, but no place offered such good quality and quantity as the Great Salt Lake in Utah. Therefore, the Great Salt Lake turned into the world's most important artemias production and research center.

3. Flor Indigne, a teacher with a vision

Flor Indigne was born in Belgium. Following in the footsteps of his father, he became a primary school teacher. Like every other passionate teacher, Flor Indigne believed that he could only teach if he kept on studying. During his free time he obtained degrees in psychology, pedagogy, philosophy and accountancy.

A local leading agro-industrial company, the Seghers group, noticed his talent and employed him as development manager. One day during lean times, the CEO of Seghers wanted to close a major division that produced poultry feed. Flor Indigne believed in the future of this division, saw the opportunity, and offered to invest his own money into this division. The CEO of Seghers accepted the offer and Flor Indigne turned the division around. A few years later, in 1978, he completely took over the division from Seghers and renamed it Maiski.

Flor Indigne understood the importance of feed. Above all, he knew the hi-tech parts of animal feed, starters feed (just like in human nutrition, starters feed were very important to the future development animals) and premixes (compounds of minerals, vitamins and other nutritional elements) used to enrich the low tech, low price animal feed.

In 1985 he sold his company to a major Belgian feed producer, and invested the proceeds in a company specializing in premixes and starters feed for livestock (mainly pigs). This company he called INVE (Indigne Vennootschappen).

Inve was built on scientific research & development, both in-house, on contract research and even technological acquisitions. Successful research products were later introduced in as many major markets as possible, in order to benefit from the short life-cycle of most technological products. By 1996, Inve had more than 20 companies in 17 countries around the world. Group turnover had risen to more than 100 million US dollars.

The final step in Flor Indigne's management plan was the promotion of the corporate image of the group, rather than the individual products. In Flor Indigne's words, this meant a tendency towards demystification of the products, and a mystification of the company. His great example was Sony. INVE wanted to be seen in its sector as a doctor, a troubleshooter able to solve all farmers' problems in a scientific, reliable, consistent way. As Mr. Indigne said himself, "Inve wants to offer farmers a good nights sleep".

Another major element in Mr. Indigne's management philosophy was the importance of communication. Around the world, Inve fostered a culture of communication at all levels in its companies. Centrally in its units, were liaison officers, whose core task was to communicate to one another what was happening in their unit. Their daily reports were distributed around the world. Moreover, they were willing and able to troubleshoot for each corporate need. If a problem was encountered in one unit, the liaison officers around the world would work to identify a person, in or out their respective organizations, able to solve this problem. Liaison officers met yearly in order to promote their mutual understanding and to reinforce their group spirit.

The whole philosophy of company mystification, science & research, flexibility and communication, was translated by Mr. Indigne into a symbol, the Inve owl. Flor Indigne opted for the owl as it was a bird that was well known around the world. In most countries it was a symbol, both with good and bad sides, but always looking straight ahead. In ancient Greece, the owl was the symbol of wisdom. In China it meant death. Those daring to use an owl as their logo, were certainly brave men in Chinese opinion. Flor Indigne designed the Inve owl himself and made it the central theme of all the group's marketing campaigns.

In 1989, Inve decided to diversify into Aquaculture, because the basic principles were very similar to those of animal feed. It was a scientific green-field with tremendous growth possibilities. Flor Indigne started an in-depth look into Aquaculture so as to copy his successes in the hi-tech parts of the animal feed sector. His options were to either develop or buy the technology.

A strategic choice for Flor Indigne was Inve's expansion into Asia. Already in 1988 Inve moved into China, fostering a partnership in Guanzhou with one of the leading governmental agro-industrial conglomerates for the joint production and commercialization of premixes. This venture was later on repeated in Tianjin, near Beijing. Flor Indigne possessed a rock-hard belief in the future of Asia. As he explained it, "Asians have a naive belief in the future, with all its advantages and disadvantages". It was clear to Flor Indigne that the future of the world economy would shift towards Asia and that Inve had to take part in it. An early start meant years of advantage over the competition.

Those two pillars, Aquaculture and Asia, would drive the future expansion policies of Flor Indigne.

4. Dr. Philippe Leger and the founding of 'artemia systems'

The story of "Artemia Systems" was intertwined with two strong personalities. First, there was professor Sorgeloos, head of the research department for mariculture at the State University of Ghent. Professor Sorgeloos started as far back as 1976 after the groundbreaking F.A.O. congress in Kyoto with a new research unit, called the "Artemia Reference Centre". This unit was partly financed by international donors, the Belgian government and the university itself.

The other person at the heart of the "Artemia Systems" was Philippe Leger. A young pharmacist, he had just finished his master's degree at the University of Ghent in eco-toxicology with honors. This fact did not go unnoticed by Professor Sorgeloos, and he offered Philippe the opportunity to pursue a Ph.D. under his guidance. The topic was "the nutritional value of artemias as feed". Philippe Leger accepted the challenge because it concerned an academic green-field and an opportunity to make a real contribution to scientific research.

Philippe Leger started his research in 1979, and by 1981 had already, derived the first field test for new products. The central theme of his research was to understand why artemias coming from one area offered very good nutritional value, while artemias from other areas were of poor nutritional value. As a consequence, Philippe Leger developed several enrichment products for upgrading the lower quality artemias.

The positive results derived from product tests in 1983 inspired the regional Flemish government of Belgium to support his activities. Philippe's research efforts were turned into a company called "Artemia Systems". This venture was also supported by two of Belgium's biggest companies, Petrofina (a petrochemical MNC) and Tractebel (an engineering and energy MNC). Philippe Leger was very enthusiastic as it had always been his ambition to transform research into products and products into markets. This period was also the beginning of Aquaculture in Europe, and other countries like Ecuador and Panama.

Since that time, Aquaculture grew at breathtaking speed, both in Europe and the rest of the world. By the mid eighties, Aquaculture started to move into Southeast Asia, where expansion was even faster. By 1985, Artemia Systems made its first efforts to explore the fast expanding Southeast Asian market, but failed due to limited resources and their lack of commercial flair. In those days, Artemia Systems put their effort into researching substitutes for artemias. Most analysts agreed that sooner or later there would be a shortage of artemias in the world.

Philippe Leger obtained his Ph.D. in 1989, underlining his commitment towards practical research. The company was growing at a good rate, but the R&D activities required substantial financial resources. Some partners in Artemia Systems were not willing to contribute more money and therefore Petrofina bought out all other partners in the company. According to Philippe Leger, Petrofina didn't really see this venture as a new strategic core area, but rather as public relations stunt to support hi-tech research activities.

Still the new structure allowed Artemia Systems to thrive on the world markets and, in 1989, to expand into Asia. A sales-office in Singapore was opened and managed by a locally hired Chinese commercial manager, since Petrofina believed in the policy of hiring locals as managers. A few months later, Artemia Systems possessed an embryonic distribution network around the region. Sales in Asia started to grow, but not to the extent that the company would break even. By 1990, Petrofina became impatient with the performance of its subsidiary.

As result, Philippe Leger and a few core managers of Artemia Systems drafted a business plan, in order to identify a potential path towards future profitability. They earmarked four of the company's major shortcomings:

- Artemia Systems lacked a proper commercial network, and would have to invest in its own sales force around the world, above all, in Asia.
- Artemia Systems lacked control over its resources, the artemias. They were dependent on the goodwill and capabilities of several American suppliers. Their business plan suggested diversifying into artemia harvesting and production.
- Artemia Systems' product range was too narrow. The committee suggested expanding the product range through acquisitions and more R&D efforts.
- Artemia Systems needed to diversify into grow-out premixes. These would offer a completely new market.

Petrofina, Artemia Systems' mother company, found the business plan too ambitious and suggested that Philippe Leger concentrate only on sales, while outsourcing the rest. Philippe and his team started frantically looking for new partners, both in the US and Europe. They hoped that new partners would be more receptive towards their ideas. On a blue Monday in July 1991, the management heard the startling news - Artemia Systems had been sold by Petrofina to San Francisco Bay Brand Co.. The management of Artemia System's was not even notified or consulted. The new owner was a company active in both the pet market (aquarium fishes) and Aquaculture. The area of Aquaculture they were involved in was solely volume oriented, and not at all geared towards R&D. On the day of the contract signing between Petrofina and San Francisco Bay Brand Co., Philippe Leger handed over his business plan to the new owner, Mr. Anton Schmitz, the elderly president of San Francisco Bay Brand Co.

During the next few months, Artemia Systems' management felt very frustrated by their new owners. In November 1991, they decided to hand over a letter to Anton Schmitz demanding his reaction to their proposals expressed in the business plan. Mr. Schmitz was furious and wanted to rid himself of the company as soon as possible. Philippe Leger offered to help. He renewed his contact with a potential investor with whom he had been in close negotiation over the purchase of Artemia Systems a few months earlier, Flor Indigne

5. Flor Indigne acted swiftly and established Inve Aquaculture

Flor Indigne, once again, identified a great opportunity and acted swiftly. On his first encounter with Anton Schmitz, not only did he offer to buy back Artemia Systems, but also to acquire all the San

Francisco Bay Brand Company's Aquaculture activities. Anton Schmitz, lacking an heir, responded positively. In December 1991, Inve bought Artemia Systems. Immediately afterwards, Artemia Systems bought all the Aquaculture activities of its former mother company. The new company was put under the umbrella of Inve holdings and was renamed "Inve Aquaculture".

The employees and management of the former Artemia Systems were very happy in the Inve Group. Not only did they find a new president who responded to their ideas with great enthusiasm, but they suddenly saw part of their business plan implemented. Indeed, Inve was a world leading company in the field of premixes with its own R&D facilities. The newly acquired Aquaculture activities of the San Francisco Bay Brand Co. instantly offered them a leading artemia harvester at the Great Salt Lake in Utah, as well as a distribution network.

Flor Indigne and Philippe Leger, jointly reorganized the company. They invested resources into new product development, especially in the field of premixes for the Aquaculture, as such enabling them to extend Inve Aquaculture's product range. Only one other strategic option of the initial business plan remained. To tackle this meant establishing a sales and distribution network in Asia. The former Artemia Systems' office in Singapore still existed, but offered little or nothing to Inve Aquaculture's management. Cultural barriers between the Belgian management and the local Chinese sales staff, turned out to be a huge obstacle. Inve Aquaculture decided to close the office in Singapore and explore new possibilities. In 1993, Flor Indigne and Philippe Leger made a trip to the major Southeast Asian countries active in Aquaculture to investigate the most appropriate new venture. The countries they explored included Indonesia, the Philippines and Thailand, where Inve Aquaculture enjoyed existing contacts through a Belgian government sponsored cooperation project with a local university. They opted for Thailand and found the right man to implement Inve's policies.

In April 1993 they hired Dries Agneessens, an Asia old-hand, as the executive director for Inve Aquaculture Asia. Dries Agneessens had been based in Thailand for years, spoke the local language and established a very successful Asian sales network for Telindus, a leading Belgian electronics company. Dries was definitely the right person for their needs. He would be able to function as a bridge between the drastically different worlds - Europe and Asia. Dries Agneessens took his assignment as seriously as would be expected from a former paracommando; and opened in July 1993, Inve Aquaculture Asia, registered under Thai law as a regional coordination centre for Inve Aquaculture's activities in Asia.

In the meantime, Flor Indigne once again showed his special talent for quickly identifying and realizing new opportunities. In October, he acquired the French company Frippak, Artemia System's only serious competitor in the field of hi-tech fish and shrimp diets. Frippak's history was very similar history to that of Artemia Systems. Just like Artemia Systems, it was a spin off of a major university, the University of Wales. It had also changed ownership among several leading international companies, such as the Mars Inc. and most recently, the Sanofi-Elf petrochemical group from France. Frippak's product range was rather similar to Inve Aquaculture's existing product range, and also offered some new products. One was a substitute for algae, the preferred feed for both shrimps and fish during their first

10 days on earth. Flor Indigne had, on the basis of a simple rumor, approached the owners of Frippak. He finalized the acquisition in only a few weeks.

Philippe Leger and his team's initial business plan was now 95% implemented, thanks to farsightedness and above all, the swift management style of the new president, Flor Indigne. The final part of the plan, the setting up of a distribution network in Asia, was the challenge to be tackled by Dries Agneessens.

6. Dries Agneessens made work of Inve Aquaculture's expansion in Asia

Dries Agneessens' first objective was to organize Inve Aquaculture Asia (I.A.A.) according to Inve's requirements. Just like all other companies in the group, IAA was to receive a flat management structure and the key person in the organization was the liaison officer. Their status as a regional coordination office allowed IAA to employ up to 5 ex-pats. For most Southeast Asian countries, obtaining work permits for foreigners was extremely difficult. The regional coordination office, offered better possibilities than the more common form, the representation office. IAA was, in fact, the first foreign company established as a regional coordination office in Thailand. IAA decided, however, not to employ more than 2 foreigners. Next to Dries Agneessens, was Eric Van Ballaer, an experienced Aquaculture researcher with a good track record in Asia. He would function as the company's Technical Director. All others, including the liaison officer, were Thai nationals. As a consequence, IAA was able to fulfill most of Flor Indigne's strict management requirements - a flexible, lean, technology- and customer-oriented sales organization.

Before implementing his mission, Dries Agneessens conferred with Flor Indigne and Philippe Leger on the right marketing strategy that would enable IAA to segment the market. In those days, Aquaculture in Southeast Asia was a rather unprofessional business characterized by the dominance of small entrepreneurial family companies. Some noticeable exceptions were China and Indonesia, where big state or state-related companies dominated local fish and shrimp farming. IAA believed it appropriate to implement some kind of marketing segmentation strategy, enabling them to fully exploit market potential.

7. Dries and his bosses decided to divide their products into two major categories

First, they had the so-called commodity products, the artemia cysts. There were many competitors for this product, as several of them had access to the same resources at the Great Salt Lake in Utah. Artemia cysts were sold by the container, packed in cartons and cans. Therefore, the end product was more or less the same, only the drying, canning and storing processes differed. As a consequence, the distinction between brands had to be made in the marketing. IAA opted to promote three brands, supported those brands with some basic marketing techniques, and at the same time, allowed distributor owned brands.

The second group were the specialty products, such as artificial diets (substitutes for artemias), enrichment products (to upgrade the quality of artemias), maturation diets to produce broodstock, and finally, premixes for grow-out diets. The artificial diets were very hi-tech products, as each particle needed to contain all the nutrients to ensure healthy and homogeneous growth. The enrichment products were also hi-tech products, as they were special particles fed to live artemias, but not assimilated by the artemias, in order to increase their nutritional value. This was the result of micro-encapsulation². Different specialty products were targeted at different quality and price levels. The “Frippak” range was positioned at the top of the range, while the “Lansy” range (former Artemia Systems’ products) were positioned as middle quality and price range. The EPAC (a newly developed product range) was positioned as low quality and price. Moreover, Frippak was targeted towards shrimp hatcheries and Lansy was geared more towards fish farmers.

The management of IAA judged that those two measures would allow them to fully exploit the market possibilities in Southeast Asia.

The next step was the actual market penetration. Dries Agneessens decided to group the Asian markets into distinctive categories: Priority countries like Thailand, Indonesia and the Philippines, countries with special requirements like Vietnam and China, important countries like Japan, Korea and Taiwan, trading countries like Hong Kong and Singapore, and finally other countries like India, Australia, Myanmar. Dries Agneessens understood very well that if IAA was going to be successful in its mission to become market leader in Asia, the main battle was going to be fought in the three priority countries.

8. Inve Aquaculture Asia sets up a successful distribution network in the priority countries

First, Dries Agneessens focused his attention on Thailand, the IAA base in Southeast Asia, and by far the most important individual market. Shrimp and fish farming in Thailand was mainly in the hands of thousands of small family companies, mostly of Chinese descent³. Most of them had little or no formal education, and were helped only by their entrepreneurial spirit, their Confucian culture and hard work. Despite the fact that they were small companies, they were able to obtain a rather high level of quality and production skills that became the standard for the entire region.

After thorough market research, Dries decided to appoint 5 different distributors and allow them to compete freely amongst each other. The first one sold all three brands, the next two sold only one and two brands and for the rest their own brands, and the last two had no Inve owned brands at all. The first three distributors, also the most successful ones, obtained the right to carry each of them one of the specialty products, namely Frippak, Lansy or Epac.

² A membrane wrapped around various components on microscopic level

³ Chinese had been for centuries migrating to Southeast Asia. Most Chinese immigrants were from Southern China and spoke their local dialects like Taichiew, Hokkian or Hakka.

The local presence of their Asian office allowed them interaction with the market and intervention, if necessary, without delay and with minimal costs. Turnover, as a consequence, doubled in 1994 and by 1996, IAA controlled more than half of the market. This was quite an improvement in comparison with a market share of less than 10% up to 1993.

Indonesia was a very different market, dominated by big state supported concerns. The level of professionalism in those few big shrimp and fish farms was much higher than in Thailand. Most hatcheries had at their disposal laboratories and highly skilled technical experts. Therefore, Inve judged it necessary to rely less on traditional marketing techniques, but rather on technical service and the promotion of hi-tech products. A local full time representative was appointed, put on IAA's payroll, trained in Belgium and Thailand, which enabled Inve to offer fast and low-cost technical assistance.

Only three distributors were appointed and competition between them was avoided by each one of them offering exclusive distributorship. One of them carried all commodity products, another one carried the Frippak range and the last carried Lansy. Epac, the low-quality, low-cost product range was omitted from this well developed market. In 1996, the Lansy distributor also started to sell Inve's artemia cysts.

Turnover in 1994 increased more than 30%, despite a regressive market characterized by unforeseen shrimp diseases.

The Philippines, on the other hand was a similar market to Thailand. Several thousands of small, hard working family businesses dominated local shrimp and fish farming. Professionalism was on an even lower level, and technically, they were several years retarded. Dries Agneessens decided to more or less copy the distribution structure of Thailand, allowing all distributors to freely compete against each other. Six distributors were appointed. The first one sold two Inve brands, the second received only plain cans, the next two each carried one Inve brand, and the last two each sold exclusively one specialty feed, namely, Frippak or Lansy. In order to reinforce customer service, IAA opened its own service office in the Philippines managed by a locally hired expert. Turnover tripled over the year, and IAA's market share has constantly increased since that time.

9. China and Vietnam were two promising markets that required special attention

In 1993, China was for IAA a difficult, but promising market. Shrimp and fish farming were heavily promoted by the government. Funding was channeled through several leading state companies. As a consequence, fish and shrimp production were constantly on the rise. Quality, however, was dragging behind. Most state companies were unwilling to invest foreign currency for high quality foreign feed. Even foreign artemias were shunned, as China had a limited production of artemias itself. During those days, IAA could only dump on this market its substandard artemias. For artificial, hi-tech feed there was no market at all.

Dries Agneessens decided to tackle this market, relying on the existing contacts of his mother company in Guanzhou and Tianjin. In Tianjin, a joint-venture was set up for the drying and storing of artemias produced in China and for the joint distribution of low-cost artemias. Guanzhou, where Inve agro-industry had an existing joint-venture, followed suit about two years later. Eight distributors around the country, both private and government companies, were appointed between 1994 and 1996. IAA's output in China rose constantly during those years. Thanks to the tendency towards higher quality shrimps and fishes, the market for artificial feed also started to grow by 1996. By 1997 China had transformed itself into one of IAA's top three Asian markets.

The situation in Vietnam was even more complicated. In 1993, Inve was not even able to sell its American produced artemias due to the American embargo on trade with Vietnam. During those days, Singaporean and Hong Kong traders filled the vacuum.

After the lifting of the embargo, direct trade became possible. Government restrictions forced IAA to sell all its products exclusively to one state import company. This company distributed Inve's artemia cysts as well as the Lansy product range. The Frippak product range was distributed by a private sub-distributor in order to allow better service and follow up of the market. IAA's output in Vietnam grew during those days from a very small amount to a more or less attractive market.

When Philippe Leger found out that Vietnam possessed some potential artemia harvesting sites, IAA considered setting up a joint venture with the Vietnamese government for the harvesting, drying and canning of artemias. Strict government rules, prohibiting foreign partners to take full control (the Vietnamese government, even as a minority shareholder, reserved itself the right to veto all decisions), restricted IAA from actually implementing the joint venture.

By 1997, Vietnam remained a promising market, but did not fully deliver on its promises.

10. Trading in the important Asian Aquaculture countries

Japan was an established market for fish farming. Dries Agneessens knew this market very well from his Telindus period. During those days, he ran into negative experiences. After a successful penetration of Telindus' modems in the Japanese market, one of Telindus major competitors signed an exclusive distributor contract. However after several delay techniques, they informed Telindus that they were not interested in selling Telindus' products, but rather preferred to pay the contractually stipulated fine. In the meantime, Telindus products had disappeared from the market for about a year, and were ruined as a brand. Learning from this experience, Dries Agneessens decided to appoint one Japanese for Frippak and cysts, and one French distributor, that had a wholly owned subsidiary in Japan, for Lansy and cysts.

In Korea the situation was once more entirely different. IAA had one very good and exclusive distributor for both the cysts and the Lansy product range, and another one for the Frippak range. This last distributor informed IAA after a few months that he would also like to distribute cysts. With the first distributor, who possessed exclusivity for the cysts, an arrangement was worked out that the second

distributor could sell cysts, but wasn't allowed to actively promote them. To Dries's his surprise, the arrangement worked out very well. Dries said "This kind of arrangement would have never worked out in any other country around the world".

In Taiwan, IAA ran into stiff competition from a local producer of cysts, whose family controlled most of the market through an extensive network of small family related farmers. Nevertheless, IAA appointed one distributor for all its products, and worked together with its local competitor by selling him cysts in bulk and letting him pack them.

11. Singapore and Hong Kong, are difficult to work with, but even more difficult without them

Singapore and Hong Kong harboured the traders of Asia. Their entrepreneurial spirit, their ideal locations and infrastructure, and their tax free zone status allowed them to flourish around the region. Moreover, customs and tax authorities in other countries seemed to bother them very little. One way or another, they found a threshold, in even the most difficult Asian market.

The Singaporean and Hong Kong traders offered IAA a unique opportunity to reach small and/or difficult markets, such as Malaysia, Pakistan, Sri Lanka, Bangladesh, Brunei and others. The trouble with them was that they never held to their territorial agreements, and often sold in other Asian markets, much to chagrin of IAA's exclusive distributors in those markets. Moreover, because of good local contacts, their volumes, and their disregard for laws and regulations, they often sold in markets like Thailand and Indonesia even cheaper than IAA's established distributors.

Dries Agneessens turned this obstacles into a new opportunity. IAA's products were sold in Singapore and Hong Kong with an extra 10% profit margin. Once in while the traders still made life difficult for the local Thai and Indonesian distributors, but most of the harm had been eliminated. IAA won all fronts - more profit in Singapore and Hong Kong, penetration of the small markets, while distributors in Thailand, Indonesia and other countries remained prudent and aware.

12. Australia and India, too difficult to actively explore, too important to ignore

The faraway market of Australia was penetrated by IAA on the occasion of trade fairs. Contacts with local distributors were established and contact with them was kept through electronic mail. Sales grew steadily, but margins and costs didn't allow for a more active policy.

India offered another opportunity, but local market conditions were not favourable to foreign investors. Government regulations on imports were changing constantly, and various schemes promoting local content, disadvantaged foreign companies looking for a more active presence. Moreover, the selection of good, stable and reliable distributors turned out to be more of an obstacle for IAA. Therefore, Dries decided to keep only short term agreements, allowing IAA to make decisions once the market situation stabilized. Next to this commercial approach, Dries established contacts with R&D institutions in Ma-

dras. His aim was towards joint research projects with IAA, and as such benefiting from India's low-cost, but state of the art universities.

13. IAA settles in Thailand

When IAA put the pieces of the puzzle together, it came to the conclusion that a more stable Asian presence was necessary. Asia offered 80% of the potential market for Aquaculture feed. Also, Inve's artemias production units were shifting from North America to Central Asia and the Far East. At this point, IAA still shipped all the artemias harvested in Central Asia to Utah, so as to dry, process and can them at their US facilities. Knowing that eventually they would return to the market in Asia, this practice made little sense. Moreover, IAA's huge success in penetrating the Asian market, put serious pressure on its production capacity for hi-tech products in both Belgium and France. The conclusion was obvious, the future expansion of Inve Aquaculture must concentrate on Asia.

By mid-1995, IAA was actively exploring investment opportunities in Asia. From the beginning, Inve's management had set its sights on Thailand. Not only was Thailand the major market for hatchery feed, but the investment and living conditions all played in its favour. Besides, Inve's key personnel felt very comfortable working in a Thai cultural environment, and believed strongly in the country's future. They would only consider alternatives, such as Indonesia or Philippines, if the incentives offered by the local governments were more favourable than in Thailand.

In order to receive investment privileges, such as the right to 100% foreign ownership, the right to employ several home country nationals, and various kinds of tax exemptions, IAA had to pass the Thai Board of Investment. This was a government agency in charge of promoting foreign investment. Like in most Southeast Asian countries, investment rules were geared towards attracting more foreign investment. Most governments offered more or less the same conditions. However, as was typical for Asia, written rules were of little relevance. Above all, a good personal contact might improve IAA's investment benefits drastically. Inve needed Board of Investment (BOI) privileges for several reasons: Inve's expansion had been very capital intensive and a break-even point had not yet been reached. Therefore, tax-breaks were more than welcome. Flor Indigne knew that Inve's competitive edge laid in its technology, thus a 100% Inve owned subsidiary would offer the best guarantee for its protection. Finally, Inve needed to employ several technical home country nationals, as skilled labour was very scarce in Thailand.

IAA sought help in its lobbying activities from the local Belgian embassy, its Thai partners in university research and some Thai politicians. The Belgian embassy was supposed to lend prestige to IAA's application. The university's partners would also augment Inve's case. Moreover, IAA was willing to invest in a government industrial estate in Pichit, approximately 400 km from Bangkok. Pichit, was an impoverished area desperately looking for foreign investment so as to offer jobs to its local people. The governor of Pichit and its local politicians offered strong support for Inve's BOI application. Other arguments in Inve's favour included its import substitution effect (and subsequently the saving of hard currencies), the fact that it was an export oriented industry, and their willingness to train local management and invest in local research.

Still, negotiations didn't proceed as smoothly as hoped for. The BOI actively tried to talk IAA into a joint-venture, a condition totally unacceptable for Flor Indigne. Indeed Flor didn't see any added value in having a local partner. On the contrary, Inve knew the market very well and had enough local contacts and capital. In Flor Indigne's opinion, local partners could only lead to management conflicts or even worse, a diffusion of its technology. After a concerted action by all parties involved, on November 19, 1995 the BOI finally approved IAA's application for a 100% foreign owned company, enjoying the maximum level of tax-exemptions and breaks. Initial investment of the project was estimated to be approximately 6 million US dollars, and over a period of time, 60% of the output would be exported. Finally, employment would be created for 75 people.

Inve's plan, aimed at starting up production by December 1996, just a few weeks after the new industrial estate in Pichit was scheduled to open. IAA would proceed in phases: first focusing on drying, processing and canning of artemias harvested in Central Asia and Siberia. During the next phases, more and more of the specialty products would be produced in Pichit; and even some basic research functions would eventually be moved to Thailand. As many Western companies experienced in Asia, Thai governmental time frames were very flexible. Whatever was not readily available, built or finished, could become problematic. The floods of the summer of 1996 delayed construction of the industrial estate indefinitely. Desperately in need for new production facilities, Dries Agneessens begged the Industrial Estate Authority for a solution. Luckily, he received an acceptable response to his request, and after a few weeks, the Industrial Estate Authority found an empty former boxing stadium in nearby Pitsanulok that could be transformed into an temporary production facility. By the end of 1996, IAA could finally start with the first phase of its investment project in a former boxing stadium. The industrial estate was now scheduled to be opened in 1998.

14. Inve's future in Asia

By November 1996, Inve Aquaculture Asia had already made great progress in penetrating the Asian market. Total sales in Asia had expanded from a mere 1,190,169 US Dollars, to a whopping 8,290,062 US Dollars by the end of 1995. A network of distributors and technical support facilities functioned well around the region. Local research activities were beginning in both Thailand and India. Further, production units were more or less running smoothly in Tianjin, China and in Pitsanulok, Thailand. A new holding umbrella, Inve Asia Ltd., had been established in Hong Kong, allowing Inve's family shareholders to optimally coordinate all Asian activities, while at the same time benefiting from a favourable tax environment. Inve Asia's future looked rosy!

Dr. Leger however cautioned the management board against having such high hopes for the coming year. The artemia harvest at the Great Salt Lake in Utah had been a success for most harvesters. Thus, the market in 1997 could be swamped with cysts. Inve's own harvest had not been that satisfactory, and in fact, only the harvests from its new production sites in Central Asia had been above expectations. Unfortunately the artemias from Central Asia were of a much lower quality than the American artemias. Inve's network of independent distributors would be very reluctant to promote these lower quality artemias, even at a reduced price. The distributors in Thailand were especially unwilling to distribute these products. Dries Agneessens believed that the only solution would be to go

directly into the market and set up Inve's own sales force. He remained convinced that the end users of the artemia cysts, the shrimp and fish hatcheries, would be willing to accept the lower quality artemias at the right price. Flor Indigne said that he agreed but remarked that this decision should be well evaluated as there were several drawbacks to going directly into the market: How would the existing distributors react, as Inve still needed them to distribute their hi-tech products, Frippak and Lansy? And even if Inve could overcome the distributors' hostilities, how would they tackle bad payments, a problem quite common in the Thai market of shrimp and fish hatcheries? Flor Indigne suggested thorough brainstorming and evaluation before making any hasty decisions!

A second priority for the coming year, Flor Indigne said, would be to increase the market awareness of "Inve" itself, rather than its products. Better contact through various marketing techniques with the end users would improve company recognition. Flor Indigne indeed strongly believed that more and more customers tended to mystify companies and de-mystify products. The question, put forward by Flor Indigne, was how Dries Agneessens and his team would achieve this challenge in a sector that historically had known little or no marketing, and even less corporate marketing?

Tutorial Notes

1. The immediate Issues

- 1a. What are the main pros and cons of setting up a direct sales force in Thailand, and how would you tackle this challenge?
- 1b. What kind of marketing plan would you work out for IAA?

2. Suggested Student Assignment:

- 2a. In your opinion, what are the main reasons for Inve Aquaculture's success, in general, and in Asia in particular?
- 2b. List the main obstacles a company like IAA encountered in Asia!
- 2c. IAA's distribution sector in the Philippines and Thailand is very similar: Is this a coincidence or do similarities among the two countries inspire similar distribution structures? Explain your answer!
- 2d. Apply the concept of company mystification and product de-mystification to the feed, and also to another sector!
- 2e. Draw up a SWOT analysis for Inve Aquaculture!
- 2f. How do you think the recent Asian crisis affected Inve's business and how should they react to these challenges? Elaborate on your answer for Thailand, Philippines and Indonesia!

3. Potential Uses of the Case

This case may be used in courses such as 'International Marketing', 'Strategic Management', 'Marketing in Asia' or 'Strategic Management in Asia'.

4. Potential Audiences for the Case

Potential audiences for this case in management schools include undergraduate students and graduate degree students, as well as non-degree participants in courses, workshops and seminars. Students will need a basic knowledge of 'Marketing', 'International Marketing' and 'Strategic Management'. The case is appropriate for both Western and Asian audiences.

5. Additional Comments

Appendix 2 shows the Asian Market, Shrimp production 1994. The high score of India, 13% of the total, may be explained by its importance for wild catch shrimp production. Aquaculture however, is very little developed in India. Therefore, the Indian market is not that important for IAA.

Appendix 4 shows us Inve's group structure. The idea of presenting it as a rocket comes from Flor Indigne, as a rocket means power to him. Note also the importance of R&D in the rocket, as well as the liaison officers, who wind as a red wire through Inve's rocket or company structure.

6. Analysis of the Assignments

- 1a. What are the main pros and cons be of setting up a direct sale force in Thailand, and how would you tackle this challenge?

A) The Pros and Cons of direct sales

PROS	CONS
Manage your own sales policies (product line management, promotion, motivation and compensation of staff...)	Investment cost to start up sales force
Control your retail price and margin	Learning curve
Better feedback from the market	Smaller product line for similar costs requires bigger sales volumes
Enforces corporate identity	Managing of credit to clients
Accentuates your products	Management of bad debts
Consistent message	Legal restrictions in e.g. Indonesia, Philippines and India
Offers better protection for your technology	Obstruction / boycotts from existing distributors
Competitive price, as it eliminates an intermediary profit margin	Family or business relations between distributors and farmers
Technical support to the farmers	

B) How did Inve tackle this challenge?

In January 1997, Flor Indigne, Philippe Leger and Dries Agneessens eventually decided to set up IAA's own direct sales force. The main reason for this was its weak harvest in the US, combined with its successful harvest of low quality cysts in Central Asia (60% hatching). The existing distributors were too reluctant to sell low quality cysts. Thus, Inve had little choice but to go direct. Dries hired four Thai sales representatives and trained them extensively. In April 1997, IAA's direct sales force introduced two more or less new products: its 60% hatching cysts at a very sharp price, and a decontaminated artemia that allows ponds to be disinfected. An intensive marketing campaign was the prelude to the new launch.

Both products were instant successes. The sales force promoted the 60% hatching cysts by offering them at a low price and by guaranteeing the hatcheries consistent results. Soon many hatchery farmers started switching from the more traditional 90% hatching cysts to Inve's 60% hatching cysts. Meanwhile, Inve continued offering its 90% hatching cysts through its distributor network, as well as its hi-tech products. The distributors were clearly upset by Inve's move, but no boycott was ever considered. On the contrary, many distributors regretted their initial reluctance towards the 60% hatching cysts, became nervous and pushed Inve's products even more. Dries Agneessens and Eric Van Ballaer, who were in charge of the new product launch, responded by setting targets for the distributors. They did not meet their target for the Frippak range and therefore, by the end of 1997 IAA took the Frippak range away from the distributors and started to sell the product directly. The only major drawback of the entire operation was that Inve's competitors soon started to copy Inve, offering 60% hatching cysts as well. By December 1997, IAA had quadrupled its sales volume of 60% hatching cysts in only six months time.

The second product, decontaminated cysts ('DCs' as Inve calls them) were initially a huge success. Unfortunately, a few weeks after their launch complaints arose that the products became damaged from exposure to high temperatures. Inve had tested the product during the Thai winter months. Then, no problems had arisen. April & May were, on the contrary, the warmest months of the dry season and the product was clearly not able to stand the heat. IAA responded by instantly pulling the product off the market, before too much damage was done. Meanwhile, Inve Aquaculture Belgium would develop a new product, a DC for tropical temperatures, ready to be launched in 1998.

By the end of 1998, Inve decided to copy its direct sales success in Thailand, in China. Together with its excellent joint-venture partner in Tianjin, it decided to set up a sales force. Initially, only one person was hired who promoted the products, but did not sell them. Inve was afraid of the bad payments problem and preferred to have the actual sales handled by its existing eight Chinese distributors. Inve was also afraid of bad payments in Thailand, but at the time, this problem did not present itself. By the beginning of 1999, Inve intended to rapidly expand its Chinese sales force.

In terms of the future of direct sales, Inve decided to wait and see. Possibly, they might decide to sell all products themselves in Thailand. This would, however, depend on the availability of raw materials and the performance of the existing distributors. Moreover, Inve intended to expand its direct sales, where legally possible, around the world.

1b. What kind of marketing plan would you work out for IAA?

In 1996, when IAA considered setting up its direct sales force, Philippe Leger hired a British research company to carry out a market study. The results of this study indicated that Inve's products were well known in the market, but Inve itself was not. The different acquisitions had clearly confused the customer. Indeed, Inve's product line included several competing products. The study taught Inve a lot of other interesting things about the size of the market, the competition and its strengths and weaknesses.

Once the management decided in January 1997 to set up its own sales force, Eric Van Bal-laer, the marketing & technical manager, hired a Thai advertising company, Midas, to carry out a more in depth study about the consumer behavior. The results of this study were striking: The actual purchasing decision for what kinds of technologies the farmers would buy, were mainly influenced by their friends/colleagues (or at least the successful ones were). Thus, the whole process was a matter of imitating the leaders. Thai farmers were not really influenced by scientific reports, university professors or the government training centers. Thai hatcheries and shrimp farmers, as a conclusion, did not approach their business in a very rational or scientific way. Instead, they approached it in a more emotional, entrepreneurial and empirical way.

On the basis of this information, Midas, together with Eric Van Ballaer, developed a marketing campaign. At the heart of this campaign was a symbol, the 'buddy owl'. Buddy owl, was not a professor, but was rather a wise friend. He wore a white jacket like a doctor. Based on the 'buddy owl' theme, IAA launched, in the beginning of 1997, an Inve awareness campaign. Posters were distributed in the shops that the farmers frequented. Stickers, hats, mugs, cartoon books, folders and T-shirts were distributed amongst the farmers.

The second step followed with the product launch in April, 1997. A three day trip, with a huge 'buddy owl' on a pick-up truck, guided by music, took Inve all around the South of Thailand. They paid visits to a great many farms and hatcheries. Inve's new sales representatives joined the team, and handed out loads of promotional gadgets, product leaflets and above all, free samples. The Thai spirit, always ready for some fun, 'sanuk' as it is called in Thai, received the campaign very well. The second step of the campaign was the introduction of a lot of POP/POS promotion materials in the shops where products for aquaculture were sold. Finally, a more scientific, but at the same time appealing video, was developed for participation in trade fairs and seminars.

Inve would use the same approach for the launching of new products in other countries. Also, a new and much more in depth study about consumer behaviour for both fish and shrimp farmers all around Asia, was envisaged.

2a. In your opinion, what are the main reasons for Inve Aquaculture's success, in general, and in Asia in particular?

- In general:
 - ◊ Inve has a visionary president
 - ◊ Possesses strong R&D foundation
 - ◊ Good cooperation with universities
 - ◊ Strong links with the Belgian authorities
 - ◊ Active in a growth sector
 - ◊ Advantage of early market penetration
 - ◊ Fast expansion through acquisitions and internalization
 - ◊ Ability to offer a complete product line
 - ◊ Good communication systems and MIS
 - ◊ Fully integrated structure (harvesting-processing-sales)
 - ◊ Geared towards quality and consistency
 - ◊ Inve's strong agro-industrial tradition offers spin-offs in R&D, production and marketing
 - ◊ Marketing oriented company in an industry with traditionally little marketing focus
 - ◊ Brings sales and production close to the market
 - ◊ Customer and service oriented approach
- In Asia in particular
 - ◊ Has a strong local presence
 - ◊ Has a long term strategy in Asia
 - ◊ Projects a strong commitment towards the region
 - ◊ Reinvests all its profits in Asia
 - ◊ Recognizes the importance of cultural bridges like Dries Agneessens
 - ◊ Enjoys strong corporate image as a WESTERN R&D oriented company

- ◇ (Inve projects itself as 100% Western company with a strong commitment towards Asia)
- ◇ Approaches each Asian market in a different way
- ◇ Reliance on home government support both in financial terms and added prestige
- ◇ Understands the need for networking in Asia
- ◇ (i.e. the lobbying of the Board Of Investment in Thailand)
- ◇ A company's president needs to be personally committed in order to succeed in Asia
- ◇ Keeps its core technology well protected, but is at the same time willing to share more basic knowledge with the local market
- ◇ Opts for, where possible , 100% Inve owned subsidiaries

2b. List the main obstacles a company like IAA encountered in Asia?

- Legal obstacles imposed on foreign ownership: e.g. the impossibility of obtaining foreign majority shareholdership for distribution activities in countries like Thailand, Indonesia or China, or the necessity to take a local partner for production activities in China or India.
- Unfamiliar government regulations obstructing normal 'European' business practices, like the governmental veto right in Vietnamese j-v.'s or the Korean-US tax treaties.
- Cultural obstacles imposed on foreigners, e.g. Dries Agneessens his bad experience in Japan
- Non transparent government regulations, like the BOI negotiations in Thailand or the import regulations in India
- Weak local planning skills like the delay in the industrial estate construction in Pichit-Thailand
- Threats coming from the Singapore and Hong Kong traders
- Intellectual property threats in many countries around the region, e.g. China and Taiwan
- Problems for foreign companies obtaining work permits for its home country staff
- Cultural barriers between Westerners and Asians, e.g. Artemia System's initial market penetration in Singapore
- Lack of local skilled technical labor in Thailand, and many other countries in the region

2c. IAA's distribution sector in the Philippines and Thailand is very similar: Is this a coincidence or do similarities among the two countries inspire similar distribution structures? Explain your answer!

As pointed out in the case, the Aquaculture in the two countries is dominated by small family businesses, which are able to attain a good technical level, despite their lack of professional structures. Therefore, it is quite understandable that IAA opts for a more intensive distribution structure where the distributors and the brands compete with one another. Also, lower technological products are promoted in both markets.

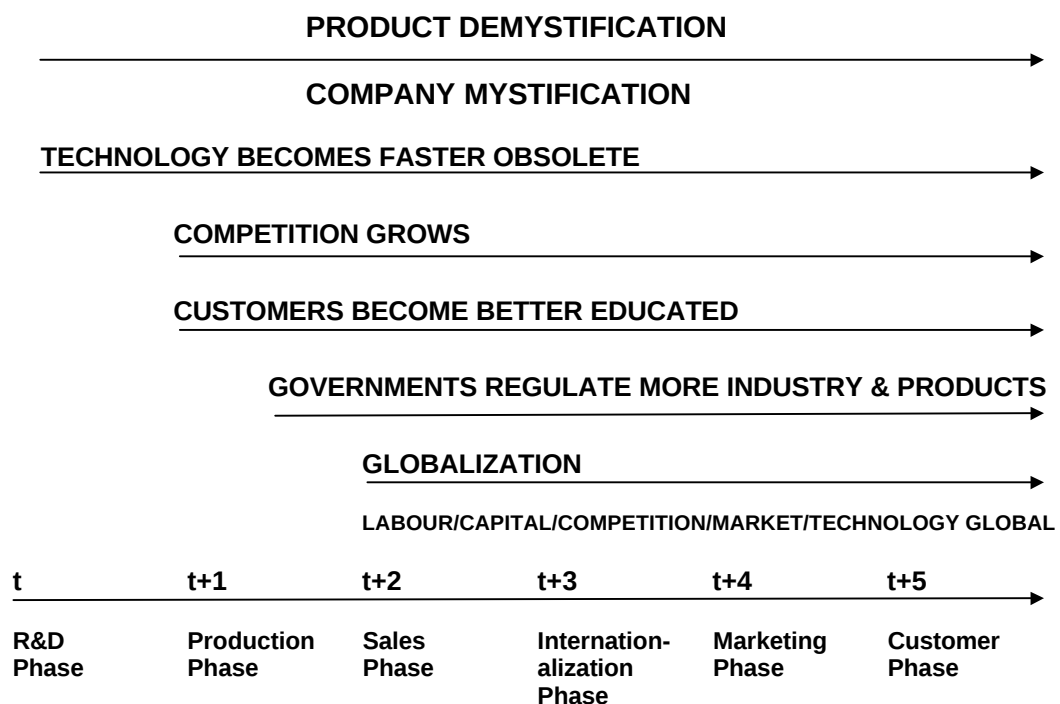
However, in the author's opinion, the Philippines and Thailand display many more structural and cultural similarities, thus the similarities in the aquaculture are therefore a logical consequence. If we compare the Philippines and Thailand with the other five members of the former Asean-7, then we come to some striking similarities between the two:

Singapore - Malaysia - Indonesia – Vietnam - Brunei	Thailand - Philippines
more authoritarian systems	more democratic systems
high state intervention	low state intervention
low press freedom	high press freedom
more collectivism	more individualism
long term economic policies	short term economic systems
strong planning skills	weak planning skills
more xenophobic	less xenophobic
little female influence	big female influence

In our opinion, the major cultural difference between the countries is that Thai people are more introverted whereas Filipinos are more extroverted. This cultural difference may be partly explained by the Spanish and American colonial past and influence in the Philippines.

- 2d. Apply the concept of company mystification and product de-mystification to the feed, and to another sector?

SPECIALTY FEED LIFE CYCLE	ENVIRONMENT	PHASES
START: farmers use ordinary feed, yields are low, feed producers look for volume	physical conditions determine success or failure	opportunity phase
STEP 1: people or companies come to new inventions enabling them to improve quality of feed	R&D become part of the feed industry	R&D phase
STEP 2: specialty feed producers start to organize their production	competition, management skills and production techniques become part of the industry	production phase
STEP 3: specialty feed producers start to set up mass sales structures, economies of scale become important and products branded	competition grows	sales phase
STEP 4: companies start to sell their products in as many markets as possible	globalisation opens markets and competition worldwide	internalisation phase
STEP 5: companies look for innovations, niche markets and apply cost cutting techniques	new developments become faster obsolete, technologies transparent and government regulations standardize = commodisation of products	(niche) marketing phase
STEP 6: specialty feed producers look for privileged partnerships with their customers by offering tailor-made solutions for their problems	labor/capital/technology are worldwide available customers are educated and professional, and government regulations almost fully standardized	customers phase



Other sectors could include; electrical appliances, computers and many more. The order of the phases is not necessarily the same as for the specialty feed industry.

2e. Draw up a SWOT analysis for Inve Aquaculture?

STRENGTHS	WEAKNESSES
Visionary president	Succession challenge
Centralized structure allows fast & flexible decision making, which is very important in the fast changing agro-industry	Centralized structure and fast decision making lead to more failures, e.g. Pichit industrial estate choice or D.C. launch
Qualified staff	Promotion limitations for qualified staff in a family company
R&D Facilities	Strong growth leads to cash flow management challenges (or could even lead to over-extension)
Applications of agro-industry know how in aquaculture	Weak financial backing as a family business in an R&D environment that is capital intensive
Strong links with the academic world	Policy of sending home nationals (Belgians) as managers, leads to frustrations amongst local staff
Good networking with home and host governments	Production sites in developing countries and/or locations in the countryside, cause problems attracting qualified staff
Early entry and bold acquisitions result in market leadership	Joint-ventures in China and India lead to management conflicts
Focus on communication	
Strong global network	
Close to the market and the customers	
Broad product line	
Strong corporate image	
Application of marketing techniques in a traditional sector	
OPPORTUNITIES	THREATS
Big growth potential of aquaculture, as wild catch reaches its limitations and consumers opt for more 'healthy' marine products.	Cash rich agro-industrial Multinational Corporations might buy themselves a place in the aquaculture sector
Environmental consciousness creates a market for eco-feed (ecologically clean)	Ecology becomes a big issue in the 'polluting' aquaculture
Aquaculture is still a more or less academic green-field in sectors like disease control, pollution control and genetics	Various diseases could put the industry in jeopardy
Asian crisis and subsequent devaluations lead to cost advantages and new expansion acquisition possibilities	Asian crisis might harm the industry on short term
Expansion possibilities in related industries such as freshwater fish and aquarium fish cultivation	Currency fluctuations might damage profitability of Inve Aquaculture
Emergence of new areas for aquaculture in Africa, South Asia, Eastern Europe and South America	Political instability in Central Asia and China, and murky local business climates might cause challenges for Inve
Strategic alliances with pharmaceutical or agro-industrial MNCs might lead to synergy	R&D investments might require long term investments and are very capital intensive
Industry only in the beginning of the marketing era.	Policy of company mystification & corporate identity promotion might damage the whole company in case of single marketing mistakes (e.g. D.C. launch)
Growing professionalism of the industry might lead to new market for training, consulting and engineering.	Strong growth may lead to over extension and might mean the end of the company
	Artemia harvesting is a cyclical sector, and availability of artemias depends on physical conditions
	Protection of the intellectual property rights (patents) of its product might become a problem in Asia

- 2f. How do you think the recent Asian crisis affected Inve's business and how should they react to these challenges? Elaborate your answer for Thailand, Philippines and Indonesia!

A) Thailand:

Thailand is the first the country that was affected by the Asian crisis. The Thai government floated the baht on July 2, 1998, and subsequently the baht lost up to 60% of its value, only to recover partly by February 1998. In August 1997, the Thai government called for assistance of the IMF.

As pointed out in the case, the aquaculture is mainly dominated by small family businesses. Therefore, the chance is small that aquaculture companies face problems caused by unhedged foreign currency loans. Some exceptions that do face huge currency losses include major agro-industrial conglomerates like the Charoen Pokphand group. Moreover, most Thai aquaculture companies produce almost exclusively for exports, and shouldn't have problems obtaining a market abroad.

Still there are some major threats for Inve and its Thai clients. The Japanese market, Thailand's major client for seafood products, seems to be heading for a prolonged recession. Next there is the problem of high domestic interest rates⁴. As a consequence, Inve and many Thai seafood exporters might find problems finding financing for their exports, especially if they need to offer several months of credit to their customers. Finally, specifically in the case of Inve Thailand, there might be some new delays in the construction of the Industrial Estate in Pichit, as the Thai economy is in recession and the government budget has been slashed.

On the other hand, there are clear advantages for Inve coming from this crisis. First of all, labor cost will become markedly cheaper. Next, Thai seafood should become much cheaper on the world market, and local farmers should see their orders go up. As a result, new investments in the sector could be foreseen. Additionally, Inve's investment in Pichit could turn out to be much cheaper than anticipated, thanks to the weak baht. Finally, this crisis could offer Inve the opportunity to look for new acquisitions or expansion in aquaculture and/or agro-industry in Thailand.

As a conclusion, we believe that the positive consequences of the Thai crisis will outweigh the negative consequences in the case of Inve.

We would advise the Inve management to adopt a wait and see approach until the economic situation clears. Inve should be cautious with credit and payment terms in this market. They should also consider alternatives for the Pichit estate, if construction didn't start yet. Finally, new acquisitions could be envisaged. However, we would advise the management to exert caution in this field, however tempting the opportunities might be. It would be wise to only opt

for possible investments that offer an immediate return and offer clear synergies to the rest of the group.

B) Philippines:

The crisis in the Philippines showed up only a few weeks after Thailand, and the peso lost up to 45% of its value. However, the Philippines was one of the first countries to rebound, thanks to its limited level of corporate currency debt, its more reliable financial sector, and its swift government response.

As pointed out before, the structure of the aquaculture sector in the Philippines and in Thailand are very similar. Therefore we may assume that the positive and negative consequences of this crisis will be rather similar to those of Thailand. As such, Inve could also benefit in the Philippines from the Asian crisis.

There might be even an added advantage. The crisis might inspire the government to relax the laws on foreign investment. This could possibly lead to Inve's legal possibility to start up in its own sales structure in the country.

C) Indonesia:

The crisis in Indonesia showed up a few months after Thailand and the Philippines. It has hit the country much more severely. The Rupiah lost up to 80% of its value, the banking sector is severely affected, and the less democratic government seems besieged by the international business community. Contrary to Thailand and the Philippines, Indonesia may still encounter more serious political, social and economic problems.

As we learned from the case, Indonesian aquaculture is differently structured than in Thailand or the Philippines. A few big companies, some supported by the government, dominate the local aquaculture scene. Many among them are highly diversified groups, and are likely to have obtained un-hedged foreign currency loans. As a consequence, some of them will be close to insolvency, and the risk that they will not be able afford expensive feed is quite realistic. High interest rates and insolvent banks aggravate these problems. Therefore, Inve's market in Indonesia will definitely suffer in the short term.

Even Inve's distributors, part of major conglomerates, could be seriously affected by the crisis due to un-hedged currency loans. As such, Inve's position in Indonesia may be precarious.

We would again suggest that Inve adopt a wait and see approach. As the company has no legal possibility of setting up its own sales force in the country, it might consider reinforcing its existing technical support office. This representative office could play a de-facto role of a sales

⁴ High interest rates are imposed by the IMF and are necessary to support the value of the Thai baht (Thailand's currency)

office, and focus on existing clients not affected by the crisis. The customers could be directly invoiced from Thailand. Once the situation becomes clear, Inve could choose a new distributor(s), or even try to convince the government to allow it to set up its own sales structure. In the meantime, Inve should be even more cautious with regard to credit terms and payment methods than in Thailand and the Philippines.

7. Key Points and Highlights

Inve teaches us that successful companies should focus on growth sectors. (Aquaculture, in this case, and growth markets, East Asia in this case.) They should try to identify niche markets and direct themselves to added value and customer satisfaction. All these topics have clearly been explained by management gurus like Professor Michael Porter.

This case offers a very good opportunity for matching existing international marketing theories with a specific business opportunity in aquaculture. It seems to us that Inve has expanded its activities in Asia in full compliance with the contemporary theories of management and international marketing. It is as if Inve played the game according to the textbooks.

One of the key-issues is that in specific expansion projects, such as Inve Aquaculture's in Asia, great attention should be paid to the particularities of each individual Asian market. Further, constant adaptations in management structure, product line and distribution structure should be undertaken, in order to retain or even reinforce a dominant position on the Asian market. The case teaches us that Western companies expanding their business into Asia, may encounter many pitfalls. However with the right strategy and mentality, a prosperous and promising market can be created. The recent Asian crisis changed little in Inve's case, and might even lead to additional opportunities.

Above all, the key-issue is that a far-sighted individual with limited financial means, like Mr. Flor Indigne can succeed, where many multinationals like Petrofina, Sanofi or Mars failed. Thanks must be given to his entrepreneurial intuition, his innovative approach to business and his leadership competence. He focused on markets and customers, rather than on products, technologies and structures alone.

8. Suggested Teaching Approach

Students should read the case carefully, preferably in advance. Moreover, they could look up economic data and information about aquaculture before analyzing this case. Economic data may be obtained on the net, by contacting the respective East and Southeast Asian embassies, from banks or from specialized publications like the Far Eastern Economic Review, the Financial Times and the Economist. Information about aquaculture may be obtained from the webpage of the FAO (Food and Agricultural Organization, a United Nations development agency).

Before considering the immediate issues and the student assignments, it might be helpful for the students to write out Inve's distribution sector in each Asian country separately. This could be done on

the board, or by each student (group) individually. Please find on overhead TN, the correct structure for each country.

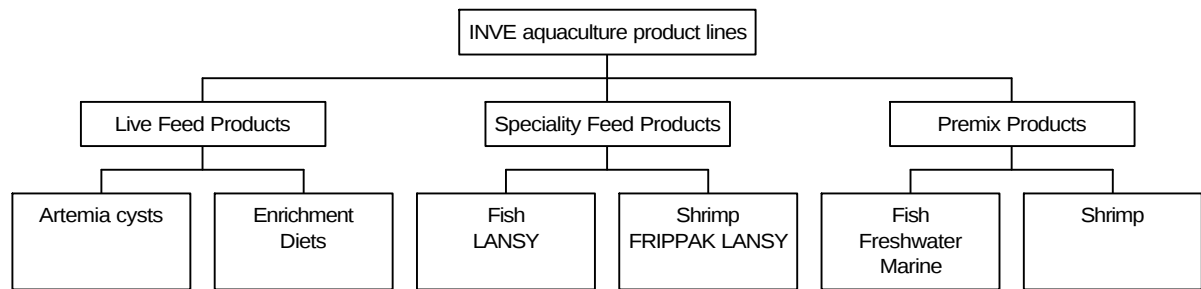
The case could lead to some interesting class discussions, such as how to respond to the actual Asian crisis or is Asia's miracle over forever?

Finally, the class may end by (re)stating some interesting quotes from Philippe Leger and Flor Indigne:

Philippe: "The step from science to business was a normal one for me, as I aim to transform ideas into products and products into markets, and above all, I aim for ideas that arise from market opportunities and needs", "building lasting partnerships with our customers requires consistency and reliability from Inve's part", "Producing in Thailand could harm our image in Asia, therefore we will keep our R&D in Belgium", "Building a successful business in Asia requires cultural interfaces like Dries Agneessens".

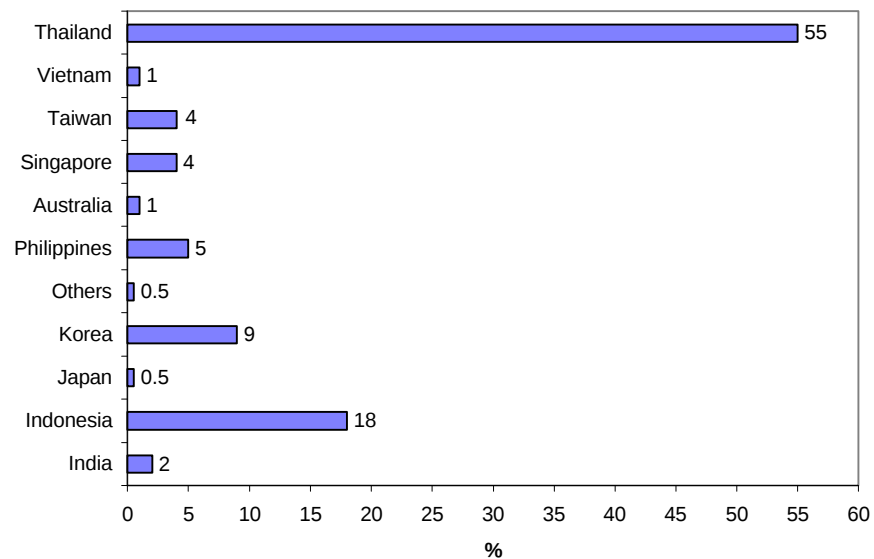
Flor: "being an entrepreneur, means building together with people", "Inve's philosophy is expressed by the symbol of an owl, an owl has its eyes open when others sleep, and it will always look straight ahead", "Asians possess a very naive belief in the future, with all its advantages and disadvantages as a consequence", "the only real power in the feed business are raw materials, know how and people", "Inve sells a good night of sleep to the farmers", "products become demystified, therefore mystify your company, this is even more the case in Asia".

Appendix 1

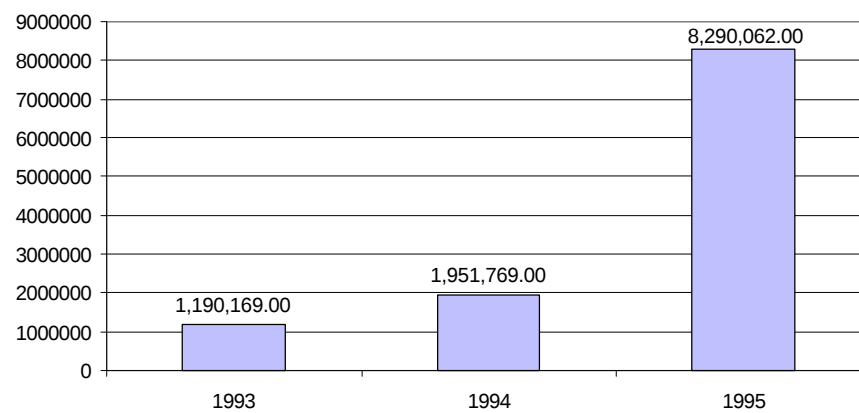


Source: company records

IAA 1995 total sales per country

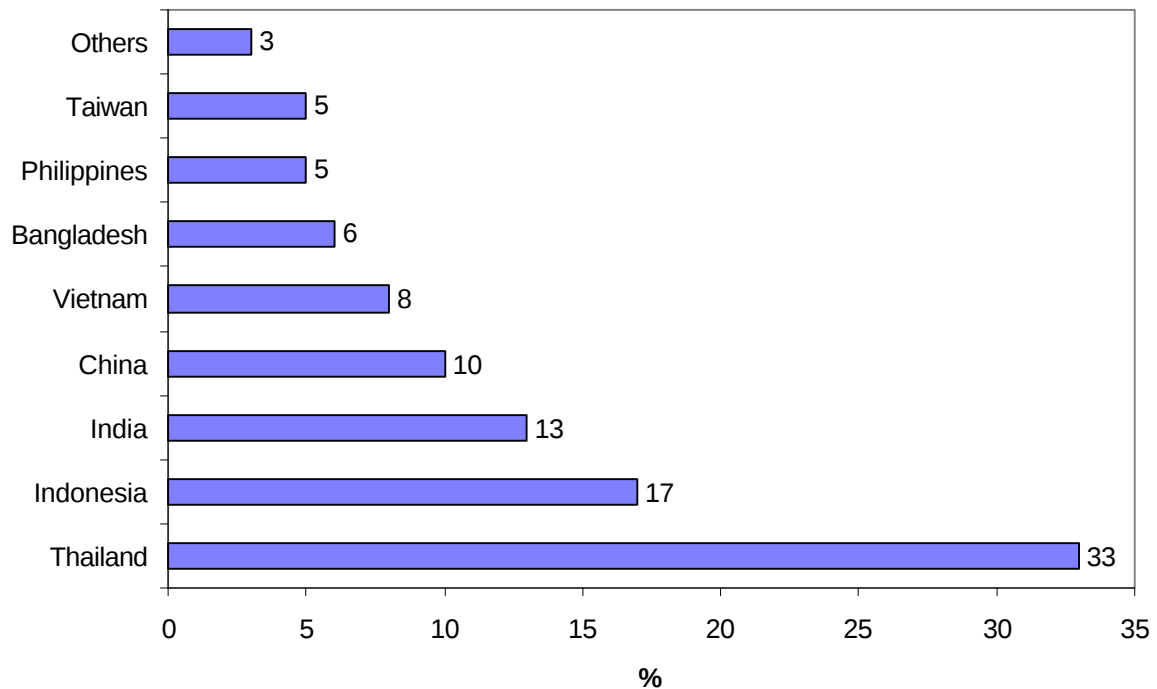


IAA total sales evolution by value (US\$)

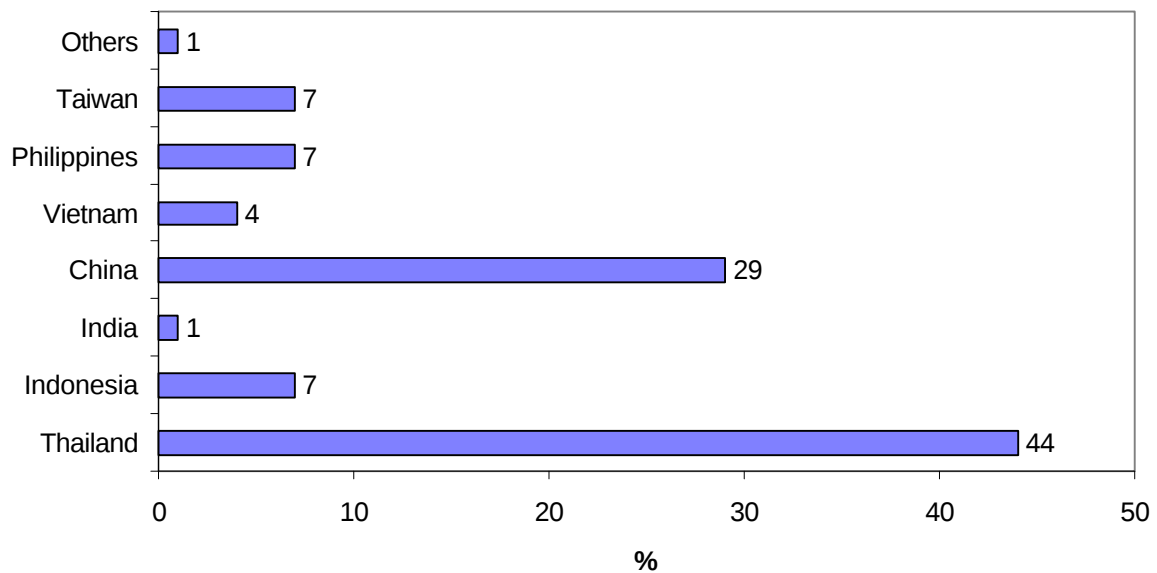


Appendix 2

The Asian Market (Shrimp Production - 1994)



The Asian Market (Number of Hatcheries - 1994)



Source: company records

Appendix 3 Inve's Asian Distribution

TN3a

INVE'S ASIAN DISTRIBUTION on January 1, 1998:	THAILAND
- PRIORITY COUNTRIES: Thailand - Indonesia - Philippines - COUNTRIES WITH SPECIAL REQUIREMENTS: China and Vietnam - IMPORTANT COUNTRIES: Japan, Korea and Taiwan - TRADING COUNTRIES: Hong Kong and Singapore - OTHER COUNTRIES India, Australia, Pakistan, Cambodia, Brunei, Bangladesh, New Zealand	- COMMODITIES (CYSTS): 5 Distributors: ◇ D1 has 1 brand and plain can ◇ D2 has 2 brands and plain can ◇ D3 has 3 brand names ◇ D4 and D5 have plain cans - SPECIALTY PRODUCTS: ◇ 1 exclusive distributor for Lansy ◇ 1 exclusive distributor for Epac - DIRECT SALES: ◇ 60% hatching cysts ◇ Frippak ◇ tropical DC (to be relaunched)

TN3b

INDONESIA	PHILIPPINES
- Distributors: ◇ D1 for commodity products ◇ D2 for Lansy & commodity products ◇ D3 for Frippak - Local representative office	- Distributors for commodities: ◇ D1 has 3 brand names ◇ D2 has plain cans ◇ D3 has 1 brand name ◇ D4 has 1 brand name - Distributors for specialty products: ◇ D5 for Lansy ◇ D6 for Frippak - Local representative office

CHINA	VIETNAM
- J.-V. for the North in Tianjin Production of cysts & Distribution - J.-V. for the South in Guanzhou Production of Premixes (agro & aqua) & Distribution 8 distributors for cysts	- One importer for all products State-monopoly is also distributor for cysts and Lansy - One sub-distributor for Frippak and cysts - Joint-Venture with government still pending: Possibly both production and distribution

TN3c

JAPAN	KOREA
1 French distributor for Lansy & cysts	1 distributor for Lansy and cysts
1 Japanese distributor for Frippak & cysts	1 distributor for Frippak and cyst, but cannot promote the cysts
	1 distributor that buys cysts directly from the U.S. via anti-trust laws

TAIWAN	SINGAPORE & HONG KONG
1 Distributor for all IAA's products, and cysts are delivered in bulk	Several distributors \ traders, resell in countries like Malaysia, Brunei, Myanmar, Cambodia and so on (Inve takes 10% extra margin)

Appendix 4

