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China – The Next Chapter in the Norwegian Salmon Adventure?

An exploratory study of Norwegian salmon exports to China

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This thesis was written as a part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible − through the approval of this thesis − for the theories and methods used, or results and conclusions drawn in this work.

Abstract

The purpose of this thesis is to explore and understand Norwegian salmon exporters' perception of the profitability and the approach to succeed in the Chinese market. We chose to explore this topic due to the special circumstances that arose in the aftermath of the announcement of a normalised bilateral relation between China and Norway. We have examined how Norwegian salmon exporters assess the attractiveness of the Chinese market, and whether they find it desirable to enter with Norwegian salmon. We have also investigated which factors that may influence the success of Norwegian salmon exporters in China.

We have used a qualitative research methodology to get an in-depth understanding of how Norwegian salmon exporters perceive and approach the Chinese seafood market. The data for our research was primarily collected by interviewing eight Norwegian salmon export companies, using a semi-structured interview technique. We wanted a diverse group of interview subjects to get a more representative sample, and therefore chose companies that varied based on the attributes size, geographical location, degree of former China experience, and whether the exporter sold salmon from different producing countries.

In our study we found that Norwegian salmon exporters have high expectations for the Chinese market, but there are some major issues that they need to be aware of and able to adapt to, in order to make China a profitable market. Through the interviews we identified and analysed six factors that may impact the success of Norwegian salmon exporters in China. These were: presence, relations, approach to new relations, human resources, types of contract, and branding and reputation. As further research, we suggest that a longitudinal study with subsequent empirical testing should be conducted on the six identified factors, when more trade data on Norwegian salmon to China are available.

Preface

This thesis is written as a part of the Master of Science in Economics and Business Administration, within the major Business Analysis and Performance Management (BUS) at the Norwegian School of Economics.

The recent downturn in the Norwegian economy, and the oil industry in particular, has increased the importance of other industries such as the salmon industry. After several years of political conflict between Norway and China, the bilateral relations were normalised in December 2016, potentially boosting Norwegian salmon exports to China. A combination of these recent events sparked our interest of the Norwegian salmon industry, its opportunities in China, and what it will take to succeed in this market.

Working on this thesis has been a rewarding travel, involving participation at the Norwegian Ministry of Trade, Industry and Fisheries' China-meeting, a dialogue meeting on China hosted by the Norwegian Seafood Council, insightful conversations with individuals at the Norwegian Embassy in Beijing, GIEK Kredittforsikring, and last but not least the salmon exporters participating in our interviews. The Norwegian Seafood Council has also provided us with insights through relevant trade statistics.

We are very grateful for all the goodwill and welcome we have received during our research, as China seemed to be a sensitive subject for some players in the industry. Writing this thesis without our contributors' willingness to share information, would not have been possible. Thank you!

We also want to thank our supervisor, Knut Kristian Aase.

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1. INTRODUCTION

Over the last few years, the Norwegian economy has gone through a period of economic downturn, due to a rapid drop in the oil price. This has resulted in tens of thousands of oil jobs disappearing, forcing a discussion on whether Norway has been too dependent on one industry, and a need of diversifying the economy. The reduction of the oil industry's importance has in turn increased the relative attractiveness of other industries. The Norwegian seafood industry, in particular salmon aquaculture, has been highlighted and predicted a bright future.

The salmon aquaculture industry has already experienced remarkable growth in both size and value. This growth can either be attained through entering new markets or by further penetrating mature markets. In December 2016, Norwegian and Chinese authorities jointly announced a normalisation of the bilateral relations between the two countries, which had been non-existing since the Nobel Peace Prize was awarded a Chinese dissident in 2010. The fact that Norwegian salmon more or less has been banned from China, gives us a unique context to explore and investigate how different salmon exporters perceive and approach a relatively new and uncertain market like the Chinese.

We have not been able to identify specific literature concerning salmon exports to China. The literature presented is therefore general management theories relevant for addressing salmon exporters' approach to potential international markets. The salmon consumption in China is still a small part of the total seafood consumption in the country, but the demand is growing rapidly. Our aim is therefore to identify important factors for Norwegian salmon exporters to succeed in the Chinese market. Given that the Sino-Norwegian trade also will be normalised, these factors should be further empirically tested by collecting and analysing longitudinal data based on trade relations that now may develop.

We have investigated whether the Chinese market is attractive for Norwegian salmon exporters to enter, or to increase presence. This is done by using three different management frameworks, and by identifying and evaluating the Norwegian salmon exporters' perception of the Chinese market's profitability. We have also analysed factors influencing the success of Norwegian salmon exporters in China. The research was conducted by using a qualitative approach, through interviewing Norwegian salmon exporters, in order to explore the potential of Norwegian salmon in the Chinese market.

1.1 RESEARCH QUESTION

We have formulated the following research questions:

I. How does Norwegian salmon exporters perceive the attractiveness of the Chinese market for salmon?
II. Which factors will impact the Norwegian salmon exporters' success in China?

1.2 FINDINGS

For our research, we interviewed eight Norwegian salmon exporters who differ along the dimension of size, geographical location, degree of former China experience, and whether the company sell salmon from different producing countries. The interviews were conducted in order to explore and understand Norwegian salmon exporters' perception and approach to the Chinese market. In addition, we identified and analysed key factors for Norwegian salmon exporters' success in China.

We found that Norwegian salmon exporters' expectations for the Chinese market are high, and that they assess the market as attractive. This is due to a growing demand for salmon in China over the last years, and the fact that the Chinese market is one of the few markets willing to pay a premium for the largest salmon sizes.

Further, we also found that several factors impact the success of Norwegian salmon exporters in the Chinese market. The importance of relations is substantial in the salmon industry, especially in China where trust and guanxi are central parts of business. Thus, relations are something Norwegian salmon exporters spend much time on. However, achieving stability in trade with the Chinese seems difficult.

We also found that the physical presence in China depends on the size of the salmon export companies, and whether they sell salmon from other countries beyond Norway. Hence, only the largest exporters are present in China, whereas the small and medium sized companies argue that it makes no sense for them to be present. However, most of the exporters recognise the benefits of having a Chinese native in their sales force. This makes it easier to overcome language barriers and provide an advantage in terms of a better cultural understanding.

Further, branding of fresh salmon seems to be difficult in any market, as it is both time consuming and requires large investments. However, some of the larger companies still invest heavily in new brands. They argue that making more consumer-friendly product formats, is the only way to achieve the estimated growth in salmon consumption. This also allows them to build consumer brands that the Chinese can trust. Lastly, origin and reputation seem to matter to the Chinese consumer, though the premium on the Norwegian salmon disappeared in the aftermath of the awarding of the Peace Prize in 2010.

1.3 THE STRUCTURE OF THE THESIS

Our thesis has six main sections. After introducing the thesis in section 1, we present an overview of the Norwegian salmon industry and the context of the case we are studying, in section 2. In section 3, we present the theoretical foundation of the thesis. In section 4, we present and discuss the methodology used when performing the research for our thesis. In section 5, we present the findings of the research and our interpretation of the collected data. Finally, in section 6, we outline the conclusions of the thesis, including answering the research question, recommendations for Norwegian salmon exporters and suggestions for further research.

2. CONTEXT AND INDUSTRY OVERVIEW

In this section, we will present an overview of the Norwegian salmon aquaculture industry and the context of the case we are studying. We start by explaining some basic industry terminology, before defining the context and delimitation of our thesis. In the next part, we take a look at the market structure, and continue with presenting the markets for salmon, with a particular look at the Chinese market.

2.1 INDUSTRY TERMS

Salmonids: Collective name for all fish of the fish family Salmonidae (Vøllestad, 2012a). This includes Atlantic salmon, Pacific Salmon and rainbow trout, etc.

GWE: Abbreviation for Gutted Weight Equivalent, the same weight measure as Head-on-Gutted – standardised weight measures to report quantity. The format of the fish after *primary processing* (Winther, et al., 2011).

Primary processing: Includes the processing of fish – from living transport from the sea, to slaughtering and gutting (Sørhus, 2011). After this point in the value chain the salmon is measured in GWE, which the Nasdaq Salmon Index (*NQSALMON*) is based on (Nasdaq, 2017).

Secondary processing: Any value-added processing beyond GWE, like fileting, portioning and smoking (Sørhus, 2011).

2.2 INDUSTRY OVERVIEW

2.2.1 The Norwegian Seafood Industry

There are several definitions of the Norwegian seafood industry in terms of scope (Regjeringen, 2013; Sandberg, Henriksen, Aspaas, Bull-Berg, & Johansen, 2014). In this analysis, we choose to define the Norwegian seafood industry as all enterprises included in the direct value chains of fishery and aquaculture, located in Norway. The scope ranges from breeding in aquaculture and capturing in fishery, to any forms of processing and trading of fish and other molluscs.

In 2016, 2.4 million tonnes of seafood with a total value of NOK 91.6 billion, was exported from Norway to 146 different countries (Norwegian Seafood Council, 2017f). This is a value increase of 23 per cent from 2015. The three largest segments are salmon, whitefish and pelagic fish. The export of salmon accounted for NOK 61.4 billion alone, which is an increase of 29 per cent (Norwegian Seafood Council, 2017e). This is the largest value of Norwegian salmon export ever, despite the fact that the volume declined by more than 5 per cent, to about 980,000 tonnes in 2016. This makes salmon, by far, the largest seafood segment in Norway. Globally however, salmonids only constitute 2.6 per cent of the total seafood supply (FAO, 2016).

Norwegian Seafood Council

In 1991, the Ministry of Fisheries established the Norwegian Seafood Export Council (Directorate of Fisheries, 2004). The organisation was renamed the *Norwegian Seafood Council* in 2012 (Norwegian Seafood Council, n.d), which is a joint marketing organisation for the Norwegian seafood industry. It is financed through an export fee levied on all Norwegian seafood exports (Norwegian Seafood Council, 2017a), and aims to increase the value of Norwegian seafood resources, by getting more people to eat Norwegian seafood throughout the world.

2.2.2 Salmon

Salmon is a part of the fish family *Salmonidae* (NIWA, n.d.). There are six major salmon species being traded today (Asche & Bjørndal, 2011). One of them is *Salmo salar*, commonly known as Atlantic salmon, since it is the only one related to waterways with outlet to the Northern Atlantic Ocean. The other five species (all genus *Oncorhynchus)* are known as Pacific salmon, originating from the Northern Pacific (Vøllestad, 2012b).

Farming of Atlantic salmon is mainly focused around certain coastal areas that meet the requirements to both water temperature, and ocean currents in order to exchange the water (Asche & Bjørndal, 2011). These coastal areas can be found within certain latitude belts on both the Northern and Southern hemisphere. The ideal water temperature for salmon farming is between 8 and 14ºC. Consequently, the major producing regions are geographically located in areas with such conditions. Historically, the main producing countries have been Norway, Chile, Scotland and Canada. In addition, the Faroe Islands, Australia, the U.S., Ireland, and Iceland also have some production of Atlantic salmon (Asche & Bjørndal, 2011).

Farmed Atlantic salmon make up close to 70 per cent of the total salmonid production in the world (Norwegian Seafood Council, personal communication, May 29, 2017). In 2016, the world production amounted to about 2.2 million tonnes GWE. In addition to farming, significant amounts of wild salmon are caught each year (Regjeringen, 2015b). In recent years, about 850,000 tonnes have been captured annually worldwide. However, the numbers are rather low in Norway. Just above 269 tonnes of wild salmon were captured in the Norwegian fjords in 2016 (Statistics Norway, 2016).

In the following, farmed Atlantic salmon will be referred to only as *salmon*, since this is the principal species we are addressing in our research. Due to technological advances, salmon aquaculture has gained a greater control over the production process (Tveterås & Kvaløy, 2004). This has moved it farther away from fishery, and made it more similar to agriculture. Consequently, a mix of controllable and uncontrollable input factors, like weather and diseases, have a greater influence determining production outcomes.

2.2.3 Norwegian Salmon Aquaculture

An ideal environment has been a decisive factor, making Norway the world's greatest producer and exporter of salmon, accounting for about 55 per cent of the world production of farmed salmon (Regjeringen, 2015b). Evidence for these favourable conditions are the fact that close to a third of the total wild salmon population has its natural habitat in Norway (Miljødirektoratet, n.d.). In addition to salmon, significant amounts of rainbow trout are being farmed in Norway, totalling NOK 3.9 billion in 2016 (Norwegian Seafood Council, 2017e). Pacific salmon however, neither has its natural habitat nor is it being farmed in Norway.

In the early 1970s, the Norwegian aquaculture consisted of only a few enthusiasts (Lekve, 2012). Since then, it has grown to become an important industry, and has experienced an enormous growth since its infancy. However, the industry is still young, and the expectations for its future growth and importance are massive. The produced volume is limited to a number of licences, issued by the Ministry of Trade, Industry and Fisheries (Directorate of Fisheries, 2017b). With respect to the market and the environment, the growth is therefore controlled by the Norwegian authorities. From 2006 to 2016, the number of licences increased by about 20 per cent (Statistics Norway, 2017b). During the same period, the production has doubled (Sta-

tistics Norway, 2017a), due to an increased production capacity per licence (Asche & Bjørndal, 2011). However, there are several concerns making the future industry growth challenging.

2.2.4 Industry Challenges

The industry is facing both some serious environmental and reputational challenges. According to Sunnset (2015) at the Institute of Marine Research, the two major environmental issues of salmon aquaculture are sea lice and escapes. In addition, microplastics and environmental toxins are issues receiving increasing attention.

Sea Lice

Sea lice is the most serious animal welfare issue for salmon aquaculture (Institute of Marine Research, 2016). It is a parasite occurring naturally in Norwegian waters, but the occurrence has increased significantly with the growth of salmon aquaculture. The Norwegian Food Safety Authority is monitoring the occurrence, to ensure that the sea lice level per fish is below a maximum limit (Norwegian Food Safety Authority, 2017b). Sea lice attach themselves to salmonids and injure them by eating of their mucus, skin and blood (Institute of Marine Research, 2016). Treating salmonids for sea lice has proven difficult, as the different methods also inflict damage on the fish. Conventional treatments are either chemical or mechanical, and not very gentle to the fish. In Norway, the direct losses related to sea lice are estimated to approximately NOK 500 million annually (Institute of Marine Research, 2016).

Escapes

In 2016, 131,000 farmed salmon escaped from their seawater cages (pens) (Directorate of Fisheries, 2017a). This is one of the major environmental challenges for the industry, as it has a negative effect on the wild salmon population. Because of genetic differences, reports indicate that inter-breeding can reduce the lifetime and decrease the wild salmon population (Thorstad, et al., 2008). The fear is that the original wild salmon population will eradicate.

Microplastics

Lately, there has been an increased focus on microplastics in seafood. The European Food Safety Authority (EFSA) has made a preliminary assessment of the issue in relation to food safety (EFSA Panel on Contaminants in the Food Chain (CONTAM) , 2016). They conclude that there is too little information at this point of time. The issue is mainly related to the fact

that plastic is fragmented into micro particles, which are consumed by small animals in the sea and that they disperse pollutants when they are subsequently eaten by larger animals (Regjeringen, 2016). Several research projects have now been initiated to close the knowledge gaps (NIFES, 2016).

Reputation

Environmental attractiveness is especially important for the salmon aquaculture industry, in order to enable further growth (Asche & Tveterås, 2011). The industry faces criticism and questioning to whether their products are locally and globally sustainable, and safe to consume. Polls conducted on behalf of The Norwegian Seafood Council, show that the industry struggles with a bad reputation (Soltveit, 2016). One of the reasons has been an impression of high usage of antibiotics in Norwegian aquaculture, an issue we will elaborate on further in section *2.3.2*. Another issue facing the seafood industry, like all other food industries, is the occurence of environmental toxins like *PCB*[1], *dioxins*[2] and *mercury* in fat fish (NIFES, 2017). In addition to the reputation influencing demand, it is instrumental in convincing authorities and the public, in order to gain access to public resources like aquaculture sites. It is also worth mentioning that Norwegian authorities and research institutions have been accused in the media of being biased to protect the seafood industry (Langseth & Trana, 2017).

2.3 MARKET STRUCTURE

The Norwegian salmon aquaculture industry has seen some major restructuring since the beginning of the 1990's, when the 10 largest companies accounted for only 10 per cent of the Norwegian salmon production (Regjeringen, 2015a). In 2014, this share had grown to about 70 per cent (Directorate of Fisheries, 2016a), due to major consolidations and acquisitions. Today, some of the largest companies also produce in other countries such as Chile, Scotland, The Faroe Islands, Ireland and Canada (Regjeringen, 2015a). In addition, there are still many small and medium sized companies located along the coast of Norway. About 130 companies

[1] Short for *polychlorinated biphenyls* – a group of chemical compunds used in industrial products, which degrade slowly in nature and accumulate in the food chain (Gundersen, 2009).

[2] A class of chlorinated aromatic hydrocarbons, which degrade slowly in nature and are harmful to animals and human beings (Uggerud & Langård, 2009).

in total, are producing salmon and rainbow trout in Norway today, not accounting for owner structures.

2.3.1 The Aquaculture Industry Segments

There are many different kinds of players in the aquaculture industry. We present the different aquaculture industry segments, based on a segment analysis developed by EY (2016). This is done to determine the role of *export activities* within the industry. The different segments are presented in *Figure 2.1*.

The first segment is the *technical solutions,* which contains all producers of technical solutions and services, like yards building well boats and manufacturers of feeding systems (EY, 2016). The second segment is *biotechnology*, which can be divided into fish health and feed. Companies supplying fish feed and vaccines are all included in this segment. The third segment is *production*, which can be divided into egg and spawn production, smolt production and sea farming. The degree of integration within this segment is significant, where some companies are fully specialised on their subsegment, while others are vertically integrated to a larger extent (see *Appendix A*). The fourth segment is *distribution*, which can be divided into the subsegments trading and transportation on sea. The trading subsegment includes both independent trading companies and trading companies owned by producers. For our research, we have also included groups with export activities integrated. Within the subsegment transportation on sea, we find the well-boat companies providing transportation and other adjacent services. The final segment is *processing*, which can be divided into the subsegments processing and packaging. The processing subsegment can be further divided into primary and secondary processing. *Packaging* includes companies supplying all kinds of packaging needed within the different segments (EY, 2016).

Figure 2.1: Aquaculture Industry Segments (EY, 2016)

2.3.2 Demand Drivers

Growth and Scarcity

The United Nations (2015) are projecting the world population to reach 8.5 billion by 2030, and as much as 9.7 billion by 2050, in their medium-variant estimate. Leaving the per capita protein consumption constant, population growth alone implies a protein consumption growth of more than 30 per cent by 2050. In addition, people living in poverty is decreasing (The World Bank & The International Monetary Fund, 2016), and a higher purchasing power will likely result in a higher per capita animal protein consumption (Sans & Combris, 2015).

Along with the population growth, scarcity and degradation of land and water is a growing threat to food sufficiency (FAO, 2011b). The world surface is covered by 70 per cent water, however fish proteins only contributed to 6.6 per cent of the world's total protein consumption in 2013 (FAO, 2017). This leaves 30 per cent of the world's surface, of which only 37.5 per cent is agricultural land, to produce the remaining 93.4 per cent of the world's protein consumption (The World Bank, 2016a).

Efficiency and Climate Friendly Production

Salmon is an efficient protein source, and when it comes to converting feed to protein it is more than twice as efficient as cattle (Winther et al., 2009). Both chicken and pork also perform weaker than salmon on this measure. Further, salmon has a carbon footprint of less than a tenth of cattle, 2.9 kg CO_2/kg edible meat vs. 30 kg CO_2/kg edible meat. Salmon also performs better than the other mentioned animal protein sources, when it comes to water consumption in the production (Auchterlonie, Ellis, Jeffery, Longshaw, & Reese, 2013).

Medicine Use

According to the World Health Organization (WHO) (2016), antibiotic resistance poses one of today's biggest threats to global health, food security, and development. In 2015, the antibiotics use in animals represented 10 per cent of the total usage in Norway, where about 0.5 per cent was used in farmed fish. Medicine use in Norwegian salmon aquaculture is very low (NORM/NORM-VET 2015, 2016). In 2016, 0.14 grams of antibiotics were used per tonne in Norwegian farmed fish (Hjeltnes, Bornø, Jansen, Haukaas, & Walde, 2017). In comparison, 660 grams of antibiotics per tonne were used in Chilean salmon in 2015 (Sernapesca, 2016). The main reason for the low antibiotics use in Norwegian aquaculture is that bacterial diseases are combated through vaccination (NORM/NORM-VET 2015, 2016). Due to the increased

attention to antibiotics use in food, and the low use of antibiotics in Norwegian aquaculture, we have seen a higher demand for Norwegian salmon in markets, such as the U.S. (Mikalsen, 2016).

2.3.3 Supply Drivers

Historically, the supply drivers for Norwegian salmon have been: productivity improvements; issuance of new fish farm licences; an increased production capacity per site, due to the introduction of a new system to measure sea pen capacity; good profitability; in addition to market access and macroeconomic conditions (Asche & Bjørndal, 2011).

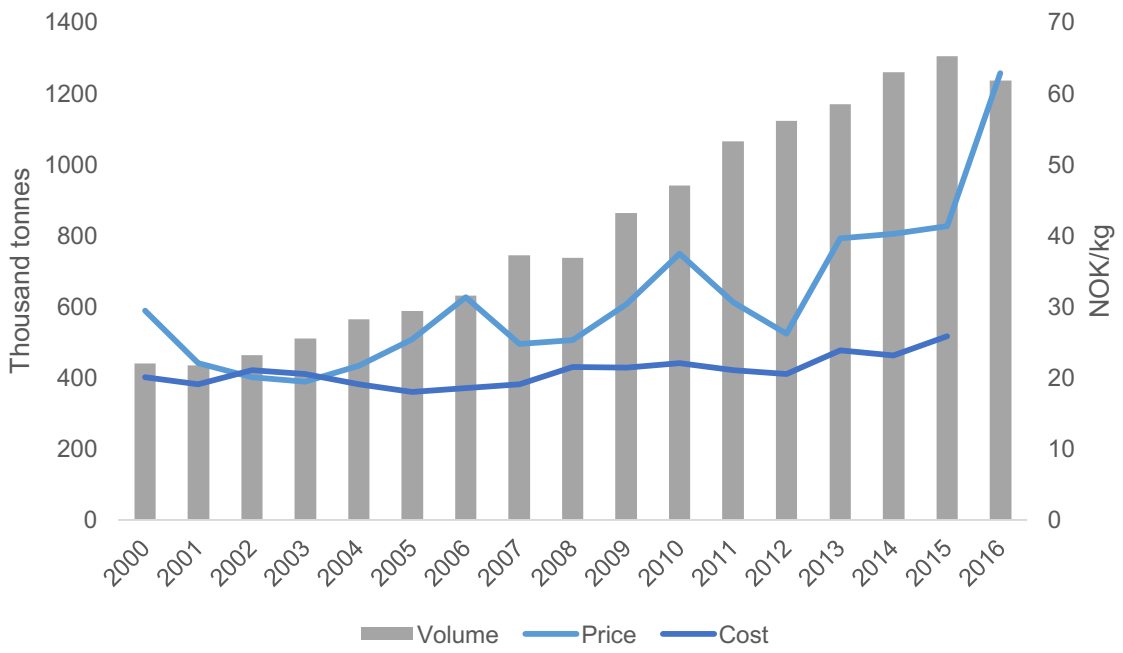

Figure 2.2: Norwegian salmon production, price and costs per kg, 2000-2016 (Statistics Norway, 2017a; Directorate of Fisheries, 2016b, 2016c)

In *Figure 2.2*, the historical development in Norwegian salmon production volume[3], price[4] and costs[5] from 2000-2016, is presented. The figure shows that production volumes have increased substantially over the period as a whole, with production growth every year, except

[3] Annual production volume in GWE (Statistics Norway, 2017a).

[4] Average annual price per kg fresh farmed Norwegian salmon (Statistics Norway, 2017c).

[5] Production costs per kg (The Directorate of Fisheries, 2016c). As of 3 June, 2017, the 2015 figures were the last reported data.

2001, 2008, 2013 and 2016. Last year's drop in production was approximately 5 per cent – the largest single volume drop over the presented period. The production costs per kg salmon have remained relatively stable, however a little increase can be observed towards the end of the period. The price per kg has fluctuated to a big extent during this period, and is at record high levels at the end of the period.

Price

The salmon price is determined by the traditional market mechanisms – supply and demand (Guttormsen, 2013). In addition, seasonality, globalisation, climatic conditions and outbreaks of diseases, are all factors contributing to the salmon price level. As shown in *Appendix B*, the production cycle of salmon aquaculture lasts from 18 months to three years (Stead & Laird, 2002). The salmon supply is therefore very inelastic, as it takes up to three years from the salmon production starts, until it is ready to be harvested and sold. As shown in *Figure 2.2*, the salmon price is very volatile.

Salmon is a heterogeneous product, in terms of differences in size, colour and fat content as indicators of quality (Asche & Bjørndal, 2011). Different markets often appreciate the various attributes differently, which makes it possible to achieve a premium for the right salmon in the right market. However, this differentiation is costly for the producers, and the supply of such products is therefore limited. According to Asche and Bjørndal (2011), size is the most important salmon quality attribute. The different sizes have several purposes of use, and higher prices per kilogram for larger salmon can be observed. The magnitude of the relative price differences of the various sizes depends on the season. This is mainly due to biological reasons (Guttormsen, Tveterås, & Asche, 2001). To avoid large salmon becoming sexually mature in the fall, great amounts are harvested during summer. This results in a limited availability of large salmon in the fall, causing a relatively high price difference to the smaller size classes in the late summer and autumn.

Figure 2.3 illustrates the relative price of different size classes, where the prices are compared to the price of the median size class, weighing 4-5 kg. These are historical prices, showing that a group of consumers are willing to pay a premium for the size attribute. The figure also shows that a price premium of more than 40 per cent can be achieved for large salmon, in low availability periods. NQSALMON price is a weighted average of weekly reported sales prices and

corresponding volumes in fresh Atlantic Superior[6] Salmon per kilogram GWE (Nasdaq, 2017).

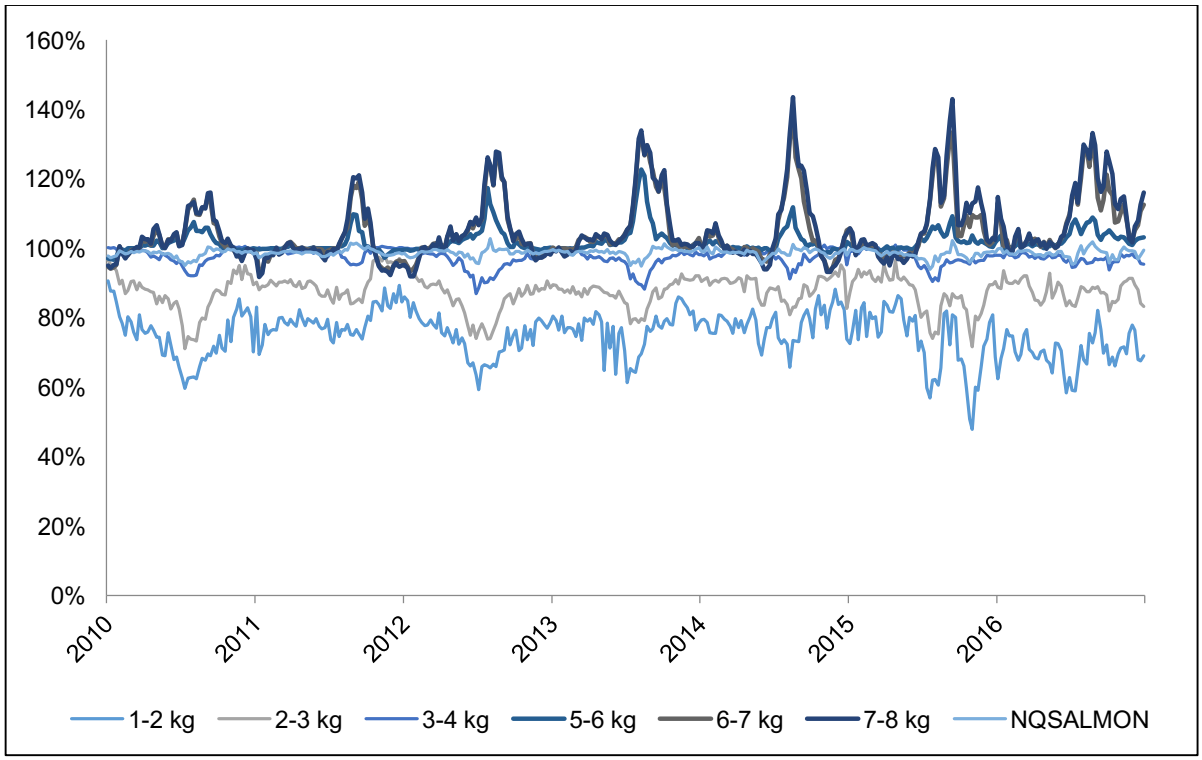

Figure 2.3: Relative prices for different weight classes, 2010-2016 (Nasdaq, 2017)

Costs

Historically, there has been a tremendous productivity improvement in Norwegian salmon aquaculture. As an illustration, the production per man in 1985 was only a twelfth of the production per man in 2015 (Directorate of Fisheries, 2016a). However, due to escalating challenges related to fish health in particular, the costs of producing salmon have increased since 2005, when the production costs per kg were at their lowest. *Table 2.1* shows the cost structure of producing salmon and the development from 2014 to 2015. A closer look at the different costs, shows an increase in other operating expenses by 13.9 per cent this year. Included in these costs are the fish health expenses, which increased by 55.1 per cent this year. Cleaner fish, delousing, vaccines and veterinary are all included in fish health expenses.

[6] The highest quality class for farmed salmon, which makes it suitable for all purposes. The product has no substantial faults, damage or defects and provides a positive overall impression (Industry Standard for Fish, 1999).

Table 2.1: Cost structure Norwegian salmon aquaculture (Directorate of Fisheries, 2016b)

	2014	2015	Change in percentage
Smolt costs	2.52	2.72	7.9
Feeding costs	11.83	13.18	11.4
Insurance costs	0.10	0.13	30.0
Wages and salaries	1.92	2.07	7.8
Estimated depreciation	1.26	1.58	25.4
Other operating expenses	5.54	6.31	13.9
Net financial expenses	0.20	0.15	-25.0
Production costs (NOK) per kg	**23.38**	**26.15**	**11.9**

2.4 THE MARKET

The main salmon producing countries have mostly focused on developing their nearby markets, as salmon is a fresh product that needs proximity to the end consumer. In addition to time, a strong demand and lower transportation costs also support this choice, as transporting fresh salmon by airfreight is more expensive (Asche & Bjørndal, 2011). Transporting fresh salmon from Norway to the markets reachable by truck within a few days, costs from 1-3 NOK/kg, while transporting to the overseas markets like the U.S., Japan and China costs from 10-17 NOK/kg (Regjeringen, 2013). Proximity therefore provides a competitiveness. Evidently, about three quarters of the Norwegian salmon export goes to the European Union (Norwegian Seafood Council, 2017e), and 98 per cent of the export of whole Canadian salmon went to the U.S. in 2010 (FAO, 2012).

In comparison, the proximity concern is not present when exporting frozen salmon, as the products have a longer life time and can be shipped far for an affordable rate at sea (Asche & Bjørndal, 2011). This thesis will focus on export of fresh salmon, because the majority of Norwegian salmon is exported fresh. In 2015, more than 90 per cent of the exported salmon was exported fresh – about 80 per cent whole and 10 per cent as filets (Directorate of Fisheries, 2016a).

According to Norwegian trade statistics, salmon export has more than tripled in value over the last 10 years, from about NOK 17 billion in 2006 (Aandahl & Kristiansen, 2007), to more than NOK 61 billion in 2016 (Norwegian Seafood Council, 2017e). This is due to the fact that both the exported volumes and the price have doubled during this period. In 2016, the salmon price

hit record high levels, ending the year with a weighted average of nearly NOK 63 (Statistics Norway, 2017c). In *Figure 2.4* below, the development in the Norwegian salmon export value is shown, and the value share of the different geographical markets. It also shows a decline in the volumes delivered to the European market, while the overseas markets, like the U.S. and Asia received higher shares of the Norwegian salmon supply (Statistics Norway, 2017c).

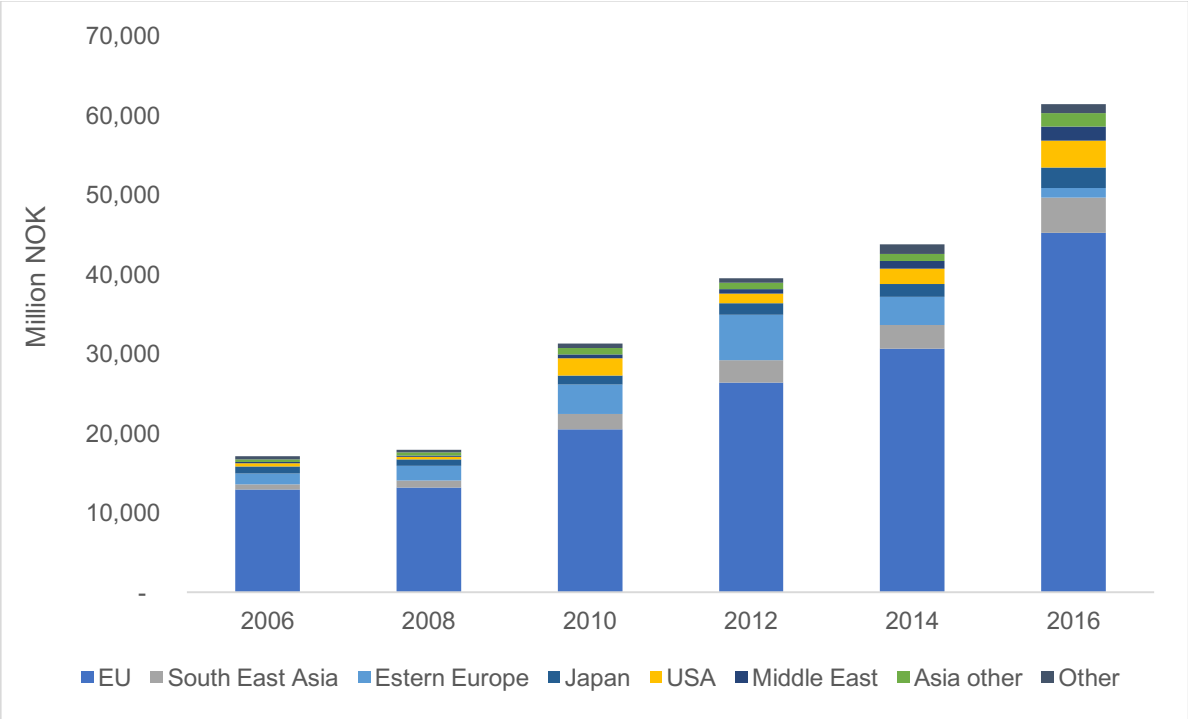

Figure 2.4: Norwegian salmon exports in value (NOK) allocated to destinating markets, 2006-2016 (Statistics Norway, 2017c)

2.4.1 China

The People's Republic of China (hereby referred to as China) is the world's most populated country, with about 1.4 billion inhabitants in 2015 (The World Bank, 2017a). For many years, China was an isolated country, but a reform in 1978 started a process of gradually opening the borders (The World Bank, 2017a). Since then, the country has experienced a substantial growth, and in 2001 it became a member of the World Trade Organization (WTO) (2001). China has also grown to become the second largest economy in the world with a gross domestic product (GDP) of more than USD 11 trillion in 2015, and hence an important player in the global economy (The World Bank, 2016b).

Seafood Market

China is the largest market for seafood in the world, a position they are expected to strengthen in the years to come (The World Bank, 2013a). Evidently, one-third of the world food fish supply is consumed in China, totalling about 35 million tonnes in 2006. The country produced about two-thirds of the world aquaculture production in 2011. In addition, China is the world's third largest fish importer, after Japan and the U.S. Traditionally, seafood has been sold through wet markets in China, but other channels like retail and E-commerce have been growing at double digits over the last years (USDA Foreign Agricultural Service, 2014).

Salmon Imports

The salmon consumption in China, of about 50,000 tonnes in 2016 (Norwegian Seafood Council, 2017g), is rather low compared to the country's total seafood consumption of 35 million tonnes (The World Bank, 2013a). However, the consumption has grown substantially since this millennium started, as shown in *Figure 2.5* below.

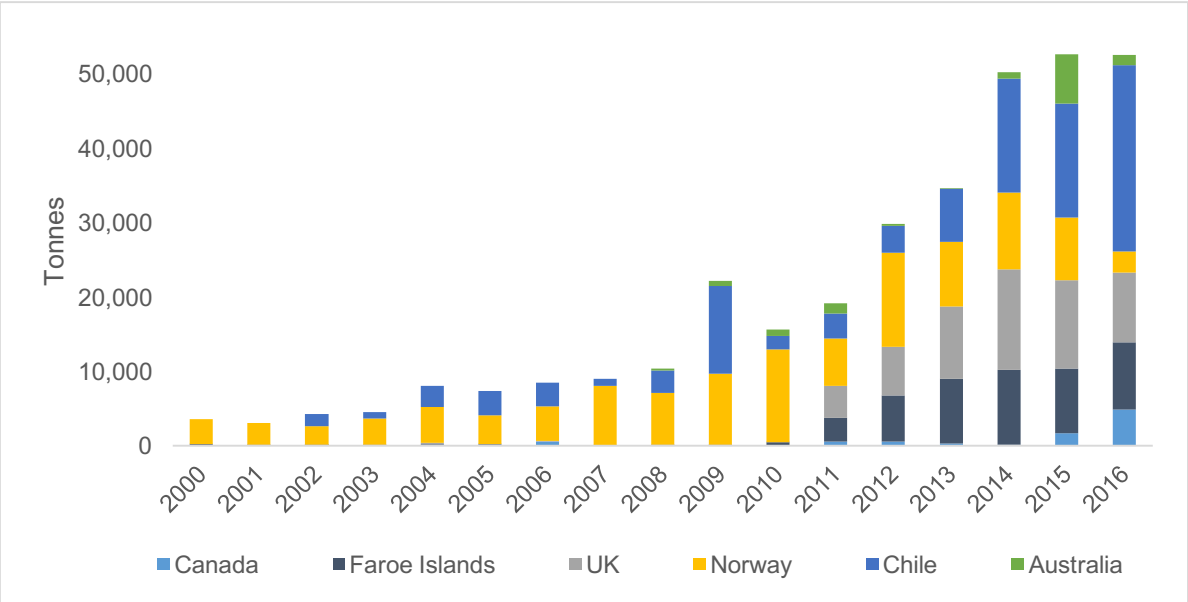

Figure 2.5: China's imports of Atlantic salmon in volume (Norwegian Seafood Council, 2017g)

Since none of the major salmon producing countries are located in Asia, this market has been shared between all the producing regions. According to estimates by the Norwegian Seafood Council (2017g), the China region[7] imported about 95,000 tonnes of salmon in 2016, where Norway had a market share of about 40 per cent (*Figure 2.6*). This is in contrast to Norway's

[7] Hong Kong, Vietnam and China.

market share in China, where the largest volumes were imported from Chile, and less than 2,900 tonnes were imported directly from Norway. Until 2010, Norway was the number one supplier of salmon to China, with a market share of about 80 per cent. However, the Chinese salmon market constituted of less than two per cent of the Norwegian salmon supply in 2010 (Statistics Norway, 2017c) This is also illustrated in *Figure 2.4* above, where China is included in the *Asia other* segment. A low import of Norwegian salmon to China can be observed over the last years (*Figure 2.5*), though imports to the China region remain somewhat stable (*Figure 2.6*).

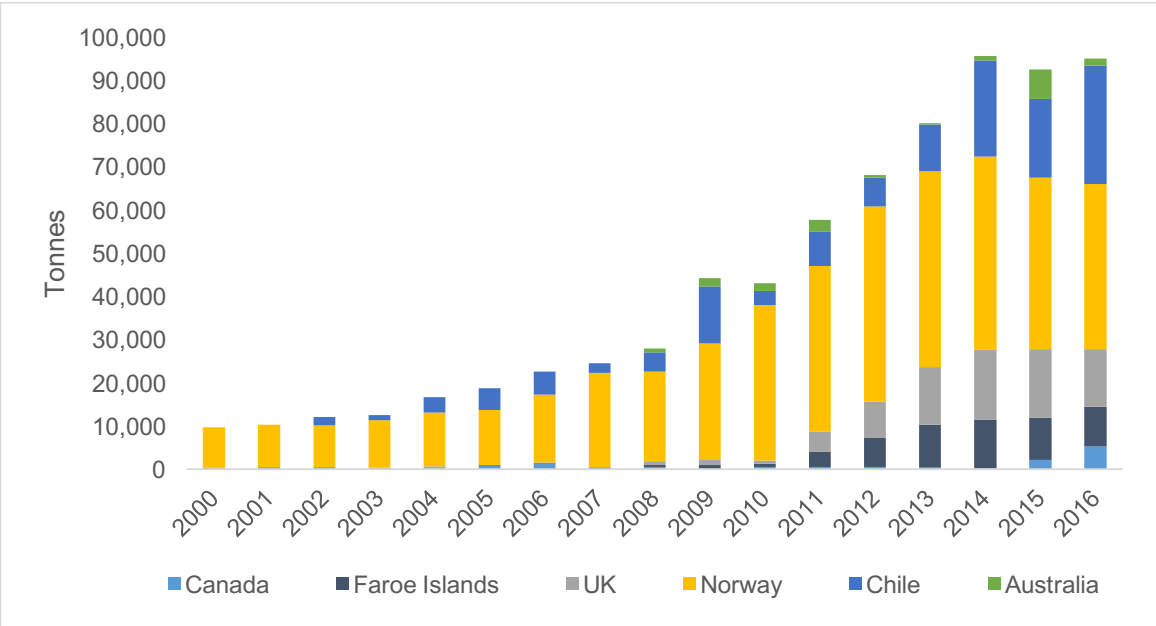

Figure 2.6: Imports of Atlantic salmon to the China region in volume (Norwegian Seafood Council, 2017g)

The salmon value chain in China is somewhat atypical, as a few big importers control the inflow and further distribution. This gives them a high buyer bargaining power, keeping the rest of the supply chain as a hidden "black-box" (Bjørgo, 2017).

Salmon Consumption

The growing salmon consumption in China is related to an increased interest for Japanese food, and especially sushi (Ryeng, 2011). According to a qualitative research conducted by the Norwegian Seafood Council in 2013, 56 per cent of the salmon volume was consumed in Japanese restaurants in China (Bjørgo, 2017). This in combination with the fact that 80 to 90

per cent is consumed raw, has made salmon a synonym for sashimi[8] in China. In high-end markets, airfreighted chilled salmon is the preferred choice (Asche & Bjørndal, 2011), and the main reason for the Chinese consumption of Norwegian salmon is the taste (Bjørgo, 2017). Further, the Chinese consume Norwegian salmon as a way of treating themselves for an achievement. It is also considered a social statement, because of the high price and the premium image. Salmon is therefore primarily consumed by those with a higher income.

Food Trust

Since the beginning of the 2000's, there have been a series of food safety incidents in China (PwC, 2015). These incidents have resulted in a lack of trust in domestic food production processes and standards, and have significantly influenced Chinese consumers' purchasing decisions. Products from the western world have a good reputation for being of high quality, nutritious and safe. According to EU SME Centre (2015), these are key reasons for the increasing imports of food and beverages in China. In general, imported food and beverage products are consumed in HORECA[9] channels in urban settings, and the Chinese are to a larger extent choosing Western food when dining out. However, Chinese authorities and the food industry is working hard to meet international standards, in order to repair its bad reputation and regain market shares (PwC, 2015).

2.4.2 Market Access

Trade Barriers

Since 2010, China has expanded their import controls of fresh Norwegian salmon, resulting in a drop in market share from about 80 per cent in 2010 to less than six per cent in 2016 (Norwegian Seafood Council, 2017g). There has been no official information or statements from Chinese authorities, of this being sanctions for the Nobel Peace Prize awarded in 2010. However, as shown in *Figure 2.5,* salmon imports from Norway have almost ceased, due to several actions taken by the Chinese. The most significant challenge being vast veterinary testing and subsequent quarantines (Bjørgo, 2017). Additionally, salmon export from Norway requires import licences with quotas (Bjørgo, 2017). These licences are hard to attain and only

[8] Raw fish cut into slices and pices regarded as a delicacy in Japan and, increasingly in many other countries (FAO, 2011a).

[9] An abbreviation used in Europe for the food service industry, representing hotel, restaurant and café (Wikipedia, 2017).

issued in small volumes, and applications for further licences cannot be made before an existing quota has been used up. Also, Chinese authorities have neglected to approve new and re-approve existing producers to the list of approved Norwegian seafood producers.

Norway is also the only country required to hold a health certificate for salmon (Bjørgo, 2017). This certificate is meant to prove the absence of PD (*pancreas disease*[10]) and ISA (*infectious salmon anemia*[11]) in a consignment of salmon (Norwegian Food Safety Authority, 2017a). Chinese authorities are worried that the rainbow trout, farmed in China, can be infected with ISA or PD from the Norwegian salmon (Norwegian Seafood Council, 2017c). The health certificate is issued by the Norwegian Food Safety Authority, and acknowledges that the salmon is not infected by ISA or PD. The three Norwegian counties – Sør-Trøndelag, Nordland og Troms – were in March 2015 suspended from exporting salmon to China, after a detection of ILA (Bjørgo, 2017). Additionally, all fish exported to China needs a certificate from the Norwegian Food Safety Authority stating that the fish does not contain *Listeria Monocytogenes*[12] (Norwegian Food Safety Authority, 2011). The certificate is issued when the exporter presents test results proving that the fish is without infection.

Diplomatic Contact

In 2010, Norway and China were about to finish negotiating a free trade agreement (Regjeringen, 2012). However, the agreement was never signed. Instead, Norway ended up in the cold and the duty tariffs of 10 per cent for salmon remained (World Trade Organization, 2016). In comparison, Chile has a had a free trade agreement with China for several years, meaning zero duty tariffs for Chilean salmon.

The normalisation of the political and diplomatic relations between Norway and China, was only the first step of the process to fully normalise Norwegian salmon exports to China. Since then, there have been several meetings between Norwegian and Chinese officials. In the beginning of April, the Norwegian Prime Minister, Erna Solberg, led a Norwegian delegation on

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[10] Caused by a virus referred to as *Salmonid alfavirus* (SAV) or PD virus (Norwegian Veterinary Institute, 2017c).

[11] A severe contagious viral disease infecting salmon (Norwegian Veterinary Institute, 2017a).

[12] Bacteria that can cause illness (listeriosis) at both animals and human beings. The bacteria are found naturally in the environment, including water, soil, vegetation and at wild animals and livestock (Norwegian Veterinary Institute, 2017b).

its first official visit to China, since the Nobel Peace Prize awarding in 2010 (Regjeringen, 2017c). The Prime Minister was accompanied by the Minster of Foreign Affairs, Børge Brende; the Minister of Trade and Industry, Monica Mæland; and different representatives of the Norwegian private sector. The visit has been regarded a symbol for both countries' wish to re-establish a good political dialogue and business cooperation.

Later the same month, the Minister of Fisheries, Per Sandberg, and the Minister of the General Administration Quality Supervision, Inspection and Quarantine of the People's Republic of China, Shuping Zhi, signed a *Memorandum of Understanding* regarding import and export of food products, and food safety (Regjeringen, 2017b). The Memorandum of Understanding is believed to strengthen the bilateral cooperation on food safety assurance and increase the food trade between the two countries. The food safety issues have been the very essence of the troubles Norwegian salmon has encountered in China.

In late May, the Norwegian Seafood Council invited Norwegian seafood exporters to take part in a mini-exhibition in Beijing (Norwegian Seafood Council, 2017b). According to Sigmund Bjørgo, the Norwegian Seafood Council's director in China, it was the largest seafood delegation ever to visit China. During the visit, Per Sandberg and Shuping Zhi signed a second agreement. This agreement concerned requirements for export of salmon from Norway to China (Regjeringen, 2017a). After the signing, Per Sandberg expressed high hopes for the future export of Norwegian salmon to China. According to him, the Chinese market will be an important, and in reality, a new market for Norwegian salmon.

Despite the recent development, Norwegian salmon exporters are still struggling with exporting fresh fish to China. According to statistics presented by the Norwegian Seafood Council (2017d), no Norwegian salmon was exported to China in week 21 (2017).

2.4.3 Outlook

China has a growing middle class, and the upper middle class is expected to grow from 20 percent in 2012 to 56 per cent by 2022, with annual earnings between US$16,000 and US$34,000 (Barton, Chen, & Jin, 2013). Further, there is a new generation emerging. The general consumption of the young generation in China – those born after 1980 – is growing twice as fast as the consumption by people born prior to 1980 (Kuo et al., 2015). With an annual growth rate of 14 per cent, the young generation is more willing to spend money on

brands and travels. In addition, many consumers today turn to online services to access premium products, such as imported food. In 2010, three per cent of the private consumption originated from online shopping, and by 2020, E-commerce is expected to represent 24 per cent of China's private consumption.

The Chinese consumption and imports of salmon are expected to grow substantially in the years to come. By 2025, the consumption is estimated to exceed 240,000 tonnes (Bjørgo, 2017). In addition to the strong demand growth in China, the marine value creation in Norway is expected to exceed NOK 500 billion in 2050, where salmon aquaculture will make up the biggest share (Olafsen, Winther, Olsen, & Skjermo, 2012).

3. LITERATURE REVIEW

In this section, we present the theoretical foundation of the thesis, seeking to answer our research question. Most of the literature presented, is general management literature relevant for addressing decisions on market entry and the business environment that international organisations are facing. This is due to a short-coming in specific literature on salmon exports to China. First, we present the internationalisation process of organisations. Second, transactions cost economics is reviewed, in order to investigate Norwegian salmon exporters' modes of governance in the salmon supply chain. Third and lastly, literature on how to establish and run organisations in the Chinese business environment, is presented.

3.1 INTERNATIONALISATION

Internationalising can be justified if an organisation faces international drivers like market demand, potential cost savings, government policies or competitive response in such a strength that it, in combination with geographical advantages, exceed the added risk of operating in a foreign market (Johnson, Whittington, & Scholes, 2011).

The salmon aquaculture is an international industry, as salmon is mostly traded internationally over long distances (Tveterås & Kvaløy, 2004). We therefore take it for granted, and are also aware, that the companies studied in this thesis already have international strategies. In the following, we therefore investigate closer what companies should consider when selecting *which* markets to enter and *how* they should enter them.

3.1.1 Market Selection

Market Characteristics

After deciding the international strategy, the next step is to select which market to enter (Johnson et al., 2011). Comparing different markets for entry can be done by using standard analysis techniques like dimensions in the *PESTEL* framework. Johnson et al. (2011) argue that four of the elements in this framework are especially important in order to outline the characteristics of a market, enabling a comparison of which country to enter. These are the *political, economic, social* and the *legal* elements of the framework. More specifically, the political dimension includes the government's role in a country, which may represent both opportunities and risks to the organisations entering the market. The economic dimension addresses

factors for the macroeconomic conditions of a country. These are factors like the GDP and disposable income – as determinants for market size, in addition to economic growth indicators and exchange rates. The social dimension represents factors like demographics, skilled work-force availability and cultural variations. Countries also vary to a great extent when it comes to their legal regime. Clarifying whether contracts can be enforced, intellectual property can be protected and corruption can be avoided, are especially important (Johnson et al., 2011).

Market and Firm Compatibility

Ghemawat (2007) argues that it is not sufficient to compare markets based only on their relative score to each other. Finding a market that is compatible with the internationalising firm, is also of great importance. Therefore, Ghemawat developed the CAGE framework, in order to analyse the match between countries and companies. The acronym represents *cultural, administrative, geographical* and *economic* distance at the country level. In bilateral relations, cultural distance includes differences in ethnicity; language; religion; values, norms and dispositions; and trust. For example, choices related to the food industry are to a great extent affected by the cultural distance (Ghemawat, 2001). Administrative distance includes political hostility, lack of a common currency and a shared regional trade bloc – like the European Economic Area (EEA). Geographical distance includes the physical distance between countries, the lack of a shared border, differences in time zones, as well as climate and disease environment. Economic distance represents differences in prosperity, or other differences in cost or quality of the infrastructure, natural, financial and human resources, or information and knowledge.

Competitive Environment

To identify the attractiveness of a market, analysing the competitive environment is an important element (Johnson et al., 2011). Porter's five forces framework can be a helpful tool for this purpose, even though it is primarily meant to reveal the drivers of industry competition. The model presents five forces that affect the profitability of an industry. These are *the threat of entry, the threat of substitutes, the power of buyers, the power of suppliers* and *the degree of rivalry among existing competitors* (Porter, 1979, 2008), as shown in *Figure 3.1* (Johnson et al., 2011, p. 55). Competing in a market where these forces together are intense, will make it tougher for companies to be profitable, and conversely easier when the forces are weak (Porter, 2008). Teece (2007) argues that a dynamic and fast-moving business environment, make the five forces framework rather unfit to describe the competitive environment, as it fails

to address several important aspects like complementarities, supporting institutions and technological changes.

Figure 3.1: The five forces framework (adapted from Johnson et al., 2011, p. 55)

The threat of entry relates to the fact that pressure on existing players will increase, and profit will be threatened, by the entry of new players in the market (Porter, 1979, 2008). If the barriers for entry are high, the threat from new players will be low. Barriers can for instance be economies of scale, government policies and strategic ties.

The threat of substitutes relates to how other products can fulfil the same need as yours, but in a different way (Porter, 1979, 2008). If the need can easily be substituted, it will pose a threat to the industry profitability. The strength of this force is represented by, to which degree, customers will switch to substitutes with an increase in price.

The power of buyers concerns the customers' ability to influence prices or increase costs, either related to product quality or providing extra services (Porter, 1979, 2008). Buyer power threatening profitability, can be observed when just a few and large customers are present, switching costs are low, or when the buyer can fulfill his need internally.

Similar to buyer power, power of suppliers threatening profitability can be observed when the suppliers are concentrated, the costs of switching to other suppliers are high or when suppliers find it more appropriate to sell their products to your customers directly (Porter, 1979, 2008). When supplier power is high, the prices of the supplied products are likely to be high, capturing more value.

Rivalry among existing competitors can be recognised through the presence of frequent discounts, advertisement and service improvements (Porter, 1979, 2008). High rivalry affects the profitability of an industry, and may occur as a result of low industry growth, high exit barriers, numerous competitors with similar size and power, or product homogeneity, among other things.

3.1.2 Modes of Entry

When the market for entry is selected, the organisation needs to decide *how* to enter this market. According to Johnson et al. (2011), market entry modes differ in the degree of resource commitment to a particular market, and to what degree organisations are involved operationally at certain locations. In addition to commitment, control and risk will vary depending on entry mode (Dunning, 1988). The four different entry modes are: *exporting; licensing and franchising; joint ventures;* and *wholly owned subsidiaries*, sorted by their degree of resource commitment.

Johnson et al. (2011) visualise, in *Figure 3.2*, which market entry mode that should be chosen based on the two fundamental principles; *breadth of competitive advantage* and *tradability*. The breadth of the competitive advantage concerns whether a market entry can be accomplished with the company's own capabilities, or if it needs to be complemented by the capabilities of local partners. In this context, tradability means the ability to rely on trade relations alone – and not the company's physical presence. Determined by the two factors: quality of legal protection, i.e. safeguard performance standards, intellectual property rights and ability to enforce contracts; and the ease of transportation from the home market.

		Tradability	
		High	Low
Competitive advantages	Broad	Export	Wholly owned subsidiary
	Narrow	Licence/Franchise	Joint venture

Figure 3.2: Modes of international market entry (Johnson et al., 2011, p. 284)

The staged international expansion model suggests entering a market with a gradual approach, where the commitment increases depending on acquired capabilities and market knowledge. Consequently, a firm should enter a market through licensing or export, moving on to joint ventures when confidence and local knowledge is gained, before a wholly owned subsidiary finally can be established.

Export

According to Johnson et al. (2011), export is the standard mode of entry when products or services easily can be carried from one country to another, and your home-based competitive advantage is broad enough to minimise the dependency on local enterprises.

Licence or Franchise

Licence and franchise are contractual arrangements with local partners, suited for products or services that have a too narrow competitive advantage to "go it alone" (Johnson et al., 2011). These local markets need a functioning legal system, to secure that the licencee and franchisee do not take advantage of their contracts, steal the intellectual property or under-perform on standard. As our research concerns *salmon exports*, licensing and franchising is neither relevant nor reasonable modes of entry, and will therefore not be further elaborated.

Joint ventures

A joint venture is the best suited entry mode when the competitive advantages are narrow, but the local franchisees or licencees cannot be trusted with the intellectual property, or to ensure long term performance (Johnson et al., 2011). Joint ventures are shared ownerships, which

gives the foreign company more direct control, at the same time as it ensures that the local partner has an interest in maximising the value of the jointly owned enterprise.

Wholly Owned Subsidiary

Wholly owned subsidiary is an attractive approach when the competitive advantages are broad enough – making you self-reliant in a local market, though challenges related to transport rule out simple exports (Johnson et al., 2011). They are either established through "greenfield" investments or acquisitions, where an integration of a local enterprise completes the required breadth of competitive advantage.

3.2 TRANSACTION COST ECONOMICS

Transaction cost economics classifies the firm as a governance structure, where actors and activities are coordinated (Williamson, 1998). Governance is how one creates order in a relation, when the realisation of mutual gains is threatened by potential conflict. Firms and markets are both governance structures, but differs in terms of their respective transaction costs (Coase, 1937). According to Kenneth Arrow, transaction costs are the "costs of running the economic system" (1969, p. 48). The costs can be divided into *ex ante* – costs associated with negotiating and setting up contracts, and *ex post* – costs associated with the enforcement of the contract (Williamson, 1996). If these costs are low, the market will be used as governance. However, if the costs are high, organising internally will be preferred by the firms (Rindfleisch & Heide, 1997). In between these two extremes, you have intermediate modes, also known as hybrid contracting (Williamson, 1991). This is the so-called make-or-buy decision. In regard to salmon, this could be a question of whether the primary processing should be made within the firm or carried out in the market (Sørvig & Tveteras, 2016).

3.2.1 Transaction Attributes

The governance choice is based on certain attributes, describing the transaction (Williamson, 1998). These are the frequency of the transactions, the level of uncertainty, and the degree of asset specificity (Williamson, 1979). When transactions occur frequently, it increases the need for internal governance. However, the governance choice cannot be based solely on frequency, it is also dependent on the other attributes. The level of uncertainty can be divided into uncertainty *ex ante* and *ex post*, with environmental uncertainty and behavioural uncertainty respectively (Rindfleisch & Heide, 1997). Uncertainty is the result of inadequate information, which

creates a need for adapting contracts and evaluate performance. This leads to increased transaction costs. Further, asset specificity is the degree to which the asset has a limited value outside a specific relationship. There are different forms of asset specificity, such as human assets, site specificity and brand name capital. Asset specificity increases transactions costs by creating a need to safeguard investments.

3.2.2 Decision Maker Attributes

Attributes of the decision maker will also influence the governance choice. Transaction costs vary with human behaviour, more specifically bounded rationality and opportunism (Rindfleisch & Heide, 1997). Bounded rationality is the thought that people are only rational to a certain point, limited by their ability to communicate and process information (Simone, 1957). In uncertain environments, bounded rationality can become a problem. Opportunism is the thought that people always will do what is in their best self-interest, when they are given the opportunity (Barney, 1990). This becomes a problem when specific assets are present in a relationship, and causes a safeguarding problem (Rindfleisch & Heide, 1997).

With this in mind, vertical integration with hierarchical governance will often be preferred in transactions with high asset specificity (Rindfleisch & Heide, 1997). This is due to high costs associated with safeguarding contracts involving high assets specificity, which also increases with the frequency of the transactions. The need for safeguarding is caused by a trading partner's possibility to behave opportunisticly. Similarly, open markets will be preferred when asset specificity is low. The same applies to uncertainty, when there are low costs associated with adaptation and performance evaluation, open markets will be preferred.

3.2.3 Contracts and Governance

Another way of reducing excessive transaction costs is through contractual solutions (Garvey, 1995). These solutions can to a certain point replace the need to integrate vertically. A shortcoming with contractual solutions is the fact that contracts are incomplete, hence reducing legal enforcement. The three-way classification of contracts was developed by Ian Macneil, and later implemented in several of Williamson's works regarding transaction costs and governance through contractual relations (Williamson, 1979). Exchanges are conducted on the basis of some kind of agreement, which can be divided into classical, neo-classical and relational contracts.

Market Contracts

Governance through market contracts can be divided into classical and neo-classical contracts, and are mainly driven by price (Williamson, 1979). Classical contracts are short-term contracts based on clear and objective conditions. These contracts are normally used in a traditional market exchange. Neo-classical contracts, on the other hand, are long-term contracts. These contracts are not necessarily fixed or clearly defined, and might therefore be adjusted through the running of the exchange.

Relational Contracts

Relational contracts are open contracts, based on multiple transactions where the exchange-partners have developed a social relationship and mutual trust (Williamson, 1979). In long-term trading relationships, contracts are protected by trading partners' fear of a negative reputation that inhibits future trade. Such self-enforcing relational contracts provide incentives *ex ante*, as well as safeguarding *ex post*, for asset specific investments between non-integrated players. However, if the risk of reputational damage is low, vertical integration is more likely to be the preferred choice of governance.

3.2.4 Salmon and Transaction Costs

How transaction costs assert themselves in the salmon industry has been studied by several, and in different parts of the value chain. However, none has to our knowledge studied the specific case of transaction costs in salmon export to the Chinese market. In the following, examples of transaction cost studies in the salmon industry will be presented.

Salmon has traditionally been regarded a commodity industry driven by spot market prices, where long term customers and personal relationships are not required (Asche & Bjørndal, 2011). However, a recent study by Sørvig and Tveterås (2016) suggest otherwise. By analysing the duration of three salmon producing companies' customer relations, the results indicated that relations matter and that salmon is not a commodity, in its simple sense. They argue that asset specificities and uncertainty leading to increased transaction costs related to switching supplier or buyer often, is what motivates maintenance of relationships. Similar observations have been made among salmon traders and distributors.

A study conducted by Sven A. Haugland (1999) investigated factors influencing the duration of international buyer-seller relationships. Longitudinal data from relationships between Norwegian salmon exporters and salmon importers in the United States and Japan, were used. The

results indicated that there were higher levels of relational investments in on-going relationships than in terminated relationships. In addition, it showed that hierarchical governance was negatively correlated to the duration of relationships.

In addition to these studies, Tveterås and Kvaløy (2004) analysed the drivers for vertical coordination in the salmon supply chain, as part of a larger project on specific investments and economic risk in Norwegian aquaculture. They identified that transparency and traceability have an increasing importance to salmon buyers. This has resulted in salmon companies providing product guarantees and a system of documentation, which inform the customer of the level of dioxins and other biological attributes. The transaction costs of searching for the right supplier may therefore increase, as it requires a larger flow of information across borders. According to Tveterås and Kvaløy, this creates a need for vertical coordination.

3.3 DOING BUSINESS IN CHINA

Understanding culture and different business environments, in a context where trade is more global than ever, is important for succeeding with business in foreign markets (Pan & Zang, 2004). When the Chinese market opened up to the rest of the world, it experienced an enormous interest from foreign investors. Many of these investors failed to understand the Chinese culture, and comply with their way of doing business. In the following, we present literature addressing important factors that Norwegian salmon exporters should take into account when doing business in China, as well as different modes of entering the Chinese market and their implications.

3.3.1 Guanxi

Guanxi is a Chinese concept with resemblance to Western networks, and an important part of understanding the Chinese culture (Worm, 1997). The concept refers to different relationships collected over time, and a notion that who you know, matters. The thought is that a favour today will reciprocate in the future, and this exchange will therefore be of mutual benefit (King, 1991). According to Worm (1997), the concept of networks is the closest the Western world comes to guanxi. Networks are a collection of weak ties, of which strength varies with the ties' duration, emotional intensity, intimacy and reciprocal services (Granovetter, 1973). In addition, the Western networks are often ties between organisations, opposed to guanxi which refers to personal relationships (Yeung & Tung, 1996).

Guanxi can be divided into everyday guanxi and special relationships guanxi (Kwock, James, & Tsui, 2013). The first, represents the type of guanxi that is normally accepted and occur in the everyday life. The second, represents the type of guanxi that involves going outside of normal procedures to get your deal through (Luo, 1997). This division of guanxi is further supported by Guthrie (1998), who distinguishes between guanxi in the sense of creating a good relation, and guanxi in the sense of using your connections to get things done. However, the use of special relationships guanxi has been reduced, especially within larger organisations.

3.3.2 Guanxi in Business

Guanxi is widely used in both business and social settings. In business, guanxi is mainly used to reduce levels of uncertainty due to the lack of legal safeguards (Luo, 2007). In general, Chinese business is characterised by informal deals and arrangements, built on trust and respect on a personal level. Trust is a central part of both the Chinese and Western way of doing business, though they look at the concept differently (Yeung & Tung, 1996). Western companies emphasise system trust, which includes trust in contracts and financial institutions (Luo, 2007). The Chinese emphasise personal trust, and choose to look at it as a matter of keeping face and honour (Worm, 1997). Violating guanxi is not just bad for your reputation, it also brings shame on your entire family (Yeung & Tung, 1996). Such opportunistic behaviour can complicate future relationships and business, and therefore works as an incentive for long term commitments (Standifird & Marshall, 2000).

For the Chinese, business and personal life is the same thing. Consequently, doing business in China and developing guanxi requires a degree of socialising (Graham & Lam, 2003). They do not want to talk business, before they get to know you properly. In some cases, this can take months. However, establishing a guanxi relationship in China may be difficult for foreigners due to language barriers (Ambler, Witzel, & Xi, 2016).

Contracts

The Chinese regard contracts as a formality that do not necessarily imply legal considerations and commitment (Leonhard, 2009). A contract is therefore subject to change and adjustments in the Chinese sphere. In comparison, a contract is legally binding in the eyes of a Westerner, and a breach of contract will normally be settled in the courts (Buttery & Leung, 1998). This is representative for how the different cultures conduct business. In the West, negotiating and signing contracts is first priority, while the Chinese first like to spend some time developing a

relationship with mutual trust and respect. In addition, signing a contract in China may simply mean that they wish to continue negotiations, not that the contractual terms are sealed (Buttery & Leung, 1998).

The Chinese judicial system is regarded as weak, something that makes it difficult to enforce contracts (Yao & Yueh, 2009). However, the rule of law, which concerns aspects such as respect for fundamental rights, accountability and access to justice (World Justice Project, 2016), has become increasingly important in China. The country's entrance to the global market has led to an implementation of international standards and laws (Guthrie, 1998). As a consequence, the Chinese government pays more attention to violations, which subsequently has led to companies complying with laws and regulations to a larger extent. However, according to Yao and Yueh (2009), the importance of guanxi must be recognised for the legal reforms to be adequately effective. Contracts in China should therefore be interpreted with guanxi in mind (Kwock et al., 2013).

Middlemen and Backstage Activity

The presence of middlemen is considerable in the Chinese society. They attempt to facilitate new guanxi relationships, through connecting unrelated people (Tsang, 1998). By doing so, the middlemen are partly responsible if the relationship does not work out (Worm, 1997). They therefore spend much time gaining the required knowledge to match the right people.

Backstage activities are often associated with bribery, but it also refers to using your contacts in order to influence a decision-maker (Worm, 1997). This is similar to the European way of lobbyism. Further, the occurrence of gifts is not necessarily considered a bribe in China, it depends on the size and the context it is given (Luo, 2007). According to a study by Yeung and Tung (1996), relationships built on bribes are not unique and are therefore more fragile. Consequently, bribes will not facilitate strong and long-lasting relationships and reduce uncertainty in the long-run.

Guanxi and Transaction Costs

Guanxi can work as a hybrid form of governance when a transaction has moderate asset specificity (Standifird & Marshall, 2000). There are large variations in institutional strength in China, which increases the level of uncertainty in the society (Luo, 1997). A consequence is higher transactions costs. According to transactions cost economics, this can be solved through vertical integration (Rindfleisch & Heide, 1997). However, many Chinese fear the possibility

of liquidation related with financial exposure, and losing face as an effect of that. Therefore, Chinese companies prefer reducing transaction costs through guanxi based relationships (Luo, 1997). According to Standifird and Marshall (2000), developing stable and long-term relationships can be the key to the Chinese market for Western companies. Additionally, they also acknowledge the need for flexible contracts.

3.3.3 Establishing a Business in China

Chinese authorities define two different forms of foreign investments: joint ventures and wholly foreign-owned enterprises (Ambler et al., 2016). Recently, there has been a trend of entering the Chinese market through wholly foreign-owned enterprises, rather than setting up joint ventures. Li, Lam and Qian (2001) present several studies on preferred entry modes, where the findings are rather mixed and lack consistency. According to Ambler et al. (2016), consultants in Western countries are advising against joint ventures as an entry mode in China, as they find them too risky. Chinese consultants, on the other hand, recommend the opposite, and point to risks related to establishing independent ventures in China for the first time. According to Li et al. (2001), the differences in preference for entry modes relates to whether the companies come from a collectivistic, or an individualistic society. Consequently, China being a collectivistic society, where individualism is low, a joint venture is the preferred choice.

Authorities

Unlike many other markets, the Chinese have a strong presence of the authorities – with considerable power and influence. Ambler et al. (2016) claim that China joining the WTO has created a delusion that foreign companies can distribute their goods in China, without restrictions. However, if the authorities find that the company does not serve in the best interest of China, it will be difficult to succeed in the Chinese market. China being an altruistic society, implies that you should act in a way that serves other people or the society as whole. The Chinese authorities approve companies based on an assessment of whether it will favour the Chinese economy, and whether or not it poses a direct threat to a local competitor. In other words, support and approval from the authorities can pave the way for businesses to succeed (Ambler et al., 2016).

Exporting

Exporting to China is often time consuming, and by Chinese law, one is required to partner with a Chinese registered company holding a licence to import (EU SME Centre, 2015). These

companies can function as an importer, but it is more common that they only take care of the formalities of the imports. However, indirect export and the use of an agent or distributor, is also an option. This is recommended for small and medium-sized companies, given that one is able to find the right agent or distributor. In such cases, language, culture, and market knowledge will be accessed much faster. The choice between using a middleman, or exporting directly, largely depends on whether one can find a good agent with the right skills and network. If the agent or distributor is of poor quality, it might be better to organise everything independently (EU SME Centre, 2015).

Representative Office

A representative office is an option, when some kind of presence is required (EU SME Centre, 2015). The representation office has limited power, and is not allowed to perform activities to increase profit. The activities are more directed towards promotional activities, market research, and facilitating different tasks and operations, like sales. There are several arguments for local presence in China, both the size of the country and the need for close relations to your business partners (Ambler et al., 2016). However, a full-scale representative office is costly, and a shared office solution with other companies can therefore be an option.

Joint Ventures

Joint ventures are one of the most common ways for foreign investors to enter China (EU SME Centre, 2015). The most successful joint ventures are structured along a two-way network, where the foreign company e.g. uses the Chinese partner's distribution, and the Chinese company gains access to the foreign networks (Ambler et al., 2016). This provides an advantage in terms of quickly accessing knowledge about the market and business environment. In addition, it ensures the access to resources, labour, key official servants, markets, and channels of distribution. These are all factors requiring time and money to acquire. However, joint ventures do involve some risks, e.g. due to reduced control and conflicting management approaches (EU SME Centre, 2015). Western joint ventures in China are often established for a temporary purpose, and dissolved when success is achieved (Ambler et al., 2016). However, some joint ventures are also renewed up to several times. Others, fail due to lack of trust and understanding. Chinese traditionally spend a lot of time trying to find a good match, which for them is also a requirement, in order to proceed with a joint venture (Ambler et al., 2016).

Wholly Foreign-Owned Enterprises

According to a report referred to by the EU SME Centre (2015), foreign investors often prefer wholly foreign-owned enterprises over joint ventures in China. This gives them better control over both intellectual property rights and human resources.

When entering a market, committing progressively is the most common approach (Ambler et al., 2016). A wholly foreign-owned enterprise is organised in the same way as a Chinese company. It pays taxes, hires Chinese directly and trade in the local currency. However, there are also risks related to establishing wholly foreign-owned enterprises. Entering a market with a wholly foreign-owned enterprise often requires great investments in a market where one does not necessarily have relations and capabilities (Ambler et al., 2016). This is especially important in China, where relations and guanxi are a central part of the business life (Luo, 2007). The concluding recommendation of Ambler et al., (2016), is that no general solution exists regarding entry mode. The best way to be organised depends on the context and what one aim to achieve.

4. METHODOLOGY

In this section, we present and discuss the methodology used when performing the research for our thesis. The choices outlined in the following will give backing and determine the boundaries of our research. Firstly, we present how our research is designed, before going through how we went about collecting our primary data. Finally, the ethical considerations made in our research are presented.

4.1 RESEARCH DESIGN

The research design is the plan on how to answer our research questions (Saunders, Lewis, & Thornhill, 2016). It describes the entire research methodology from top to bottom, and will be defining what type of study this is, the purpose of the study and our research questions, the approach and strategy of the research, data collection methods and issues, the sampling, and lastly the ethical considerations that have been made.

4.1.1 Methodological Choice

To get an in-depth understanding of how Norwegian salmon exporters perceive and approach the Chinese seafood market we are using a qualitative research methodology. This enables us to explore the essence, and the relationship between the data collected (Saunders et al., 2016). Semi-structured interviews is our primary technique for data collection, a technique generating mainly non-numerical data (words). The data collection entailed interviewing eight different companies exporting Norwegian salmon. The methodology is chosen to let the research subjects express themselves in their own words, allowing them to expose their opinions, personal experience, motivation and perceptions of the themes relating to salmon export to China. This has provided us with a deeper understanding of the interview subjects' decisions concerning this market. The collected data has been interpreted to make sense of the subjective and socially constructed meanings.

4.1.2 Research Purpose

The purpose of our thesis is to explore and understand Norwegian salmon exporters' perception of the profitability, and approach to succeed, in the Chinese market. We have therefore chosen to conduct an exploratory study. The exploratory design is useful when one aim to gain insight trough open questions, and when the literature available on the topic is inadequate. To

a large extent, exploratory studies work as an instrument to identify further research. When reviewing literature for our research we found that theory on how Norwegian salmon exporters approach immature markets like the Chinese, is limited. According to Saunders et al. (2016), an advantage of the exploratory research is the flexibility that allows us to adapt and make changes, when necessary. The exploratory research may initiate with a broad focus, but will narrow down as the research progresses.

Research Questions

In order to give the thesis a clear objective, the following research questions are formulated:

I. How does Norwegian salmon exporters perceive the attractiveness of the Chinese market for salmon?
II. Which factors will impact the Norwegian salmon exporters' success in China?

4.1.3 Research Approach

We have chosen to use an *abductive* approach to theory development (Saunders et al., 2016). This allows us to move back and forth from theory to data, combining the deductive- and inductive approach. We believe this approach is well suited for our thesis, as it allows us to obtain sufficiently rich and detailed data to identify and explore themes and patterns on Norwegian exports of salmon to China, in order to acquire new insights. In the analysis, these insights will be connected and compared with existing conceptual frameworks, so that we may be able to generate new or modify existing theory on the field.

4.1.4 Research Strategy

The research strategy determines how to obtain the data needed for the research question (Denzin & Lincoln, 2011). We have chosen to conduct a multiple case study. A case study concerns the research of a phenomenon within a given context (Yin, 2014). Since we are conducting a multiple case study, naturally, we will be looking at several cases. By interviewing different Norwegian salmon exporters, we will hopefully gain a better understanding of the possibilities and limitations of the Chinese market.

4.1.5 Data Collection

The primary data for our research will be collected through interviews with some of Norway's key salmon exporters. For an exploratory study, such as ours, unstructured interviews with no

predetermined questions are often recommended (Saunders et al., 2016). However, we chose to conduct semi-structured interviews. This allowed us to structure an interview guide through key questions and topics, but also having the flexibility to make changes and adapting to the interviewee. In addition, we wanted to make sure that we got the information we needed from each participant, something that further supported our choice.

Since our aim was to explore and understand Norwegian salmon exporters' perception of and approach to the Chinese seafood market, talking to the decision makers would be most desirable. We therefore approached the CEOs (or equivalent managing positions like General Manager or Managing Director) of the different companies. However, we were also open to talk to other members of the top management of the company.

We chose to conduct the interviews individually and face-to-face. According to Saunders et. al. (2016), it is easier to gain trust and get participants to open up and give more reflected answers through personal interviews. We wanted to comprehend the reasons behind their decisions, which could be easier after a proper introduction of our research. This is also why we wanted to conduct the interviews at the companies' premises. Interviewing people where they feel comfortable, like their own work place, is often an important factor in creating the right atmosphere (Tjora, 2017). Our experience is that this choice also gave us a more complete picture of the participating companies.

4.1.6 Data Quality Issues

There are five data quality issues affiliated with research interviews, such as semi-structured interviews (Saunders et al., 2016). These are reliability, forms of bias, cultural differences, generalisability and validity. We did not regard cultural differences to be an issue in our research, since all interviews were conducted in Norwegian and involved people with the same cultural background as ourselves.

Since our thesis is based on qualitative data, reliability concerns consistency and whether other researchers will arrive at the same conclusions (Saunders et al., 2016). Overcoming data quality issues related to reliability can be difficult when using semi-structured interviews to collect data. As in our case, the findings often reflect the situation at the time of the data collection, a situation that may quickly change. For instance, the interviews for this research were conducted during a period when the media focused heavily on the re-established relationship between Norway and China and what implications this may have. Several media reports favoured

the prosperity of the Chinese market for Norwegian salmon. This may have impacted the interviewed exporters and the answers they gave. Similarly, if new obstacles appear in the bilateral relationship between Norway and China, different answers may be given. In addition, our findings are based on our interpretation of the participants' responses, and how we have tied these together. Therefore, it is not given that other researchers will arrive at the same conclusions. However, in an attempt to improve the reliability of our findings, we have thoroughly explained the entire research process and how we arrived at these findings. Further, it is also a strength that we are two researchers, both during the interviews and when interpreting the data. This enabled us to discuss the data back and forth, before arriving at a joint conclusion (Saunders et al., 2016).

Forms of bias includes interviewer bias, response bias and participation bias (Saunders et al., 2016). Interviewer bias relates to how we, as interviewers, affect the interviewee's answers. This can be caused by our non-verbal behaviour, cadences, or even in the way we interpret the answers. Response bias can be caused by an interviewee's reluctance to talk about certain topics. This may lead to findings that do not represent the whole picture. Finally, participation bias may be a result of who has accepted to participate in the interviews.

Generalisability is whether the findings of our research can be used in a different setting (Saunders et al., 2016). Since our data is retrieved from a small non-probability sample, statistical generalisations are not feasible and our results may be dependent on who we chose to interview. However, our findings will still uncover and provide insight on how Norwegian salmon exporters perceive and approach the Chinese seafood market. In addition, we asked our interview subjects whether they think other salmon exporters make different considerations when deciding the degree of involvement in the Chinese market. This is meant to increase the generalisability, through discovering possible deviations (Saunders et al., 2016).

Validity concerns how well we are able to measure what we intend to examine through the knowledge gained from the interviews, and to what extent we have interpreted the intended meaning. To achieve high level of validity, we made sure to ask clarifying questions whenever needed. We also asked the participants to send us an email if there was information they needed to quality check, to assure that the data we obtained was correct.

4.2 THE DATA COLLECTION

4.2.1 Sampling

Sampling Methods

The population consists of *all Norwegian companies exporting salmon*, which have prior experience in exporting to China or may enter this market in the future. Due to the time limitations of a master thesis and the need of consents to participate, it would not be possible for us to conduct interviews with the entire population. It was therefore necessary to select a sample of the population.

The data could not easily be collected from the target population, and there was no sampling frame available. Therefore, the sample was selected using a non-probability technique with heterogeneous purposive sampling, which includes an element of subjective judgement to find interview subjects with diverse characteristics (Saunders et al., 2016). The heterogeneous purposive sampling technique has a low likelihood of the sample being representative for the population, although depending some on the choices made by the researcher. It is especially useful in research like ours, where a goal is to reveal and highlight key themes and when a range of views are desirable to capture.

Norwegian salmon export companies vary along several dimensions and have a range of different attributes. The most common companies are either relatively small independent trading companies – selling primarily from independent producers; larger sales companies – also selling other fish species; companies vertically integrated in a group; and traditional sales companies that also do farming. We found it relevant to target companies that varied in size and the degree of former involvement in China, regardless of company structure. In addition, we wanted to interview both companies sourcing the salmon solely from Norway, and those sourcing the salmon from other countries beyond Norway. The latter was done to illuminate whether the companies selling salmon from several countries, make different decisions on China.

Since the Norwegian salmon exporters are located all over the country, we wanted this to be reflected in our sample. However, due to time- and budget constraints, we chose not to contact companies with headquarters in the three northern counties of Norway. This excluded companies such as Nova Sea and Nordlaks. In addition, Lerøy Seafood Group, Norway Royal

Salmon, Coast Seafood and Seaborn, all declined the invitation to participate in an interview. Since it took too long reaching an agreement for the participation of Salmar, we decided to exclude them from our further research.

Sample Size

According to Saunders (2012) (as cited in Saunders et al., 2016), the minimum non-probability sample size for semi-structured interviews should be somewhere between 5 and 25 participants. Since semi-structured interviews are naturally wide-ranging, we chose to limit the number of participations to eight different companies.

Collecting data from a lower number of interview subjects, gives you more time to design how the data should be collected (Barnett, 2002). A smaller sample also allows the data to be more detailed. After collecting the data, more time can therefore be spent controlling and testing the data accuracy before starting the analysis. Nevertheless, the sample needs to be sufficiently large, so that we have enough data to answer our research question.

During our last interviews, we discovered that the data did not reveal much new insight. This can indicate that our sample size was sufficiently large (Saunders et al., 2016). According to Patton (2002), insight, comprehension and validity is more dependent on how we collected and analysed the data, than the size of the sample. Within our available time and resources, we also found the sample size of eight as appropriate.

Contacting Potential Respondents

We decided to start off by sending out invitations to eight different companies, with the request to participate in an interview. The invitation included an introduction of our thesis, as well as a suggestion of time and location. For a translation of the invitation, see *Appendix C*.

Three of the companies accepted our first invitation. In addition, two companies expressed that they did not wish to participate. We decided to send out invitations to five additional companies, as well as a reminder email to the companies that still had not replied. This resulted in four more accepting to participate. After some time, we chose to call the four companies that still had not replied. The phone calls resulted in one of the companies agreeing to an interview and two of the remaining companies declining our request. The last company was cautious on commenting on China, and therefore wanted to review our questions prior to an answer – a request we complied with. However, we never heard back from them.

4.2.2 Interview Guide

The questions in the interview guide were divided into four categories. Each category started by asking questions of general character, before turning to more specific questions based on the themes identified in the context derived from our research question, and theory examined in the literature review. Opening with more general questions before getting more specific, was done in order to ensure a common understanding of what was being asked. This allowed us to discover any misunderstandings before moving on to the more specific themes.

The first category consisted of background questions. The aim of these questions was to get a better overview of the company. Consequently, we opened the interview by letting the interviewee introduce his company, clarifying their owner structure and operations in the salmon farming value chain. In the second category, we asked questions regarding the salmon market. In this section, we wanted to uncover how the company perceived new markets, and what determines whether they choose to invest in a specific market or not. In the continuation, more China specific question were asked. We wanted to explore and understand what they aim to achieve in this market, what measures they take to be competitive, and specific market considerations. The third category consisted of questions about the company's approach to the different markets, where the key themes were product customisation, networks and customer relations, and approach in emerging markets like the Chinese. Lastly, we asked a few questions regarding marketing. The complete interview guide can be found in *Appendix D.*

In order to create a good interview guide, we spent some time increasing our understanding of the salmon industry's business terminology. Ahead of each interview we also did some research on each specific interview subject. This enabled us to conduct the interviews in a more convincing manner, and creating a better dialogue. In addition, this led to some minor alterations to the questions. For instance, access to Marine Harvest's annual report meant that some of the background questions were redundant. However, the larger parts of the interview guide were the same in each interview. This created a consistency between the interviews, as well as it made the data analysis, and comparing responses, easier.

When formulating the questions, we focused on making them clear and non-leading, trying to avoid interviewer bias (Saunders et al., 2016). Further, open questions were used to allow the participants to talk freely and give extensive answers. Probing questions were used to narrow the focus, as well as clarifying any ambiguities.

4.2.3 The Interviews

Our aim was to conduct all the interviews face-to-face, at the companies' premises. Unfortunately, different circumstances forced us to conduct two of the interviews by telephone. We did discuss whether it would be better to omit the two interviews all together, because of quality issues related to different methods of collection. However, we concluded that the insight we gained through the two extra participants was of more value. The only way the telephone interviews objectively differed as a collection technique was the fact that we were not physically present at the company's premises. Nevertheless, we lost the ability to observe facial expressions and gain the interviewees' confidence, which is easier obtained through face-to-face interaction.

We divided the questions between us, and the same questions were asked by the same person in each interview. This was done to increase the reliability of the collected data. After greeting and thanking the interviewees for participating in our research, all of them consented on the session being audio-recorded. This also included the two telephone interviews. When this was clarified, we gave a short introduction of the research and how the interview would proceed. Each interview subject was also offered anonymity, but all of them gave us permission to refer to the companies in our paper.

Most of the interviews lasted for about an hour. However, there were two outliers, the shortest that lasted only 30 minutes and the longest that lasted almost two hours. All interviews were conducted in Norwegian.

4.2.4 Post Interviews

Transcribing

After each interview, we spent the rest of the day transcribing the recording. Transcribing is the act of converting a recording into a full text (Saunders et al., 2016). Since there is no way of translating objectively from oral to written form, one should make the transcribing as detailed as possible (Tjora, 2017). We therefore wrote down every single word recorded from the interview. In addition, we made notes of cadence, pauses, laughs, and whether the interviewee had trouble finding the right words. As the recordings were of high acoustic quality, the chance of misinterpreting the interviewees' answers was low. This gives a higher reliability to the transcribed material.

In total, we had 6.5 hours of recordings, which resulted in 128 pages of transcribed material.

Performing the analysis

In qualitative research, the process of analysing data often begins during the interviews, as collecting, transcribing and analysing the data are interrelated processes (Saunders et al., 2016).

After each interview, we made sure to read through the transcribed material, trying to get an overview of the collected data. When all the interviews were conducted and transcribed, we used the interview guide as a template to gather all the interviewees' answers. In this process, the amount of data is reduced, as we extract the essential information from the raw data. In the continuation, we aggregated key themes and patterns that appeared across the data set for further exploration (Saunders et al., 2016). After reducing the amount of data, we started comparing the different responses. We grouped together the ones that were similar in different categories. Throughout this process, we tried to link the data to the theories explored in the literature review. The next step was trying to find consensus or inconsistencies between the participants' answers, establishing or confirm facts that are capable of developing or modifying theory, as an answer to our research question.

When working through the data, we also made notes of possible quotes to include in the later work. Since all interviews were conducted in Norwegian, these quotes have been translated to English. The reader should therefore be aware that these translations potentially introduce language bias (Temple & Young, 2004).

4.3 ETHICAL CONSIDERATIONS

Throughout our research, we have followed some ethical guidelines, as summarized by Saunders et al. (2016). These ethical considerations will serve as a guide to protect the rights of those who are affected by, or participate in, our study. First of all, we need to appear with integrity and objectivity. This involves being open and honest about our objectives, as well as being accurate with the data collected and critically review the conclusions drawn. We therefore started every interview with a proper introduction of our research and the participants' role in the study. In regard to the accuracy of the data collected, we gave the participants sufficient amount of time to answer the questions and transcribed every single word recorded during the interview.

Secondly, we need to assure the privacy of the participants and seek to cause them no harm (Saunders et al., 2016). This involves taking into consideration whether or not our questions will make the participants feel uncomfortable. To secure their privacy, each participant was offered anonymity, and the possibility to withdraw statements they would regret being cited on. We also got consent to conduct an audio-recording, assuring the participant that the recording would only be available for those present in the room during the interview. In addition, we informed them that the recording would be destructed when the censorship of the thesis was completed. This was also done in an attempt to make sure that the recording did not limit the participants' answers, in any way. Further, the participants were also informed that they could refrain from answering a question at any time during the interview.

There are also some ethical considerations in regard to the use of secondary data. For this matter, we will make sure that the references we use are accurate and completely cited in our bibliography (Saunders et al., 2016). Finally, we try to maintain the objectivity of our research, by not selectively choosing the data to present through our analysis.

5. ANALYSIS

In this section, we will first perform an analysis of the Chinese market by using three different management frameworks. Second, we present and analyse the findings of our research, and our interpretation of the collected data. Most importantly, we aim to answer the research question, through connecting our findings with theory presented in the literature review.

5.1 MARKET SELECTION

We will now perform an analysis based on standard techniques for analysing business environments. These are elements from the PESTEL framework, the CAGE framework and Porter's Five Forces framework. We have used these frameworks to lay a foundation for supporting the decision-making process of selecting a market for entry.

5.1.1 Market Characteristics – China

As elaborated in section *3.1.1*, elements from the PESTEL framework can be used to analyse the relative attractiveness of markets. By using this framework, we aim to identify key macroeconomic factors in the prospect market, China. The four elements drawn from the framework are the *political*, *economic*, *social* and *legal*. China will be the only country analysed in this section. This is due to the fact that Norwegian salmon is present in most of the major markets in the world, but has been virtually shut out of China, which has grown to become the world's second largest economy. As stated by the Norwegian Minister of Fisheries, the Chinese market can be considered a new market for Norwegian salmon.

Political

When China became a member of the World Trade Organization in 2001, this represented a shift in the Chinese trading policies. The Government of China has open the market to the rest of the world, aiming to increase the trade with Western countries and companies. However, there are certain political risks associated with doing business in China. The Chinese governance system is significantly different from Western countries. As a one-party state, the Government of China has considerable more power and influence in the market than Western governments have in their respective markets.

The risk of trade conflicts and political boycotts, are greater in China than in the West. Other countries that can be put in the same category are Russia, Iran and Ukraine. An example of a political boycott performed by China is when they refused any political contact with Norway, after the Nobel Committee awarded Liu Xiaobo the Nobel Peace Prize in 2010. As a result of this, the relationship between China and Norway over the last six years has been characterised by political silence and trade conflict.

Because such sudden trade restrictions may occur in China, investing here can be risky. One way of reducing the uncertainty when exporting to a foreign country is through credit insurance. It has proven difficult to obtain credit insurances in China, and according to Steffen Skaar at *GIEK Credit Insurance*[13] (personal communication, May 23, 2017), this is due to lacking transparency and different ways of doing business. This can also be linked to the Chinese legal environment, where China shows a low adherence to the rule of law. In addition, there is often not sufficient information or officially approved financial statements available. This makes it difficult for the insurance companies to give the buyers a credit rating to enable the pricing of the insurance.

With China's WTO accession, the country committed itself to conduct reforms that were far reaching and challenging (Rumbaugh & Blancher, 2004). An implementation of these reform promises was supposed to further deepen China's international integration and generate benefits for its partner countries. However, the EU now refuses to support China's wish to be recognised as a market economy within the WTO (Hornby, Donnan, Toplensky, & Rochelle, 2017). They argue that China has not lived up to the promises given on conducting several economic reforms, when joining the organisation in 2001.

Economic

As mentioned earlier, China has become the second largest economy in the world, experiencing a tremendous prosperity growth since it started opening its borders to the rest of the world just a few decades ago. The GDP growth has averaged to almost 10 per cent annually, and has therefore made the country an attractive prospect market for investments. However, China is

[13] Providing Norwegian exporters with insurance against losses in short-term credit sales abroad (repayment period of under 2 years).

still considered to be a developing country, and several reforms are yet required for them to reach sustainable growth (The World Bank, 2017b).

As a result of the economic growth, the country has a growing middle class, and as mentioned in section *2.4.3*, the upper middle class in China is expected to grow from about 20 per cent in 2012 to as much as 56 per cent in 2022. This represents a tremendous increase over a period of just 10 years. According to Bjørgo (2017), the middle and upper middle class are the population segments that normally consume salmon. Consequently, the growth of the upper middle class may therefore imply an increase in demand for salmon.

Similarly, one would expect that a decline in the economy and a population's purchasing power, would lead to a lower demand for salmon. However, when comparing the historical salmon price to economic cycles, salmon seems to be affected by financial crises and a weakening of key economies, to a rather low degree. As shown in *Figure 2.2,* the salmon price increased during the financial crisis in 2008 and 2009. The following drop in price in 2010 was due to a significant increased supply from Norway and Chile (Guttormsen, 2013). This follows the fact that food in general is normally not very cyclical (Castañer, 2009). However, during economic downturns, studies show that fewer people eat out (Leinwand, Moeller, & Shriram, 2008). Consequently, salmon may be more exposed to economic cycles in China, as 80-90 per cent of the salmon is eaten at restaurants.

Renminbi (CNY) is the official currency of China, often referred to as Yuan, which is the basic unit of the currency. Until 2005 the currency was pegged to the USD, but the Government of China has been eager to show a greater flexibility in the CNY, to prove that it is a currency that is able to stand on its own. China has therefore gradually been easing its rigid currency regime. After the period of pegging the CNY to USD, it has been fixed to a basket of world currencies, but allowed to float two per cent over and under this fixed base. It therefore represented a milestone when CNY was taken into the IMF Special Drawing Rights (SDR) Basket of reserve currencies in 2016 (The World Bank, 2016d). In summary, CNY has become an increasingly important currency more suitable for international trade.

Social

As shown in section *2.3.2 Demand Drivers*, an increasing population and prosperity growth suggest a higher demand for food and protein sources. As these conditions are present in China, it is therefore reasonable to assume that the demand for salmon, as a protein source,

will increase. China is already the third largest seafood importer in the world, and the demand for salmon has already shown a significant increase. As seen in section *2.4.3*, the Norwegian Seafood Council expects the demand for salmon in China to exceed 240,000 tonnes by 2025.

The Chinese market is also experiencing a rapid growth in online shopping, and consumers turn to the internet to buy imported food and beverages to a greater extent. E-commerce makes it possible to buy products, such as salmon, regardless of which city you live in. According to Bjørgo (2017), the growth in Chinese salmon consumption is dependent on whether or not the Chinese will start preparing it at home. Most of the salmon today is consumed through HORECA channels, and is a rather expensive product. However, most Chinese only eat at restaurants once in a while. If the Chinese starts cooking the salmon at home and implement it to their weekly menu, there is reason to expect a massive growth in the Chinese salmon demand. In addition to educating the Chinese on how they can prepare salmon at home, E-commerce may increase the availability of salmon, resulting in a higher demand. Further, the young generation of Chinese has a consumption that is growing twice as fast as the consumption by those born prior to 1980. This young generation is willing to spend more money on food, travel and brands, which may affect the growth in salmon consumption. However, the age structure in China suggest an aging population, where the young Chinese will make up a lower share of the total population.

According to The Boston Consulting Group (2014), the Chinese consumer is more health conscious than both consumers in the other BRIC[14] countries, Western Europe, the U.S. and Japan. This was proved through a survey that showed a higher willingness to pay a premium for products portrayed to be healthy. The young generation of Chinese also shows a higher interest for healthy foods (Cerini & Marianna, 2016). In addition, the Chinese consumer has become more concerned with food safety. A result of this, is an increased demand for imported food, as many Chinese do not trust the domestic food production anymore. This poses opportunities for imported food producers. The trend of eating safe and healthy food, may increase the demand for salmon, as it is both contains healthy Omega-3 fatty acids and is a trusted protein source that is imported.

[14] Brazil, Russia, India and China.

As mentioned earlier, the salmon consumption is highly linked to sushi and Japanese restaurants. This strong dependence on one cuisine may pose a threat if the sushi trend is suddenly plunging. There are however no indicators saying that the sushi trend is decreasing in the short term, rather the opposite. Even though, it would be wise to try getting salmon into other cuisines in order to reduce the strong dependency of the Japanese cuisine. The vulnerability of depending solely on one cuisine was shown when Chinese authorities suddenly encouraged a boycott of everything Japanese, as a result of a political conflict over some disputed islands, which in turn affected the Chinese sushi consumption negatively. Both of these aspects indicate a need for diversifying salmon over several cuisines in the Chinese menu.

Legal

In section *3.2.2* we elaborated on the use of contracts in China, and found that they are not necessarily regarded as legal commitments, as the judicial system is considered to be weak. In 2016, China received a total score of 0.48 on the rule of law index, where 1 indicates full adherence to the rule of law (World Justice Project, 2016). This score ranked China as number 80 in the world. In comparison, most countries in the West rank in the top tier of the index, and as an example, Norway was ranked as number two. Some of the reasons for China's relatively low score, were connected to improper government influence, and low freedom of expression, civil participation and respect for due process. In recent years, there has been a change of focus in China, where the government in a larger degree has tried to implement the rule of law.

Another key problem in China has been the prevalence of corruption, and despite attempts to reduce the extent of it, corruption is still very much present. On the annual Corruption Perception Index, China was ranked number 79, scoring 40 points on a scale ranging from 1 to 100 (Transparency International, 2017). A score close to 100 points represents are very clean country. Despite the efforts to reduce corruption, China received the same score in 2016 as in 2013, where both 2014 and 2015 were of lower scores. According to Transparency International (2017), the focus of the anti-corruption work in China has been on catching public officials. In order to better secure transparency in China, the government needs to direct their focus towards both the private sector and the civil society. President, Xi Jinping, and Prime Minister, Li Keqiang, have publicly announced their willingness to fight corruption and secure the legacy of poor governance (Transparency International , 2012). As we saw above, there have been few results influencing the corruption index in a positive direction.

Summary of the Framework

The framework analysis tells us that there is a significant political risk related to doing business in China, making it a less attractive market. This is due to the fact that China is a one-party state with a government strongly present in the market. History also shows that China has been involved in both trade conflicts and uses of boycotts as a tool to punish other countries. The Economic element on the other hand, increases the attractiveness of the Chinese market to a large extent for salmon companies. This is due to a strong GDP growth, and a middle and upper middle class expected to grow significantly, which increases the market segment that consumes salmon. The analysis of the social element portrays China as an attractive market. Reasons for this attractiveness are both the demographic development, the emerging role of E-commerce and a focus on health and food safety. There are however some challenges that needs to be handled, the strong dependency on one cuisine being one of them. When analysing the legal elements of the Chinese market, it argues that the Chinese market is rather unattractive, due to both low scores on the rule of law and corruption indexes.

In total, we conclude that the Chinese market is very attractive along both the economic and social elements. Along the political and legal elements, however, the Chinese market is rather unattractive. There are several tools that can be used to offset the rather unattractive elements in the Chinese market, which will require increasing China specific knowledge.

5.1.2 Market and Firm Compatibility – The CAGE Framework

In the following section, we will analyse the match between the Chinese market and Norwegian salmon companies. This is done by using the CAGE framework, which is a framework developed to analyse distances at the country level by Pankaj Ghemawat. The framework includes *cultural*, *administrative*, *geographical* and *economic* distances.

Cultural

According to Ghemawat (2007), cultural factors are of particular importance for products in the food industry, as consumer preferences in food are highly affected by culture. The Norwegian salmon exporters should therefore pay extra attention to this form of distance.

First of all, a language barrier between Chinese and Norwegians can lead to miscommunication, and consequently prevent trade from happening. As English knowledge can be limited, many companies often use interpreters in business dealings. However, several Norwegian salmon exporters have Chinese natives working for them, either in Norway or in China. This

enables them to overcome language barriers, but it also increases the company's cultural understanding. While Norway can be regarded as an individualistic society, China is a collectivistic society, where guanxi and strong relationships based on trust and respect is central. Consequently, building strong relationships is especially important in the Chinese business life, and can often be very time consuming. To have someone employed who understands the importance of this, might therefore close the gap between the two societies and enable good trading conditions of the Norwegian salmon to the Chinese.

Administrative

There has been a rather hostile relationship between China and Norway since the fall of 2010. As a result of this hostility, China refused all political contact and imposed several new import restrictions on Norwegian seafood. As a consequence, the Norwegian salmon exports to China almost ceased in 2016. However, in December 2016, the two governments reached an agreement on re-establishing a bilateral relationship. To resume Norwegian salmon exports to China, a reduction in political hostility has proven critical, as getting the Chinese authorities to ease some of the restrictions imposed on Norwegian salmon does not happen in the blink of an eye, but requires continuous political contact. Even though the distance between China and the rest of the world decreased after it joined the World Trade Organisation, the government is still involved in the country's market to a large extent.

In addition, administrative and bureaucratic tasks that have been simplified in the West, can still be very time consuming in China. Regulations are for example more complex in China than in Norway, which is a small and transparent society. Compared to China, Norway is ranked number 6 with a total score of 85 points on Transparency International's corruption index, where we saw that China was ranked number 79 with a score of 40, in section *5.1.1*. The fact that salmon from Norway, as the only country, has been stopped in customs to be cleared for sales in China, shows that circumstances and political will, often is what determines your destiny in this market. This argues for a high administrative distance.

As Norway does not share currency with any other countries and most of the Norwegian salmon is exported, the majority of salmon trading is therefore done in foreign currencies. This makes the Norwegian salmon exporters highly exposed to fluctuations in the exchange rate. In recent years, the Norwegian krone (NOK) has been significantly weakened, due to the rapid drop in the oil price. The weak NOK has affected Norwegian exporters positively, as it portraits the Norwegian goods as cheaper. In *Figure 5.1,* the fluctuations in exchange rate for

some key currencies, relative to NOK of June 2010, are presented. The figure shows how CNY has fluctuated against NOK over this period, from about 80 per cent of NOK to over 140 per cent of NOK. At the end of this period, Norwegian exported goods have hence gotten relatively cheaper in China, and due to fluctuations in the exchange rate, it is approximately 30 per cent cheaper to buy Norwegian goods today. Given an improved relationship between Norway and China, the late changes in exchange rates would isolated be an argument for higher demand for Norwegian salmon in China. The exchange rates have also resulted in some cost increases for the salmon producers with a weakened NOK, e.g. feed costs.

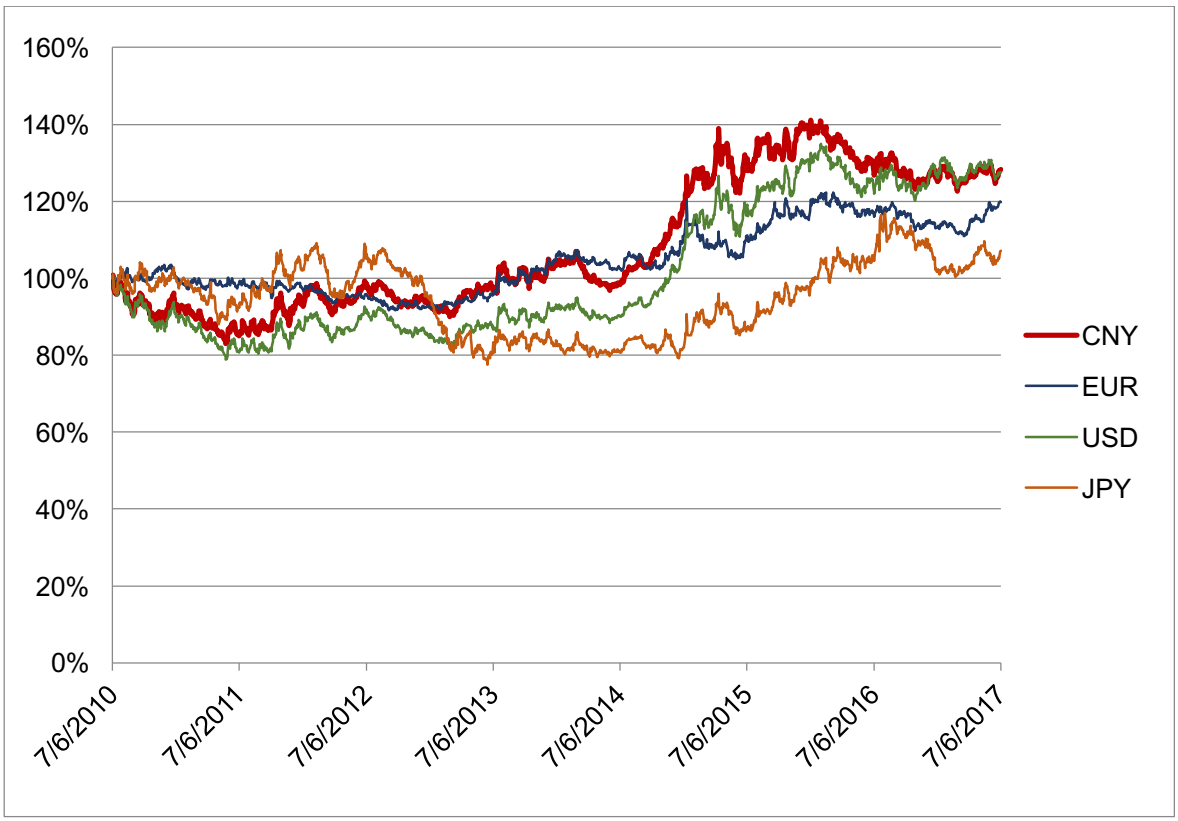


Figure 5.1: Development in key currencies compared relative to NOK, 2010-2017 (Norges Bank, 2017)

Today, there is a 10 per cent duty tariff on Norwegian salmon to China. In comparison, Chile has a free trade agreement and a duty tariff of zero per cent, on salmon to China. The authorities in China and Norway have now initiated new negotiations of a free trade agreement, after these negotiations stopped in the wake of the Peace Price in 2010. A free trade agreement will eradicate the competitive disadvantage facing Norwegian salmon exporter, in terms of zero versus 10 per cent duty tariffs. Alternatively, Norwegian salmon exporters will end up with lower margin, or people will have to be willing to pay more for the Norwegian salmon than for the Chilean.

Geographical

Physically, the distance between China and Norway is substantial. However, the transportation options between the two countries are adequate. Using airfreight, it takes about 36 hours from the salmon is harvest until it arrives in China, dependent on where in the country the fish is produced. When it comes to transportation, Norway has a great advantage over Chile, as it takes close to 2.5 times as long to transport salmon from Chile to China compared to transporting from Norway. The longer transport also costs from US$ 2-3 more. This suggests that, exporting salmon from Norway is both cheaper, and the salmon is fresher when it arrives in China. For frozen salmon, shipping is a good alternative, and a lot cheaper. The overseas markets are no large volume markets for Norwegian salmon, even though the markets are increasing. The overseas markets are in most cases willing willing to pay a price premium for salmon, which is hard to achieve in large volume markets like the EU. This premium is also necessary to justify the extra work of handling the larger number of customers, as this trade is often divided into smaller orders over a more various customer base. In addition, the premium also has to exceed the extra transportation costs, as shown in section *2.4,* to make the trade profitable. Another factor complicating trade over a long distance, is the different time zones of China and Norway, hindering effective communication, as China is seven hours ahead of Norway (GMT+8). Some exporters have also set up representation offices in China, in order to ensure efficient communications.

Economic

There are several factors that can describe the economic distance between countries. One commonly used factor is the GDP (at purchasing power parity – PPP) per capita, as an indicator for a country's prosperity. When comparing Norway and China along this factor, Norway had a GDP (PPP) per capita of more than $62,000 in 2015 while China had $14,000 (The World Bank, 2016c). This suggests a great economic distance between the two countries.

Another factor describing the economic distance between China and Norway is the income inequality. In 2012, China scored 42.2 on the GINI index, while Norway scored 25.9 (The World Bank, 2013b). The index ranges from 0 to 100, where a higher score indicates higher inequality in a society. This tells us that income inequality is much higher in China than in Norway, which is also one of the world's most equal countries. In addition to these two indicators for economic distance, significant differences in wage levels cost and quality of infrastructure can be observed. However, there is good access to skilled labour in China, but as the

opportunities are many, keeping strategic human assets can be challenging. As Norway is a very small country, compared to China, it has been dependent on immigration to attain labour with the right skills.

Summary of the Framework

The framework analysis tells us that there is some cultural distance between China and Norway. However, both the language barriers and the distance caused by the different ways of doing business, might be reduced by employing a Chinese native. Further, there is also a rather large distance when it comes to administrative differences. The major issue is the political hostility between the two countries. Even though the countries are working towards improving their relationship, one should be aware that potential setback can happen.

There is a large physical distance between China and Norway, but the transportation options are rather good, especially compared Chile. Nevertheless, there are several other important salmon markets, where the geographical distance is substantially shorter. Lastly, the economic distance between the two countries is large, supported by both the difference in GDP and the GINI index. However, the importance of this distance to the salmon industry is rather low, as China has a rather high number of people with substantial purchasing power. In total, if the problems related to political hostility is dealt with sufficiently, the distances between China and Norway could be manageable.

5.1.3 Competitive Environment – Five Forces Analysis

In the following section, we will analyse the competitive environment in the Chinese salmon market. This is done by using Porter's five forces framework, which was developed to reveal the drivers for industry competition. The framework includes the *threat of entry*, *the threat of substitutes*, *the power of buyers, the power of suppliers* and *the competitive rivalry*.

The Threat of Entry

Companies with different nationality face different barriers to enter, as special conditions apply for companies with different origin. For example, salmon exporters from Chile do not face any import duty tariffs, like salmon from Norway, Scotland and Faroe Islands, which face tariffs of 10 per cent when exporting to China (Bjørgo, 2017). Hence, salmon exporters from these countries face a barrier to entry in form of the duties, that Chilean companies do not face. In addition, China has introduced a range of import restrictions, like licences with quotas and

health certificates with subsequent testing. Norway is the only country framed by these policies, as they all were introduced after the Nobel Peace Prize awarding in 2010. This keeps companies from the major producing country, artificially out of the market, while salmon export companies from Chile, Scotland, Faroe Islands and Canada can enjoy a less competitive environment. Given that the bilateral relations between Norway and China will be normalised – practically as well – Norwegian salmon exporters can be considered as new players posing a serious entry threat to the incumbents, as Norwegian salmon has been almost absent from the Chinese market lately.

There is also reason to believe that economies of scale can be achieved in the sales and distribution segment of the industry. Having a dedicated sales force on each geographical market can be costly, and will therefore require a large enough sales volume, that costs can be allocated over. This may exclude smaller exporters, which either will have a generalist sales force selling to all markets, or a specialised sales force focusing on certain markets. Acquiring specialised human resources for a target market, can be a risky investment with an uncertain outcome, as success depends on finding the right people. Being present over time will also give the incumbents an experience and knowledge advantage over possible entrants. This advantage may lay the ground for achieving higher margins, and therefore represent a barrier to entry.

Doing business in China, requires you to develop good relations to your business partners, as enforcing contracts in the Chinese business environment has proven difficult. This makes it important to find other ways to safeguard against uncertainty. As shown in section 3.2, *guanxi* is the Chinese way of doing so. Chinese use time to build relations, to make sure they can trust their counterpart. Switching trading partners may therefore result in high switching costs, as Chinese business negotiations takes much time. In addition, keeping face is an important factor motivating Chinese to keep existing relations. A result of the Chinese loyalty to their business partners, it may be hard for entrants to gain access to distribution channels or other crucial resources.

In summary, we find the different trade agreements, special restrictions on the largest salmon producing country, economies of scale in sales and distribution and long lasting business relations to represent significant barriers to enter the Chinese market. Consequently, the threat of new entrants in the Chinese salmon market is rather low, and thus attractive for the incumbents. In the future, when the Sino-Norwegian relations are fully normalised – also practically

– the threat of entry from Norwegian players will be much higher. Norway represents 55 per cent of the world salmon production, and therefore has the ability to serve the market with a much higher stability, when given the opportunity.

The Threat of Substitutes

There are many ways of defining the substitutes for salmon, depending on which needs you find sit to be fulfilling, and what benefits it has to the consumers. As mentioned in section *2.4.1*, salmon is food consumed to express success and social status in China. In its widest definition, all foods covering this need can therefore be considered substitutes to salmon. According to Ma (2015), rare and expensive foods that express high social economic status, are normally protein rich animal foods, that are hard to obtain due to rareness, expensiveness, or need for importation. Traditionally, salmon has been solely an imported product in China. With a recovered trust in Chinese food production, locally farmed salmon or rainbow trout can pose a future, possible threat. The Chinese preferences for quality foreign brands or origin speaks against this.

The fact that 80-90 per cent of all salmon exported to China is consumed raw, i.e. sashimi, substitutes in its narrowest definition are therefore other kinds of sashimi like tuna and lobster. According to the Food and Agriculture Organization of the United Nations, most tuna stocks are either fully or overexploited, which is also the case for the tuna most desired for sashimi (FAO, 2011a). As the tuna supply is not expected to increase anytime soon, it makes it less of a threat substituting salmon. For the Chinese to make a switch to salmon sashimi substitutes, a lower price alone is not enough. What matters, is to what degree these substitutes have advantages that Chinese value, and to the right price. The fact that the salmon aquaculture industry is still in the growth phase, where productivity gains still can be reached, suggests that salmon also will be able to be competitive on price in the medium term.

For everyday animal protein sources like chicken, duck, pork or other fish species to be considered relevant substitutes in China, the price of salmon needs to be significantly lower than it is today. In other words, these do not pose a relevant threat, since they cover different needs. To sum up, we find that the threat of substitutes in the Chinese market is rather low. This would suggest a profitable market, both in the short and longer run.

The Power of Buyers

As mentioned in section *3.2.3*, accessing the Chinese market requires you to team up with a Chinese registered company, with an import licence. This suggests that exporters either have to sell their products to a Chinese importer, or to establish an import operation in China themselves. With whom the different exporters are selling to, often depends on the size of the exporters. Since it for most exporters cannot be justified to put up local operations, e.g. due to costs, most salmon exporters are trading with Chinese seafood importers. In section *2.4.1,* we mentioned that the importers are just a "handful" large companies, keeping the extension of the supply chain hidden. The implication being concentrated buyers with bargaining power over the exporters.

On the other hand, some of the largest exporters have established subsidiaries in China, to serve as importers of their own exports. This allows them to sell directly to retail, HORECA and wholesale. This results in a reduced buyer bargaining power in the market, since it increases the concentration of exporters left for the importers to buy from. With an increasing demand for salmon in China, an interdependency between the importers and salmon exporters has therefore developed.

Salmon has traditionally been sold through wet markets in China, where the goods are sold purely as commodities with weak differentiation, and no presence of brands. Weakly differentiated products may result in lower switching costs. As pointed out by Tveterås & Kvaløy (2004), the rise of more sophisticated sales channels like retail and E-commerce, will also in China raise the requirements for traceability and transparency in the salmon supply chain. This will increase the switching costs associated with searching for the right supplier, as it will make it harder for the buyers to find a new supplier that meets the same quality standards. The problem relates to the fact that these quality standards already have been communicated to the end consumers, through labelling. This demonstrates a higher asset specificity in both ends of the trade, leading to an increased interdependency. However, as 99 per cent of the salmon exported to China was in the head-on-gutted format in 2015 (Statistics Norway, 2017d), the salmon exported to China today is rather homogeneous.

To summarise, the concentration of buyers, and the relatively low switching costs due to weak differentiation, indicate a medium buyer power – for most of the exporters. However, in the future, we will likely see a decreased buyer power, as the degree of differentiation increases and other sales channels emerge.

The Power of Suppliers

As we are examining the salmon exporters, who classifies as their suppliers will vary from company to company. Some exporters are fully integrated groups with own production, while others are independent trading companies with no own production. If we look at the independent trading companies, the suppliers are all other salmon companies, selling their products on the open market. The fact that the large salmon groups have integrated trading, implies that the independent farming companies are the main suppliers of the independent traders. The supplier competition threat is also very present for the salmon traders, as the farmers can be motivated to go beyond the traders to capture more value, for instance when being contacted by one of the traders' big clients directly.

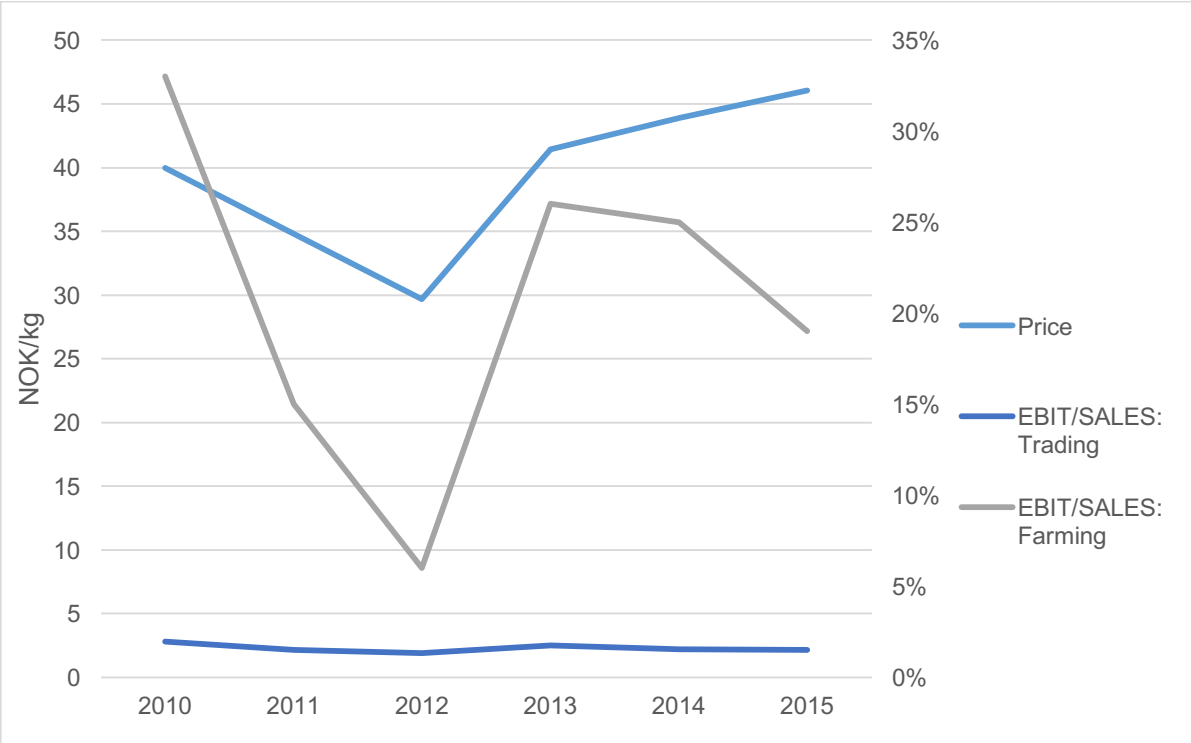


Figure 5.2: Operating margins in salmon trading a nd farming, 2010-2015 (Directorate of Fisheries, 2016b; Statistics Norway, 2017c; Proff, 2016)

Due to the trend of companies consolidating both vertically and horizontally in the industry, the concentration of suppliers has increased to a great extent over the last years. As, shown in section *2.3*, the ten largest companies accounted for about 70 per cent of the total Norwegian production in 2014. This indicates that the suppliers have an increasing power over their buyers. This can be showed by comparing the EBIT/sales margins (operating margin) of the companies doing farming with the EBIT/sales of the independent trading companies. We have

therefore calculated the operating margins of the exporters, based on publicly published financial statements (Proff, 2016), and compared them to operating margins of the salmon producers, published by the Directorate of Fisheries (2016b). We also plotted the average price for these years, to see if there is a distinct relation between the price and the salmon farmers' and traders' operating margins. As shown in *Figure 5.2*, the farmers have a much higher operating margin than the traders, which from 2010 to 2015 varied from 6 to 33 per cent. The operating margin of the trading companies are, on the other hand, much lower and more stable, with an average of about 1.5 per cent. We can also observe a distinct relation between the price, and especially the operating margins of the farmers, knowing that increased costs have affected the profits the last years.

As salmon is a relatively homogeneous product, switching between suppliers does not trigger too high switching costs. It can have the negative effect of damaging relations, and keeping the stability of deliveries can be challenged. More time will be spent looking for the customers' requested products and volumes. If the switching costs in these relations were significant, we would have observed traders willing to pay a premium to avoid any trouble. However, this cannot be observed among the Norwegian companies. This suggests that the switching costs are at a medium level.

In summary, the great difference in operating margins implies that the supplier power is high. This is due to a few big companies dominating the supply, the supplier competition threat and medium switching costs. Therefore, it lays the ground for the farmers to capture much of the value in the salmon value chain.

Competitive Rivalry

The salmon industry consists of companies with great variations in both size and the degree of vertical coordination. On the one side, you have the Marine Harvest Group (MHG), which is a fully integrated group, controlling the whole value chain from feed production to processing and sales (MHG, 2017). The group made up 20 per cent of the world supply of salmon, with revenues of close to NOK 33 billion in 2016. On the other side, you have small independent producers and traders with just tens of million in revenues. With Marine Harvest Group's dominating position, a competitor balance can be observed, meaning that none of the other companies are capable of challenging this dominating position. To make a comparison, Salmar, which is the world's second largest salmon group, make up "only" six per cent of the

world production. This makes the different players carry out different niche strategies, to avoid being overshadowed by the dominant companies.

As envisioned in section *2.4.3*, the salmon industry is expected to grow significantly over the next decades. Today, demand is growing stronger than the supply. This is demonstrated by a value growth of about 30 per cent from 2015 to 2016, where lower volumes were sold at much higher prices in 2016. This implies that none has problems selling their volumes, it is just a question of who pays the best. When the biological challenges facing the industry today, have been solved, we can expect a growing volume once again. The fact that both the industry and the Chinese market are still in the growth face of their life cycle, points to low rivalry between the competitors.

Like mentioned above, it can be argued that salmon is a relatively homogenous product, being sold like commodities without much differentiation and relational trade. However, empirical data suggest otherwise, where long lasting trading relations can be observed. The move towards more sophisticated sales channels like retail, will contribute to increase the differentiation. This is due to higher requirements to both quality and differentiation in the downstream end of the supply chain. As a result, the salmon suppliers are increasing the asset specificity to meet the requirements, preventing buyers from changing suppliers as switching costs increase. On the other hand, the Chinese salmon market is more commoditised than many other markets, as mentioned before.

There will likely be some barriers to exit, after establishing in the Chinese market, as this certain market requires more presence than other more adjacent markets. A solution can be investing in a representative office, and hiring local manpower with specific knowledge. A different solution is to hire native Chinese at home, to gain the specific market know-how required to facilitate sales, by building trusting relations to the right players. It can be costly to retrain the workforce for an alternative purpose, which increases the barriers to exit. In addition, the fixed cost related to the market presence needs to be covered

To sum up, we find the competitive rivalry in the market to be medium. This is due to products that are relatively homogeneous, and that there are some barriers to exit – although not immense, which both argues for higher rivalry. On the other hand, industry competitors are in balance, and demand is growing faster than the supply, both reducing rivalry.

Summary of the Framework

There are significant barriers to enter the Chinese market. Consequently, the threat of new entrants in the Chinese salmon market is rather low, and thus attractive for the incumbents. The threat of substitutes in the Chinese market is rather low, suggesting a profitable market, both in the short and longer run. Concentration of buyers, and the relatively low switching costs indicate a medium buyer power. A great difference in operating margins implies that the supplier power is high. This is due to a few big companies dominating the supply, the supplier competition threat and medium switching costs. We find the competitive rivalry in the market to be medium, due to products that are relatively homogeneous, and that there are some barriers to exit arguing for higher rivalry, while a demand growing faster than the supply and an industry in balance, both are reducing competitive rivalry. In total, we therefore conclude that the competitive environment in the Chinese salmon market is at a medium level.

5.1.4 Conclusion Frameworks

The opportunities in the Chinese market are great, though several issues have to be solved in order to exploit these opportunities. We therefore range China as a medium attractive country, where the attractiveness can increase by investing in China specific knowledge. Further, the CAGE framework indicates that the distances between Norway and China are rather large, but manageable if the issues related to political hostility and China's distinctive governance system, are dealt with properly. Lastly, the competitive environment in the Chinese salmon market is at a medium level. We can therefore conclude that success in China requires a cleverness, as the business environment is rather different from the Western countries. This involves a need for China specific knowledge. A success in dealing with the described challenges can therefore represent great profit potentials. Nevertheless, China is not a market where fast profits can be made.

5.2 ANALYSIS OF THE INTERVIEWS

In this section, we present and use the information attained through our interviews, to investigate whether Norwegian salmon exporters are making decisions on entering the Chinese market in accordance to the theories presented in the literature review. As a part of this, we will also evaluate their approach to the special business environment of China. In addition, we

identify some key factors that are important to consider when exporting salmon to China, and factors that are determinant for success and not thoroughly described in literature on this field.

First, we present the respondents of the interviews, in section *5.2.1*. Second, we look at factors that are found to be important when selecting a market for entry, in section *5.2.2*. Third, we present the salmon exporters' perception of the Chinese market, in section *5.2.3*. Fourth, we evaluate the exporters expectations for Norwegian salmon's market access in China, in section *5.2.4*. Last, we look at whether the exporters' approach for success in the Chinese market is in accordance with literature on the field, in section *5.2.5*.

5.2.1 Respondents

In the figure below (*Figure 5.3)*, we have plotted the locations of the interviewed companies on a map of Norway, to better illustrate the companies' geographical spread along the coast.

Figure 5.3: Map of the interviewees' locations

Table 5.1 presents the companies included in our sample, and indicators to where the companies are located along two of the dimensions that they were sampled from; the exporters' size and geographical location. Note that Marine Harvest report their annual revenues in EUR. In order to ease the comparisons between the companies in our sample, we have therefore chosen to present their annual revenues in NOK. For this purpose, we used the average exchange rate (9.29 NOK) from EUR to NOK in 2016 (Norges Bank, 2017).

Table 5.2 presents the two other dimensions of which the salmon exporters were sampled along; the degree of former or present involvement in China and the countries where their salmon is sourced from.

Table 5.3 presents the interviewees by name and respective position within the company they represent. Note that we have interviewed Cermaq Norway which is a subsidiary of the Cermaq Group.

The tables present the companies in an alphabetical order.

Table 5.1: The interviewed companies' location and size, in terms of revenues (NOK million) and volumes (tonnes GWE) in 2016 (Proff, 2017; Myklebust, et al., 2017)

Company name	Location	Revenues 2016	Sales volumes 2016
Bravo Seafood	Florø	1 186	~ 20 000
Cermaq Group[15]	Oslo	8 000	~ 201 000
Marine Harvest	Bergen	32 610	381 000
Nils Williksen	Rørvik	1 537	~ 35 000
Norwell	Florø	1 557	~ 25 000
Ocean Quality[16]	Bergen	~ 6 900	~ 100 000
Ocean Supreme	Ålesund	1 120	~ 15 000
Vikenco[17]	Aukra	~ 1 400	~ 30 000

[15] Fiscal year used in Mitsubishi Corporation ends at 31 March. The Cermaq Group therefore changed its fiscal year after the acquisition. Last reported fiscal year therefore lasts from 1 January 2015 to 31 March 2016, hence 15 months long (Cermaq Group AS, 2016).

[16] Revenue figures for 2016 are obtained from the interview with Ocean Quality.

[17] Revenue figures for 2016 are obtained from the interview with Vikenco.

Table 5.2: The respondents' China experience and sourcing countries

Company name	China Experience	Sourcing Countries
Bravo Seafood	Prior experience through export, no physical presence	Norway
Cermaq	Prior experience through export, sister company in China	Norway; Chile; Canada
Marine Harvest	Present through subsidiary: sales and imports – salmon from several countries	Norway; UK; Chile; Canada; Faroe Islands; Ireland
Nils Williksen	Prior experience through export, no physical presence	Norway
Norwell	Prior experience through export, no physical presence	Norway
Ocean Quality	Present through subsidiary: sales – salmon from several countries	Norway; UK; Canada
Ocean Supreme	Prior experience through export, no physical presence	Norway
Vikenco	Limited prior export experience, no physical presence	Norway

Table 5.3: Name and title of interviewees

Company Name	Interviewee	Title
Bravo Seafood	Karl Petter Myklebust	Managing Director
Cermaq Norway	Brede Løfsgaard	Sales Director Europe
Marine Harvest	Alf-Helge Aarskog	CEO
Nils Williksen	Nils Martin Williksen	CEO
Norwell	Ole Bernt Solheim	Head of Sales and Marketing
Ocean Quality	Arne Aarhus	Managing Director
Ocean Supreme	Botholf Stolt-Nilsen	Managing Director
Vikenco	Per Olav Mevold	General Manager

5.2.2 Selecting the Market

When interviewing the different salmon exporters, it appeared to be an agreement that certain general factors needed to be present in the market, before they would further evaluate whether or not the market was a good match to their company. These factors, or so-called pre-qualifiers, included religious believes, purchasing power and logistics. The companies identify these factors through simple research, such as google searches. However, the companies emphasise

different factors when determining whether or not the market is a good match to their company.

Pre-qualifiers

Some of the respondents pointed out that religious believes are one of the first things to clarify when assessing a new market. This comes down to whether or not the potential market actually consumes fish. This assessment is further supported by other exporters, though not in conjunction with religious believes. However, it seemed to be a common agreement that the first step is to evaluate the seafood consumption in the potential market.

Further, salmon is an expensive product, which requires a market with a high enough purchasing power. Ocean Supreme said the following about the matter: "If there are high-raised buildings in the cities, then there will also be a purchasing power high enough to buy salmon". In addition, it is also important that the country has a proper distribution and cold chain logistics. There is also an issue related to whether or not the market can be reached within reasonable time, considering that fresh salmon has a limited shelf-life.

Culture

All the respondents agree that a cultural assessment is important when choosing which market to enter. However, the degree of importance varies among the respondents. There seems to be an agreement that it is important to have a cultural understanding of the people you are dealing with, especially in China. In Western markets, there is more of a common understanding of how business is done, as the business cultures are more similar. The Chinese business culture, with emphasis on building trust and relationships, can to some companies be an unappealing attribute as it will require too much effort with an uncertain outcome.

Both Vikenco and Nils Williksen expressed that they do not necessarily choose markets based on the general market attributes. They choose to emphasise on the attractiveness of the customer, making sure there is a good match between their company and the buyer's philosophy. This is in accordance with the Chinese way of doing business, as outlined section *3.2.2*. If the Chinese do not trust you or feel a connection, it does not matter which promising business prospects you are proposing.

Uncertainty

The uncertainty and risks associated with a market are something all of the exporters consider. However, it does not seem like the political risks associated with China are enough to refrain

them from entering the market. Instead, they make some adjustments and take certain precautions. Several of the participants admit that they have had troubles due to political boycotts before, for instance in Russia. These sudden trade restrictions often make it difficult to claim payments, and consequently lead to loss of receivables.

When Russia closed the borders to Norwegian seafood in 2014, some of the respondents suffered big losses. Russia has traditionally been an important market for Norwegian salmon, and some of the companies have invested heavily in the market. When the market then closed overnight, it created a need for reorganising. This is something the seafood industry is rather good at. As Vikenco stated: "When someone gets banned, it makes room for someone else, and in reality, you only see a reorganising of who operates where". Consequently, this reorganising makes other markets more accessible, and the banned companies can take market shares there. Thus, the salmon exporters seem to be rather adaptable to a dynamic market.

Even though the salmon companies adapt easily, it is not done without costs. It takes time to search for new customers and develop new stable relations, which according to transaction cost economics are the *ex ante* costs of governance. These costs increase when switching customers often. Consequently, relying too heavily on uncertain markets may not be wise. For this reason, it seems like the exporters try to reduce their exposure to risk by diversifying their involvements over several markets, and not get too dependent on a few markets. After the ban from Russia, and the repercussions that followed, Ocean Quality have actively tried to spread their engagements equally in different markets. However, the attempt to reduce exposure to risk may in turn result in increased transaction costs related to maintaining a broader customer portfolio. An effect of spreading the involvement over additional markets and customers may be that achieving economies of scale will prove difficult. As with Russia, there is a political risk associated with doing business in China. The exporters are aware of this risk, but are still willing to enter the market. This was exemplified by Norwell, which stated: "If things are back to normal, I think China will become an important and major market for us".

In order to secure their receivables, Norwegian salmon exporters use credit insurance as a way of safeguarding their transactions. However, the lack of transparency in Chinese business makes it difficult for insurance institutions to give the buyers a credit-rating enabling them to price the insurance (GIEK Credit Insurance, personal communication, May 23, 2017). The credit insurance will normally cover both payment defaults and defaults caused by political risks. A higher country specific risk will therefore increase the price, or just make it more

difficult to grant a credit that is generous enough. Due to the short-comings in credit insurance grants, the Norwegian exporters require cash in advance, whenever an insurance is difficult to obtain. In this way, they are able to protect their interest, in order to reduce losses due to payment defaults and the repercussions of political motivated restrictions. In addition, the Chinese way of doing business often makes it difficult for foreigners to succeed, as uncertainty increases when they are not able to gain trust and develop guanxi relationships.

Price

Which markets the exporters choose to enter, is often a result of coincidences. As one of them pointed out, it could simply be that someone has seen their fish boxes and approach them with a request to buy salmon. In the end, it comes down to price and the markets willingness to pay. As Marine Harvest stated: "We want to sell as much salmon as possible, to the highest price possible, all over the world". The considerations mentioned above have an effect, in terms of whether or not is it feasible to sell salmon in the given market, but none of them matter if the customers are not willing to pay.

In 2016, the produced salmon volume in Norway decreased. Since the production volumes are not expected to increase in the years to come, and the fact that salmon supply is more or less fixed in the short term, an increased supply to one market leads to decreased supply to another market. In other words, to increase the sales volume to China in the short term, the salmon has to be allocated from another market. Unless the price is right, none of the respondents said that they are willing to do so. Ocean Quality said the following about the matter: "People are talking about a shortage of fish, but there is never a shortage of goods in the market. It is only a shortage of fish to those who want to purchase it below the market price".

However, several of the respondents may still end up prioritising the Chinese market. The majority of the respondents emphasised that China is a market for large sized salmon, where a price premium can be achieved for this attribute. Since markets, like the European, are not willing to pay a premium for the largest size classes, it will therefore be an easy choice to sell this salmon China instead, as it is one of the markets willing to pay a price premium for the large salmon size classes (6 kg+). In *Figure 2.3* we showed that different size classes are sold to different prices per kg. In addition, Russia has traditionally been a market where a premium for the largest sized salmon can be achieved, but since they closed their borders to Norwegian salmon, this salmon has been allocated to other markets.

5.2.3 Perception of the Chinese Market

The respondents had no unanimous perception of the Chinese market. There are however some answers that recur. In the following we will present the respondents' perception of the market, and compare the findings to our market research.

Demand growth

Several of the respondents mentioned that the Chinese economy has grown, and that demand is good and increasing. The export statistics confirm this impression, showing that the imported salmon volumes to China approximately tripled from 2010 to 2014. As shown in *Figure 2.5,* the volume growth stagnated from 2014 to 2016, which some of the respondents also mentioned. There can be several reasons for this stagnation. First of all, the salmon price has been higher than ever over these three years. In a market with a given demand function, standard economic theory would suggest that a higher price would result in a lower demand for normal goods. As the imported volumes have shown an increase even during 2016, when the price was at an all-time high, it first of all may suggest that the market has grown.

Second of all, it may suggest that the demand is very inelastic, but according to Asche and Bjørndal (2011), studies show that the salmon demand is elastic to changes in its own price. Finally, it may suggest that the salmon demand is a negative function of the price. The latter is not a very plausible explanation, as more mature markets show the opposite correlation. In addition, it has only been observed in some rare cases for luxurious products. This suggest that market growth is the most probable explanation. Evidently, a high price and relatively unaffected volumes resulted in a strong value growth, both in China and the China region in 2016.

Some of the respondents also added that Norway has not benefited from this market growth, which is also confirmed by trade statistics in terms of volume, when looking at China isolated. Looking at the China region as a whole, some said that they have experienced an unchanged demand. In terms of value, the export of Norwegian salmon increased by almost 40 per cent from 2015 to 2016. Two of the respondents also noted that the economic growth has slowed down lately. In terms of percentage this is correct, but when looking at the economic growth in absolute terms, the GDP of China has grown by about half a trillion annually over the last 10 years, with no proven decline (The World Bank, n.d.). The fact that the relative growth rate is decreasing, in a growing economy like the Chinese, is not a very surprising observation, as

the basis of which the relative term is based upon has gotten larger. In other words, the Chinese economy is still growing, and adding about the size of Sweden's economy annually.

The Consumer

Half of the respondents found it hard to say anything specific about the Chinese consumer, due to the lack of presence in China over the last years. However, three out of eight said that salmon is not yet a dominating product in China, and that it is still an emerging market. When comparing the Chinese salmon consumption to the total seafood consumption in China, as seen in section *2.4.1*, their impression is confirmed. China being an emerging market for salmon, implies that the product is still unknown to many Chinese. Some of the respondents also emphasised that salmon is mainly consumed as sashimi in China, which means that it will be hard to reach high export volumes, as sashimi is consumed in rather small portions. This suggests that there is a long way to go for salmon to become a volume product in China. Some respondents pointed out that salmon is an expensive luxury product consumed by the upper classes to express status, and not a protein source found in the Chinese everyday menu today. This situation has probably occurred due to a high price for salmon over time.

Market Advancements

Some of the respondents mentioned that China has not only experienced a growing GDP, but also an increased purchasing power for the average Chinese. Isolated, a higher purchasing power would imply that more people will be eating out, and that demand for more expensive goods will increase. This is positive for salmon, as 99 per cent of the salmon exports to China are being exported in the head-on-gutted format, which implies that salmon is still consumed through HORECA channels in China. This is due to the sushi chefs wanting to filleting the fish themselves.

However, several companies experience advancements in the Chinese market. They experience a similar development of the one the European market has been through over the last decades. In China this means a move from stalls at wet markets to more sophisticated supermarkets. There is however a difference between the former development of the markets we know as more more mature today, and the one we now see in China. Simultaneous with the rise of supermarkets in China, a significant growth in E-commerce can be observed. Hence, selling salmon through E-commerce platforms can undoubtedly possess a great profit potential in China, once you have managed to build a trusted salmon brand. Marine Harvest was one of the companies emphasising the role of E-commerce in China the most during the interviews.

5.2.4 Market Access

All the interviewed companies said they believe in an improved market access, but the degree of optimism and the belief in how the challenges can be solved, varied. On the one side, we have Cermaq, which said: "The market access will change dramatically, from a very limited access to a full access". In addition, he believed that the three suspended counties will be re-opened for export to China in the next round. On the other side, we have Ocean Quality, which said: "We are not preparing for any changes in market access, as what happens, happens, and when it happens we are already present in China, and it will be easy for us to get the ball rolling for Norwegian salmon". He added that he is not convinced by the optimistic expectation created by politicians and the media.

In general, the interviews revealed an impatience in getting a normalised access to the Chinese market. The majority of the companies believe and hope that the market access will be back to normal, within the end of this year. Some even said that a normalised market access should have been in place already. This may represent one of the differences between Norwegian and Chinese culture. When the normalisation was announced in December 2016, there had been no bilateral contact between the two countries for more than six years. This means that personal relations on a political level had not been present for a long time, and it would therefore be like starting from scratch. As mentioned in section *3.2.2*, the Chinese spend a lot of time getting to know their counterparts, in order to gain trust and mutual respect. The fact that Norway "let the peace prize be given" to a Chinese dissident will in the eyes of a Chinese, be perceived as disrespect – causing them to lose face.

As a result of the recent dispute, the Chinese may want to spend extra time making sure that Norway can be trusted, and that they will not make China look bad again. In addition, signing a contract with Chinese does not necessarily mean that the contractual terms are sealed, it may simply indicate that they are willing to continue the negotiations. The announcement in December may therefore be limited to a declaration of willingness, from a Chinese point of view. In reality, there has been no actual change in how the trade takes place and the restrictions imposed on Norwegian imports. Norwegians on the other hand, tend to interpret someone's word more directly. This can be illustrated by the test shipments carried out as early as mid-January, by Marine Harvest and others. As of 5 June 2017, the accumulated imported volumes of Norwegian salmon to China, was only 696 tonnes to an average price of NOK 72.51, whereas 1130 tonnes had been imported to an average price of NOK 65.53, by the same time

in 2016 (Norwegian Seafood Council, 2017c). Evidently, no actual improvements in market access have found place.

Unofficial Imports

In section *2.4.1,* we observed that Norwegian salmon exports to China only made up about five per cent of the country's imported volumes – through official channels in 2016. This is a result of the Chinese import restrictions introduced on Norwegian salmon after 2010. The import quotas were mentioned as one of the main reasons for the difficulties of getting Norwegian salmon to the Chinese market. In addition, customs duties are imposed on Norwegian salmon, which according to several of the respondents make it more lucrative to use smuggling routes from nearby countries like Vietnam, Hong Kong, Thailand and Taiwan. Chinese business people are also reported to be very adaptable to rules and regulations, showing a willingness to find loopholes to make trade happen. When looking at the salmon imports to the China region (*Figure 2.6*), the volumes of Norwegian salmon were at about the same levels in 2016 as in 2010. This might suggest that large volumes of Norwegian salmon now go through the neighbouring countries, before ending up in China. Norway remained the major exporter to the China region in 2016, with a market share of more than 40 per cent.

In comparison to Norwegian salmon, Chilean salmon faces no customs duties, which according to one of the respondents gives them a cost advantage of about a dollar per kg. Using the smuggling routes often require the exporter to ship large volumes. In many cases, this means filling a truck that can be driven over the mountains to China, where an increased risk exposure follows. The respondents mentioning the smuggling route, point to a list of issues making this problematic. First of all, it will result in fish with poorer quality than directly imported salmon. This is due to both the fact that it will take additional days to reach the customers, resulting in salmon with a shorter shelf life, a broken cold chain, and a shipment that is untraceable – sold in white unlabelled boxes. Second of all, the lack of trade transparency makes it harder to develop the Chinese market, as one is not officially present.

These issues must be taken into account when using the informal channels. In addition, as reported by one of the respondents, the Chinese custom duty of 10 per cent is often not a good enough argument to justify the smuggling, as there are extra costs and risks associated with it. As the unofficial channels have gotten more and more streamlined, some of the players might keep importing salmon through neighbouring countries, even with an ease in import restrictions. Some of the respondents also mentioned that the Chinese authorities are aware of

the smuggling going on. However, little is done to prevent these activities. For more volumes to go directly to China, it might be necessary with either a free trade agreement or more frequent border controls.

5.2.5 An Approach for Success

In this section, we have identified six key factors or decisive topics which can determine the success of Norwegian salmon exporters entering, or increasing their presence in, the Chinese market. These topics are mainly based on the finding of our interviews.

Presence

Of the eight companies we interviewed, three are present in China through different types of ventures. Marine Harvest and Ocean Quality are both present in China through wholly owned subsidiaries, while Cermaq is indirectly present through a subsidiary of its parent company, Mitsubishi. The fact that some companies choose a wholly owned subsidiary over a joint venture, can according to Ambler et al. (2016), be that wholly owned subsidiaries are perceived as less risky. In addition, the lack of legal enforcements in China may leave the Norwegian salmon companies reluctant to give up control through a joint venture.

The three physical present companies, are also the three largest companies we interviewed. Establishing wholly owned subsidiaries has some advantages, as exporting to China often can be time consuming. In addition, presence and close supervision are needed in China in order to ensure the company's best interest, especially if you are interested in branding – such as Marine Harvest and Ocean Quality. However, it requires a certain size. Norwell was rather undecided on the importance of physical presence for a small to medium sized exporter like themselves. In the short term, he emphasised that you should be present enough to build relations, and to ensure that information flows well both ways. In the long term however, he was not precluding that a sales office in Asia would be necessary. He added that the only disadvantage related to not being present physically through a sales office in the overseas markets, was the time difference. Bravo also said that they find presence important, although not necessarily through physical presence every day, as long as you manage to follow up on your customers in a proper manner.

In addition to being the largest companies, Marine Harvest, Ocean Quality and Cermaq, all sell salmon that is produced in other countries in addition to Norway, as shown in *Table 5.2*. However, their arguments for physical presence vary to some extent. In our interviews, Marine

Harvest and Ocean Quality were also the two companies that were stressing the importance of market presence the most. Ocean Quality said that he finds it odd how strongly present the Norwegian export industry is in its home country, and pointed out: “There is no reason to be sitting here, when your customer is out there, and your most important tool is relations”. Marine Harvest said that physical presence is especially important if you want to be carrying out branding in a market. He added that: “The most effective way of building a market requires you to be present, giving out samples and be staffed to carry out the groundwork”.

Cermaq said that the importance of physical presence depends on the market. For instance, in markets where price is everything, presence is not necessary at all. He emphasised that in markets where language or culture can represent a barrier, physical presence makes more sense. Consequently, he found China to be a country that stands out in terms of importance of market presence. Evidently, the Mitsubishi group has several subsidiaries around the world that Cermaq have chosen not to make use of, as it does not provide them with any added value.

Nils Williksen, which is present with joint ventures in other markets, said that physical presence in a market gives you an advantage. He also emphasised the importance of having the right people and the right set-up in a market. On the other hand, he also mentioned that there are some side effects of being present, e.g. that the traditional importers regard you as a competitor resulting in opportunities for those who are not present. He said that: “My experience is that you should be cautious in generalising markets”.

On the other end of the scale to Marine Harvest and Ocean Quality, we find Vikenco and Ocean Supreme, which did not find physical market presence important at all. Vikenco, which is located with both sales and processing function at the same site in Norway, said that their proximity to the production gives them a great flexibility. He pointed out that: “In most cases, we are able to do changes and adaptations to customer wishes today, which may have an effect in the U.S. market tomorrow already”. He said that this advantage has enabled them to perform at least as good as the companies being physically present in the market. Ocean Supreme said that efficient communications and a good access to information have made physical presence in markets redundant for the way they are working. Working with local distributor in different countries and cities suits them better. However, he agrees with Marine Harvest that presence is more important when doing downstream activities like consumer packed products and branding.

We can see that the companies' answers, clearly reflect two of their most important attributes. These are the size segments they belong to, and where the salmon they sell is produced. There is however a plausible explanation to this phenomenon. First of all, it is clearly not an option for small or medium sized exporters to establish subsidiaries in all the markets they export to, as these organisations in most cases total to a maximum of 15 employees. Therefore, market presence is often limited to having an export agent for these companies. Second of all, it makes more sense for companies selling salmon with different origin to be present in certain markets. This is due to the fact that the risks related to bilateral trade conflicts will reduce when you have the opportunity to sell from other countries than the country involved in the conflict. In addition, it may be a higher need for coordination, when selling salmon with different origin in the same market. Synergy effects in this set-up may also exist.

Relations

All the respondents recognised the importance of networks and relations in the industry. Ocean Quality stated: "If you do not have relations, you do not stand a chance in this industry". This statement is quite representative for the exporters we talked to. Even though it seems like relations are important in all markets, most exporters admit that the Chinese market emphasises it even more. The Chinese society is built on relationships and the concept of guanxi, and in such a market – building relations is everything.

The importance of relations in the salmon industry, also relates to the type of product salmon is. Salmon is traditionally regarded as a commodity, where personal relationships are not required. However, according to the exporters – relations are essential in salmon trading. This is consistent with the study by Sørvig and Tveterås (2016, p. 17), claiming that salmon "is not a commodity in the purest sense". Ocean Quality elaborated that with a product like salmon, where you have multiple sales every week throughout the year, you cannot succeed without trust. In its simplest sense, salmon is a commodity traded on the open market. However, when you are dependent on having the right quality, to the right time and price – throughout the year, relations and trust are essential. Switching supplier or buyer often, increases the transaction costs, and in order to reduce these – some kind of relational contract can be implemented.

Cermaq implied that most people are not aware of how important relations in the salmon industry are. He stated the following: "Relations are very important! And to a much larger degree than people think, and even I thought a few years back". Their best customers are the ones that are concerned with what the fish contains, whether the fish is treated well, the use of antibiotics

or other compositions, and the origin of the fish. According to Tveterås and Kvaløy (2004), there is a growing demand for product guarantees. These guarantees increase the transactions costs of finding the right supplier. Our findings suggest a support of the findings by Sørvig and Tveterås (2016), which implies that the industry reduces these costs, in a large degree, by building long-lasting relationship.

As Yeung and Tung (1996) pointed out, Western networks are often ties between organisations. This contradicts what we uncovered in our interviews. The Norwegian way of networking in business is usually on behalf of one's employer. Once a new relation has been entered into, it is often protected by written contracts and laws, e.g. in the form of non-competitive clauses. Therefore, it is not given that relations and customers attained in one company, will follow the employee to the next employer. In other words, the customer portfolio is tied to the company, and not the individuals within the company. However, in the salmon industry it seems like the practice is more similar to the Chinese perception of relations, where relations are personal for each individual. This implies that losing an employee, also means losing the network of the employee. Several of the exporters we talked to, mentioned that some of their largest customers are linked to people they have had relations to for 15 to 20 years. They have built trust and developed relationships regardless of the companies they have worked for. Consequently, hiring the right person with the right network, can have a huge impact on which markets the company succeeds in. This is similar to the practice of guanxi in China.

Approach to New Relations

Personal meetings are prioritised by all the respondents. According to Graham and Lam (2003), spending time with Chinese business people involves more than just talking business. An important part of the meetings is the socialising. This is in accordance with the Norwegian exporters' responses. Norwell's experience, after many years in the business, is that family is important wherever you go in the world, and that most people like to have fun and prefer a relaxed atmosphere. People are often willing to share more in familiar surroundings, and Norwell stated: "The strongest relations are made by visiting them". Several exporters also talked about the importance of inviting potential customers to Norway, to show the production facilities' surroundings. Trust is essential in Chinese business, and it is not necessarily created in a meeting room. By showing the Chinese the salmon farms and how everything is done, it might be easier to gain trust and credibility. This is supported by Cermaq: "I think the best things you can do is to get the customers to the salmon pens, and they are hooked".

Nils Williksen, among others, emphasised the importance of being patient, spending time with potential customers and to get to know them. This is a softer approach than the common practice in Europe, where business comes first, then socialising and pleasure. In addition, repeated attempts to succeed in China is often regarded as a sign of commitment. This is in accordance with the view of Nils Williksen: "You should not give up, just because you do not get accepted the first year".

Human Resources

All of the respondents pointed to human resources and relations as important factors for success in China. In this market, relations are personal and not between organisations, and are considered to be crucial for succeeding with business. This implies that having the right person in your company, means everything. However, this does not apply exclusively to the Chinese market. Several of the exporters emphasise the importance of having the right person with the right background, especially in markets where language barriers are present. Cermaq exemplified this further: "After hiring an Italian girl, we went from a market share of three per cent to 20 per cent in Italy, almost overnight".

Several of the exporters already have a Chinese native in their sales force, while the remaining see the advantages of having one. However, Norwell had a slightly different view on the matter, and stated: "Not every Chinese prefer talking to someone from their own country when trading with a Norwegian company". Both of these approaches can probably be supported. Gaining access and making the right relation will probably go faster when using someone who is familiar with the culture and the way of conducting business in China. If you find the right person with good guanxi relations, it may ease the acceptance process. On the other hand, the amount of food scandals and the lack of trust in domestic food production, have led to scepticism when dealing with other Chinese. This may imply that dealing with other Chinese, especially concerning food products, is not desirable – even though the salmon comes from a Norwegian based company.

Types of Contract

Nils Williksen said: "If we manage to build trust and deliver regularly, the trade will not be as price sensitive". However, regardless of where in the world you are selling to, you will always have players that only care about the trade today, and the only thing that matters is the price, given a certain quality. Stable relationships are an objective for all the respondents, though some find it difficult to achieve in China. As seen in section *3.2.2*, stable relationships are a

central part of the Chinese business environment. However, this conflicts with the impression of the exporters, which is that trading with Chinese is mainly based on offering the best price. At the same time, the exporters emphasise the importance of building relations in China. Theory suggests that there is a leeway to set the price within relation based trade. According to the exporters' answers, no such leeway exists in China.

In Europe, on the other hand, salmon trade is carried out based on relational recurring sales. Cermaq illustrated this by referring to some of their customers in France. Even though several of their arrangements does not involve any written contracts, there is a mutual understanding of the benefits of the relation. Consequently, none of them act opportunistically, without the need of written contracts or vertical coordination. Based on the concept of guanxi, such relational contracts should be well suited for the Chinese market.

Branding and Reputation

Both Marine Harvest and Ocean Quality focus largely on branding their products. Because of the good reputation of foreign brands in China, Marine Harvest believes that differentiation through branding, will be especially important there. This is one of the main reasons for Marine Harvest's branding strategy. They also emphasise the importance of offering salmon in more consumer-friendly formats that are easy to cook, when carrying out a branding strategy. This is also in accordance to Porter (1979), that differentiation may reduce the competitive rivalry in an industry. In addition, multiple sources emphasise that more salmon needs to be consumed at home to achieve a larger demand growth in China.

However, outside of Scandinavia there are few, if any, fresh seafood brands with strong proven success. This suggest that strong brand names are difficult to build, which according to Asche and Bjørndal (2011), is due to the fact that advertisement of fish leads to positive externalities for the entire industry. Some of the respondents still believe successful branding is possible, though it might take some time to establish. Ocean Quality stated that building a brand requires large investments, and that it takes at least five years to make them profitable. Several of the other respondents also acknowledge the need for consumer packed salmon, but find private labels a better solution. Cermaq stated: "I will say that it is almost impossible to build a strong brand for fresh salmon in retail". This is also the clear trend in Europe, where the interest for private label is increasing.

Ocean Quality stated that the premium on the Norwegian origin of salmon has vanished in China due to the import restrictions on Norwegian salmon. Similar to branding, it will take time to rebuild such a premium. However, research conducted by the Norwegian Seafood Council suggest that Norwegian salmon is the preferred choice in China. Though, as Cermaq pointed out, it seems difficult to receive a premium on the Norwegian salmon in China today. In addition, there is some disparity in the respondent's answers when it comes to the matter of the objective quality of salmon. Some say that most cannot objectively distinguish neither fresh from frozen, nor Norwegian salmon from salmon with other countries of origin. The majority of the respondents, however, say that Norwegian, Scottish and Faroe salmon both have and are perceived to be of higher quality than Chilean salmon.

Norway is by far, the largest salmon producer in the world, which may give salmon with Norwegian origin several advantages, in terms of reputation. A more reliable production and delivery, may for instance result in Chinese importers preferring Norway over smaller countries of origin. As pointed out by Cermaq, there has been several struggles for Chilean salmon farming, like algae outbreaks, high use of antibiotics, in addition to strikes. He said that the number of strikes in Chile makes them rather unpredictable, and for a retailer – empty shelves are a disaster. This applies to any market, but the consequences might be even higher in China due to the concept of losing face. In addition, Norway has a proximity to China, that enables them to deliver fresh salmon 2.5 times faster than Chile. Consequently, the Norwegian salmon is fresher when it arrives in China. This might give the Norwegian exporters an advantage in China, because of the Chinese concern for food safety and quality. However, new methods of transporting and packing salmon may reduce this advantage. In recent years, there have been several studies where different technologies have been used to extend the shelf life of fresh fish. One of these technologies is Modified Atmosphere Packaging (MAP), where nitrogen or carbon dioxide are used. Research conducted by Nofima indicates that the salmon stays fresh twice as long by using this method (Lillegård, 2013). However, this technology is best suited for filets, and will not benefit the transportation of Chilean salmon to China, as long as China remains a market for whole salmon.

The opinions regarding the export fee and what it finances, are both very divergent and strong among the interviewed salmon exporters. In one end of the scale, we have Marine Harvest which does not think generic marketing is the way to go, especially not in China, where they think more product specific marketing will be required. The Chinese's trust in Western brands may support this choice, given that Marine Harvest succeed in building a trusted brand.

In the other end of the scale, we find Ocean Quality, which stated: "It is incredibly important that there actually is a fee which can be used to build markets, but they [The Norwegian Seafood Council] also have to be run by those who are operating in the market". Most of the respondents emphasised that the Norwegian Seafood Council should focus their efforts on emerging markets like the China.

5.2.6 Obstacles

Even though Norwegian salmon has several advantages to compete in China, there are some obstacles to be aware of. First of all, the import restrictions introduced by Chinese authorities in the aftermath of the Peace Prize awarding in 2010, need to be overcome, in order to make fresh salmon export to China appealing for Norwegian players again. Beyond these obstacles, there is also the duty tariff on Norwegian salmon. This gives Chilean salmon a 10 per cent price advantage compared to Norwegian, as Chile has succeeded in signing a free trade agreement with China. In addition, traceability and food trust are a challenge in China. According to Ocean Quality, the import restrictions and subsequent imports of unlabelled salmon, have resulted in a situation where there does not exist premium for any country of origin anymore. Like with all kinds of branding, this is something that will take time to rebuild. Both Norwell and Ocean Supreme pointed out the importance of traceability and trust in relation to food safety in China. This implies that especially Norwegian salmon – which according to Vikenco has a premium in some markets – miss out on potential value creation, as the Chinese have a willingness to pay for trusted foreign goods.

In recent years, Chile has had the largest market share in China, through official channels. This has enabled them to build relations and make strategic ties, which can be tough to challenge for Norwegian players trying to enter the market. In addition, Chile is soon done harvesting the production lot where 20 per cent of the salmon died, due to algae outbreaks. Given no similar challenges, a higher supply of Chilean salmon can shortly be expected. In addition, Norwegian salmon producers have been forced to harvest the salmon earlier, due to the sea lice challenges and the country's strict regulations on animal welfare. Thus, the average weight of harvested salmon in Norway has decreased. Meanwhile, other countries such as Scotland and Chile have an increasing production of the larger sizes. During the second half of 2016, the average weight of Chilean salmon was higher than the Norwegian. With decreasing amounts of the largest size classes from Norway, a too high price premium may result in the Chinese substituting Norwegian salmon. However, Norway is by far the largest producer and

the only country able to offer stability and deliver the right sized salmon. This was also emphasised by several respondents during the interviews

6. CONCLUSION

When analysing the Chinese business environment, by using three acknowledged frameworks, we assessed China to be a medium attractive country to do business in. The Chinese market might not be the best match for the Norwegian salmon exporters, and has a medium competitive environment. The main reasons for assessing the attractiveness of the Chinese market as mediocre, are the issues related to political conflicts due to a distinctive form of government, and a low adherence to the rule of law. If these issues are adapted to properly, the Chinese market may have a great potential in terms of profit.

Despite the risks associated with doing business in China, we discovered that the Norwegian salmon exporters seem eager to export their fish to the Chinese market. This is much due to the opportunity to achieve a premium on the largest sized salmon in this market. However, their expectations of a rapid change in market access might be slightly optimistic, as the Chinese traditionally spend much time developing relations and negotiating terms of agreements. Consequently, a free trade agreement, or a full normalisation of Sino-Norwegian trade might take some time, contrary to the expectations of the majority of the salmon exporters. Even though the demand for salmon in China has grown rapidly over the last years, it still makes up a small share of the total seafood consumption. Consequently, it requires much work to make salmon grow beyond the HORECA consumption. Thus, the importance of the market might be lower than what is being portrayed in Norway.

In our study, we identified and analysed six factors that might impact the success of Norwegian salmon exporters in China. These factors are presence, relations, approach to new relations, human resources, types of contract, and branding and reputation. One of the clearest findings in our study were the importance of relations in the salmon industry. From a Norwegian perspective, the Norwegian salmon exporters spend much time building relations in China. However, the exporters are experiencing difficulties in achieving a desired stability in trade with Chinese. This finding is conflicting with regard to the importance of relations and guanxi in China, as trade based strongly on relations should imply a less price sensitive customer. Through studying customer relationship durtions, the required time spent on building good relations in China can be found.

We also found that presence in the Chinese market depends on the size of the salmon exporters, and whether they are selling salmon from other countries beyond Norway. Being present gives

them the opportunity to coordinate and allocate the salmon with different country of origin to the right customers more efficiently. Hence, only the largest exporters are present in China, whereas the small and medium sized companies argue that it makes no sense for them to be present. Being present also makes it easier to focus on branding. However, most of the exporters recognised the benefits of having a Chinese native in their sales force to overcome cultural differences like language.

Due to the fact that the small to medium sized companies sell salmon that is very commoditized in China, the low asset specificity, hence mutual dependency, make them more exposed to being replaced by other exporters. These exporters do not have the same opportunities as the largest exporters, to make asset specific investments in the Chinese trade. Consequently, the switching costs are low for the importers and price competition will be of more significance. One way of increasing the asset specificity is to do branding in China, which the largest companies are also pursuing. The rest are too small to have the stability in supply required for brands. Further, the premium on salmon with Norwegian origin is gone, though reputation matters to the consumer.

In addition, we found that Chilean salmon might not have the dominant position in China as we first expected. When looking at the China region aggregated, Norwegian salmon still has a large market share, and reports suggest that more Norwegian salmon is consumed in China than the trade statistics suggest. A normalised market access for Norwegian salmon might therefore be more a matter of exporting directly to China, and not crossing the border unofficially.

In order to identify to which degree the six identified factors actually influence the success of Norwegian salmon exporters, a longitudinal study with subsequent empirical testing should be conducted, when more trade data on Norwegian salmon to China are available.

APPENDIX A: The Value Chain of the Interviewed Companies

Company	Eggs	Smolt	Farming	Harvesting	Processing	Sales & Distribution
Bravo Seafood						✓
Cermaq	✓[18]	✓	✓	✓		✓
Marine Harvest[19]	✓	✓	✓	✓	✓	✓
Nils Williksen[20]				✓	✓	✓
Norwell[21]				✓	✓	✓
Ocean Quality[22]						✓
Ocean Supreme[23]						✓
Vikenco[24]				✓	✓	✓

Source: Data collected during the company interviews

[18] Partly owning Nordnorsk Stamfisk AS (25 %) – eggs.

[19] Marine Harvest is also producing salmon feed and established an aquaculture shipping joint venture in 2015.

[20] Owned by Midt-Norsk Havbruk AS (42.2 %) – smolt and farming; Salmonor AS (33.8%) – smolt and farming; and Bjørøya Fiskeoppdrett AS (24 %) – farming.

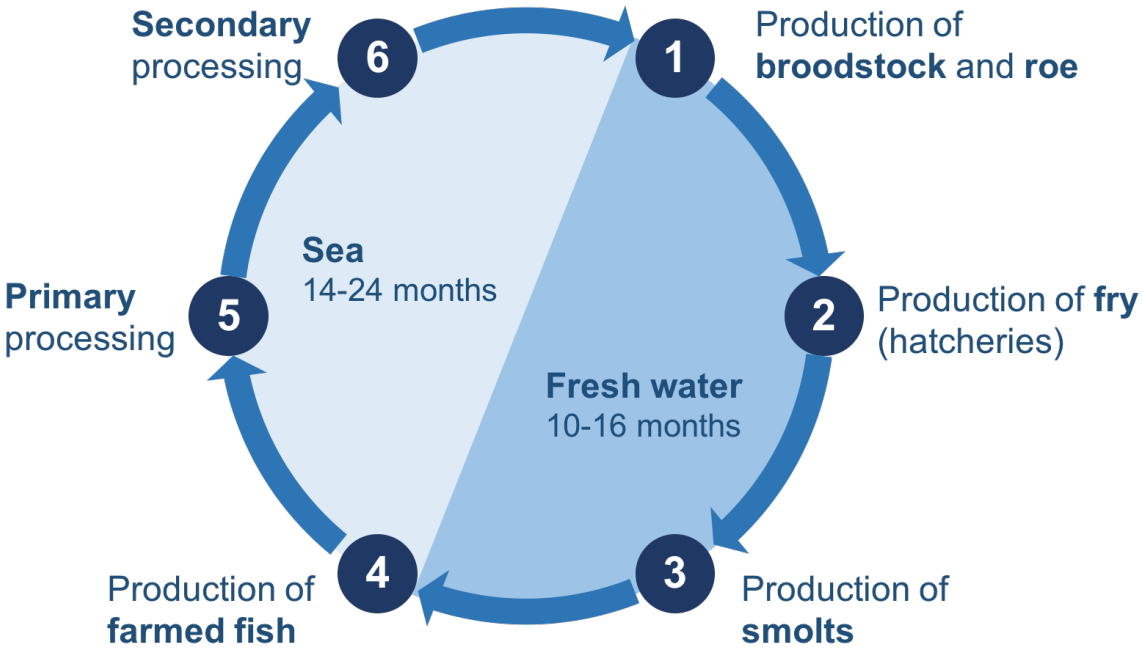
[21] Owned by a wide range of shareholders, among them a long list of salmon farmers, of which none holds a controlling position.

[22] Owned by Grieg Seafood ASA (60 %) – eggs, smolt, farming, harvesting; and Bremnes Fryseri AS (40%) – eggs, smolt, farming, harvesting and processing.

[23] Owned partly by Alsaker Fjordbruk AS (25 %) – eggs, smolt, farming and harvesting.

[24] Owned partly by the Salmar Group (51 %) eggs, smolt and farming.

APPENDIX B: Production Cycle of Farmed Atlantic Salmon



Source: Visualised based on Asche & Bjørndal (2011) and Sørhus (2011)

APPENDIX C: Invitation to Participate in Interview

Subject: Interview in Relation to Master Thesis

Dear Xx,

In relation to our master thesis in Business Analysis and Performance Management at the Norwegian School of Economics, we are interviewing key salmon exporters in Norway. On that occasion, we would like to ask for your participation.

The thesis concerns how Norwegian salmon exporters adapt to, and contribute to the developing of, the Chinese market for seafood. The purpose of the interviews is to identify how the different participants perceive the new market situation, and more specifically how they build relationships and invest in the Chinese market. We believe the findings of our research will be of interest for your company.

We wish to conduct the interview in week xx at your premises, but are flexible with both time and location. The interview will last for approximately one hour. Feel free to contact us with any questions.

We look forward to your response!

Kind regards,

Annette Rakvåg & Ole Bjørn Sandøy

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APPENDIX D: Interview Guide

Background

1. How much salmon did you export last year, in terms of tonnes and value traded?
2. What are your most important markets?
    a. Have you ever exported salmon to China?
    b. What would be a normal frequency for your shipments to China?
    c. How many tonnes of salmon did you export to China through official channels in 2016?
    d. What characterises the salmon preferred by the Chinese customers?
3. What kind of operations does your company currently have in China?
    a. How are they organised?
    b. How has this changed over the last six years?
    c. Do you expect changes in your Chinese operations, in the short and long term?

Market

4. Can you walk us through the assessments you conduct when considering a new market?
    a. How are these valid for different geographical markets?
    b. Does the Chinese market require special assessments?
5. Have you experienced issues concerning payment default?
    a. How do you secure your trade receivables?
    b. How does this apply in China?
6. How do you perceive the Chinese market today, in regard to the salmon demand?
    a. Do you experience a change in the Chinese consumer?
7. In light of the normalised Sino-Norwegian relationship, how do you expect the market access to change?
8. How do you consider Norwegian salmon's chances to regain the position it once had as the market leader in China?
9. What measures can you take to be competitive in the Chinese market?
10. Are you planning to increase your presence in China?
    a. What are your objectives in the Chinese market?

11. Do you have volumes to sell, given that the demand for Norwegian salmon thrives in China?
12. Are you willing to prioritise the Chinese market at the expense of other markets, in order to capture market shares?
13. How do you envision your Chinese presence in 5, 10 and 15 years?
    a. How will a free trade agreement affect your willingness to invest in the Chinese market?
14. How do you experience the importance of the salmon's country of origin in different markets?
    a. How does this apply in China?
15. From your point of view, do Norwegian salmon exporters make different considerations when deciding their degree of presence in China?

Approach

16. What determines whether you export primary or secondary processed products to a market?
    a. Does the secondary processing take place close to the end market, in an intermediate country or in the producing country?
    b. What are your thoughts on branding products targeting the Chinese consumer?
17. To whom do you develop relations when doing business in China?
    a. Who do you currently have relations to?
    b. How does this deviate from the way you work with players in other countries?
    c. Do you believe relations to other kinds of industry players will become more important in the future?
18. How important is building relations and a network to you?
19. How do you invest in building relations in China?
    a. Does this deviate from the way you work with business partners in other countries?
20. How do you initiate and approach new business relations?
    a. In what way does this apply to the Chinese market?
21. How do you interact with the Chinese authorities, and on what level?
    a. How has this changed over the last decade?

22. In what degree does the export to China involve repeated sales and lasting customer relationships?
    a. Are fixed price contracts present in China?
23. How will you approach the Chinese market now, compared to when Norwegian salmon was the market leader?
24. When doing business in China, what are the most important factors to be aware of?
25. Which investments will in your company enable more efficient sales to China, in terms of specialised physical or human capital?
26. How important is being present in the markets you export to, e.g. with a sales office?
27. How do you asses the possibility of establishing your own distribution in China?

Marketing

28. What marketing activities do you have today?
    a. What are your marketing efforts in China?
29. What is your opinion on the export fee for fish and fish products, and the marketing efforts it helps financing?

Concluding remarks

30. Do you wish to add something?

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