Market Insight Factsheet
Seafood Trends in Commercial Foodservice (2018 Update)

seafish

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Seafood servings are still growing in foodservice despite the ongoing challenging economic and political climate. Quick service restaurants continue to dominate the foodservice market, whilst fried fish remains the most popular type of seafood eaten out of home. Asian and Hispanic flavours proliferate on dishes featuring seafood; the top flavours are lemon, garlic, onion and cucumber. The fastest growing seafood flavours include blood orange, sour cream and siracha.

This factsheet provides a summary of both long and short term seafood trends in GB foodservice. It covers the detail behind the menu, channel, format and species trends; along with an overview of seafood performance vs other proteins. Together, the trends and insight can be used to identify future opportunities for growth.

Seafood Trends in Commercial Foodservice (2018 Update)

General foodservice trends

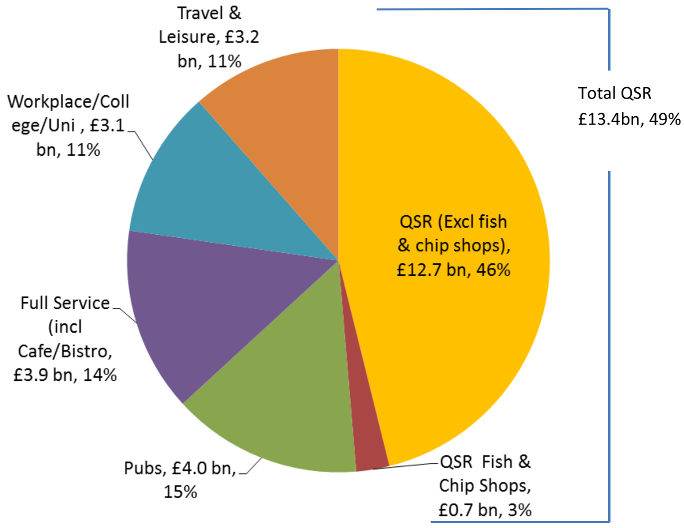
As Britain fell into recession in 2007, one of the tactics adopted by shoppers was to eat out less often, and 'dine in' to save money. As a result, total out of home (Total OOH) foodservice servings fell and many remaining customers traded down to cheaper proteins and switched to cheaper channels; for example, trading out of more expensive full-service restaurants into cheaper, quick service restaurants. Total OOH servings rallied in 2011/12 in line with the 'double dip' economy but it took until 2014 for servings to show consistent growth, alongside rising disposable income. Uncertainty following the vote to leave the European Union in June 2016, coupled with a slowing UK economy and wages failing to keep up with rising inflation, continued to hit consumer confidence in 2018. But, the impact is yet to be seen on Total foodservice servings which remain in growth. In mid-2018, consumers are still choosing to spend on entertainment, eating out and holidays, typical splurge behaviour seen before bracing for potential hard times to come. Forecasts predict the UK economy to continue to slow and wages, although improving, have a lot of catching up to do (OECD). This may drive a return to foodservice servings decline in 2019/20.

In the 52wks to June 2018, total GB foodservice was estimated to be worth £55.8bn (+2.5%) with 28.2bn servings (+3.2%). The largest channel for total servings was the total quick service restaurant channel (Total QSR), which takes nearly half of all servings (49%) driving overall foodservice growth. (share increasing by 1% point on the previous year). Total QSR is made up of the QSR fish & chip shops channel (3% of total OOH) which mainly consists of around 10,500 independent fish & chip shops; and the QSR excluding fish & chip shops channel (46%) which is mainly fast food restaurants. The remaining channels take a roughly even share of remaining servings. Most channels were in growth with the exception of Pubs and Full service.

Austerity has seen an explosion in half service or casual dining restaurants (such as Nando's or Pho), which have the upmarket ambience and dining experience, but costs are kept relatively low. Casual dining showed the highest growth of all the channels in the 52wks to June '18 with servings growth of 7%. These servings are captured under Full Service (FSR) but the sector is not large enough to put the FSR channel in growth. The past couple of years has seen a growing interest in healthy eating with initiatives

Long term Total Food and Drink Out of Home (TOOH) Channel Trends (Servings, 2008-2018)

Share of Total Foodservice OOH Servings (£bn) by Channel (52wks to June 2018)



Long and Short Term Total OOH Servings Channel Performance

TOTAL OOH Servings (bn)	YE June '18	Indicative % chg Year Ago*
TOTAL OUT OF HOME (OOH)	£28.2 bn	3.2%
TOTAL QSR	£13.4 bn	5.0%
QSR (Excl fish & chip shops)	£12.7 bn	5.1%
QSR Fish & Chip Shops	£0.7 bn	2.2%
Pubs	£4.0 bn	-1.1%
Full Service (incl Cafe/Bistro	£3.9 bn	-0.2%
Workplace/College/Uni	£3.1 bn	4.4%
Travel & Leisure	£3.2 bn	4.2%

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like 'Veganuary' and some consumers just choosing to eat more meals without meat, coining the term 'flexitarianism'. Healthy eating trends should help provide a boost for seafood.

Cuisine popularity

Total out of home foodservice servings are made up of 'off premise' or 'take out' where the food is eaten on the move and 'on premise' where diners eat in. Over the past 9 years there has been an increase in 'off premise' servings (+13%) driven by the lower average spend. Since 2009, burgers, traditional British (Greggs pasties etc.) and Pizza/Italian cuisine has shown the highest growth, with Indian showing the greatest decline.

In 2018 the most popular cuisine types were burgers, followed by Pizza/Italian and Chinese. In the past year 'off premise' servings continued to grow (+10%) with Mexican and burgers showing the fastest growth overall.

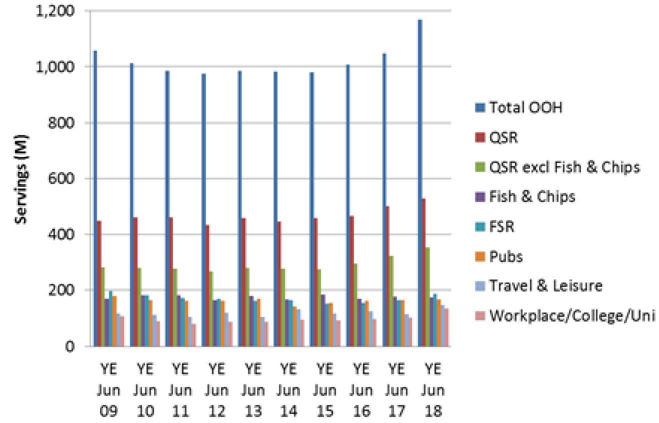
Fish and chips eaten together as a meal (not be confused with the fish and chip foodservice channel) still plays an important part in contributing to overall seafood consumption, representing around 17% of all seafood servings in 2018. Fish & chip servings in total foodservice grew until 2010/11 then fell into decline until 2015/16 and have been in growth since. Fish & chip servings across all foodservice in the year to June 2018 totalled 198 million.

Seafood trends in foodservice

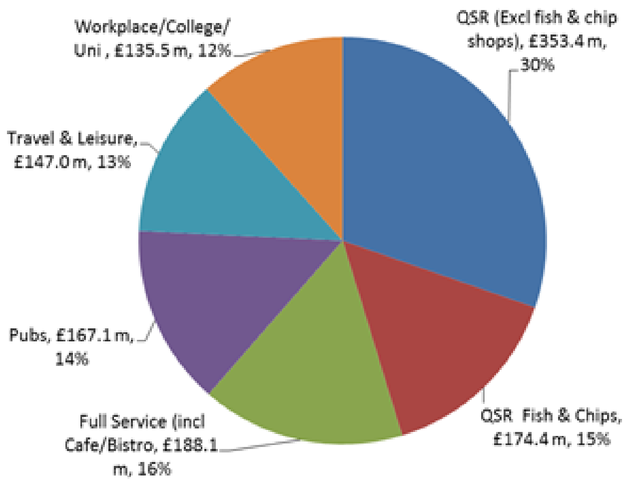
During periods of austerity, seafood faced a tougher time than most proteins, due to its relatively high average spend and 'health' credentials falling lower down the list of diner priorities. Seafood servings fell post 2007 as diners traded out of seafood into cheaper proteins; and traded down within seafood to cheaper options such as fishcakes and fish burgers. Diners also traded down to cheaper seafood species; shellfish having the highest average price were the hardest hit.

Seafood servings rallied in 2012/13 in line with the 'double dip' (typically 12 months later than Total OOH due to the higher price) but it took until late 2015 for seafood servings to return to growth. If recent economic and political uncertainty and falling spending power remains unchanged, this may impact negatively on seafood servings into 2019 with total OOH servings following several months later.

Long term Seafood Servings Trends by Channel (2009 to 2018)



Share of Seafood Foodservice OOH Visits by Channel 2018



Short Term Seafood Servings Channel Performance 2018

Seafood Servings (m)	YE June '18	Indicative % chg Year Ago*
TOTAL OUT OF HOME (OOH)	£1,169.1 m	11.6%
TOTAL QSR	£527.7 m	5.5%
QSR (Excl fish & chip shops)	£353.4 m	9.1%
QSR Fish & Chips	£174.4 m	-1.2%
Full Service (Incl Cafe/Bistro	£188.1 m	14.7%
Pubs	£167.1 m	2.0%
Travel & Leisure	£147.0 m	28.3%
Workplace/College/Uni	£135.5 m	33.1%

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In the 52wks to June 2018, total GB seafood servings have continued to grow, standing at 1,169m, worth an estimated £4.1bn. The largest foodservice channel for seafood continues to be QSR (excluding fish & chip shops) with 30% share; followed by QSR (fish & chip shops) channel (15%). The other channels all take a roughly even share of the remaining seafood servings. Most channels were in growth with the exception of the QSR fish and chip shops channel.

Seafood format and species trends

In foodservice, seafood is categorised into three main sectors; fish, shellfish and seafood (other). In the 52wks to June 2018, fish continues to dominate seafood in foodservice, with nearly four times more servings than shellfish. All three sectors are in servings growth including total shellfish which has been in long term decline.

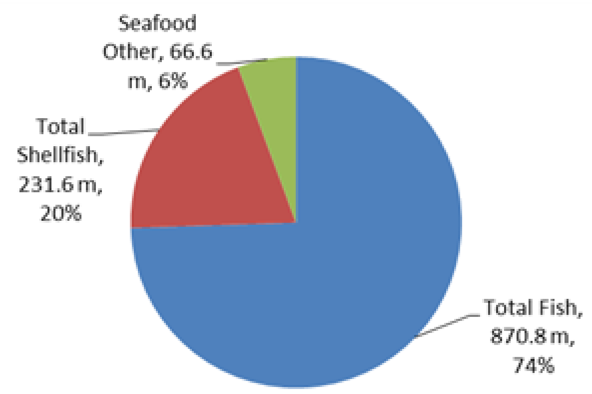
Overall, fried fish dominates by format with the largest number of seafood servings taking 35% of total seafood servings in foodservice; followed by seafood sandwiches and non-fried fish.

Since 2007 growth has mainly been in cheaper and convenience focused seafood formats; macro trends for portable street food have driven increased popularity in seafood burgers, seafood sandwiches and fried fish. However in 2017, buoyed by diners entrenched in a 'spend it while you have it' mentality, the more expensive formats and species such as shellfish, non-fried fish, tuna and prawns returned to growth. However, cheaper formats and species like fried cod, seafood sandwiches and 'other seafood' (where the species is not mentioned - usually Alaskan pollack or basa) proved to be the fastest growing perhaps signalling an impending slowdown.

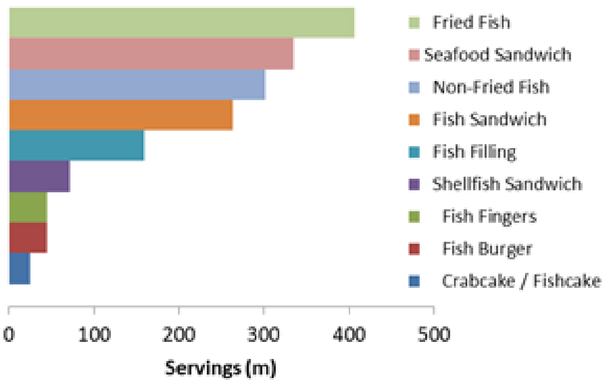
The 52 wks. to June 2018, have seen growth in most formats except fish fingers, burgers and shellfish sandwiches; with formats like fish/crab cakes, seafood sandwiches and fried cod showing the highest growth.

Long term, it is the more expensive seafood species such as shellfish and tuna and prawns which have declined. Species such as tuna, mussels, salmon and prawns have lost servings due to changing consumer preferences and/or significant price inflation of the supply, driving menu price increases. Surprisingly salmon servings have also declined long term, this is likely to be due to its success in retail, resulting in consumers wanting to try something different when dining out.

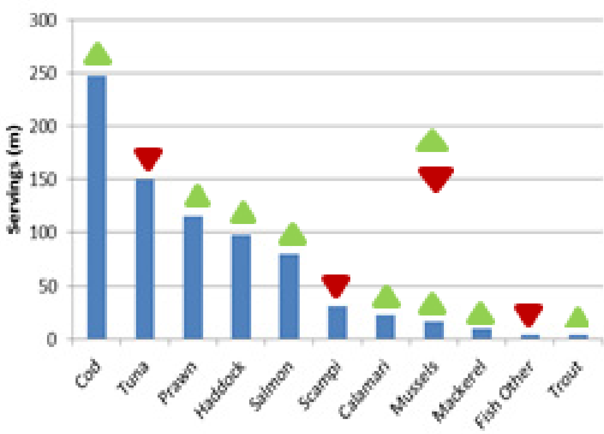
Share of Fish & Shellfish Servings June '18



Top Seafood Serving Formats June 2018



Top Species Servings June 2018



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The 52 wks. to June 2018, has seen growth in most species except tuna, scampi and 'other fish'; with species like cod, haddock, squid and mackerel showing the highest growth.

Cod is by far the most popular seafood species in foodservice with 248m servings in the 52wks to June '18; followed by tuna (149m), prawn (115m) and haddock (98m). In recent years easing cod supply and price has resulted in strong performance, linked with the demand for fried fish. However, over the past 12 months prices have strengthened which may slow cod performance in 2019/20.

Trending seafood flavours and formats

Menu trends from Technomic provide useful insight into seafood trends around popular styles of dishes and flavours. Remaining on trend and providing dishes that diners want to eat is important if seafood is to retain a strong market position. In the 52 wks. to June 2018, the number of seafood items on UK menus continue to shrink; the number of seafood dishes declined (14%) whilst the number of restaurants offering seafood remained the same.

In 2018 foodservice the demand is for healthy, premium and indulgent seafood products, including breaded, bruschetta and Asian salads; trending across main courses, children's menus and side dishes. Prawns have the highest seafood menu penetration, followed by salmon, 'unnamed fish' and cod.

Prawns, generic 'fish', cod, lobster, sushi, caviar and halibut have all increased menu penetration. The fastest growing species are skate, coley and cuttlefish vs 2017. Species losing incidence include salmon, crab, tuna, haddock and seabass.

Menus are moving away from descriptors like 'fresh', 'Scottish', 'wild ' and 'Cornish' to 'omega-3' , sustainable', 'British Isles' and 'responsibly caught'.

Asian and Hispanic flavours proliferate on dishes featuring seafood; the top flavours are lemon, garlic, onion and cucumber. The fastest growing seafood flavours include blood orange, sour cream and siracha.

Trending seafood main dishes include mussels with garlic and shallots, highlighting British ingredients and freshness, pan-fried seabass with citrus fruits with a halo-health positioning.

Seafood 'poke' remains an emerging trend Originating in Hawaii and popularized in Southern California, this raw seafood salad known for its bright, tropical flavours and colourful appeal has grown to become an 'of-the-moment' dish on menus at chain restaurants and emerging concepts the world over. The success is in its Ethnic Appeal, offering a good mix of exotic and approachable, with an authenticity of origin and flavors and ingredients that are widely appealing. Visually attractive, often a rainbow of brightly coloured ingredients, often grouped together rather than mixed up. Poke uses fresh ingredients based largely around seafood, vegetables and sauces and often prepared to order in front of the customer, this dish meets demand for freshness. Another advantage is practicality for the operator, being concept-friendly. It works well in build-your-own formats whilst fitting in with the bowl meal trend. As poke is as much about preparation method as it is ingredients, the dish lends

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itself to adaptations that swap in localized flavors and ingredients as well as seasonal fruit and vegetables. Swapping the raw fish for cooked prawns, fish or lobster makes the dish appealing to consumers who may not favour raw fish.

Expect the poke trend to evolve into other ethnic seafood salad specialties to emerge, such as the many iterations of Latin American ceviche, the Filipino rendition called kinilaw or the Italian seafood specialty pesce crudo.

Seafood Performance vs Other Proteins

Protein servings continue to grow strongly in foodservice (+9.1%) vs year ago. More diners are choosing seafood vs 2017, but incidence (a measure of frequency of choice) remains only around half that of pork, beef and poultry.

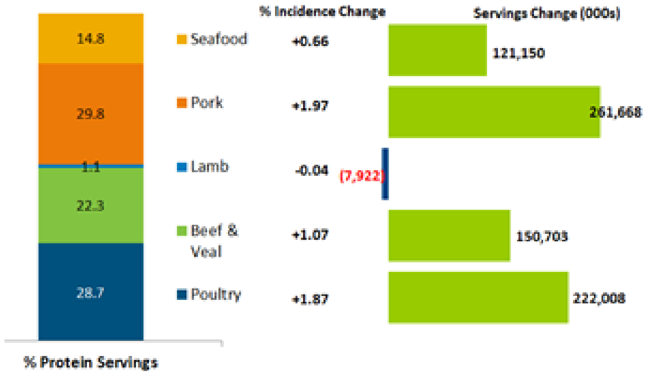
In the 52wks to June 2018, seafood was ranked fourth with a 14.8% share of Total OOH (down from 15.7% in June 2015). Pork (29.8%) displaced poultry (28.7%) from the number one slot, followed by beef (22.3%) in third. All proteins, including seafood were in servings growth except for Lamb. Poultry and pork showed the greatest increases in incidence.

Seafood remains an expensive choice; average seafood spend is ranked third behind lamb and beef/veal, with an average individual meal spend till spend of £6.47. Seafood is also showing one of the highest price increase vs 2017. Seafood also lags behind on promotions, but is slowly improving (up 5.1% vs 2017), ranked third when it comes percentage sold on deal at 34.5%, behind beef (42.2%) and poultry (38.8%).

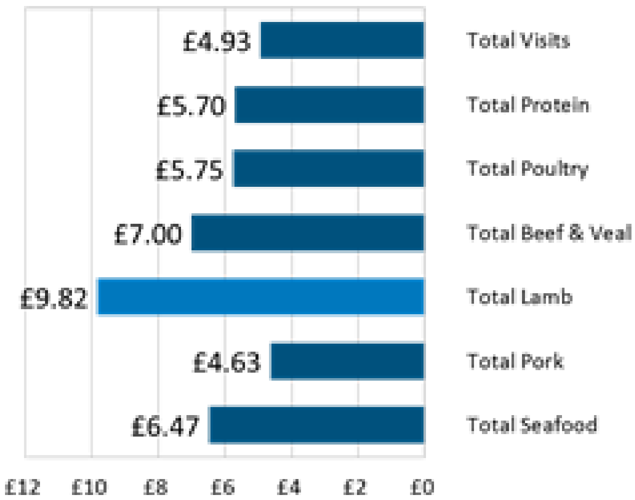
The motivation behind eating seafood in foodservice remains a social occasion overall and for most channels. Seafood in pubs is seen as a convenience, functional and social occasion; whilst QSR (excluding fish & chips) is seen as convenient. Product formats and flavours should be tailored to the channel to maximise opportunity.

Seafood continues to appeal to an older, affluent demographic with around 60% of servings purchased by consumers aged over thirty five. This offers an opportunity to grow sales amongst younger diners.

Total Out of Home Servings Share & YOY, and Incidence by Protein



Average Protein Ticket Spend June '18



Top ‘Takeaways’ for seafood in foodservice

- The total foodservice market was in growth in the 52wks to June 2018. Total GB foodservice was estimated to be worth £55.8bn (+2.5%) with 28.2bn servings (+3.2%).
- In the 52wks to June 2018, total GB seafood servings have continued to grow, standing at 1.169bn, worth an estimated £4.1bn. Seafood continued to take around 4% of all foodservice servings.
- The quick service restaurant channel (fast food outlets) took the largest share of seafood servings (30%) in year ending June 2018, followed by independent fish and chip shops (15%). However both these channels lost share to other channels vs 2017
- Fish continues to dominate seafood in foodservice with 74% share; nearly four times more servings than shellfish.
- Overall, fried fish dominates seafood servings by format taking around 35% of all seafood servings followed by seafood sandwiches and non-fried fish. Balancing consumers love of fried fish with health credentials of seafood provides an opportunity to look at lighter formats.
- In June 2018, cod was by far the most popular seafood species in foodservice with 248m servings in the 52wks to June ’18, followed by tuna (149m), prawn (115m) and haddock (98m). Most species were in growth except tuna, scampi and ‘other fish’. Species including cod, haddock, squid and mackerel showed the highest growth
- Current trends remain for American and South American, Asian and Far Eastern flavours, along with upmarket portable food formats such as gourmet burgers, wraps and sandwiches, and spicy dips. Latest emerging flavours include warm and spicy Middle Eastern, Mediterranean, Asian and Hispanic flavours such as lemon, garlic, onion and cucumber. The fastest growing seafood flavours include blood orange, sour cream and siracha.

Data Sources

NPD Crest 52wks to June '18.
(%) values represent change from the previous year unless otherwise stated

- Q2 Foodservice Report, 2018, NPD Crest
- Seafood Trends Across UK Restaurants Aug 2018, Technomic
- Market Insight Factsheet: Fish & Chips in Foodservice (2018 Update)

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