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the support it needs to thrive.



Seafood Category Insight: Mid 2023

A market insight analysis (20m read)

September 2023 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 2023.

UK Grocery is facing a number of key challenges including stubbornly high inflation, depressing volume performance, a tight labour market and consumers wary of increasing spend pushing shoppers away from 'expensive' seafood into cheaper options. A similar scenario is playing out in foodservice as diners faced with higher cheques, save money by eating out less often and when they do, are choosing cheaper proteins. As a result seafood servings in foodservice still remain 18% behind pre covid levels.

Inflation in the UK remains stubbornly high. Leaving the current phase of strong inflation is likely to be a slow process, with few certainties, increasing economic pressure on businesses and consumers. The decision to raise interest rates increases the prospects of a recession. The food industry is also facing the challenge of the impact of labour shortages and keeping up with recent policy changes.

Why 2023 is proving brutal for Seafood business leaders

Persistent inflation, politics and labour challenges IGD July 2023

Economics – stubborn inflation, base rates rising	Labour – our industry's Achilles' heel?	The consumer challenge
<ul style="list-style-type: none"> ◀ Overall inflation remains stubbornly high at 8.7% in May ◀ IGD's latest forecasts indicate that food inflation will persist, reaching 8-10% at the end of the year ◀ Persistent inflation may lead to steeper and higher than expected interest rate rises ◀ Significant interest rate rises would maintain the financial pressure on businesses and consumers, possibly triggering a recession 	<ul style="list-style-type: none"> ◀ Wages are rising as labour shortages persist across the economy ◀ Inflation continues to outpace wage growth, reducing the real value of wages ◀ Rising labour costs could become embedded into the economy, extending the inflationary pressure ◀ Building a talent pipeline for the future is key. Find out more about IGD's employability programmes here. 	<ul style="list-style-type: none"> ◀ The rise in shopper confidence may be short lived. ◀ Fewer expect food prices to rise in the next 12 months (70% vs 91% June'22) ◀ Consumers are wary about spend. 53% of all adults plan to cut food and grocery spend in the next few months (+12% since March'23) ◀ Those on the lowest incomes and those who have a mortgage or who rent are being impacted the most

INFORMATION

- ◇ The Consumer Prices Index (CPI) rose by 7.9% in the 12 months to June 2023, down slightly from 8.7% in May.
- ◇ Food and drink inflation moved upwards again from +16.8% in December, to 17.4% in June '23.



- ◇ Monthly gross domestic (GDP) is estimated to have grown by 0.5% in June 2023, following a fall of 0.1% in May 2023 and growth of 0.2% in April 2023.
- ◇ 59% of those who have a mortgage or rent say they will have to cut back spending further.
- ◇ 53% of all adults plan to cut spend on food and grocery shopping in the next few months, increasing to 66% of those on the lowest incomes.
- ◇ IGD's Shopper Confidence index rose in June to -12, the highest level since the end of 2021. This compares with a score of -24 a year ago.

OBSERVATIONS

- ◇ The Bank of England will need to maintain higher interests rates for longer than previously forecast, in order to tackle inflation (IMF).
- ◇ The economic climate is having a greater impact on those with the lowest incomes.
- ◇ A small rise in shopper Confidence index is mainly being driven by fewer consumers expecting food prices to rise in the next 12 months.
- ◇ There is a risk that energy prices could rise this winter if the Chinese economy is very strong, buying a lot of energy from the markets and the UK has a harsh winter.
- ◇ June 2023 was the hottest June on record for the UK. Challenging growing conditions, due to extreme heat or drought, could impact crop yields and may extend food price inflation.



- ◇ In April to June 2023, the annual growth for regular pay (excluding bonuses) was 7.8%. This is the highest annual growth rate since comparable records.

INSIGHT

- ◇ Shopper confidence remains low but climbs to the highest level since the end of 2021.



- ◇ Financial confidence grows driven by those on higher incomes. Real pay is growing but lags behind inflation.
- ◇ Food inflation remains high but is believed to have peaked at +19.1% YOY in Q1 2023.
- ◇ Although still high at 17.4%, food inflation is now expected to fall slowly as 2023 progresses, ending the year at +8% to +10% and turning slightly negative in late 2024. Average inflation over 2023 will be +14% to +16%. (IGD).
- ◇ The "unwinding" of food price inflation is expected to lag behind general inflation, for several reasons, including: Previous cost increases have not yet been passed on down the supply chain, margin pressure is intense. Prices for many basic food commodities remain elevated. Some costs are likely to be "sticky", especially labour.

ACTION

- ◇ Expect to see a divided recovery from shoppers with mortgage renegotiations, energy price reductions and changes in interest rates each having a unique impact. Lower demographics will need the most help.
- ◇ For those on higher incomes, IGD expect the return to less restricted spending habits to be much quicker. For those on a lower income, focus support on helping shoppers save.



- ◇ Overall, the landscape will create more diversity in shopper behaviour, with a significant proportion still keeping their focus firmly on what they are spending.



- ◇ News of price reductions on essentials like milk may be providing a 'start of the end' mentality for shoppers. Expectations need to be managed to prepare shoppers for ongoing high prices.

INFORMATION

- Quality (8.9) continues to rank (out of 10) above price (8.5) vs ethically produced (7.1) for chilled seafood



- Over 75% of shoppers trust and see own label seafood as just as good value for money as brands.
- Over 70% of shoppers plan to buy seafood pre visit but then choose the product in store.



- Reflecting the little and often shopping, channel usage continues to remain high but stable.
- Although some shoppers are slowly shifting their economic outlook, their ways of shopping and consuming food and groceries have remained budget-conscious.
- For supermarket shoppers', satisfaction across own-label products has fallen year-on-year, with the exception of quality.

OBSERVATIONS

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



- Satisfaction with spend falls across all channels.
- Supermarket shoppers showing signs of increased interest in brands as boredom with OL sets in.
- Shopping repertoires are stabilising, with supermarkets/hypermarkets, convenience and variety discounters being the most popular.



- Shoppers choosing little and often to spread spend. The high level of top-up missions continue to reflect the little and often shopping undertaken by shoppers.
- Food-to-go fluctuates as shoppers look to control spending, food-to-go missions could be an area shoppers choose to cut back on, but can also be seen as affordable treats.

INSIGHT

- Shopping behaviour remains consistent despite glimmers of optimism.
- Despite having improving financial confidence, shoppers are still shopping around, completing missions little and often and shopping in a way that helps reduce their overall spend. IGD expect this behaviour to continue as financial pressures remain.



- With persistently high food price inflation shoppers are less satisfied with their spending. However, in the long term, as prices fall, shoppers are likely to notice and appreciate any small price decreases.



- More shoppers have chosen own-label alternatives to reduce their overall spend during the cost-of-living crisis. However, now there is an opportunity to tempt supermarket shoppers back towards brands.

ACTION

- Maintain product freshness quality and shout about health benefits to offset high price.



- Identify products and mechanics to help shoppers save in the supermarkets/hypermarkets, convenience and variety discounter channel missions.
- Suppliers should help increase visibility of products across the channels, this will be vital to ensure shoppers are able to find a product no matter where they choose to shop.



- Online shoppers are the least likely to shop around. Consider how this could be a route to increasing loyalty.
- For supermarket shoppers, there is an opportunity to tempt shoppers back towards brands. Consider which channel your product will fit best for the highest likelihood of purchase.

INFORMATION

- Nearly every input cost has risen for suppliers, with these having to be passed on to retailers and operators, who are also dealing with many of the same cost pressures. Com-



panies' inability to offset one cost rise by lowering them elsewhere in their operations makes this environment unique. While cost rises will slow in 2023, they will still be rising, sustaining the pressure on all parties.

- Costs going up across the board
- Availability of stock, It has led to gaps on the shelves, and menu items not being available.
- There is a lack of skilled staff, especially in hospitality. This is affecting all parts of the supply chain but is visible to customers when it impacts on the store environment and restaurant service.



OBSERVATIONS

- More retailer loyalty and reward scheme competition.
- 2023 will remain a difficult environment for brands, but renewed shopper interest offers hope.



- Shoppers will continue to make more trade-offs to save.
- A recessionary mindset will continue to drive spending decisions. With this recession expected to last until early 2024, shoppers will continue to cut back day-to-day and restrict their spending. Retailers and manufacturers will need to make difficult decisions.



- Eating out will become a treat for most
- Nearly every input cost has risen for suppliers, with these having to be passed on to retailers and operators, who are also dealing with many of the same cost pressures.
- Low stock has put more pressure and focus on staff, requiring them to act with initiative.

INSIGHT

- Saving money and gaining rewards will become the primary motivators for shoppers. Pressures are affecting businesses throughout the supply chain. The changes are placing increased strain on the need to drive efficiencies and find new ways of delivering for shoppers and consumers.
- Expect More loyalty and reward scheme competition. Retailers will be focused on competing for share of wallet in an increasingly challenging market.
- Many shoppers have already switched spend to private labels and will continue to do so in 2023.
- Between availability and financial challenges, shoppers were already making trade-offs on ethical and environmental credentials in 2022
- Retailers and operators do not have all the answers to low stock, rising costs, and lack of staff. This is leading companies looking to remove complexity to investigate opportunities for partnerships or where they can outsource to find a better solution and simplify their processes.

ACTION

- Work with retailers to deliver great value through experience, time saving and doing good for people and the planet.
 - Mitigate cost increases and communicate a breadth of affordable options to help shoppers control their spending.
 - Brands will need to work hard to demonstrate their value and differentiate when compared with private label.
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- As shoppers continue to trade-off on ethical and environmental credentials work with retailers to focus on convincing shoppers of the value of these factors.
 - As eating out will become a treat this represents an ideal opportunity for NPDP around dining in and food to go.
 - Operators will need to innovate through loyalty schemes, targeting special occasions and promotional offers to retain spend.

INFORMATION

- ◇ Total foodservice GB spend stood at £57.5bn (+2.9%) YOY up from £55.1bn In December 22, driven by inflation.
- ◇ In Total foodservice, many channels saw value growth due to inflation except for travel & leisure, workplace and the fish & chips channels.

GB foodservice servings which included seafood stood at 0.973bn up (+0.2%), estimated to be worth £5.03bn (+17.8%) in June '23 vs YA

- ◇ Seafood servings were up across some channels except workplace, QSR (exc. Fish & chip shops), and casual dining. Pubs and Workplace saw the strongest growth up by 33% and 4.8%, respectively.



- ◇ Seafood sales values were up across all channels except for QSR (exc. Fish & chip shops), and the fish & chip shop channel.

OBSERVATION

- ◇ Consumers turn to cheaper proteins to save money. TOOHS servings grew by 3.6%, compared to 0.2% for seafood.
- ◇ Total out of home (TOOH) seafood recovery stalls, hindered by serious inflation at nearly 20% and flat servings and visits.
- ◇ Seafood servings remain 18% behind pre COVID-19 ((Q2 2019) levels).
- ◇ Visits where seafood was purchased remain 20% behind pre COVID-19 ((Q2 2019) levels).
- ◇ Total foodservice spend grows 10% above pre covid levels driven by inflation.
- ◇ TOOHS servings in the Pub and full service restaurant channels perform strongly in with seafood servings also performing mirroring the trend up 33% and 5% respectively.



- ◇ The fish & chip shop channel TOOHS servings decline (-1.2%) compared to -8.4% for Seafood servings as consumers turn to cheaper proteins.

INSIGHT

- ◇ Consumers are not returning to foodservice to save money and the ones that do are choosing cheaper options.
- ◇ Seafood saw the highest inflation compared to other proteins with fewer visits on deal than year ago.
- ◇ Rarely have the cheapest foodservice channels, QSR (exc. fish & chip shops) and the fish & chip shop channel remained in decline in times of recession. This could be a combination of recent significant inflation and the channel target demographic being especially price sensitive.



- ◇ Pubs customers were amongst the most affluent in the last 12 months, but also the oldest; the two most resilient demographic in the current financial climate, which explains the 33% seafood serving growth
- ◇ Non-fried Fish, especially Tuna, were top growing categories i.e. Fish fillings. As consumers turn to sandwiches to save money. Whilst higher cost species such as shellfish and prawns declined

ACTION

- ◇ In the current financial climate, better deal rates and or a perception of value for money around seafood is required for seafood servings to return to pre COVID-19 levels.



- ◇ A shift to Older and affluent consumers return to pubs bringing a opportunity for demographic focused seafood product NPD, marketing and offers targeted to this channel.
- ◇ Significant inflation on seafood has effectively constrained any recovery back to pre COVID-19 levels. Work with partners on improving seafood deals and value for money.
- ◇ Successful businesses will target NPD around more cheaper value for money seafood products for QSR, in both fast food and fish & chip shop, channels; until the lower demographic get back on a comfortable financial footing.

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"

othing, 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 w 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

- ◇ In the 52 wks. to June 2023, UK seafood sales were worth £4.134bn (+1.3%), with a volume of 375,324 tonnes (-6.4%).
- ◇ Average price of total seafood increased to £11.01/kg (+8.2%).
- ◇ UK chilled seafood sales showed the highest volume decline and the highest price increase £2,552m (+0.5%) with a volume of 168,264 (-8.6%) tonnes and average price of £15.17/kg (+10%).
- ◇ Frozen volume fell strongly at worth £1,032m (+2.9%) with a volume of 127,067 tonnes (-4.9%) and average price of £8.12/kg (+8.2%).



- ◇ Ambient seafood sales were worth £550m (+1.8%) with a volume of 79,993 tonnes (-3.8%) and average price at £6.88/kg (+5.8%).

OBSERVATION

- ◇ In 2023, UK retail seafood returns to price driven growth, as inflation boosts the value of the category, the drop in volume sales accelerating over the year.
- ◇ Chilled seafood consumption decline also accelerates over the year.
- ◇ The growth in ambient seafood ends as the sector returns to price driven growth
- ◇ Sushi and fingers were the only segments in full growth.



- ◇ Pressure on personal finances impacted on nearly all species sales, with none of the top five 'species' in volume growth.
- ◇ Only the very cheapest species and seafood products including pollock (Alaskan pollock), 'other' products where the species is not named such as 'fish pie' along with sardines and crabstick saw growth.

INSIGHT

- ◇ Seafood Inflation continues to gain momentum over the first half of 2023. But at +8.2% still remains substantially lower than the 17% food average
- ◇ Inflation is high enough to push both seafood sectors and segments into price driven growth.
- ◇ Fingers the cheapest segment with an average price of £5.51/kg was the only segment to show significant volume growth of 10%. Likely to be driven by consumers turning to the cheapest possible seafood option to save money.



- ◇ This year 'mixed seafood' entered the top 5 for the first time, displacing haddock. Prized by consumers for its convenience.
- ◇ Unusually, none of the more premium species, often associated with foodservice were in growth as shoppers firmly focused on saving money.

ACTION

- ◇ 2023 will be a tough year for seafood as an already expensive protein becomes more expensive as seafood inflation keeps rising.
- ◇ Shoppers, remain laser focused on saving money, are likely to trade down and out of the seafood category all together



- ◇ This has already been observed, in the switch to price driven growth and the cheapest products and species.
- ◇ NPD should focus on own label and seafood value products which help shoppers save.



- ◇ Even in the current climate, the appetite for sushi remains strong, focus on developing new and exciting twists on authentic sushi. to excite and engage shoppers.

References:

- ◇ IGD, ONS, Kantar, NielsenIQ and Circana 2023

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

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