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Seafood Category Insights: June 2021

A market insight analysis (20m read)

November 2021 Richard Watson

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Meaningful, actionable insights are at the core of category management, driving both NPD and marketing plans. But, generating insight is not always straightforward, Seafish category reports collate key information in a classic four step insight template. It is designed to help seafood businesses with category planning and formulating strategies and actions relevant to their own products. The scope includes the six components which shape UK seafood category decisions: UK economy and shopper confidence; shopper, grocery and foodservice trends, barriers to seafood, and UK seafood retail trends to the end of June 2021.

The UK economy has come under severe pressure resulting in deepened financial strain for many shoppers. Dealing with COVID-19 has caused national debt to spike and It is hard to see how this could be brought under control without some negative impact. With shoppers increasingly concerned about rising inflation, savvy shopping techniques are now the norm.

A K-shaped recovery is the most likely scenario. But the pandemic has widened the gap between higher and lower income households in terms of financial confidence and their focus on quality vs saving money on food and groceries. Fortunately for seafood, the core affluent ABC1 demographic has emerged more financially resilient. post COVID, focusing on quality and looking for opportunities to trade up. Less affluent and younger shoppers will focus more on saving money on food and groceries.

If the predicted spikes in inflation occur, expect more shoppers to refocus on risk-aversion and value-seeking behavior as personal finances tighten.

With working from home still at elevated levels, consumers are preparing and eating more meals at home. Evidence of cooking fatigue has set in meaning shoppers will continue to look for innovation and inspiration and something different.

The nature of the pandemic meant that health & wellbeing became a priority for some, whilst increased levels of working from home has led to more snacking. Shoppers are likely to take small steps to improve their health and wellbeing as restrictions are eased.

Seafood is an ideal position to capitalize on both these key trends.

IGD Key Shopper trends for 2021-22

1. **Savvy shopping norm** — The economic impact of COVID-19 have been severe. Savvy shopping techniques are now the norm.
2. **Multiple meal solutions** — As foodservice re-opens and with evidence of cooking fatigue, shoppers will be looking for alternative solutions.
3. **Demanding online shopper** — With more people shopping around online, shoppers will expect continued innovation in the channel.
4. **Sustainability evolution** — Shoppers are still expected to shift their focus more towards sustainability as the media attention shifts to COP-26.
5. **Getting back to basics on health** — Shoppers will take small steps to improve their health and wellbeing following the easing of COVID-19 restrictions.

UK Economy & Shopper Confidence

‘K shaped recovery likely’

INFORMATION

◊ Gross domestic product (GDP) is estimated to have grown for a fifth consecutive month in June 2021, by 1.0%, but remains 2.2% below its pre-pandemic level (February 2020). (ONS)

◊ Shopper confidence fell to further to –7 in June ‘21 driven by emergence the new Delta variant and a four-week delay to the lifting of restrictions.

◊ 79% expect food and grocery prices to increase in the year ahead. 14% expect them to get much more expensive.

◊ There has been an increased focus on quality rather than saving money in the year ahead driven by C2s.

◊ 22% of C2s are focusing more on quality in the year ahead compared to 14% last month.

OBSERVATIONS

◊ The UK is set for a K-shaped recovery.

◊ The UK economy is predicted to grow in the second quarter. Of 2021. But the economic outlook remains uncertain.

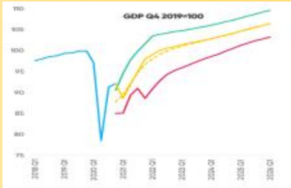
◊ Analysts are split about where the direction UK economy will head. There is evidence to suggest the best days of the recovery are in the past and simultaneously that the rapid growth in the second quarter was a sign of what is possible when Covid-19 subsides. (FT).

◊ Some believe that with consumption still 7.3 per cent below its 2019 peak, there is potential for further consumer spending in the second half of 2021 to boost GDP.

◊ GDP remains well below pre COVID levels. Even with a late boost to GDP in the fourth quarter of the year this would still leave living standards about 3 per cent below the levels expected for the end of 2021.

INSIGHT

◊ The economic impact has been severe… …despite this, a quicker than expected recovery is forecast.



◊ The recovery from COVID-19 will not benefit everyone equally. Some households will begin to benefit from the recovery and emergence from lockdown and restrictions (on the upward part of the ‘K’). Others will get left behind or stay the same (on the downward part of the ‘K’).

◊ The K-shaped recovery is unlikely to last forever. The experiences of different socio-economic groups is likely to converge. The government is likely to use fiscal methods to help ensure that experiences of different social groups do not diverge too much.

◊ Shopper confidence still remains relatively high and is still at one of the highest levels in the last five years, despite declining for the second month running.

ACTION

◊ As the economy is set to open up further, understand how you can help shoppers make the most of their seafood experience, by ensuring quality meets shoppers value for money expectations—to ensure seafood remains a key focus of shopper spend.

◊ The ABC1 main seafood demographic is expected to continued to spend in the next 12 months. Confidence is likely to remain elevated among higher affluence groups and those who have built up savings. The increased focus on quality provides opportunities for new products which deliver quality experiences for shoppers.

◊ Expect less affluent households in particular to focus more on seeking out value for money. This may stimulate shopper trading out of seafood into other proteins if quality expectations are not met.

◊ Consider opportunities to encourage shoppers to trade-up, especially those in higher disposable incomes.

Shopper Trends

‘Quality, health & wellbeing’

INFORMATION

- The focus on quality vs saving money has increased from -6% a year ago, at the start of pandemic, to +9% in April’21. (IGD quality index quality-saving money).
- 33% plan to eat out less than before COVID after restrictions are lifted.

- With working from home still at elevated levels, we find ourselves preparing and consuming more meals at home.
- Evidence of cooking fatigue has set in, meaning shoppers will be looking for alternative solutions.

- Slightly fewer shoppers like to cook from scratch now (64%).
- Shoppers are still using “savvy shopping” tactics both before and during their food and food and grocery shopping trips. This differs little by income group.

OBSERVATIONS

- The nature of the pandemic meant that wellbeing became a priority for some, but not all.
- The pandemic has widened the gap between higher and lower income households in terms of financial confidence and their focus on quality of saving money on their food and groceries.

- The focus on quality vs saving money remains highest level in 5 years.
- Less affluent and younger shoppers will focus more on saving money on food and groceries. Expect retailer price competitiveness to intensify.

- Quality becoming more important driver of store choice.
- Shoppers are still expected to shift their focus more towards sustainability as the media attention shifts to COP-26.

INSIGHT

- IGD predict that shoppers will take small steps to improve their health and wellbeing as restrictions are eased.
- The economic impact of COVID-19 have been severe. Savvy shopping techniques are now the norm.
- There will be opportunities to encourage shoppers to trade up, particularly those with higher disposable incomes.
- With evidence of cooking fatigue, shoppers will be looking for alternative solutions.
- Focus on quality reaches a new high .
- Confidence remains polarised. More ABC1s believe they will be better off (27%) than worse off (22%) in the year ahead. In contrast, DEs believe they will be worse off (20%) than better off (18%).
- 21% of lower income (DE) shoppers are concerned about food prices getting much more expensive in the year ahead (vs 11% of ABCs).
- Food and beverage services activities was again the main contributor to the growth in consumer-facing services, growing by 10.1% in June 2021 (ONS).

ACTION

- Seafood is well positioned to take advantage of shoppers intentions to take small steps to improve their health and wellbeing following the easing of COVID-19 restrictions.
- Signposting to highlight better choices for shoppers such as seafood recipe swaps to increase EPA & DHA intake.
- Ensure seafood is represented in different concepts (e.g. restaurant boxes, meal boxes, retailer meal deals).
- Could new partnerships bring seafood innovation, offer more choice to shoppers?
- As restrictions ease, quality is becoming the most important store choice driver for ABC1 shoppers. Ensure seafood freshness quality is communicated to the consumer.
- Successful businesses will need to offer both trade-up and premium options as well as solutions that represent good value.
- The recovery from COVID-19 will not benefit everyone equally. Ensure seafood retains a strong value proposition through VFM especially for those whose financial situation has been negatively impacted by COVID.

GROCERY TRENDS

‘Convenience Channel Opportunities’

INFORMATION

- Less than a third of newer online grocery shoppers plan to continue using the channel for most or all, of their groceries.
- There has been an increase in snacking with 51% eating reasonably healthily but regularly having un-healthy treats in April’21, up from 44% July’20.
- People are using a greater number of stores with the lifting of many COVID-19 restrictions to help with savvy shopping.

- Expect continued interest and usage of Quick Commerce operators as shoppers look to save time for key shopper missions. With businesses delivering groceries and essentials to shoppers quickly. Including Sainsbury’s Chop Chop and Ocado Zoom.
- Saving money likely to increasingly drive store choice.
- Shoppers are returning to the discounters to save money.
- Retailers are replicating the dining out experience with dine in products.

OBSERVATION

- UK grocery up 15% since vs 2019.
- Ocado (+52%), Iceland (+26%) and Lidl (23%) showed the largest sales growth, with Waitrose, Morisons and Asda growth was less than the UK Grocery average.

- Tesco plan to open 150 new convenience stores with meal kit bay.
- In 2021 shoppers have so far focused more on support for local/British producers, possibly due to HGV driver shortages and COVID-19 disruption.
- COP26 in November may drive increased focus on sustainability.
- Sustainability innovation : Unilever is expanding its refillable packaging trials in selected Asda supermarket and Co-op convenience stores, including its first ‘return on the go’ refill trial, by the end of 2021.
- Safety and efficiency priorities for store innovation .
- Online grocers try encouraging new shoppers to stick in the channel.

INSIGHT

- Big shop and top up shops show highest growth vs pre COVID.
- Supermarkets and hypermarkets predicted to continue to dominate UK grocery sales to 2022.
- Food discounters are predicted to be the fastest growing channel by 2022 up +11.4%.

- By 2022 convenience channel is expected to grow are nearly 3 times growth of online (+2.9%).
- Convenience channel is being used for larger baskets.
- With more people shopping around online, shoppers will expect continued innovation in the channel.
- With the media shifting its focus towards the environment, shoppers are still expected to place greater importance on sustainability issues when food and grocery shopping.
- Will the interest in packaging reduction result in some retailers rethink fish counters.

ACTION

- The convenience channel has changed, with shoppers looking to small stores to fulfil bigger basket missions. How can you support these changes and meet seafood shoppers needs?

- Ensure seafood has a place at the table as retailers look to inspire both in-store and online to help shoppers with ‘dine in ‘ meal experiences to reduce the monotony of continual meal preparation and consumption at home.
- Focus NPD on highlighting both value, ease of preparation and cooking along with inspiration; key seafood barriers. Seafood has a real opportunity to capture shopper spend that was previously taking place out of home.
- Differentiate your seafood product— help shoppers and consumers live healthier lives through advice both online and in-store.

FOODSERVICE

'Seafood Visits still –40% vs Pre COVID

INFORMATION

- Total foodservice GB spend stood at £37.7bn (-18.2%) In June 21.
- In Total foodservice. Travel & leisure and workplaces/ education continue to be the worst hit, with visits down nearly 70%.

GB foodservice servings which included seafood stood at 0.70bn down (-26%), estimated to be worth £2.98bn (-10.3%) in June '21 vs YA

- The fish & chip shop channel and casual dining has proved to be the most resilient outlet for seafood servings up by 6% and 4.8%, respectively. In all other channels seafood servings were in decline.
- For seafood in Total foodservice. Travel & leisure and workplaces/education continue to be the worst hit, with visits down up to 52%.

OBSERVATION

- All dayparts are still behind 2019 levels. Dinner is the best performing daypart, driven by the continuing popularity of deliveries, with traffic down -22% compared to Q2 2019. Lunch and PM Snacking are currently seeing the slowest recovery, down -48% and -51% on 2019 levels, respectively. These dayparts are still heavily affected by a large share of the population working from home more than in 2019.

- Older consumers are taking longer to return to their pre-pandemic dining habits, with traffic from 35-49s down -58%, and the 50+ down -44% compared to Q2 2019. Younger consumers have embraced new technologies around digital delivery apps and click & collect, which is making them more active in the market currently.

- Seafood average price has been equal to overall protein average in the last 12 months, but deal rate remains below the protein average.

INSIGHT

- Seafood servings bounced back strongly in Q2 2021 but still lower than two years ago . Only the fish & chip shop channel was in growth.
- Although seafood sales remain 40% down vs last year, Seafood is recovering much faster than the TOOH average across all metrics.

- All channels have improved. Travel & Leisure and Work/ Education suffering the most due to work from home and travel restrictions.
- Fried Fish has increased its importance over the last 12 months when Full Service Restaurants were limited to delivery and Fish & Chip Shops dominated seafood sales.
- Market is expected to recover by the end of 2021 and reach 2019 levels in 2022.
- The youngest seafood customers are at Travel & Leisure, Work/Education and QSR segments of the market.

ACTION

- Consider re visiting foodservice contracts as seafood sales start to bounce back with sales expected to return to pre COVID-19 levels before 2023.

- The recovery is being driven by traditional species in fried format, prepared for demand of other species as foodservice continues to open up.
- Short/ Medium term focus NPD on cheaper seafood products attractive to younger consumers in QSR channels until older demographic returns.
- Seafood normally attracts a more adult and affluent demographic. Highlighting

its healthy credentials and quality of the product along with educating younger consumer about the different species could increase its appeal.

- Can QSR delivery models help other channels grow?

SEAFOOD BARRIERS

‘Break the seafood myths’

INFORMATION

- ◊ 38% believe only cheap fish and seafood goes into frozen products.
- ◊ 49% believe freezing destroys nutrients & health benefits.

- ◊ Most shoppers do not know how to identify fish with a high freshness quality.
- ◊ Shoppers see chilled and frozen fish differently.

Chilled is seen as:

- ⇒ Special occasion purchase
- ⇒ Top up shop item
- ⇒ Higher quality
- ⇒ Fresher
- ⇒ Better for you

Frozen is seen as:

- ⇒ CONVENIENT
- ⇒ Regular staple
- ⇒ Easy to understand portion size
- ⇒ Regular offers

OBSERVATION

- ◊ Out of all the proteins, fish is seen to be the most ‘scary’ by shoppers:

- ⇒ “Don’t like way it looks”
- ⇒ “Whole fish/shellfish is off-putting, especially “head and eyes”
- ⇒ Shoppers “fear” and are “uncertain” about seafood – “afraid” of something different
- ◊ Shoppers don’t like choosing, handling & preparing seafood.
- ⇒ Don’t like the smell, touch or bones
- ⇒ Don’t know how to prepare it for cooking
- ⇒ Shoppers don’t like or understand how to cook fish. Which cooking method? What do you do with the shell?
- ⇒ Which recipe should I use? What accompaniments go with this fish? Is it cooked properly?
- ◊ Shoppers would like to try new species but don’t know whether they will like it ….and fear wastage.

INSIGHT

- ◊ Smell and poor freshness quality is the biggest barrier for chilled seafood shoppers; who prioritise freshness and taste above price.
- ◊ Shoppers need a simple way to be able to identify good quality fish at fixture.
- ◊ Shoppers want a simple guide to facilitate choosing less common species.

PURCHACETRIGGERS

“Freshness and quality fish”

“Nothing, we would eat fish nearly every day if it wasn’t expensive.”

“Better range of fresh fish”

“If I had more recipe ideas”

“If I could be sure it was fresh”

“Perhaps if I have better ideas on how to cook fish I would consider buying and eating more fish”

“Cooking ideas, tasters in store”

- ◊ Shoppers want a product which minimises the need for handling and preparation.
- ◊ Shoppers want exciting recipe inspiration at fixture or on pack.
- ◊ Convenience shoppers need more ‘heat and eat’ inspiration along with cook from scratch seafood meal solutions i.e. kit with everything required in one box for the more confident aspiring seafood consumer.
- ◊ Shoppers on a ‘meal for tonight mission’ need recipe inspiration.

ACTION

- ◊ Ensuring adequate freshness at fixture will ensure seafood meets shoppers VFM expectations.
- ◊ The chilled seafood shopper is most likely to be the consumer, so targeting at fixture will be particularly effective.
- ◊ Understand what is preventing shoppers from completing their purchase; particularly for chilled fish; is it being driven by availability issues or lack of inspiration or information on portion.

- ◊ Use sampling at fixture, or NPD to develop mixed species small plate tasting/ tapas retail packs. Lexicon trials showed shoppers overwhelmingly enjoyed new species after tasting (especially hake).
- ◊ Understand what the shopper is doing with the chilled seafood , freezing at home or going to waste? This offers NPD, packaging and educational opportunities.
- ◊ Provide occasion driven guidance on preparation, recipes and cooking methods.

RETAIL MARKET TRENDS

'COVID-19 drives seafood sales'

INFORMATION

- Total UK multiple retail seafood sales stood at £4,354m (8.2%), volume 439,638m tonnes (+6.6%) to June2021 (Nielsen Scantrack 52wks (UK Inc. discounters).

- Average price of total seafood fell increased by 1.5% to June'21 (£9.90kg).
- Total UK chilled seafood sales stood at £2.667bn (+11.2%), volume 200,945 tonnes (+10.7%) to June '21. Average price £13.27/kg, (+0.5%).

- Total frozen seafood sales stood at £1,109m (+8.8%), volume 149,398 tonnes (+6.9%) to June ' 21. Average price £7.43/ kg, (+1.8%).
- Total ambient seafood sales stood at £577m(-4.6%), volume 89,295 tonnes (-2.1%) to June '21.

OBSERVATION

- The total seafood category remains in full growth. But YoY volume growth rate is slowing fast at +6.6% vs 10.8% in Dec 20. However, total seafood volume remains over 10% higher than COVID-19.

- Chilled seafood returns to driving seafood sales volumes.
- Interest in frozen wains as volume growth slows form 19.9% in Dec 20 to +6.6% in June '21.
- Most segments remained in full growth, with only dusted in decline. Prepared, breaded, battered and sushi showed the strongest volume growth.
- Salmon returned to dominate seafood volume sales as interest in tuna waned with the farmed whitefish species continuing to show the highest volume growth.

INSIGHT

- The market is well underway in reverting to traditional chilled sector driven dominance.
- Although cooling, the total seafood market remains elevated The growth driven by more in home meal occasions arising from home working, school closures and the subsequent restrictions on foodservice.

- In 2022 retail volume sales are likely to return to decline. Remaining elevated between 5-10% vs pre COVID but with sales volume declining at a similar rate to that of pre-COVID-19.
- Over the long term (ten years to June 2021) natural, prepared and sushi showed the highest volume growth. Only the meals and sauce segments were in full decline.
- Compared to 10 years ago, mixed seafood (+330%), seabass, basa, squid and seabream were the species showing some of the highest volume growth.

ACTION

- Prepare for shoppers to refocus on chilled seafood, l rapidly return to 'normal' trading patterns once abnormal influ-

ences like COVID become the norm . Struggling personal finances may keep interest in frozen on shoppers agenda for a while if the economy takes a down turn. But as post 2008, shoppers are rapidly returning back to significantly more expensive chilled seafood in the hunt for quality and VFM.

- As foodservice slowly returns (-40% down pre COVID) the impact is beginning to be felt in the form of slowing retail seafood sales . Consider revisiting expired foodservice contracts as foodservice visits build back towards pre COVID levels.

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Data Sources - (%) values represent change from the previous year unless otherwise stated

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