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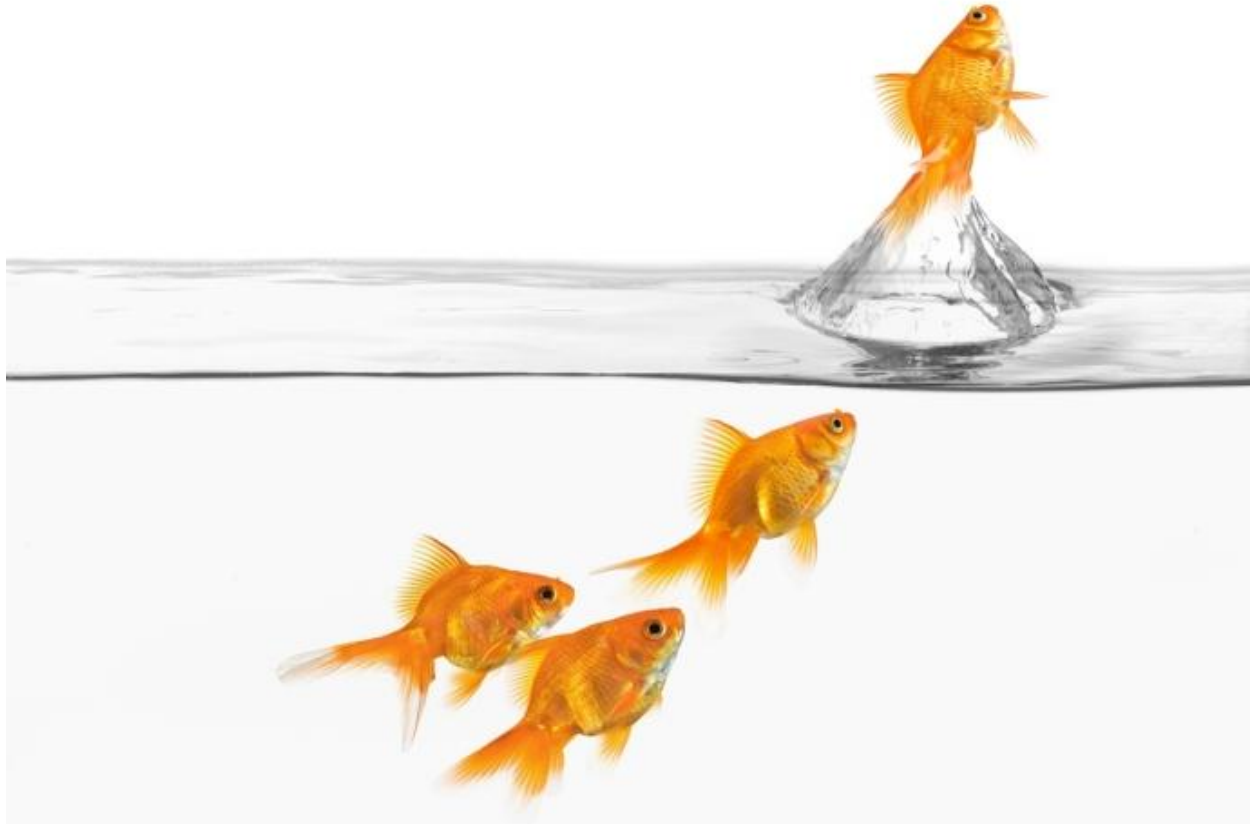
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The Trojan Fish Strategy

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How does an ornamental fish exporter grow its bottom line? Simple: By adopting and adapting the business model of the world's most famous safety razor company.

The Gillette Business Model, also known as Freebie Marketing, is much copied because of its simplicity: sell razors at a loss, or even give them away free, but make back your money with the disposable blade replacements. That same strategy has served many industries well, most notably the inkjet printer business: HP, the world's largest printer maker, generated two dollars in revenue (US\$16.2 billion) from printer cartridges for every dollar it did from printers (\$8.3 billion) in 2012. Call it a Trojan Horse strategy, or Trojan Printer, if you will.

Singapore-based ornamental fish company, Qian Hu Corporation, appears to have adapted that business model into what could be described as a Trojan Fish strategy. "The accessory market's potential is very large, and we have yet to fully capitalise on that," Kenny Yap, the company's executive chairman and managing director told Perspectives@SMU. "When people spend \$1 on live

fish, they'll spend \$4 or \$5 on aquarium accessories. So the business, in theory, is four or five times bigger than that of live fish."

Yap elaborates further: "If you look at our revenue and profits, it's about 40 percent accessories, 60 percent fish. If I want to have my profits for accessories to be five times that for fish, then there's still plenty of potential for growth. In that respect, it's in an 'infant' stage as far as accessories are concerned."

For the financial year of 2011, Qian Hu sold S\$42.7 million worth of live fish, and S\$34.3 million worth of aquarium accessories. Assuming sales of live fish remain constant, aquarium accessories would have to grow by more than six times to reach the 5:1 accessories-to-fish ratio that Yap sees as its potential.

Growth markets

Much of that growth will come from China, with demand rising with the growth of the middle class. "Our products are lifestyle products. When all your basic needs have been met, such as housing and food, you want to enhance the quality of your life. This is where we come in. If you believe that China is creating more middle income people who have answered their basic needs and are pursuing a higher level of lifestyle, then growth will be there," says Yap.

The company currently has about 280 distribution points in China, and Yap intends to push that number to over 300 in 2013. Indonesia, Vietnam, and a newly-opened Myanmar are also part of the company's expansion plans. But beyond sheer market size, Yap believes innovation will be the key driver to achieving growth.

"We're trying to have multi-faceted growth. We want to grow our accessories business more aggressively. We used to carry third party products as agents, (and) we did not invent anything new to sell as our own products. But now we can capitalise on our R&D to expand our business through innovative products. We try to come up with innovative products that can be accepted internationally, and grow the company that way."

While creating new demand via innovative complementary products is important, what about the fishes themselves? Are there trends that the company keeps track of to maximise revenue?

"We don't really see the trend; we see the potential of the market," claims Yap. "The Middle East is urbanising, so the demand for ornamental fish is growing. Russia is growing as well. Whatever fish they want, we'll sell it to them. Goldfish are popular in China, guppies are popular in Germany. With diverse products to cater to diverse markets, we achieve a certain kind of stability. We won't be caught in a situation where we say, 'Oh, a certain kind of fish has lost favour with the market, and we're in trouble.'"

Leadership lessons

Qian Hu currently exports accessories to over 40 countries, and live fish to over 80 countries.

To maintain the variety of fishes to feed the fancy of consumers, Yap is mindful of the need to constantly source for new species. It is a part of the business which he enjoys, but unfortunately one which is too trivial for the executive chairman to deal with.

"After I listed the company, one of the fun things I lost was the opportunity to (look for new sources of fish). Now it is my managers who go to Vietnam, Myanmar and other places to do that. I need to

move up to manage the group on things like corporate governance as a listed company's CEO; it's a different set of rules and responsibilities after we were listed."

Some of those responsibilities will involve boosting sales: revenue fell for the second year running in 2011, dropping by 3.1 percent year-on-year; 2010 saw a 3.6 percent decrease year-on-year. To Yap, it is all about business fundamentals: "If I assume the world becomes more prosperous, and there are more middle class people, then I'll have more business opportunities. If I build my fundamentals strongly (that is) my service excellence and financial strength, I can grab any opportunity that comes my way."