

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



Seafood Category Insight: December 2022

A market insight analysis (20m read)

February 2023 Richard Watson

Seafood Category Insight: December 2022

Meaningful, actionable insights are at the core of category management, driving both NPD and marketing plans. However, 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 December 2022.

As food inflation soars to new highs, the end of 2022 sees the decline in seafood retail volume sales accelerate, as shoppers trade out of seafood altogether and down into ambient, the cheapest seafood sector. 'Big shops' dominate shopper missions in supermarkets/hypermarkets and discounters as shoppers focus in on saving money. Shoppers continue to prioritise food discounters and variety discounters (B&M etc) in the search for value. In foodservice, the slow recovery falters, with seafood servings remaining over 20% behind pre COVID-19 levels.

IGD Key take-outs 2023



- 1** Further **£1,300** impact to household finances in 2023
 Food will be the biggest driver of increased costs for households this year, replacing energy. A median UK household will be nearly **£1,300 worse off in 2023** than they were in 2022. This means, in turn, that they will be **£4,200 worse off than they were in 2021**. Deflation is unlikely in the short term.
- 2** One third are changing how they cook to save energy
 There is a real **opportunity to encourage shoppers to cook more efficiently**. Not only do these changes save shoppers money, but they also help them become more sustainable – proving for **sceptical households that sustainable does not have to mean more expensive**.
- 3** Still scope for changes to shopper behaviour
 With some households still on fixed rate mortgages or energy tariffs, there are **still households that are relatively insulated** from the major rising costs faced by others. This protection will end for more shoppers in 2023, meaning there is scope for further change in consumer behaviour.

INFORMATION

- ◇ CPI inflation rate remains high, but has eased for the second month running from 10.7% in November to 10.5% in December 2022.
- ◇ Food and drink CPI inflation moved upwards to +16.8% in December, up from 16.4% in Nov'22.
- ◇ Monthly gross domestic product (GDP) fell by -0.5% in December 2022, following an unrevised growth of 0.1% in November 2022.
- ◇ Almost one-in-five people (19%) – are not confident about their finances as a whole over the next few months, but for workers in the lowest income bracket, this rises to 32 per cent, and to 43 per cent for those not working and on benefits (RF).



- ◇ In November 2022, 28 per cent (up from 9 per cent pre-pandemic) of adults say that they could not afford to eat balanced meals, and 11 per cent or 6 million adults (up from 5 per cent pre-pandemic) reported being hungry in the past month.

OBSERVATIONS

- ◇ Pay fell by 3.5% in real terms in the 3 months to Dec'22.
- ◇ Food is likely to be the biggest contributor to bill rises in 2023.
- ◇ IGD anticipates that food and drink inflation could fall back to 2021 levels around late 2023/2024.
- ◇ The UK remains hovering just out of recession. GDP was flat in the three months to December 2022.
- ◇ 2022 impacted heavily on UK living standards. As inflation reached its highest level in 41 years, the Government responded with household cost of living support of £58 billion. Facing a tight labour market, employers raised nominal pay by its fastest rate since 1991. But real pay still shrunk, and government support was not enough to prevent median household incomes from falling by 3% in 2022.
- ◇ Shopper confidence rose 4 points in December to -21. This represents the highest score since July but continues the trend of being exceptionally low (IGD).
- ◇ Significant rise in financial confidence amongst middle earners.

INSIGHT

- ◇ Food prices have risen consistently for the 17 months to December 2022.



- ◇ In December 2022, food price inflation was at its highest since September 1977 at 17.6%. Seafood inflation although increasing still looks low at +2.7% (ONS).
- ◇ Worst fall in real wages on record will keep seafood in decline.
- ◇ Rising inflation across food and drink occurring simultaneously with falling all items inflation, could impact trust and the wider reputation of the food and consumer goods industry.
- ◇ Consumers will however continue to see rising prices. Lower inflation does not mean that prices are falling, but that they are not rising as fast as they were.
- ◇ With the Government pledging to half inflation in 2023, coupled with a prediction that food inflation will slow, just 33% of shoppers expect food prices to get much more expensive.

ACTION

- ◇ Retailers and suppliers must continue to work hard to minimise price changes for shoppers and reassure them that they are getting the best possible value.
- ◇ The Resolution Foundation (RF) estimate that the typical income after housing costs for working households is likely to fall by 4% in 2023-24. This is larger than the 3% decline predicted for 2022-23. This will keep pressure on household finances and seafood sales in decline.



- ◇ Exceptional price competition around Christmas may have created some optimism amongst shoppers that prices won't rise much higher. But in reality, inflation is not likely to ease until late 2023/4.



INFORMATION

- ◇ A further £1,300 impact to household finances in 2023 will keep a strong focus on saving money.
- ◇ 60% of shoppers claim to be reducing their energy use at home.



- ◇ One third are changing how they cook to save energy.
- ◇ More than half (54%) plan to cut spend on food and grocery shopping and four in ten (39%) plan to cut the amount consumed at home, for instance through smaller portions and missing meals.



- ◇ As a third of adults have less than £1,000 in savings, it's likely that many will have taken on more debt.
- ◇ Older shoppers making compromises to support family.

OBSERVATIONS

- ◇ A little optimism is starting to creep back in in the new year. But focus on saving money remains very high.



- ◇ Food is predicted to be the biggest driver of increased costs for households in 2023, replacing energy. A median UK household will be nearly £1,300 worse off in 2023 than they were in 2022 **and £4,200 worse off than they were in 2021.**



- ◇ With some households still on fixed rate mortgages or energy tariffs, the more affluent households are relatively insulated from the major rising costs faced by others.
- ◇ Shoppers in the lower demographics are feeling the rising cost of food and groceries. The speed of the rises caught some by surprise, and many wonder how they will cope
- ◇ Significant numbers claim to have not received a pay rise.

INSIGHT

- ◇ Excess food inflation will bring heightened sensitivity around food prices
- ◇ There is a real opportunity to encourage shoppers to cook more efficiently. Not only do these changes save shoppers money, but they also help them become more sustainable – proving for sceptical households that sustainable does not have to mean more expensive.



- ◇ Consumer sentiment is likely to remain very bleak in the months ahead with many consumers worried about how they will cope with the rising cost of living as wages fail to keep pace with the increase in retail prices and household bills.



- ◇ Financial insulation will end for more shoppers in 2023, so be prepared for further money saving changes in consumer behaviour in the medium term which will drive down seafood consumption.

ACTION

- ◇ Cash in on the versatility and the fast cooking time (i.e. low energy requirements) of seafood.



- ◇ The revolution to encourage shoppers to cook seafood more efficiently is already started with the excellent recent innovation in microwave ready mussels and mixed seafood in sauce. More products are required.



- ◇ These products also break the smell, preparation, cooking and recipe barriers making them an attractive proposition for seafood shoppers. In the case of mussels they also offer a relatively low price point.

INFORMATION

- Discounter expansion: the squeeze on incomes is causing more shoppers to switch to discounters, strengthening the gain from their rapid store opening programmes.



- Discount remains the fastest growing channel, driven by economy-seeking households looking to save money.
- Large stores are in a much better position to exploit value and effective loyalty mechanics to allow operators to defend their market share than during the 2008 downturn. But retailers need to ensure a focus on efficiency does not compromise shoppers' experience and that they continue to offer breadth of range to differentiate from discounters.
- Online demand has paused after unprecedented growth through the pandemic but is projected to pick up again in 2025.
- 2022 has seen a return to more buoyant growth for the convenience channel as shopping behaviour normalises.

OBSERVATIONS

- Inflation is the primary driver of short-term grocery market growth. Food and drink inflation is now likely to peak at 17-19% in Q1 2023 and then decline slowly.



- Shopper actions to economise, for instance trading down to value own label and reducing consumption of premium lines, will continue to depress grocery sales.
- Poorer households remain the hardest hit. The impact of inflation will be felt most by lower income households that spend a higher proportion of their budget on food and energy.
- While Aldi and Lidl are key beneficiaries, variety discounters are also gaining share as they strengthen their food and drink offers and align them better with customer missions.



INSIGHT

- Delivering value for money: As living costs continue to escalate, delivering and communicating value has never been more important.



- Health and sustainability: While shoppers are adopting a much more value-driven mindset, it is important that longer term strategies to encourage healthier eating are not displaced.
- Product innovation: Pressures on budgets will make shoppers less able to trade up. New products will only be able to command a premium if they offer clear advantages.
- Format evolution: Rising operating costs, changed shopper priorities and the normalisation of hybrid working will impact how and where people want to shop.
- Embrace digitisation: There are still plenty of opportunities for retailers and suppliers to use technology to enhance the in-store experience.

ACTION

- Work with retailers to mitigate cost increases and communicate a breadth of affordable options to help shoppers control their spending.
- Seafood fits perfectly into a model where Initiatives save shoppers money while also offering health or environmental benefits.
- Focus on identifying further cost efficiencies to offset input and operating cost increases.
- Innovation should focus on improvements to mid and lower tier products to offer affordable quality and newness.
- Experiment with new partnerships to support footfall and differentiate from competitors, while suppliers explore the opportunities such changes bring.
- Support omnichannel shopping. Exclusive digital promotions for loyalty scheme members can be a powerful tool to engage shoppers and influence their behaviour.



INFORMATION

- ◇ Total foodservice GB spend stood at £55.1bn (+17.3%) YOY but down from £56bn In June 22, despite inflation.
- ◇ In Total foodservice, most channels saw value growth due to inflation except for QSR (exc.) and the fish & chips channels.

GB foodservice servings which included seafood stood at 0.93bn up (+8.6%), estimated to be worth £4.26bn (+21%) in Dec '22 vs YA



- ◇ Seafood servings were up across most channels except QSR (exc.) and the fish & chips channels. Pubs and Workplace saw the strongest growth up by 64% and 43%, respectively.
- ◇ Seafood sales were up across all channels except FSR and casual dining. Pubs and the Workplace channel saw the strongest growth up by 47% and 71%, respectively.

OBSERVATION

- ◇ Total out of home (TOOH) seafood recovery stalled, as both seafood servings and value stall, fell slightly from June 22.
- ◇ Total foodservice spend just remains moves above pre covid levels driven by inflation.
- ◇ TOOH servings in the Pub (+71%) and workplace (+84%) channels perform strongly in with seafood servings also performing strongly.



- ◇ The fish & chip shop channel was the only channel in TOOH servings decline (-11%). Seafood servings also declined in both the fish and chip shop channel and QSR (excluding fish & chips)
- ◇ Prawns servings have increased overall, but unusually QSR lost 7.2% of prawn servings share, as full service share of prawn servings grew.
- ◇ Tuna servings have increased strongly in the QSR (exc.) and full service channels.

INSIGHT

- ◇ Rarely have the cheapest foodservice channels, QSR (exc. fish & chip shops) and the fish & chip shop channel been in decline. The last time was post 2007/8 financial crisis. This could be a reflection of the reports that the current financial crisis has hit the lowest demographics have been hit the hardest, whilst relatively affluent demographics have been much less affected. This is also mirrored by the lower demographics trading out of seafood in retail.



- ◇ Seafood is struggling to catch up to pre COVID-19 levels. In December 2022 seafood servings declined to 76% of Q4 2019 pre (COVID-19)
- ◇ Inflation has hit independent fish & chip shops hard. In many areas prices have increased by over 50%. This has had an impact on sales as the meal fall below diners value for money expectations.

ACTION

- ◇ Successful businesses will target NPD to offer exceptional value for money seafood products for the QSR, in both fast food and fish & chip shop, channels; until the lower demographic get back on a comfortable financial footing.



- ◇ Higher value species such as prawns and tuna continue to grow sales suggesting the more affluent have as yet have not changed habits. This also and may offer opportunity for premium focused NPD.
- ◇ High servings growth in the Workplace and education channel could be an opportunity to target Younger and more affluent customers.
- ◇ Historically a protein with the lowest deal rates, recently this has seen some improvement. In 2022, more than 1/3 of seafood visits were on deal, slightly higher than protein market average. This will be incredibly important to drive sales.

ACTION

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.

- ◇ 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.

INFORMATION

- ◇ Total UK multiple retail seafood sales stood at £4.07bn (-3.1%), with a volume of 391,572 tonnes (-5.6%) to Dec'2022 (Nielsen Scantrack 52wks (UK Inc. discounters).
- ◇ Average price of total seafood increased by +2.7% to Dec'22 (£10.40/kg).
- ◇ UK chilled seafood sales fell strongly at £2.522bn (-3.4%), volume 176,226 tonnes (-8.5%) to Dec'22. Average price £14.32/kg, (+6.3%).
- ◇ Total frozen seafood sales fell strongly at £1,000m (-4.8%), volume 126,373 tonnes (-10.4%) to Dec'22. Average price £7.92/kg, (-7.2%).



- ◇ Total ambient seafood sales stood at £548m (+2%), volume 88,974 tonnes (+9.9%) to Dec '22. Average price £6.17 (+5.6%)

OBSERVATION

- ◇ Total seafood category remains in full decline with the drop in volume sales accelerating over the year.
- ◇ Chilled seafood consumption decline also accelerates over the year.



- ◇ Ambient seafood returns to full growth as strong volume sales and inflation boosts value.
- ◇ Chilled sushi and ambient prepared were the only seafood sectors in volume growth at the end of December '22.
- ◇ Only tuna (+13.8%) and mixed seafood (+2.8%) grew volume sales as consumers turned to sandwiches and home cooking to save money.
- ◇ Fewer shoppers are shopping less often and spending less on significantly smaller baskets.
- ◇ In Dec '22 Shoppers bought an average 0.5kg of seafood per trip, spending on average £4.87 per trip; and bought seafood 29 times per year. spending a total of £140.6 on 14.4 kg/yr.

INSIGHT

- ◇ Seafood Inflation remained constrained over the first half of the year building up momentum by Dec'22. But at +2.7% remains substantially lower than the 17% food average
- ◇ Frozen seafood shows the heaviest decline and is accelerating **despite over -7% deflation.**
- ◇ **Ambient is the only sector to see volume growth as shoppers trade down to the cheapest seafood option, desperate to save money.**
- ◇ Seafood consumption decline in retail accelerates. If pressure on personal finances reaches, predicted levels, retail seafood consumption could fall by a further 30-35% over the next 10 years.



- ◇ Seafood increased value sales over Christmas'22 but only due to inflation. Volumes sales remained flat at -0.1% compared to last year.

ACTION

- ◇ Even Christmas, couldn't provide a boost to seafood sales volumes vs last year as uncertainty around personal finances continues to build, driving shoppers to trade down to the cheapest seafood options and out of seafood altogether into cheaper proteins.



- ◇ It will remain tough for seafood the foreseeable future until financial pressure ease. The first signs of recovery will be renewed interest in frozen. However, expect shoppers to quickly re-focus on chilled seafood, as shoppers return to the ingrained hunt for value for money.



- ◇ The long term trend of seafood shoppers focusing on farmed seafood like salmon and warm water prawns, basa and seabass is likely to continue despite their high price.

References:

- ◇ IGD, Quarterly channel trends, 2022
- ◇ IGD, UK market forecast update, 2022
- ◇ IGD, Shopper sentiment tracking data, 2022
- ◇ IGD, UK Retail and Shopper Trends 2022
- ◇ IGD, Shopper missions tracking data, February 2023

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

Subscribe to Market Insight Reports:

Individuals working full time for a seafood business can apply for a password to access Seafish Retail, Food-service, Shopper and Trade Reports directly. [Click here to subscribe.](#)

More Information:

For the full range of market insight factsheets, covering different sectors of the seafood industry go to the Seafish website - <https://www.seafish.org/insight-and-research/>

Richard Watson
Seafish Origin Way,
Europarc, Grimsby, DN37 9TZ
T: +44 (0) 1472 252331

e: info@seafish.co.uk
w: www.seafish.org
f: +44 (0) 1472 268 792