

coastline

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EXECUTIVE SUMMARY

Coastline Market is a platform that vastly improves the inventory management and selling process for local seafood markets, independent fishermen, and retained-ownership fisheries. There are several key reasons indicating a need for Coastline Market: the lack of technological innovation in the industry, inconsistent inventory management practices, and overall inefficiencies in the operational methods currently practiced.

Coastline's platform consists of two major components: an inventory management system and an integrated e-commerce service. Clients such as retained-ownership fisheries (ROFs) may use the inventory management system to track the amount of product caught at any given time, and keep track of the product's location and state within the distribution chain. In addition, the integrated e-commerce component of the platform integrates with the inventory system, allowing ROFs to seamlessly sell their product online.

Given the current economic, industrial, and market conditions, a product like Coastline Market would be poised for growth. Legislation restricting direct-to-consumer seafood trade is becoming more and more lenient, with the most recent example being Newfoundland's revised Fish Inspection Act and Food Premises Act to allow the direct selling of fish. The softening of regulations in the seafood trade sector will act as a catalyst in the growth of Coastline's applicability to the market, particularly pertaining to the e-commerce arm of the product. Similarly, the inconsistencies between practices employed by current vendors make it difficult and expensive to integrate custom inventory tracking systems. With a flexible software-as-a-service model, Coastline can offer relatively affordable solutions to streamline the cumbersome inventory management challenges that many vendors currently face.

In sum, Coastline offers intelligent solutions to fundamental challenges that seafood vendors face: efficiently managing inventory and increase product outreach to more customers. By spending less time managing inventory, vendors can significantly reduce labour costs and improve economies of scale. In addition, by marketing the product directly to consumers (i.e. restaurants and families), the vendor can vastly improve margins and increase revenues. These factors make Coastline Market an extremely valuable product to clients, as it will help them increase profitability while also reducing the effort needed to manage business operations.

EXTERNAL ANALYSIS

Political: The political landscape of the fishing industry is complex and misconstrued, marred by conflicting regulations that may vary from province to province.¹ For instance, Newfoundland prohibited direct selling from boat to consumer until September 2015, but this practice has been legal in British Columbia since time immemorial.² Thus, Coastline must be able to facilitate the ease of practice for laws that exist only for specific regions, while not alienating future clientele due to the introduction of laws that were potentially not being practiced prior to platform adoption.

¹ <http://www.dfo-mpo.gc.ca/aquaculture/ref/legal-lois-eng.htm>

² Information derived from market research in the Lower Mainland, BC

Economic: The seafood fishing industry is enormous, measuring an estimated \$10 billion for North America.³ Further, there are an estimated 72,963 operators fishing in the US, with the vast majority of this figure consisting of independent operators. These operators employ 82,037 people, further exemplifying the size of present-day fishing operations.³ Currently, the vast majority of fish caught in North America is exported, and the fish consumed domestically is predominantly imported from foreign nations. However, this number is quickly shifting with a projected 36% increase from current domestic demand by 2019.³ With domestic demand increasing substantially over the next 4 years, ROFs are likely to grow at an even more aggressive rate to meet demand.

Social: North American consumers are increasingly concerned with the sustainability and environmental impact of the food they consume.⁴ In addition, consumers are also increasingly supportive of local commercial partnerships and empowering their local businesses.⁵ At the forefront of this wave of support are Retained Ownership Fisheries. While CBFs are both sustainable in their practices and local in their supply, they have an additional competitive advantage: they ensure the freshest seafood by minimizing food miles. However – despite the fact that consumers value fresh food, convenience shopping is a factor of greater importance that plays into consumer behaviour. As it stands, ROFs provide fresh seafood, but without the added convenience of a local grocery store. Coastline provides this convenience to consumers while providing fisheries additional exposure to consumers that are increasingly looking to purchase fresh, domestically caught fish.

SITUATIONAL ANALYSIS

Strengths	Weaknesses
<ul style="list-style-type: none"> ● B2C e-commerce model cuts down on food miles and intermediaries [S2] ● Diversified portfolio of products and services offered ● Consolidated online consumer base enables higher individual sales at higher margins ● Robust integration of buyer and seller side ensures automation [S1] ● Software as a Service model enables agility in pricing structure [S3] 	<ul style="list-style-type: none"> ● Initial lack of brand credibility or loyalty in the seafood market [W2] ● Existing profit structure is heavily dependent on platform adoption process ● Lack of industry expertise in the seafood industry ● Vulnerability to seasonality and variations in vendor inventory levels [W1]
Opportunities	Threats

³ IBISWorld- Fishing in the US- Industry Report 11411, Antal Neville

⁴ http://www.cga-canada.org/en-ca/ResearchReports/ca_rep_2005-06_sustainability.pdf

⁵ <http://www.takepart.com/article/2014/05/06/how-put-really-legal-seafood-dinner-plate>

- **ROFs are a relatively new and innovative model that has grown rapidly over the last 5 years (first mover advantage)⁶ [O1]**
 - Market trend towards sustainability and buying local
 - Lack of “best practice” used by **ROFs for inventory management⁷**
 - Opportunity to expand into the US, where fresh fish accounts for 70% of seafood wholesaling⁸
 - Opportunity to leverage customer data for analytics and insights
 - **Tech-savvy ROFs remodeling with in-house e-commerce and inventory management platform (low switching costs) [T1]**
 - Success in market could quickly attract competition from competitors
 - Relative ease of implementing an e-commerce platform and low industry barriers to entry
 - **Price sensitivity of consumers shopping online [T2]**
 - Increasing concern towards internet security, identity theft, and privacy of information
 - Complicated and unclear guidelines on seafood regulations clouds legality of certain processes
- *Key points bolded*

SWOT - Strategic Implications:

S1 + O2 + W1 = Based on the factors above, Coastline will heavily promote their robust e-commerce and inventory management integration through cold-call pitches and product demo trials, specifically by targeting the key pain point of a lack of automation/best practice in the local fishing industry. By highlighting the inventory management and excess product offloading issues, more fisheries will be incentivized to adopt Coastline as a partner. Eventually, as the number of fisheries on Coastline’s platform grows, the issue of seasonality and deviations in vendor inventory levels will be addressed by supply forecasting and the growing number of consumers present in the market.

S3 + O1 + W2 + T2 = Coastline will utilize the agility that accompanies its SaaS pricing model and its first mover advantage to create a pricing strategy that is attractive to early stage ROFs. This flexibility will help mitigate the price sensitivity that is prevalent in the fishing industry. By onboarding many of these fisheries in their preliminary growth stages, Coastline will strengthen its brand loyalty among consumers. Through this enhanced brand equity, Coastline will enable significant growth in customer acquisition, thereby enabling economies of scale. This would further decrease prices for clients, which in turn would allow them to further optimize prices for price-sensitive consumers.

PAIN POINTS AND SOLUTIONS

A. Fisheries commonly manage their inventory through multiple Excel data entries. This is a time-consuming process that must be repeated for each step in the supply chain.

Coastline’s Solution: The fisheries will only need to enter their data once (once the boat has landed at the dock).

The rest of the stages will track inventory through automated processes that matches and tracks data from stage x to stage y.

⁶ <http://www.nefsc.noaa.gov/read/socialsci/pdf/publications/The-rise-of-community-supported-fisheries-programs.pdf>

⁷ Based on a focused group study initiated in the Lower Mainland

⁸ IBISWorld- Fish Wholesaling in the US, Industry Report 42446, Lucas Isakowitz

B. Both location and origin tracking of fish is often made difficult by the processing, storing, and operating processes.

Coastline's Solution: by providing machine learning software that will provide suggested matches for the original input data to the filleted/frozen fish output data (which will be generated from the processor invoice) Coastline will eliminate the need to re-enter whole fish data in a new form. This enables users to know exactly where their inventory is within the supply chain, complete with information on seafood state (processed, raw, frozen). Coastline Market plans to further automate this process in the future by potentially working with processors.

C. A significant portion of seafood supply is disposed. In addition, selling fish frozen or cured as an after product often decreases margins.

Coastline's Solution: by offering a direct link to an e-commerce platform through our inventory management system, Coastline will be able to predict excess supply as well as allow independent fisheries and CBFs to place as much of their produce on a direct-sale platform as they would like. Coastline will do this in addition to accommodating the subscription-based selling model that many CBFs employ.

INTERNAL ANALYSIS

Product: Coastline Market's primary product is an e-commerce and inventory management tool that will be offered in a Software-as-a-Service (SaaS) model. Coastline enables Retained Ownership Fisheries to seamlessly manage their seafood inventory through multiple intermediaries across the supply chain (processors, wholesalers, storage), while automatically featuring these products on a custom-tailored vendor website. This is in contrast to manually tracking and referencing the movement of seafood across the value chain through the use of Excel or paper based solutions.⁹

Place: Coastline's products and services will be centralized on coastlinemarket.com, which will be the primary portal for both buyers and Retained Ownership Fisheries. Seafood products will progress through the ROF's existing distribution channel/supply chain, while buyers will pick up orders directly from the ROF.

Price: Coastline's SaaS model will operate under a tiered system, with variations in monthly pricing based on the amount of (average) seafood caught by the ROF. Through the monthly tier system, Coastline will be able to offer comparable inventory management services as competitors like Farmigo, albeit at a lower, non-contracted fee.¹⁰ In terms of the physical seafood product, seafood offered on Coastline Market will be marketed and priced as "premium" options catered towards buyers seeking a sustainable, local, and healthy option, in contrast to the farmed fish available in local grocery stores.

⁹ These two methods have been most common during market research in the Lower Mainland

¹⁰ <http://www.csamanagementsoftware.com/>

Promotion: Primarily, Coastline will promote its products and services through the use of word-of-mouth advertising, as well as cold-calling and product demos to ROFs. Social media advertising through Twitter and Facebook remain as potential options to persuade buyers to adopt the platform from the buy-side.¹¹ Additionally a grass roots marketing campaign could be employed by Coastline by utilizing contacts at local newspaper establishments such as VancityBuzz.

MARKET ANALYSIS

Consumer Analysis: Retained Ownership Fisheries will be the primary clients of Coastline's technological services. These clients will range greatly in size, operational scope, and service region.¹² With such a diverse client base, it is imperative for Coastline to have a deep understanding of the common operations and practices in the fishing industry, in order to structure the product to appeal to a variety of clients. In general, ROFs and independent fisheries are also very independent in their operations and most often retain ownership of the fish throughout the steps in the distribution chain.¹³ Although operational independence is imperative for fisheries in terms of retaining margins, most have trouble tracking and eventually selling their entire inventory.¹⁴ Coastline will alleviate the difficulties of inventory tracking over multiple locations and steps in the distribution chain, while facilitating the sale of excess supply.

Competitive Analysis: The primary competitors that compete with Coastline are Farmigo and Provender.¹⁵ Farmigo serves as both an inventory management and an e-commerce platform facilitating a connection between communities and farms; Provender serves as a simple e-commerce site facilitating connections between restaurants and farms. Both Farmigo and Provender both facilitate the community supported agriculture model, and within the past year have begun to attempt to support Retained Ownership Fisheries.¹⁶ However, the framework of their platform has been developed for farming establishments and has been met with resistance by quite a few fisheries.¹⁷ These competitors that are using mismatched frameworks to sell to fisheries are not tailoring to the common pain points in the industry – this is why Coastline Market has a competitive advantage. Coastline Market is working to tailor our product to directly address the pain points that are being felt throughout the industry. Currently Microsoft Excel is most often used by ROFs for inventory tracking. However, Excel's functionality is limited in the sense that it lacks a transitioning tool throughout the stages in the supply chain, requiring re-entry of data into multiple

¹¹ <http://www.facebook.com/business>

¹² <http://www.localcatch.org/locator/>

¹³ Information derived from focus interview with Skipper Otto CSF

¹⁴ Information derived from market research in the Lower Mainland, BC

¹⁵ Information derived from Bioenterprise market scan & competitor analysis

¹⁶ <http://www.forbes.com/sites/zalmiduchman/2015/10/11/capital-continues-to-flow-into-food-tech-as-farmigo-lands-16-million-for-its-farm-to-table-startup/>

¹⁷ Based on focus group feedback gathered from CSFs in the Lower Mainland

spreadsheets, as well as difficult location-based tracking.¹⁸

OPERATIONS

Development and Platform Expansion: Our Chief Technology Officer, Abdul Khan, leads development of Coastline’s technical infrastructure. The primary mode of development will be done through the Scrum Methodology, which enables close and frequent communication between the CTO and the developers at Coastline.¹⁹ The primary languages used in technical development are JavaScript, (AngularJS, NodeJS), HTML and CSS. The Chief Marketing Officer, Joseph Lee will be in primary control of the UI design of the product and will also coordinate with developers in the front-end development of Coastline’s platform. Currently the foundational development of the e-commerce platform has been completed. Development is now underway for the inventory management infrastructure as we coordinate with potential clients and understand the specific logistics of Retained Ownership Based Fisheries. After completing the first fully integrated iteration of the product (with both e-commerce and inventory management working simultaneously) we plan to initiate a tight feedback loop with our alpha testing clients. With this, Coastline will be able to optimize each iteration of the platform to better align with the needs of core clients. Once completing the beta phase, Coastline’s aim is to continue to iterate and improve the product with our team of developers.

Launch Strategy: Coastline’s initial launch strategy will be shaped as an iterative beta model, where an incremental product approach coupled with groundswell from preliminary ROF adoption will eventually enable the product to expand successfully to a much broader market. Adopting this iterative beta approach offers two distinct advantages that align with Coastline’s corporate size, structure, and capabilities:

1. By partnering with select ROFs and by offering preliminary access to the core technology, Coastline can effectively gather market feedback that is critical in product design – essentially bypassing expensive focus group studies and/or time consuming user experience surveys.
2. Secondly, in addition to quick rectification of technical issues, this strategy enables Coastline to tailor fit the product to the needs of ROFs before the general release to market. This iterative approach empowers fisheries to “shape the technology”, which increases the likelihood of long term product adoption and brand loyalty, as they’ve effectively personalized the product to fit their specific wants and needs. However, it must be noted that precarious risks to this strategy include product imitation, and/or exposing potential consumers to serious technical flaws, which could conceivably damage Coastline Market’s brand value and identity.

¹⁸ Information derived from focus interview with Skipper Otto CSF

¹⁹ <http://scrummethodology.com/>

SUMMARY

Financial Projections: There are currently over 75,000 independent fishery operations catching wild fish in the US & Canada combined.²⁰ These independent fisheries operate primarily in high-yield fishing regions that can be far from population centers, forcing them to either sell their fish immediately to distributors or will transport their fish to a population hub. The fisheries that transport their fish to population centers can represent anywhere between 1 to 14 boats and act as the primary client target for Coastline. The long-term strategic goal of Coastline is to capture 5% of the North American fishing market to ultimately bring in annual revenues of roughly \$4 million.^{21 22}

Expansion Opportunities: Potential expansion opportunities include expansion into the US and Maritime markets, and catering to high-end restaurants. Once capturing 5% of the North American fishing market, Coastline will look into the feasibility of collecting data from the fisheries in order to gain further insights into the industry. Coastline will subsequently utilize this data to examine whether there are potential profits or opportunities that exist in the current industry. Finally, further opportunities may exist through certification programs with organizations such as Ocean Wise and Local Catch.²³

Customer Acquisition: Initial customer acquisition will be through the iterative beta model involving alpha test customers. As one pool of beta testing clients begin to integrate the product into their core operations, Coastline will increase the number of beta testing clients and reiterate the product again. Once the platform has been reiterated to the point that all beta testing clients *absolutely love* the product, Coastline will be released formally as an industry product. Following the release, sales executives experienced in the fishing industry will be contracted to reach Retained Ownership Fisheries across North America. Constant communication will also be maintained by Coastline through hired relationship managers that manage the satisfaction of Coastline's clientele. Once the North American market penetration goal has been reached, global expansion opportunities will be evaluated.

Contingency Plan: Coastline will face a number of key risks, both during and after the incorporation of the business. For example, competitors such as Farmigo or Provender may develop revised versions of their existing product to address the pain points of the fishing industry. To address this problem, Coastline needs to build a quality technical solution with efficiency and robustness, thereby quickly satisfying clients and strengthening our brand positioning in the fishing industry.

Another great risk includes market incompatibility and transferability, where we may tailor our product to only a select portion of the market thereby alienating the remaining majority. To counteract this risk, Coastline Market will ensure the aforementioned tight feedback loop with both alpha and beta testing clients. Additionally, Coastline will maintain constant communication with early adopters in order to optimize platform to market fit.

²⁰ IBISWorld- Fishing in the US, Industry Report 11411, Antal Neville

²¹ Exhibit 1

²² Exhibit 2

²³ <http://www.oceanwise.ca/partners/all>

Conclusion/Decision: Based on the preliminary research analyses and clientele feedback, Coastline Market has a high probability of success within the fishing industry. Through a careful analysis of the opportunities that exist in the market along with clientele communication on the ground, Coastline will eliminate concerns of poor market fit. Through the customer acquisition process, Coastline has ensured that it will be tightly connected to the market, allowing for agility in technical revisions in light of customer feedback and changing market factors. Further, through careful financial and risk analysis, Coastline Market plans to be profitable within 2 years of operation.

EXHIBITS

Exhibit 1 – Financial Projections

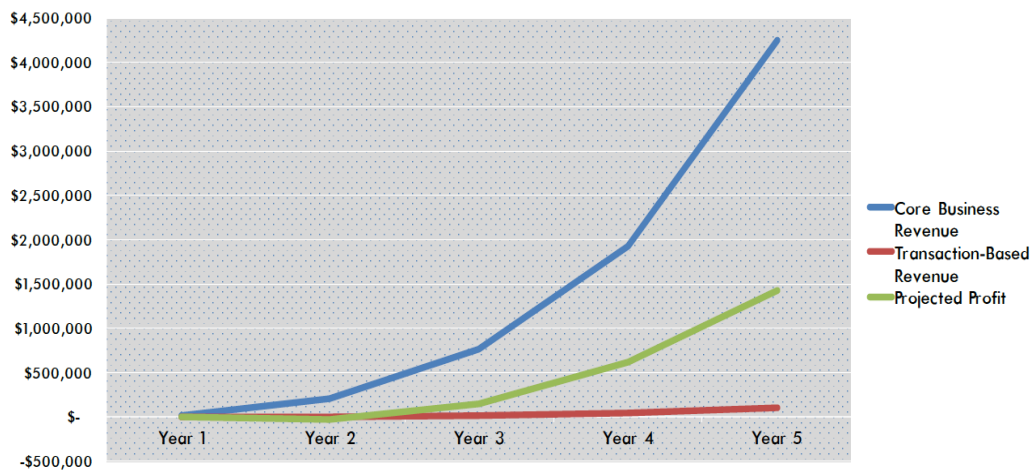


Exhibit 2 - Business Timeline

