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Seafood Category Insight: Mid 2022

A market insight analysis (20m read)

October 2022 Richard Watson

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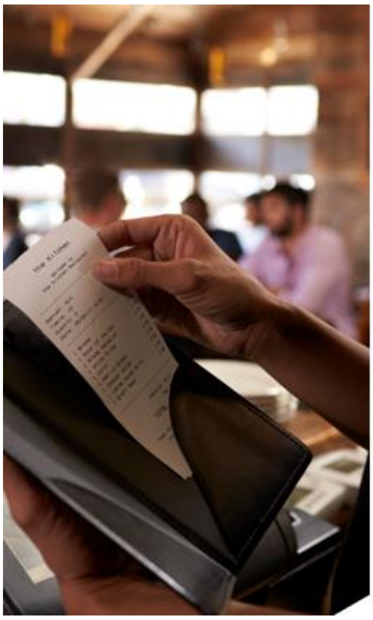
Meaningful, actionable insights are at the core of category management, driving both NPD and marketing plans. However, generating insight is not always straightforward. Seafish category reports collate key information in a classic four step insight template. It is designed to help seafood businesses 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 mid 2022.

The cost of living crisis dominates the business landscape in mid 2022. The food and consumer goods industry is seeing the strongest inflation in decades and there is likely much further to go before prices begin to stabilise. Many shoppers are in severe financial distress and they are being forced into difficult spending decisions. IGD's ShopperVista research shows that some have fallen suddenly into material hardship, this has resulted in Grocery spend reducing back to 2019 levels as shoppers reign in spending. One classic strategy to save money is to eat out less, this could be a clear opportunity for seafood.

IGD Key take outs 2022/23



1 Customers will compromise on out-of-home as a first tactic

If prices rise too much, customers are most likely to switch to cheaper restaurants or eat out less, rather than cooking at home. Vouchers and offers encouraging repeat visits could be a good way to avoid this switch, while being more affordable for pubs and restaurants to implement than blanket price reductions across the full menu.

2 Significant opportunity to capture meal occasions

Even though they are more likely to switch to other restaurants, there remains a significant opportunity for grocers to capture meal occasions lost from out-of-home. Cooking from scratch is claimed to be the preferred choice at-home, so meal deals and recipe inspiration that helps households deliver this would be welcomed.

3 One in four DE consumers never go out for a meal

Something to consider at the cost-of-living continues to rise and households look to save money is that some of the poorest have no switch or trade down to make, given that they don't take part in the first place. The struggle for these households through winter will be a major challenge.

UK Economy & Shopper Confidence

'Finances under pressure'

INFORMATION

- CPI inflation peaked in July '22 at 10.1% with food and drink at peaking at 13.1% in August '22.
- IGD anticipates that food and drink inflation will peak at 14 to 16% in late summer or early autumn, averaging between 10% and 12% over the full year.
- GDP economic activity grew by 0.2% in July, according to the ONS. This is lower growth than independent analysts had predicted.
- Although wages continued to rise, up 5.5% in the 12 months to July 2022, price increases are outstripping wages, resulting in a decline in the value of pay.
- In real terms workers are 6.5% worse off than a year ago. This is a record contraction in household incomes and is impacting shopper spending (see the latest IGD research).

OBSERVATIONS

- The average annual household energy bill will be capped at £2,500 from October for 2 years, as part of the Government's Energy Price Guarantee. Ofgem had previously announced that the energy price cap would increase to £3,549 from October.
- Unemployment was very low from May to July at 3.6%, the lowest rate since May to July 1974.
- Food Inflation is being largely driven by supply-side factors, especially energy prices. This continues to erode food production margins, as illustrated in the chart below.
- Input prices for food producers declined slightly in August, down by 0.8%. This is the first decline since July 2021 and was due mainly to lower fuel costs.
- The gap between input and output prices remains wide, and IGD expects these margin pressures to continue to feed into retail prices in the coming months.
- The Bank of England expects inflation to peak at around 10% in Autumn, before falling back towards target (2%) in 2023.

INSIGHT

- IGD's Shopper Confidence Index has recorded its biggest monthly decline (6 points) and is now at -27, another all-time low.

- It is expected that the Government's Energy Price Guarantee may stabilise confidence in the short term.
- The Bank of England suggested that the plans to freeze energy bills could curb inflation. However, it also stated that it may have to raise interest rates higher than predicted due to the scale of the package.
- In July 2022. inflation hit its highest hear on year level for 40 years recording 10.1% on the CPI index ramping up pressure on personal finances.
- Food and drink prices rises but seafood inflation is running lower than total food or meat. However, long term   seafood inflation still makes the category a significantly hight price option than other proteins.
- IGD forecast that food inflation is likely to reach 15% in late summer.

ACTION

- With energy prices now higher and more change to come, the situation is uncertain. After last month's record low, shopper confidence may fall further before it starts to stabilise. Where it goes from here will depend greatly on macro economic trends, as well as how cold autumn is.

- Having amongst highest average price of mainstream proteins, seafood decline is set to accelerate as shoppers turn to cheaper options.
- Shoppers will continue to cut back through October and beyond, perhaps with one eye on making savings for Christmas celebrations.
- Traditionally a strong time for seafood sales, ensure Christmas rages offer value for money as well as fun and indulgent.

Shopper Trends

‘Strong Desire to save’

INFORMATION

- ◊ Shopper trends mid 2022 vs last mid 2021:
  - •2% rise in shoppers using food discounters
  - •3% decrease in those using online
  - •3% increase in those using frozen food channels

- ◊ Main shop missions dropped to the same level as mid 2021 with top-up missions down 2% compared to last year.
- ◊ Shoppers focused on saving money up 5% compared to Jun’21, edging closer to half of shoppers choosing this as their top store choice driver. Speed and ease of shop increased 3% as a driver of store choice this quarter.

- ◊ A quarter of shoppers are doing the majority of their shopping at food discounters.
- ◊ 31% of shoppers are using their smartphones to save time and look for the best deals.

OBSERVATIONS

- ◊ As shoppers adopt savvy shopping techniques to combat the cost-of-living crisis, they are turning to frozen food and food discount channels more than this time last year.

- ◊ Shoppers are adding extra stores to their repertoire as they search for the best deals as part of their savvy shopping routines.
- ◊ Saving money increased in importance again this quarter whilst speed and ease also grew.

- ◊ Whilst the average number of channels used by shoppers has remained stable, the average number of stores used has increased.
- ◊ Shoppers satisfaction for product choice is at it’s highest level since March 2022.
- ◊ Pre-shop planning online has dropped over the past year as shoppers find it easier deciding what to buy during their shop as they spot bargains.

INSIGHT

- ◊ Shoppers turn to discounters and frozen food as online usage falls.
- ◊ Top up shop, evening meal and food to go missions fall as shoppers save money home cooking
- ◊ Shoppers look to celebrate events at home as opposed to out-of-home,

- ◊ Saving money is now the core focus area for shoppers. This will continue as long as the worst of the financial pressures continue.
- ◊ Shoppers want to spend as little time and money in store as possible, whilst still getting the best quality.
- ◊ Shoppers are adding extra stores to their repertoire as they search for the best deals as part of their savvy shopping techniques.

- ◊ Offering a wide range of products allows shoppers to compare and choose the best product for them.

ACTION

- ◊ Ensure seafood is aligned to maximise opportunities in the discounters.
- ◊ Successful seafood products will communicate value for money to win over shoppers.

- ◊ Showcasing seafood value through health benefits or quality value needs to be the top priority in the fight to win over shoppers.
- ◊ As shoppers look to celebrate events at home as opposed to out-of-home, this should offer opportunity for party and gathering seafood products.

- ◊ Optimising seafood at fixture and online will help shoppers get in and out as quickly as possible whilst finding the best deals, maximising consumption.
- ◊ Ensure listings in as many stores and channels as possible to maximise exposure from increasing repertoire.

GROCERY TRENDS

‘Discounters march on—online falls’

INFORMATION

- Main shops in ‘Main estate ‘(big stores) fall -9% from this time last year but are currently tracking at a similar level to pre-pandemic 2019. This is also the case with top-up shops.

- The IGD ‘it helps me save money’ as a store choice driver in supermarkets indicator increased from 24% to 31%, taking it to the highest level since tracking started in 2017.
- Food discounter visits up 9 percentage points vs June ‘21.
- 78-79% of shoppers chose food discounters because it saved them money.
- Evening meal missions in Main estate (big stores) have been growing steadily since last year.
- Aldi and Lidl have both seen 3.6% growth whilst Asda and Morrisons have dipped 11.5% and 9.9% over the same period.
- Sales on Own label products increase by +11% vs 2021.

OBSERVATIONS

- Main estate (big stores) missions have returned to pre pandemic patterns.
- Food discounter usage reached pre-pandemic levels, with Lidl seeing the biggest growth. This comes at the same time as being awarded the Which cheapest supermarket award.

- AB shoppers’ usage of variety discounters grew 5% this quarter. 7 in 10 shoppers include the channel in their repertoire.
- Food discount shoppers are wanting better pricing and promotions to encourage further use of the channel.

- Shoppers in the South of the UK are continuing to use food discounters in their grocery shopping. Whilst the North is the only region that has seen a drop in use (down 2%).

INSIGHT

- Supermarkets have refocused on their own label products – in particular the value tiers.

- Main estate loyalty will be tested as shoppers increase store repertoire cherry picking bargains to save money.
- Main shops remain the biggest mission, top-up shops rose across the quarter to mid ‘22. In discounters, Lidl tends to be more used for top-ups, while Aldi sees more main shop missions.
- Shoppers are adding extra stores to their repertoire as they search for the best deals as part of their savvy shopping routines.
- Expect discounter usage to increase as shoppers seek out greater value and become more price sensitive throughout the later part of the year.
- AB shoppers now form the largest group of variety discount shoppers.
- Quality and convenience are becoming less important than speed and price as store drivers as attention shifts to saving money.

ACTION

- Shoppers are reacting positively to value own label, but the challenge will be to prove the product’s quality to the shopper. If these products don’t meet shoppers' expectations, they will not remain loyal.

- Position seafood at he centre of taste trials and store theatre to attract shoppers.
- Rewards are likely to play a role in shoppers choosing a store.
- With AB shoppers now forming the largest group of variety discount shoppers this could be new opportunity for seafood, which has traditionally not had much exposure in this channel.
- As store repertoire increases ensure seafood offering is present in as many channels as possible to maximise sales.

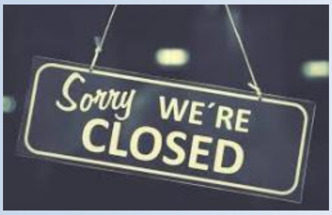
FOODSERVICE

'Fish & Chips struggle'

INFORMATION

- ◊ Total foodservice GB spend stood at £56.0bn (+49.1%) In June 22. but –2% down on 2019.
- ◊ In Total foodservice, all channels saw value growth due to inflation. Workplace and pub channels visits showed the highest value growth.

GB foodservice servings which included seafood stood at 0.97bn up (+40.7%), estimated to be worth £4.27bn (+45.7) in June '22 vs YA



- ◊ Seafood servings were up across all channels except fish and chip shops. Pubs and Workplace saw the strongest growth up by 92% and 227%, respectively.
- ◊ Seafood sales were up across all channels except fish and chip shops. Travel & leisure and Workplace channel saw the strongest growth up by 318% and 111%, respectively.

OBSERVATION

- ◊ Total foodservice spend remains –2% behind pre covid levels driven by inflation.
- ◊ Only Pubs, quick service and full service channel have driven spend back to pre COVID-19 levels
- ◊ Breakfast and dinner TOOH occasions, have been recovering faster than lunch and snacking
- ◊ Servings of Cod, Tuna and Scampi are underperforming compared to 2019, whilst calamari servings have surpassed pre COVID-19 levels, recovering well ahead of the market up +118% vs 2019

- ◊ Prawns are the second strongest performing species, with servings reaching 92% of pre COVID-19 servings.
- ◊ 29% plan to visit bars and restaurants less often.
- ◊ 17% plan to go to different restaurants with better prices or promotions.
- ◊ 15% plan to 'go to my usual restaurant' but order fewer items

INSIGHT

- ◊ Seafood sales recover to pre-pandemic levels due to inflation, but seafood servings, remain at only at 81% of pre COVID-19 levels.
- ◊ Diners have already returned to money saving tactics learned during the 207/8 financial crisis.

- ◊ Fish and Chip Shops have also only recovered to 81% of pre-pandemic level .
- ◊ Seafood servings are up in all channels except independent fish and chip shops.
- ◊ Pubs and workplace channels showed the strongest growth for visits and servings in the 12 months to June '22.
- ◊ Breakfast and dinner TOOH occasions, have been recovering faster than lunch and snacking, this was also observed in 2007/8 recession as consumers try to save money by skipping lunch.
- ◊ Diners report 'eating with friends, whilst shopping, on a night out or on the go' are the top occasions which they plan to reduce to save money .

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. Any recovery t is now expected to be 2024 or beyond.

- ◊ The workplace is changing, with over half he workforce working from home. Consider the opportunities around this.
- ◊ The drive to save money for diners is strong. Use tactics to drive visits, offers, better prices or promotions and more items.
- ◊ Target dayparts and occasions which remain strong like breakfast and dinner.
- ◊ Historically seafood has the highest average price and offers the least promotions of all the proteins in foodservice. This will need to change for seafood to compete.
- ◊ The interest in health post covid remains strong. Seafood needs to play to its strengths.

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 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.

Purchase Triggers

"Freshness and quality fish"

lothing, we would eat fish nearly very 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 ow 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 in serious decline’

INFORMATION

◊ Total UK multiple retail seafood sales stood at £4.08bn (-4.5%), with a volume of 407,352 tonnes (-4.4%) (-0.1%) to June 2022 (Nielsen Scantrack 52wks (UK Inc. discounters).

◊ Average price of total seafood decreased by -0.1% to June ‘22 (£10.02/kg).

◊ Total UK chilled seafood sales fell strongly at £2.538bn (-3.4%), volume 184,211 tonnes (-5.7%) to June ‘22. Average price £13.78/kg, (+2.5%).

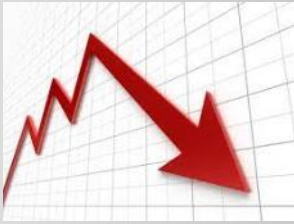
◊ Total frozen seafood sales fell strongly at £1,054m (-4.5%), volume 133,424 tonnes (-9.4%) to June ‘22. Average price £7.50/kg, (+1.3%).

◊ Total ambient seafood sales stood at £555m(-10.4%), volume 89,717 tonnes (+7.6%) to June ‘22.

OBSERVATION

◊ Total seafood category full decline accelerates.

◊ The continued decline has now wiped out the 10% boost to volume sales total seafood volume generated by COVID-19.



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

◊ Prepared was the only segment to show significant volume sector growth, up 2.0pp.

◊ Only tuna grew volume sales as consumers turned to sandwiches to save money, as well as crabsticks the cheapest snacking seafood product.

◊ Fewer shoppers are shopping less often and spending more on significantly smaller baskets.

◊ Shoppers bought an average 0.5kg of seafood per trip, spending on average £4.82 per trip; and bought seafood 29 times per year.

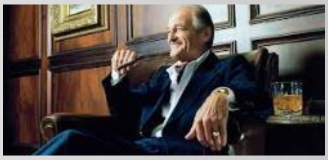
INSIGHT

◊ Retail seafood consumption falls below per COVID-19 levels.

◊ If pressure on personal finances reaches, predicted levels, retail seafood consumption is expected to fall by a further 30-35% over the next 10 years.

◊ The number of shoppers purchasing seafood fell strongly compared with last year.

◊ Analysts predict around 50% of the workforce will continue to work from home to some degree. This should work in the favour of retail, hitting lunchtime foodservice sales to a greater degree.



◊ Compared to 2016 there has been a significant shift in seafood demographics. The share of seafood consumed by the oldest groups (over 65 yrs. and 35-45) has increased significantly.

◊ The high average price of seafood is forcing the least affluent ‘E ‘ demographic to trade out of seafood, as their share fell by -35%

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 out of seafood

◊ As the interest in tuna sandwiches wains, interest in frozen seafood should return. However, expect shoppers to quickly refocus 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 as shoppers look to dine in to save money.

References:

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- ◊ *IGD, UK market forecast update, 2022*
- ◊ *IGD, Shopper sentiment tracking data, 2022*
- ◊ IGD, UK Retail and Shopper Trends 2022

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

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