Seafood Industry Factsheet

Chilled Seafood in Multiple Retail 2016

Chilled natural seafood (plain fillets or shellfish) dominates the British retail seafood market. Chilled seafood has grown over both the long and short term, expanding market share at the expense of frozen and ambient. Chilled sushi, dusted, and fingers are the rising stars of the chilled sector.

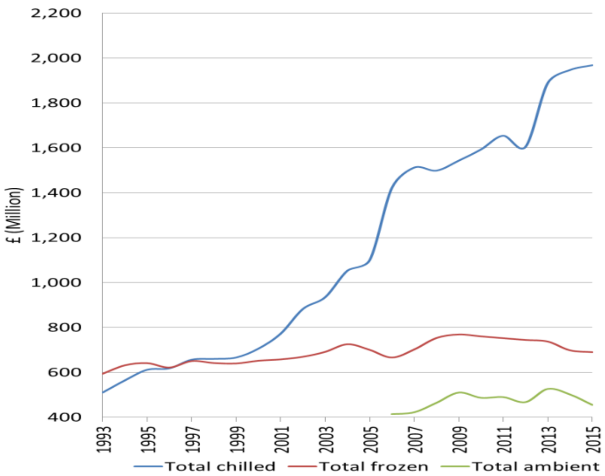
July 2016

Historic Seafood Sector Trends

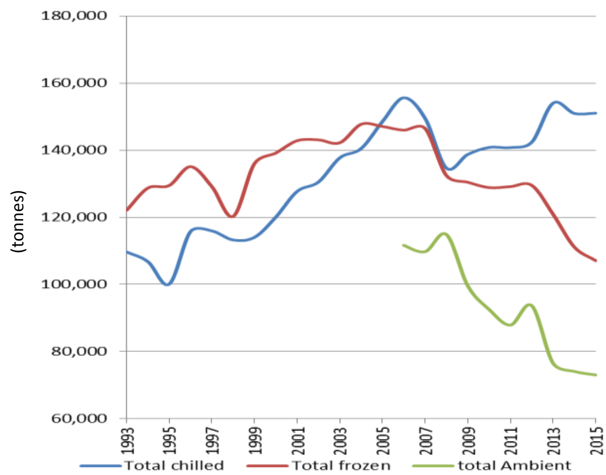
Chilled seafood has grown in popularity with British retail shoppers over the past 20 years. In the late 1990's both the volume and value of chilled seafood began to rise faster than that of frozen seafood. By 2005, chilled seafood had overtaken frozen seafood in volume sales.

Overall GB seafood consumption had been growing steadily since the 1980's until recession hit in 2007. The relatively high price of seafood meant it struggled to compete with cheaper everyday proteins. After a couple of years of austerity, retail shoppers became polarized, saving money where possible on basics, but not averse to spending on treats. Austerity focused shopper priorities on value for money, and the perceived 'superior freshness, health and quality' of chilled seafood resulted in continued growth of the sector at the expense of frozen and ambient, despite a higher average price. From 1993 to 2015 chilled seafood increased retail volume by 38% and value by 254%. In comparison, frozen seafood volume fell by -12%, with value increasing by only 16%.

Long Term Seafood Sector Value Trends



Long Term Seafood Sector Volume Trends

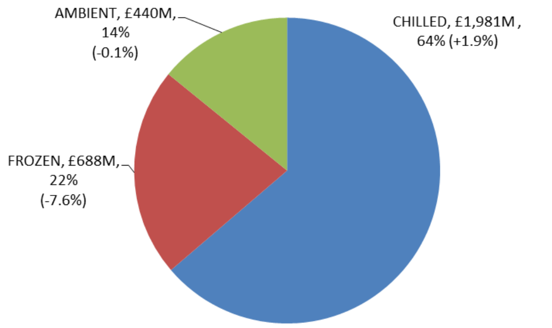


(Data: TNS/Nielsen Scantrack)

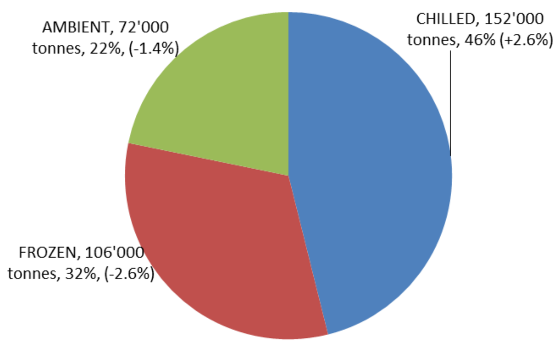
Current Seafood Sector Performance

In 2016, total GB seafood sales were worth £3.11bn (-0.2%), with a volume of 329,096 tonnes (-0.8%) and an average price of £9.45/kg (+0.6%) (AC Nielsen Scantrack: 52 weeks to May 21st excluding discounters). Over the 8 years from May 2008 to May 2016 total seafood has been in price driven growth, with volume down by -15% and value up by 15%, pushing average price by 18%. Chilled seafood dominates the GB seafood retail market by both value and volume with sales worth £1.98bn (+1.7%) and a volume of 151,750 tonnes (+1.8%); with an average price of £13.06/kg (-0.1%). In 2016, chilled seafood took a 64% share of the seafood retail market by value and 46% by volume. Over the past 8 years, chilled has increased retail volume share by 29%, whilst frozen and ambient have decreased by -8.4% and -26% respectively.

Sector Value Share of Seafood 2016



Sector Volume Share of Seafood 2016



(Data: Nielsen Scantrack – 52wks to 21.5.16)

Chilled Seafood KPI's

In the 52wks to 21st May 2016, more shoppers bought chilled seafood despite price increases. Chilled seafood KPI's show penetration is high, with 80% of shoppers buying chilled seafood. Compared with the previous year, more shoppers are buying chilled seafood, more often, but with smaller baskets. Buying on average 0.4kg of chilled fish per trip spending £4.30. On average shoppers bought chilled seafood 19 times per year, spending a total of £82, equating to 7.7kg.

		Penetration %	Freq	AWOP (Kg) 52w	Avg Spend (£) 52w	Trip Spend	Price per Kg	Avg Trip Kg
TOTAL	23 MAY 2015	96.8	28.8	14.9	116.0	4.0	7.8	0.5
	21 MAY 2016	96.7	29.4	15.2	119.1	4.1	7.8	0.5
	% Change	-0.1	2.1	1.9	2.7	0.6	0.7	-0.1
CHILLED	23 MAY 2015	80.3	18.0	7.5	78.5	4.4	10.5	0.4
	21 MAY 2016	80.5	18.9	7.7	82.0	4.3	10.7	0.4
	% Change	0.2	5.2	3.1	4.5	-0.6	1.3	-2.0
FROZEN	23 MAY 2015	87.1	10.9	6.1	35.7	3.3	5.8	0.6
	21 MAY 2016	87.0	10.9	6.1	36.8	3.4	6.0	0.6
	% Change	-0.1	0.4	0.3	3.2	2.8	2.8	-0.0
AMBIENT	23 MAY 2015	79.9	9.1	3.9	22.7	2.5	5.8	0.4
	21 MAY 2016	80.0	9.0	4.0	21.5	2.4	5.4	0.4
	% Change	0.1	-1.5	1.8	-5.3	-3.9	-7.1	3.4

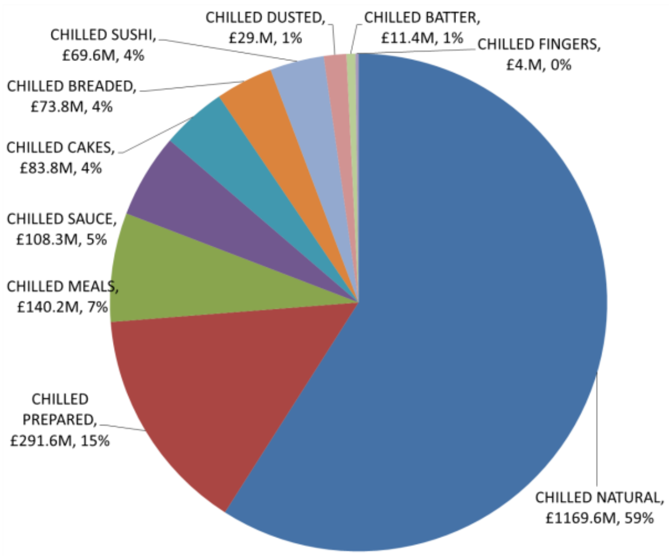
(Data: Nielsen Homescan – 52wks to 21.5.16)

Chilled Seafood Segmentation Performance

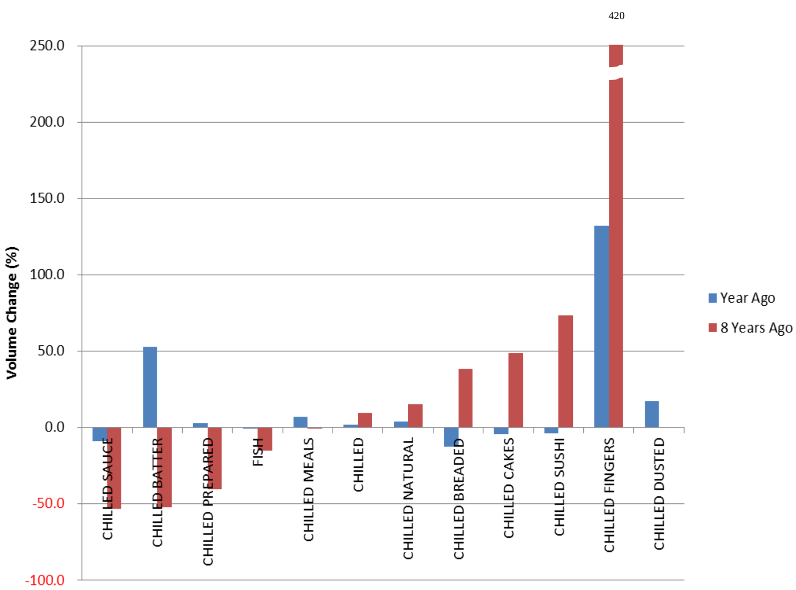
It is the chilled natural (simple unprocessed seafood) segment which takes the largest share by both volume (40%) and value (59%) of the chilled seafood sector. By driving growth in this sector over both the short and long term, chilled natural ultimately drives the GB seafood market. In the 52wks to 21st May 2016, chilled natural was worth £1.17bn, with 72,054 tonnes. Chilled prepared (15%), chilled meals (7%) and chilled sauce (5%) are ranked second, third and fourth, respectively by value share.

Over the long term (8yrs to May 2016) chilled natural, cakes, breaded, sushi and fingers have all been in growth; chilled fingers achieving a 420% increase in volume, albeit from a small base. Chilled sectors in decline over the long term included chilled prepared, sauce, and batter. Over the short term (52 wks. to May 16) many chilled segments were in growth with dusted (a recently coded segment) showing strong volume and value growth, being perceived as a healthier and flavorsome alternative to breaded and battered. Chilled sauce, cakes, breaded and sushi were in decline.

Segment Share of Chilled 2016 (value)



Long & Short Term Segment Volume Trends (2016 vs 2008)



(Data: Nielsen Scantrack – 8yrs/52wks to 21.5.16)

Long and Short Term Chilled Segment Performance

	Value Sales £ ('000)					Volume Sales (tonnes)					Price per Kg		
	2014	2015	2016	% Chg YA	% Chg 2008 vs 2016 (8YA)	2014	2015	2016	% Chg YA	% Chg 2008 vs 2016 (8YA)	£/Kg 2016	% Chg YA	% Chg 2008 vs 2016 (8YA)
FISH	3,145,194	3,114,909	3,109,330	-0.2	15	341,208	331,599	329,096	-0.8	-15	£9.45	0.6	35.9
CHILLED	1,917,487	1,947,933	1,981,338	1.7	29	151,310	149,055	151,750	1.8	10	£13.06	-0.1	18.0
CHILLED NATURAL	1,143,265	1,153,321	1,169,616	1.4	41	69,990	69,461	72,054	3.7	15	£16.23	-2.2	22.6
CHILLED PREPARED	259,989	278,233	291,592	4.8	-30	21,491	21,649	22,277	2.9	-41	£13.09	1.8	17.7
CHILLED MEALS	126,504	128,320	140,164	9.2	9	18,730	18,626	19,890	6.8	0	£7.05	2.3	9.5
CHILLED SAUCE	111,676	114,727	108,264	-5.6	-17	10,962	10,428	9,478	-9.1	-53	£11.42	3.8	76.5
CHILLED CAKES	95,628	90,329	83,787	-7.2	45	12,042	11,414	10,917	-4.4	49	£7.67	-3.0	-2.6
CHILLED BREADED	84,906	78,259	73,834	-5.7	57	10,583	9,454	8,278	-12.4	38	£8.92	7.7	13.8
CHILLED SUSHI	64,014	71,534	69,599	-2.7	88	4,672	4,951	4,773	-3.6	73	£14.58	0.9	8.4
CHILLED DUSTED	21,737	24,128	29,046	20.4	N/A	1,984	2,206	2,588	17.3	N/A	£11.22	2.6	N/A
CHILLED BATTER	8,241	7,240	11,449	58.1	-24	677	654	1,001	53.0	-52	£11.43	3.4	102.2
CHILLED FINGERS	1,527	1,842	3,988	116.5	379	179	213	494	131.9	420	£8.07	-6.6	28.0

(Data: Nielsen Scantrack – 8yrs/52wks to 21.5.16)

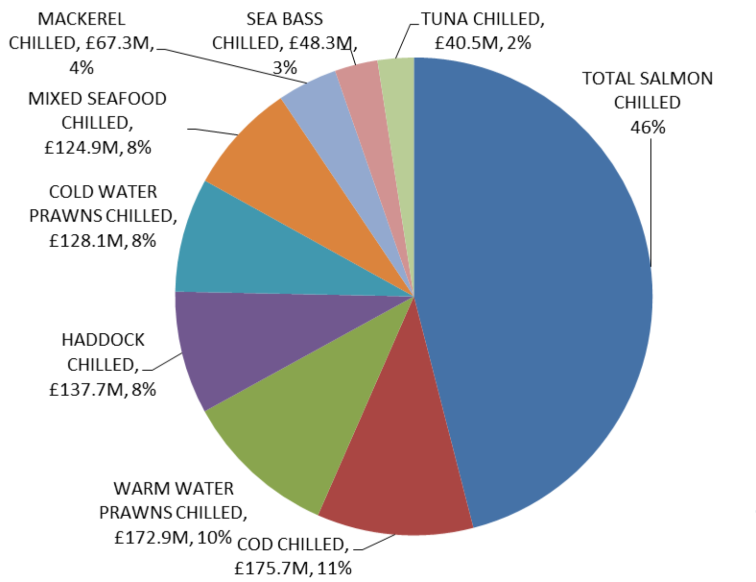
Chilled Seafood Species

Salmon dominates the chilled seafood segment with a 46% value share, selling nearly four times its nearest competitor in both volume and value (smoked salmon makes up 36% of chilled salmon sales by value). Chilled cod is the next most popular with 11% value share, followed closely by warm water prawns (10%), haddock (8%) and cold water prawns (8%).

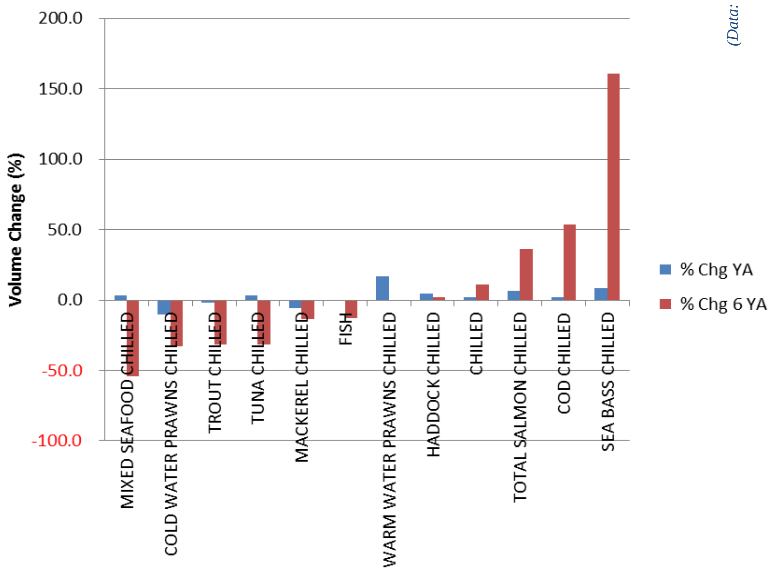
The consumption of traditional whitefish species has been in steady decline since the 1980's, whilst salmon and other aquacultured seafood species have grown in popularity. Chilled whitefish consumption fell -58% from 1980 to 2013, compared to chilled salmon up 232% (Defra family food). Chilled salmon continued to grow through the recession despite being 34% more expensive than cod in 2016. But, lower prices and improved availability had driven cod consumption in recent years. In the 52wks to 21st May 2016, chilled cod was worth £176m, with 14,134 tonnes, with volume and value increasing by 21% and 33% respectively, since 2008.

Over the long term (8yrs to May 2016) chilled salmon, cod, haddock and seabass have been in true growth. The only chilled species in full decline were, tuna and trout and mixed seafood. Price changes have influenced the

Top 10 Chilled Species Share (value) 2016



Long & Short Term Segment Volume Trends (2016 vs 2009)



(Data: Nielsen Scantrack – 8yrs/52wks to 21.5.16)

majority of species trends since 2008, where significant price increases have impacted negatively on volume sales. Most of the top 10 chilled species have experienced double digit inflation over the past 8 years, notably cold water prawns (+48.1%) and mixed seafood (+81.5%). Only cod, haddock and sea bass showed a fall in average price of -9.2%, -1.8%, and -4.3% respectively. Over the short term (52 wks. to May 16) most chilled species were in full growth, with the exception of cold water prawns, mackerel and trout.

Long and Short Term Chilled Species Performance

	Value Sales £ ('000)					Volume Sales (tonnes)					Price per Kg		
	2014	2015	2016	% Chg YA	% Chg 2008 vs 2016 (8YA)	2014	2015	2016	% Chg YA	% Chg 2008 vs 2016 (8YA)	Avg Price 2016	Avg Price % Chg vs 2015	Avg % Chg 2008 vs 2016 (8YA)
FISH	3,145,194	3,114,909	3,109,330	-0.2	15	341,208	331,599	329,096	-0.8	-15	£9.45	0.6	36.0
CHILLED	1,917,487	1,947,933	1,981,338	1.7	29	151,310	149,055	151,750	1.8	10	£13.06	-0.1	18.0
TOTAL SALMON CHILLED	715,404	751,647	762,211	1.4	59	40,934	43,032	45,823	6.5	40	£16.63	-4.8	13.6
COD CHILLED	176,301	175,703	175,687	0.0	21	13,808	13,862	14,134	2.0	33	£12.43	-1.9	-9.2
WARM WATER PRAWNS CHILLED	156,706	155,527	172,871	11.2	19	10,172	8,925	10,444	17.0	-2	£16.55	-5.0	21.2
HADDOCK CHILLED	144,602	133,054	137,722	3.5	4	12,204	10,995	11,474	4.4	6	£12.00	-0.8	-1.8
COLD WATER PRAWNS CHILLED	132,980	131,449	128,057	-2.6	4	11,663	10,707	9,579	-10.5	-30	£13.37	8.9	48.1
MIXED SEAFOOD CHILLED	113,599	120,096	124,922	4.0	-18	13,745	13,967	14,418	3.2	-55	£8.66	0.8	81.5
MACKEREL CHILLED	74,719	71,173	67,277	-5.5	4	9,418	9,129	8,614	-5.6	-19	£7.81	0.2	27.9
SEA BASS CHILLED	37,193	41,989	48,297	15.0	126	2,600	2,845	3,086	8.5	136	£15.65	6.0	-4.3
TUNA CHILLED	39,305	39,192	40,501	3.3	-19	2,745	2,756	2,852	3.5	-35	£14.20	-0.1	23.8
TROUT CHILLED	33,675	34,494	34,130	-1.1	-22	3,290	3,107	3,041	-2.1	-39	£11.22	1.1	27.0

(Data: Nielsen Scantrack – 8yrs/52wks to 21.5.16)

The Chilled Seafood Shopper

For seafood the shopper is usually also the consumer, although, there are some disconnects around seafood products aimed at children, for example, coated fish shapes. One reason for the continued growth of chilled seafood despite its relatively high average price, may be down to a strong shopper focus on value for money. Shoppers and consumers perceive chilled and frozen seafood very differently. Chilled seafood is seen as 'healthier', 'fresher', 'better tasting', 'higher quality' and 'easier to cook' than frozen; and is typically bought with a treat or special occasion in mind. Chilled seafood shoppers are generally more engaged and knowledgeable about seafood and the surrounding issues like sustainability. In comparison, frozen seafood is seen as a 'convenient', cupboard and shopping list staple. Shoppers comment on 'mushy texture', loss of flavour and struggle with the concept of how frozen seafood can still be 'fresh' and often not being able to see the product through the packaging.

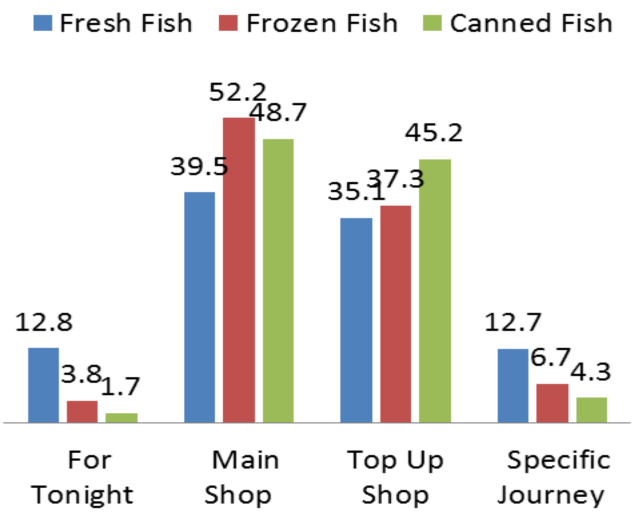
The Chilled Seafood Shopper Journey

Seafish recently commissioned Kantar to carry out two studies to determine why, how, when and where people buy seafood. Combined with previous Seafish shopper research and the Institute of Grocery Distribution IGD benchmarking of the seafood shopper, the insight can then be used to guide NPD, marketing and sales strategy.

Chilled Shopper Missions

The Shopper 'Mission' is simply the reason for the shopping trip. The 'main shop' is the key mission for chilled seafood shoppers (39.5%), followed by a top up shop (35.1%). Chilled seafood is bought on a preplanned or impulse 'meal for tonight mission', intended for immediate

Shopper Missions by Seafood Sector 2015



Kantar World Panel 2015

consumption or later that same day, more so than other proteins. For the chilled seafood shopper, the decision to buy is a little more likely to be influenced in store, often with a specific meal in mind and the seafood purchase is likely to influence the other ingredients; offering opportunities for instore shopper marketing, promotions and fixture.

Chilled Seafood is a Male Orientated Purchase, bought for the shopper only

IGD surveys highlight chilled seafood as being unique compared to other chilled proteins in that the shopper is younger, predominantly male and more affluent than the buyers of other chilled proteins. Typically living in a household with young children, but the seafood is usually eaten by the shopper only. This unique profile of the chilled seafood shopper opens up a whole host of male targeted flavours cross-site promotions and marketing opportunities.

Fresh fish shoppers	
% Female	48%
Average age	43.4
% 18-34	30%
% AB	29%
% DE	17%
% in 1&2 person Household	45%
% with children under 18	47%

The view on the chilled seafood fixture is generally positive, favoring fixtures that are easy to navigate, where products are attractively presented and easy to find and pricing is EDLP. If the specific chilled seafood is not available chilled seafood shoppers are less likely to accept either frozen or ambient as a substitute: hence ensuring stock on shelf is important to retain the sale.

General purchase drivers favour products that are easy to cook, with chilled seafood shoppers specifically looking for attractive packaging and attractive product, alongside packs of a convenient size. The trend for polarization in household size towards single households and larger households could be used to steer pack size strategy. The chilled shopper has a strong desire for more inspiration, is more open to trying new species and is more receptive to messaging around provenance and responsible sourcing.

Chilled Seafood Channels

Supermarkets (main estate) is the key channel the chilled seafood. Around 80% of shoppers use supermarkets to buy chilled seafood, followed by larger format stores (hypermarkets) then discounters and convenience stores.

The IGD also report that in 2015, the online channel attracted a relatively high proportion of chilled seafood shoppers. Previous studies have shown the online channel being more attractive to frozen and ambient seafood shoppers, as chilled shoppers have preferred to choose chilled seafood themselves.

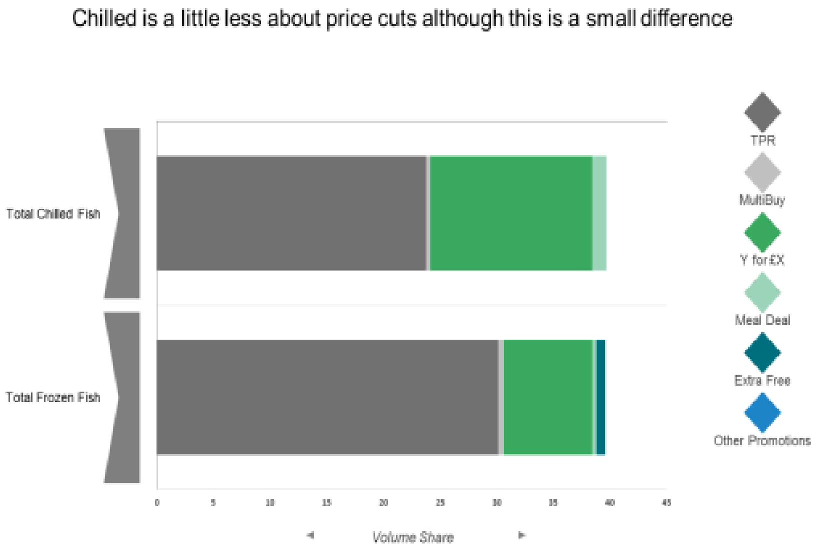
HOW TO GROW THE FISH CATEGORY BY CHANNEL?

Online	Convenience	Main Estate
Target **family weekday evening meals** with **large formats** suitable for the whole family. Be part of **tasty, filling, healthy and practical meals** where you focus on **fish pies, pasta dishes** and link with **potatoes, chips, pies and ice cream.**	Target **small HHs with small formats** with a focus on the **weekend evening meals** . Aim to increase the value of the fish occasion **by providing products that are practical and healthy in one go**. Link with fish pies, baked potatoes, fresh veg and wine.	Accommodate with **a wide range of formats for all occasion sizes**. Focus on the evening meal and **communicate about the biggest fish needs; taste, quick/easy, filling and healthy**. Link with the biggest fish dishes and accompaniments.
Family packsizes and/or multibuy deals are vital to grow the trip spend in the online marketplace. Frozen, which trades well on line is generally promoted on price, however, online this is less of an issue.	Added value is largely the only area achieving sustained growth. Assisting retailers with innovation and current flavour trends will be vital to category growth.	Shoppers are exposed to many more areas within the main estate. Ensuring the fish gets its fair share of the shelf is important to offer variety…However, there is a still a growing market, even in main estates for added value.

As main estate is the biggest part of the market, its fish reaches all age and gender groups, but has a small bias towards the over 55s. Chilled added value and chilled smoked fish overtrade in this channel. Frozen has declined heavily over the last 5 years with chilled natural specifically driving the market.

To be expected, the convenience channel over indexes in seafood that is ready to eat or ideal for ‘meal for tonight’ predominantly chilled breaded, chilled shellfish, smoked seafood, with chilled added value generating most of the growth over the past 5 years.

Purchase



Key barriers to purchase at fixture are smell and presentation of fish with eyes and heads. Ensure the fish has sufficient freshness quality to prevent unpleasant odours. Shoppers are unsure on portion size and how to choose fish with adequate freshness quality; in addition they are put off trying new species due to the fear of wastage. Seafood shoppers want more recipe inspiration, and report being intimidated by asking an instore fishmonger. There is significant opportunity to educate the shopper and brighten the seafood shopping experience, in the form of guides or interactive fixture; cross siting to bring together key recipe ingredients into one place to make it easier for the shopper. Recently, the grocery landscape has been shifting to a position of simplicity. Number of SKUs at fixture being pared down to the core lines that perform well; and the complexity of the multitude of different types of promotions are being cut and simplified in favour of total price reduction (TPR). In 2015 the dominant chilled fish promotional mechanic was strongly Y for £x with TPR promotions at only around 23% by volume. Better performing promotions for chilled fish may be the meal deals and cross-linked promotions with key ingredients.

Key IGD Chilled Fish Insight and Opportunities 2015

Insight: There is a willingness to pay extra for higher quality fresh meat and fish	**Evidence**: 65% of shoppers think it is sometimes worth paying a little extra for fresh meat and fish, rising to 75% of fresh fish shoppers	**Implication**: Are you meeting shoppers’ expectations for higher quality products?
Insight: Shoppers are more engaged with fresh fish than fresh meat in-store	**Evidence**: 50% agree that they enjoy shopping for fresh fish compared to 37% for fresh red meat and 15% for fresh poultry	**Implication**: What are you doing to make fresh meat more engaging for shoppers? Are you doing all you can to inspire shoppers with meal solutions?
Insight: Innovation does not appear to be keeping up with shopper interest in new products	**Evidence**: 52% like to try new/different fresh meat and fish; 72% do not agree that there are always lots of new and innovative fresh meat and fish being launched	**Implication:** How can you ensure that your NPD plans are keeping up with shopper expectations?

Eating

Chilled seafood is typically eaten by adults at a dinner/tea occasion, although lunch features more for chilled seafood than other formats. Chilled seafood shoppers are split in that some find it hard to cook well, whilst others find it easy to cook, many are put off by handling and preparing the seafood, and uncertainty over cooking time and perceived safety issues. Again the greatest barriers are unpleasant smell and overly fishy flavours, both indicators of low freshness quality. Another big turn off for shoppers is the fear of bones. When it comes to accompaniments, chilled seafood is most likely to be eaten with salad. Key flavour trends in 2015 were Asian, American and South American flavours.

THE DETAIL; CHILLED SHOPPER JOURNEY SUMMARY & RECOMMENDATIONS

	NATURAL	ADDED VALUE	SMOKED	PRAWNS	BREADED
MINDSET	Most engaged/devoted of all, sustainability & quality key, look to stretch species knowledge & experimenting.	See less benefit, less key in diet and on list less so must do more to push idea of fish as favourite vs other protein.	Average engagement but price driven, less likely to be on list and less of a favourite so image requires work.	Less engaged via key drivers – need to positon more as key in diet, beneficial and as favourite.	On the list but score poorly, see it as harder to cook and lack confidence, see frozen as fresh; need education.
MISSION	Need to target larger missions around specific and immediate meal ideas so new recipes perhaps key.	Less specific meal driven so likely on quick trips and impulse – will require more in store focus as a result.	Need to target larger missions, specific meal and stocking up – i.e. push idea as replenish/list essential.	Target larger missions and consumption ideas around specific meals and immediate consumption.	Large mission and stocking orientated so target idea of replenishment / fridge filler more specifically.
INFLUENCE	Specific product and meal known in advance of shop so target shoppers in the home with fish as key focus.	Decision to buy much more likely in store and at fixture so stand out and messaging will be required here.	Product and meal likely to be known prior to going to store so in home target around meal ideas.	Must speak to shoppers in the home as have decided on meal and product in advance of getting to shop.	In store decisions on product likely with loose meal concept – message in store on versatility
AT FIXTURE	May consider other chilled so stretch repertoire around meal ideas on pack/fixture. Overall experience is good.	Visibility and ease of find not as strong, so perhaps need for clearer signposting in store.	One track mind – wont consider anything and easy to find what wanted pushing need to target in advance.	Less of a positive experience around pricing and product visibility & labelling so could review?	Will be considering other things, so need for in store guidance and education to help make decisions.
DRIVERS	Focus on meal orientated drivers; ease of cook, size, presentation – dial these up around meal ideas.	Clear drivers to focus on and dial up – ease of cook, right size and scope to offer something new.	Value and specificity are key drivers, so focus would need to be around extended use around concept of value.	Core driver is product specificity so product must clearly be sole focus on targeting messaging.	Tie drivers into versatility and stocking message – ease of cook, value for money and correct size.
CONSUMPTION	Target adult orientated evening meals based around veg, rice, pasta and home made sauces.	Some issues to address around eating experience; enjoyment , satisfaction and health in particular.	Value could be pushed around multi occasion use (not just dinner) and also address flavour/smell issue.	Dial up positive eating experience esp. flavour & health with ideas including rice, pasta, sauce & “dishes”	Targeting around suitable for all as kids eat too, and need to address flavour and health concerns
TRIGGERS	Price & freshness key triggers; possible repertoire expansion via knowledge on other fish at better price?	Stated triggers echo previous findings; focus on wider range, inspiration, quick prep and size clarity.	Desire for guidance on species & inspiration feeds directly into and can support above targeting process.	Desire for more ideas on quick prep and information / inspiration further support proposed targeting.	Price a key trigger so tap into this via versatility, with wider need for more knowledge / info generally.
10% +1 PURCHASE	£7.2M	£5.4M	£4.7M	£2.5M	£2.7M

Data:

- 2016 Retail data (AC Nielsen Scantrack/Homescan: 52 weeks to May 21st (excludes discounters and seafood sandwiches) (%) values represent change from the previous year unless otherwise stated
- Kantar World Panel Seafood Shopper Journey Report 2015
- Kantar World Panel Seafood Channel Report 2016
- Defra Family Food Survey

Further Reading –

- Seafish Q2 Retail Summary Report 2016
- Seafish Seafood Consumption Fact Sheet 2015
- Seafish Factsheet Cod 2016
- Seafish Factsheet - Haddock Industry 2015
- Seafish Factsheet Prawn and Shrimp Industry 2015
- Factsheet - Tuna Industry 2014

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