

Here to give the UK seafood sector
the support it needs to thrive.



Seafood Category Insight: December 2021

A market insight analysis (20m read)

April 2022 Richard Watson

Seafood Category Insights:

December 2021

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 December 2021.

The Bank of England (BoE) recently predicted that UK households face the biggest cost of living squeeze in 30 years, this was before factoring in the rapid escalation of the conflict in the Ukraine and the subsequent changes in the commodity markets. Economists predict the average household could be between £1000 to £2500 worse off over 2022, with further falls in real incomes to come in future years.

The seafood category ended 2021 in full decline, completing the reversal back to pre-COVID trading patterns. Characterised by only the chilled sector, in volume growth; whilst the frozen and ambient sectors return to decline with sales volume down by up to 7.6%. Being one of the highest priced proteins, seafood consumption falls when personal finances are under pressure. In the short term, expect the decline in seafood consumption in both retail and foodservice to accelerate as shoppers trade down to cheaper seafood options and out of seafood all together. In retail this may initially benefit cheaper frozen seafood sector, but ultimately shoppers are likely to return to chilled as observed post financial crisis of 2007/8. Foodservice may take longer to recover, as consumers eat out less often or trade down to cheaper formats and channels to save money.

IGD: 5 Things to think about in 2022



1 Inflation presents huge challenges...

...for retailers and shoppers. There is an opportunity for retailers to win share, but they will have to remain focused on the competitiveness of their offer.

2 Price rises are inevitable...

...and shoppers' tactics to cope with this will continue to evolve. Savvy shopping looks different for each household, and retailers who understand and cater for divergent needs will find opportunities.

3 Shopper confidence is low...

...and is falling sharply with 18-34-year-olds. This shows how the effects of the current economic environment are now affecting all age groups.

4 Shoppers plan to eat out less...

...with wanting to save money as their top priority. These shoppers will be looking for the best value when they do eat out or will be looking for the best at-home alternatives.

5 HFSS restrictions are changing the shop floor...

...have you considered how the new legislation will impact your business?

INFORMATION

- Gross domestic product (GDP) fell by 0.2% in December 2021 to equal its pre-coronavirus (COVID-19) pandemic level (February 2020); while the Quarter 4 (Oct to Dec) 2021 estimate was still 0.4% below its pre-coronavirus level (Quarter 4 2019 ONS).



- The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.8% in the 12 months to December 2021.
- Shopper confidence fell to further to -15 in December '21 from -9 in June ' driven by emergence the new Omicron variant and a four-week delay to the lifting of restrictions. (GFK)



- Food price concerns continue, with 86% expecting prices to increase - the highest since 2016.

OBSERVATIONS

- Shopper confidence hits a new record low in March 22 as inflation fears are intensified by the Ukraine crisis.
- Shopper confidence is low and has fallen sharply amongst 18–34-year-olds
- The conflict in Ukraine is expected to drive UK inflation both higher and to become more persistent.



- The largest upward contributions to the December 2021 CPIH 12-month inflation rate came from housing and household services (1.31 percentage points) and transport (1.29 percentage points, principally from motor fuels and second-hand cars).
- The largest upward contributions to the change in the CPIH 12-month inflation rate between November and December 2021 came from food and non-alcoholic beverages, restaurants and hotels, furniture and household goods, and clothing and footwear.
- Low unemployment is being tempered by uncertainty, inflation and personal spending power.

INSIGHT

- Businesses across the globe are facing increased inflationary pressures, as well as renewed disruptions to trade and production.



- A tight UK labour market underscores growing wage pressures and staff shortages.
- UK GDP growth is set to slow as consumers face a squeeze on disposable incomes, recession looms.
- As inflation has begun to impact households, the Resolution Foundation (RF) anticipates the average household to be £1000 worse off over 2022, with further falls in real incomes to come in future years.
- KPMG expect growth to slow during the course of 2022, as the squeeze on consumer incomes, and the impact of higher energy and commodity prices caused by the conflict in Ukraine is felt in the UK. Overall growth for 2022 could reach 3.9%, before slowing to 1.1% in 2023.
- Despite slowing, consumer spending continues to be the main growth driver.

ACTION

- Shrinking of real annual household incomes of between £1000 -£2500 will undoubtedly change shopper habits as they look for ways to save money.



- In the short term, impact on personal finances is likely to drive seafood shoppers to trade down to cheaper seafood options and out of seafood all together .
- Ensure shoppers have several good reasons to choose seafood over other significantly cheaper proteins.
- Make sure shoppers are aware of the unique health benefits of seafood as the only natural source of EPA and DHA - the active ingredient of omega 3 and 6s which give these fats their health benefits .
- Taste and enjoyment is key to shoppers' value for money equations. Ensure the freshness of seafood meets shoppers expectations.

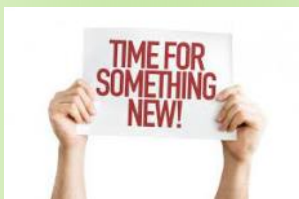


INFORMATION

- ◇ The number of shoppers focusing on saving money nearly quadruples vs last year.
- ◇ Shoppers continue to move away from promotions 65% agree There should be fewer offers and instead have every day lower prices.



- ◇ More shoppers (39%) are changing meal plans when faced with a deal or offer.
- ◇ The appetite for new flavours and formats is strong - 51% of shoppers would like to try new recipes .



- ◇ Increasing energy, fuel and house prices are playing on shopper minds, impacting on spending decisions.
- ◇ 80% of shoppers think food prices will increase over the next 12 months.

OBSERVATIONS

- ◇ Price rises are inevitable and shopper tactics to cope with this are set to continue.



- ◇ IGD are already seeing divides in a number of demographics. Higher affluence shoppers are wary of the increasing living costs, but will have greater flexibility to continue purchasing quality products but they will be driven to in-home experiences.
- ◇ Meanwhile, lower affluence shoppers will need to plan more and budgeting will become a greater feature of their day to day lives.



- ◇ Online usage has plateaued and begun to fall, following the surge at the beginning of the pandemic but usage is considerably higher than pre-pandemic levels.
- ◇ Usage of large stores has increased slightly and convenience stores have remained stable.

INSIGHT

- ◇ Saving money is now the core focus area for shoppers. This will continue as long as the financial pressures continue.
- ◇ Expect shoppers to employ savvy shopping techniques, like shopping around for the best value, in the coming months.
- ◇ Planning will increase, budgeting will become important, and VFM will be a core consideration in every decision.
- ◇ Shoppers will utilise more of their groceries and reducing food waste will rise in popularity. Increasing financial pressure will see shoppers turn to food banks to donate and for support over the coming months.
- ◇ The longer that the cost of living crisis goes on, the more divided shoppers will become.
- ◇ In the quest to find the best savings shoppers will utilise the various channels available to them.
- ◇ As planning will increase so will the consideration as to which channels to use as the push to save money hits record levels.
- ◇ This push to save money may lend itself to the big shop, and discounters.

ACTION

- ◇ Fortunately , the majority of seafood shoppers are more affluent and older than the grocery average which may limit damage to the seafood category as economic conditions bite.
- ◇ The recent memory of COVID-19 should keep the long term interest of 'Health' front of mind. Now being an excellent opportunity to play the unique health benefits of seafood card.



- ◇ Seafood quality must meet shopper VFM expectations to avoid shoppers trading out of the category into cheaper proteins.
- ◇ Prioritise getting seafood on to shopper lists before they enter the store.
- ◇ Use the flexibility of online sales and marketing to target seafood shoppers in the trip planning stages.
- ◇ As shoppers seek to control spending, eating out will be impacted . This should continue to provide a boost for the more upmarket seafood species enjoyed in foodservice.

INFORMATION

- ◊ Ocado (+24%) and the discounters (Aldi +6.6% and Lidl +5.1%), Iceland +3.4 showed the highest sales growth pre—post COVID-19.



- ◊ Morrisons— 3.8% and Waitrose —3.8% showed the biggest decline in sales growth pre vs post COVID-19.
- ◊ The number of shoppers that enjoy grocery shopping falls (43%) vs pre COVID-19.
- ◊ Interest in cooking from scratch has fallen from 67% to 61% post COVID-19, which may influence future store layout and fixtures.
- ◊ Those on tight budgets are likely to spend less, without buying less, by making greater use of promotions and private label; also reducing waste and switching to more overtly value focused retailers.
- ◊ Channel and store usage has reduced and stabilised at around 11.5 stores used each month across 4.6 channels.

OBSERVATION

- ◊ Top-up missions fall slightly, driven by the discount channels - with more main-shop missions carried out in food discounters at the expense of smaller baskets.
- ◊ Shoppers continue to shop around with over half using 5 or more channels each month.



- ◊ Main shop missions rose throughout 2021.
- ◊ After a surge in usage at Christmas, discounter usage stabilises.
- ◊ Retailers issue statements of intent to control inflation.

"As inflation continues to rise, I want to reassure every one of our customers that we remain resolute in our promise of being the destination for the lowest grocery prices in the market"
Christian Hartnagel, Lidl

- ◊ The convenience channel aims to drive new customers by:
 - ◊ Refocusing on footfall and the in-store experience
 - ◊ Expanding store range through 'mini super' / 'convenience plus' formats
 - ◊ Embedding home delivery as a relevant 'convenience service'

INSIGHT

- ◊ Retailers are committed to delivering value, but price rises are inevitable
- ◊ Ocado and the discounters (Aldi and Lidl), Iceland and Tesco are clear winners showing growth vs pre COVID-19

- ◊ Ensure channel strategies align with the missions shoppers are completing.



- ◊ Expect elevated levels of pre-shop planning.
- ◊ Discounter usage to increase as the cost-of-living rises.
- ◊ Big shop and top up shops show highest growth vs pre COVID.
- ◊ It is likely that the cost-of-living crisis will see more money saving selective shopping in the months ahead.
- ◊ As shopper budgets tighten they are likely to plan more and top-up less.
- ◊ Stores will return to theatre and innovation to battle for customers attention and spend.
- ◊ Expect hot ready meal for tonight missions to grow as interest in cooking wanes.

ACTION

- ◊ Engaging shoppers in seafood at the planning phases of bigger missions will avoid missed purchases.



- ◊ Ensure seafood has a place at the table with all channels including discounters. Prepare your strategy to capture a share of the growth in discounter usage over the coming months as cost-of-living rises.
- ◊ Maximise seafood exposure to all shopper channels as shoppers increase store repertoire.
- ◊ Despite inflation there is an opportunity for retailers to win share, but they will have to remain focused on the competitiveness of their offer. Ensure seafood quality is top class to remain competitive.
- ◊ As stores try to attract more shoppers with offers and theatre, seafood is the ideal protein to take centre stage in mission and fixture revamps.



INFORMATION

- ◇ Total foodservice GB spend stood at £47.0bn (+30.1%) In December 21.
- ◇ In Total foodservice, workplaces/education channel visits grow by 89.1% YoY as consumers return to the work.

GB foodservice servings which included seafood stood at 0.855bn up (+24.8%), estimated to be worth £3.50bn (+37.1%) in December '21 vs YA



- ◇ The workplace and QSR (excluding independent fish & chip shops) has proved to be the most resilient channels for seafood servings up by 109% and 39%, respectively.
- ◇ The pub channel was the only channel where servings declined vs last year.
- ◇ Independent fish and chip shops saw seafood servings grow by 19.6% compared to a year ago.

OBSERVATION

- ◇ Total foodservice spend remains -18% behind pre covid levels helped by inflation whilst seafood spend fared better at -16% in December '21.
- ◇ Value wise, independent Fish and Chip Shops fared better than the market, recovering in 2021 to 86% of pre-pandemic.
- ◇ Prawns, Calamari, Haddock and Cod have recovered ahead of other species in 2021 vs 2019.
- ◇ Fish & chips as a meal servings remain 10% down on pre COVID-19.



- ◇ All channels saw a significant increase in seafood servings except for the pub channel, where servings fell -2.1%.
- ◇ Younger consumers are bouncing back to pre-pandemic behaviour faster than older generations.
- ◇ Socialising remains the most important motivations for consumers choosing Seafood while eating out. Convenience, treating, and now functionality occasions are behind the total market, especially in QSR and pubs so present an opportunity for seafood.

INSIGHT

- ◇ Removal of restrictions late summer began the foodservice recovery but threat of recession on personal finances and emergence of new COVID-19 variant meant recovery was not as fast as expected for servings, but inflation ensured seafood sales fared better.



- ◇ Delivery was key to growth in Dec'21—doubling share to 16% share vs pre COVID-19.
- ◇ Fish chip shops lost visit share to other takeaways due to being less geared up to delivery.
- ◇ Species associated with QSR takeaways and fish & chip shops recovered ahead of other species.
- ◇ Fish & chips as a meal servings remain 10% down on pre covid recovering faster than total seafood probably as a result of the independent nature of outlets and price.
- ◇ Customer loyalty is expected to remain an important factor for people when choosing where they will eat out.

ACTION

- ◇ The market was expected to recover to 2019 levels after 2022 unless hampered by inflation and personal spending power, but with the emerging Ukraine crisis consumers will choose to eat out less and trade down to cheaper channels and proteins.



- ◇ Price, quality and offers will be key for seafood in moving forward as personal finances become stretched.
- ◇ Traditional fish & chip shops need to engage delivery to maximise growth opportunities.
- ◇ Concern over the future of seafood in the traditionally strong but now struggling pub channel, as all channels saw a significant increase in seafood servings except for the pub channel, where servings fell -2.1%.
- ◇ Target younger consumer with seafood NPD as they are bouncing back to pre-pandemic behaviour faster than older generations. by building on a unique foundation of enjoyment, highlighting health and quality credentials.

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 choose 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 itand 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.

Purchase Triggers

"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 consumers.

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

'Seafood returns to decline'

INFORMATION

- ◇ Total UK multiple retail seafood sales stood at £4,242m (-0.2%), volume 425,599 tonnes (-1.9%) to December 2021 (Nielsen Scantrack 52wks (UK Inc. discounters).



- ◇ Average price of total seafood increased by +1.7% to Dec'21 (£9.97/kg).
- ◇ Total UK chilled seafood sales stood at £2.632bn (+4.2%), volume 197,211 tonnes (+4.2%) to December '21. Average price £13.35/kg, (+1.2%).



- ◇ Total frozen seafood sales stood at £1,054m (-4.5%), volume 141,569 tonnes (-4.5%) to December '21. Average price £7.45/kg, (+0.0%).
- ◇ Total ambient seafood sales stood at £555m (-10.4%), volume 86,819 tonnes (-7.5%) to December '21.

OBSERVATION

- ◇ The total seafood category returns to full decline for the first time since the start of COVID-19; completing the reversal back to pre-COVID trading patterns.
- ◇ Despite the decline, total seafood volume and value remain over 10% higher than COVID-19.



- ◇ Interest in chilled seafood remains strong, whilst the frozen and ambient sectors return to decline with sales volume down by up to 7.6% compared to a year ago.
- ◇ Farmed seafood such as salmon, seabass and basa continues to grow, along with cold water prawns mixed seafood, scampi, and squid.
- ◇ Traditional seafood species such as cod, tuna, mackerel, and sardines showed the biggest drop in consumption resuming a general long term trend.

INSIGHT

- ◇ With the seafood category in full decline the boost to sales from COVID-19 is shrinking rapidly as a result of plummeting frozen and ambient seafood sales.



- ◇ As more workers return to the workplace, at home meal occasions will fall with a knock on effect on grocery and seafood sales.
- ◇ Seafood shoppers return to pre COVID-19 habits, buying chilled seafood on the basis of value for money perceptions despite its significantly higher price.
- ◇ As uncertainty around personal finances builds seafood shoppers continue to turn to their go to farmed seafood, salmon, seabass and basa despite having a significantly higher average price.

ACTION

- ◇ Recession is highly likely, following shopper patterns exhibited in 2007/8 expect uncertainty around personal finances to drive shoppers to trade down to cheaper items and proteins.



- ◇ Starting with a brief interest in cheaper frozen seafood, expect shoppers to quickly refocus on chilled seafood, in the hunt for value for money as personal finances tighten.



- ◇ The long term trend of seafood shoppers focusing on farmed seafood like salmon and warm water prawns, basa and seabass is likely to continue; In parallel with species more associated with foodservice as consumers restrict eating out to save money.

References:

- ◇ Seafish Q4 Retail report 2021
- ◇ Quarterly channel trends – Q4 2021
- ◇ *IGD, UK market forecast update, March 22*
- ◇ *IGD, Shopper sentiment tracking data, March 22*
- ◇ IGD, UK Retail and Shopper Trends Q3 2021 - Q2 2022

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

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