Seafood Industry Factsheet

Seafood

Trends in Foodservice

Market overview:

Since 2009 a decline in shellfish servings has driven the overall seafood decline in foodservice. But in 2015, as austerity began to ease, seafood is on the point of recovering market share but still remains an expensive choice for consumers.

March 2016

General Foodservice Trends

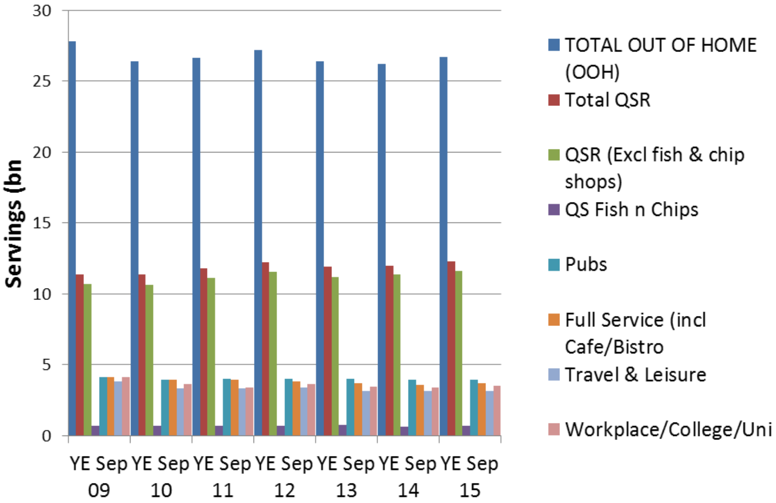
As Britain fell into recession in 2007, one of the tactics adopted by shoppers was to eat out less often, and 'dine in' to save money. Foodservice also experienced the effects of inflation, resulting in many remaining customers trading down to cheaper proteins or switching to cheaper channels. For example, trading out of more expensive full-service restaurants into cheaper, quick service restaurants. In the six years to September 2015, GB foodservice servings have fallen by -4.0%. But, steady UK economic recovery and high shopper confidence has started to drive a return to foodservice. In the year to September 2015, total GB foodservice was estimated to be worth £51.7bn (+2.2%) with 26.7bn servings (+1.8%).

Austerity has seen an explosion in half service or casual dining restaurants (such as Nando's or Pho), which have the upmarket ambience and dining experience, but costs are kept relatively low. Current trends are for Asian, Far Eastern, American and South American flavours and portable food formats such as burgers and wraps.

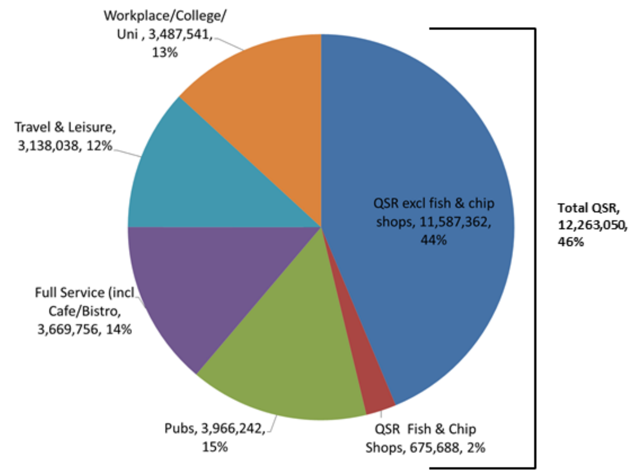
In the 52wks to September 2015 the largest channel for total servings is the total quick service restaurant channel (QSR), which takes nearly half of all servings (46%). Total QSR is made up of the QSR fish & chip shops channel (2%) which is mainly consists of around 10,500 independent fish & chip shops; and the QSR excluding fish & chip shops channel (44%) is made up of mainly fast food restaurants. The remaining channels take a roughly even share of remaining servings.

QSR excluding fish & chip shops is the only channel which has performed well over the long term, up 8.3% since 2009. This is due to the attractiveness of the relatively low price point during austerity. Servings in all other channels have fallen, travel and leisure (-18.2%) and workplace (-15.3%) and full service (-11.5%), channels have been the hardest hit since 2009. Economic recovery saw most channels in growth in the 52 wks to Sept 15. The workplace channel has seen the highest serving's growth (3.2%), followed by full service channel (2.6%) and total QSR growing visits by 2.3%. The pub channel has remained flat at 0.0%, with only travel and leisure in decline (-0.2%).

Total Food and Drink Out of Home (OOH) Channel Trends (Servings)



Share of Total Foodservice OOH Visits by Channel September 2015



Foodservice Channel Performance Total Servings

Servings ('000)	YE Sep 15	% chg 2009 vs 2015	% chg Year Ago
TOTAL OUT OF HOME (OOH)	26,673,100	-4.0	1.8
TOTAL QSR	12,263,050	7.7	2.3
QSR (Excl fish & chip shops)	11,587,362	8.3	2.2
QSR Fish & Chips	675,688	-2.1	3.9
Pubs	3,966,242	-4.2	0.0
Full Service (incl Cafe/Bistro	3,669,756	-11.5	2.6
Travel & Leisure	3,138,038	-18.2	-0.2
Workplace/College/Uni	3,487,541	-15.3	3.2

Seafood Trends in Foodservice

During austerity, seafood faced a tough time in foodservice compared with most other proteins, due to its relatively high average spend, and 'health' aspects falling lower down the list of shopper priorities. In the six years to September 2015, total GB seafood servings have fell by -7.9%. Economic recovery has also had a significant impact, slowing the decline of seafood servings. In the year to September 2015, total GB seafood servings were estimated to be worth £3.12bn (-0.9%) with 956m servings (-0.6%). Despite a decline in menu incidence for seafood, more operators had seafood on the menu in the 52wks to September 2015 vs 2014.

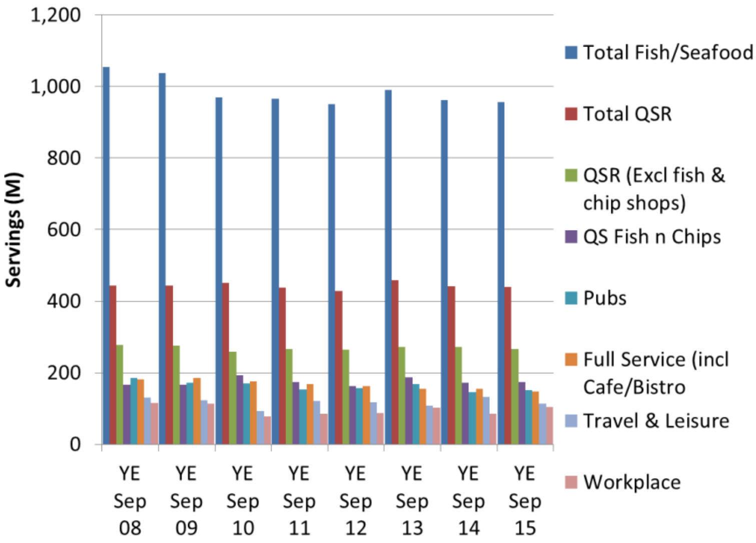
In the 52wks to September 2015 the largest foodservice channel for seafood was QSR excluding fish & chip shops (28%). The other channels take a roughly even share of the remaining seafood servings.

Seafood servings in all channels have fallen significantly since 2009, with the exception of the QSR fish & chip shops channel which grew by 4.0%. The emphasis here being on cheaper seafood products such as fishcakes and fish burgers. The full service (-19.8%), and pub channels (-12.1%) channels have been the hardest hit due to the relatively high average spend. In the 52 weeks to September 2015, the workplace channel saw the highest seafood servings growth (20.1%), followed by the pub (3.3%), and QSR fish & chip shops channel (1.4%). The largest declines were in total QSR excluding fish & chip shops (-1.7%), full service (-4.1%) and the travel and leisure channel (-14.5%).

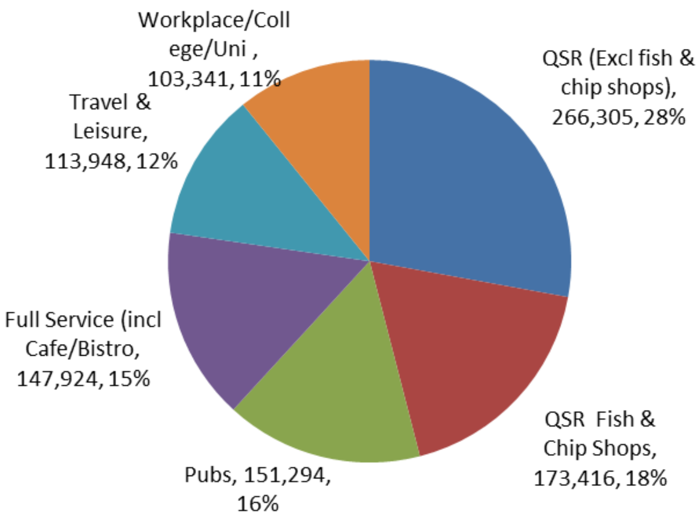
[1]By using an estimated average seafood portion size of 160 g[2]. it is possible to approximate the amount of seafood consumed in foodservice. (956m servings multiplied by 160 g). The estimated import value of the seafood being (152,960t multiplied by the average import price of seafood £3.80/kg)

[2] Nominal 160g based on average retail unit weight of 282g divided by 1.7 (mean of average house hold members)

Channel Trends Seafood Servings



Share of Seafood Visits by Channel Sept 2015



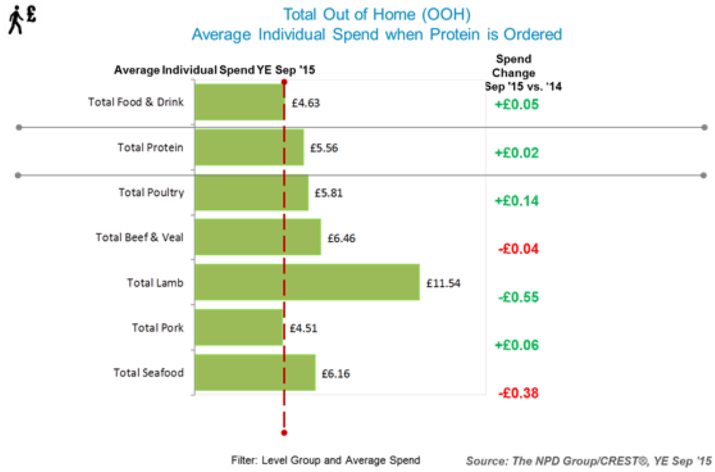
Seafood Performance by Channel (Servings)

Servings ('000)	YE Sep 15	% chg 2009 vs 2015	% chg Year Ago
Total Fish/Seafood	956,227	-7.9	-0.6
TOTAL QSR	439,721	-0.8	-0.5
QSR (Excl fish & chip shops)	266,305	-3.6	-1.7
QSR Fish & Chip Shops	173,416	4.0	1.4
Pubs	151,294	-12.1	3.3
Full Service (incl Cafe/Bistro	147,924	-19.8	-4.1
Travel & Leisure	113,948	-8.0	-14.5
Workplace/College/Uni	103,341	-9.6	20.1

Seafood Performance vs Other Proteins

In the 52wks to September 2015, seafood took the fourth largest share (15.7%) of protein servings in foodservice, behind poultry (28.8%), pork (28.1%) and beef (23.5%). Beef was in growth 0.4% vs September 2014, with the other proteins including seafood remaining flat. The items showing the highest growth were in a portable format; (beef and chicken burgers) whilst fried and non-fried fish servings remain flat.

By average spend, seafood is ranked third behind lamb and beef with an average till spend of £6.16. And third when it comes percentage sold on deal at 30.8%, behind beef (40.6%) and poultry (37.2%).

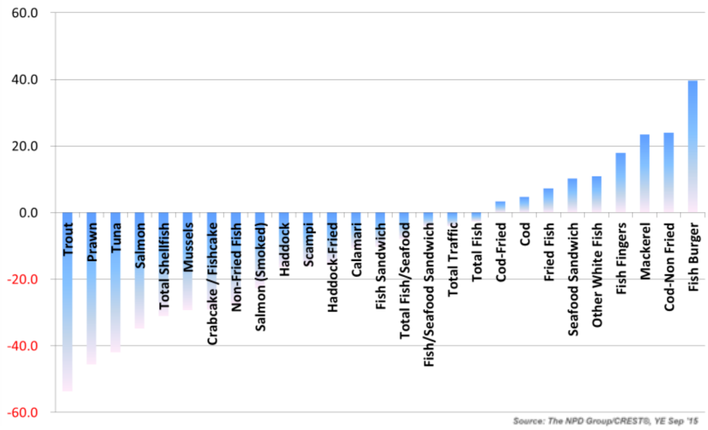


Seafood Format and Species Trends

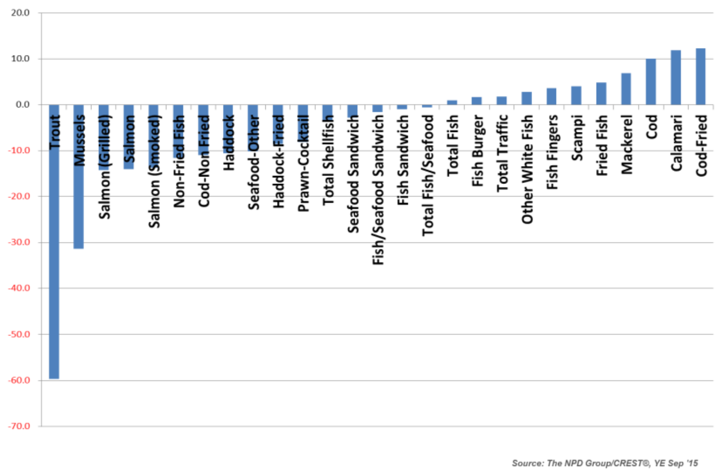
Since 2009, servings of the more traditional seafood formats and species have fallen. Growth has been in the cheaper and convenience focused seafood options; with the macro trends for portable street food driving increased popularity in seafood burgers, seafood sandwiches and fried fish. A significant fall in total shellfish servings (-31%) has contributed to the overall seafood servings decline of -7.8%, in contrast to total fish servings which fell by -2.6%. Species such as trout, tuna, mussels, salmon and prawns have lost servings due to changing consumer preferences and significant inflation of the supply, driving price increases. Cod has performed well, linked with the growth of fried fish and species like mackerel as a result of being championed by high profile campaigns.

Similar trends have continued over the past 52wks to September 15. Scampi and squid (calamari) have performed well, along with the continued growth of fried cod.

Change in Seafood Servings September 2009 to September 2015



Change in Seafood Servings September 2014 to September 2015



In 2015, fried fish dominated seafood servings (37.6%), followed by seafood sandwiches (29.5%) and fishcakes (15.6%). Only the fried fish and fish burger segments are currently in growth vs 2014.

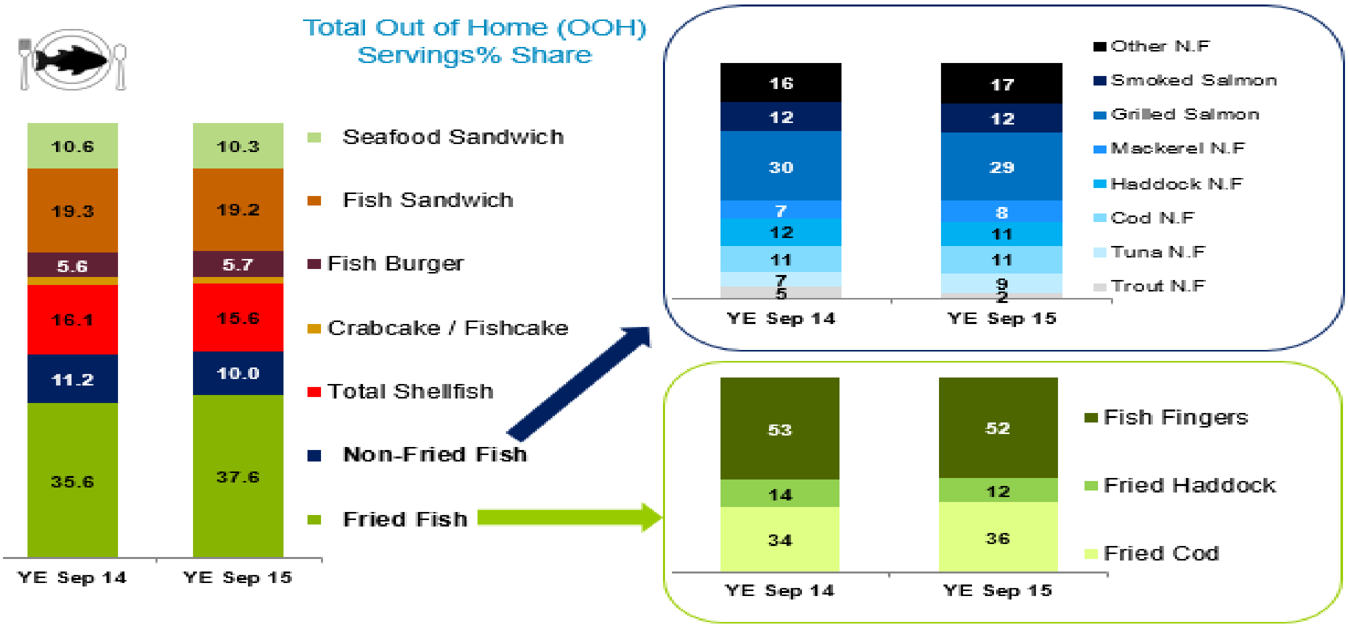
In the 52wks to September 2015, there were around 3 times more fish servings than shellfish servings. Fish servings grew by 0.9%, whilst shellfish continued to decline (-3.6%). There is a lot of generic 'white fish' consumed in foodservice, where the species is not identified on the menu. Cod remains the most popular seafood species, followed by haddock, prawns and salmon. Cod and 'other whitefish', prawns, scampi, calamari and noticeably tuna (+18.3%) grew servings vs 2014. Haddock, salmon, mussels and trout saw significant double digit declines in servings.

The motivation behind eating seafood in foodservice varies; but seafood is seen as a social occasion across all channels except QSR (excluding fish & chips) which is seen as convenience. Seafood appeals to an older, affluent demographic with over 60% of consumers aged 35+ years.

Species Popularity September 2015 (Servings)

	YE Sep 15	% Chg YA	% chg vs Sept 09
Total Seafood	956,227	-0.6	-7.9
Total Fish	454,747	0.9	-2.6
Total Shellfish	148,796	-3.6	-31.0
Other White Fish	202,951	2.8	10.9
Cod	139,928	10.1	4.7
Haddock	53,842	-10.6	-16.4
Prawn	45,365	1.5	-45.5
Salmon	39,379	-14.1	-34.7
Seafood-Other	36,999	-10.2	-28.8
Scampi	33,116	4.0	-16.1
Calamari	21,054	11.8	-10.6
Mussels	12,262	-31.3	-29.2
Tuna	8,366	18.3	-41.9
Mackerel	8,072	6.9	23.5
Trout	2,209	-59.7	-53.6

Seafood Species and format Share September 15



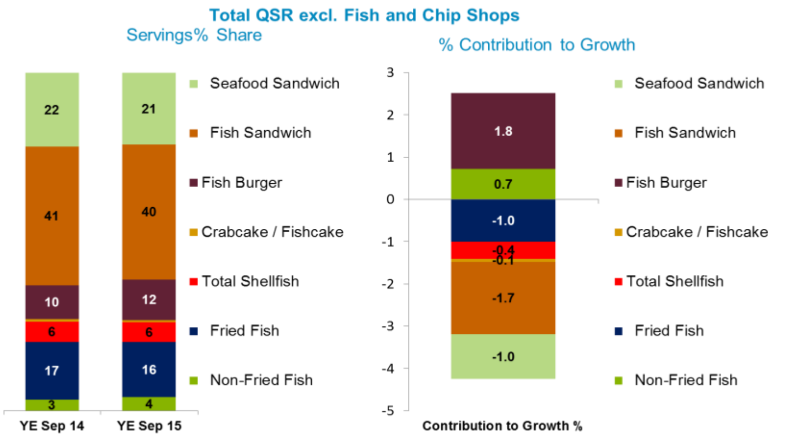
Channel Focus: QSR excluding fish & chip shops

This is the largest and the most important foodservice channel for both non seafood and seafood servings. QSR excluding fish & chip shops was the only channel in growth during austerity for total foodservice servings, (2009 vs 2014) and again performed strongly in 2014 vs 2015, However, seafood failed to capitalise on this performance, losing servings -3.6% from September 2009 to September 2015 and again from 2014 to 2015 (-1.7%). This channel offers huge potential for seafood, which at 226m servings, currently represents only a small 2% overall share in 2015.

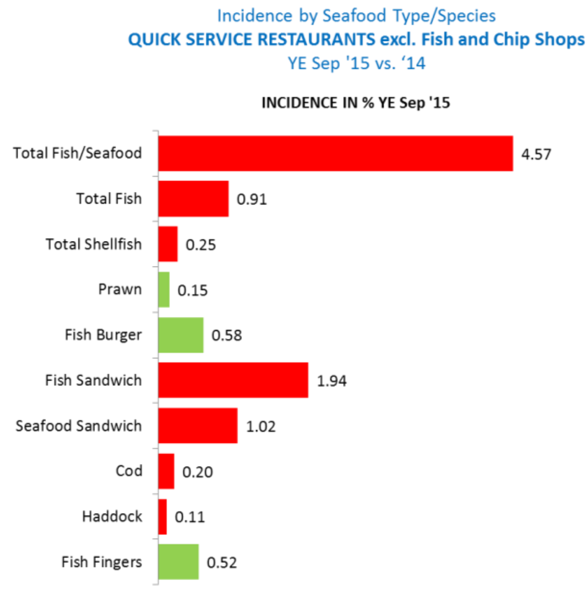
The servings decline in the 52wks to September 2015 was driven by a fall in fish and shellfish sandwiches and fried fish; whilst fish burgers and non-fried fish were in growth. The incidence of prawns, fish burgers and fish fingers showed an increase, with a fall in incidence of shellfish, seafood sandwiches, cod and haddock.

In September 2015 seafood took a 9.3% protein serving share, ranked fourth behind poultry (37.7%), beef (25.3%), and pork (24.0%). Beef, lamb and pork are currently in growth. A limiting factor holding back seafood in this channel is the low deal rate of 35.2% which is below the protein average and significantly less than beef & veal which has a deal rate of 48%. Despite this, seafood is a relatively cheap option in this channel; purchases are the second cheapest option behind pork in this channel with an average till spend of £3.65.

The majority of the rapidly growing casual dining or half service outlets fall into this channel, opening up many opportunities for seafood. Key trends are for American/South American and Asian flavours and formats. In the 52wks to December 2015, non-breaded seafood was reported to be ranked as the number 1 new menu item. The emerging trend is for seafood starters, small plates ‘tasters’ and Tapas (+25.1% menu incidence 2015). Top seafood incidence of small plates are prawn (22%), calamari (9%) and fish (8%). In the 52wks to September 2015, the incidence of breaded fish starter grew by 7.1%, notably shrimp, crab and scallop, with the fastest growing flavours for breaded starters were lime, BBQ, Sesame, Asian, Cajun and lemon. By species, cod, seabass and salmon performed well across foodservice menus, all featuring in the top 10 of most added new main dishes of 2015. However, the greatest opportunity for driving seafood volumes is undoubtedly the development of exciting new seafood products for the high street fast food chains.



Source: The NPD Group/CREST®, YE Sep '15

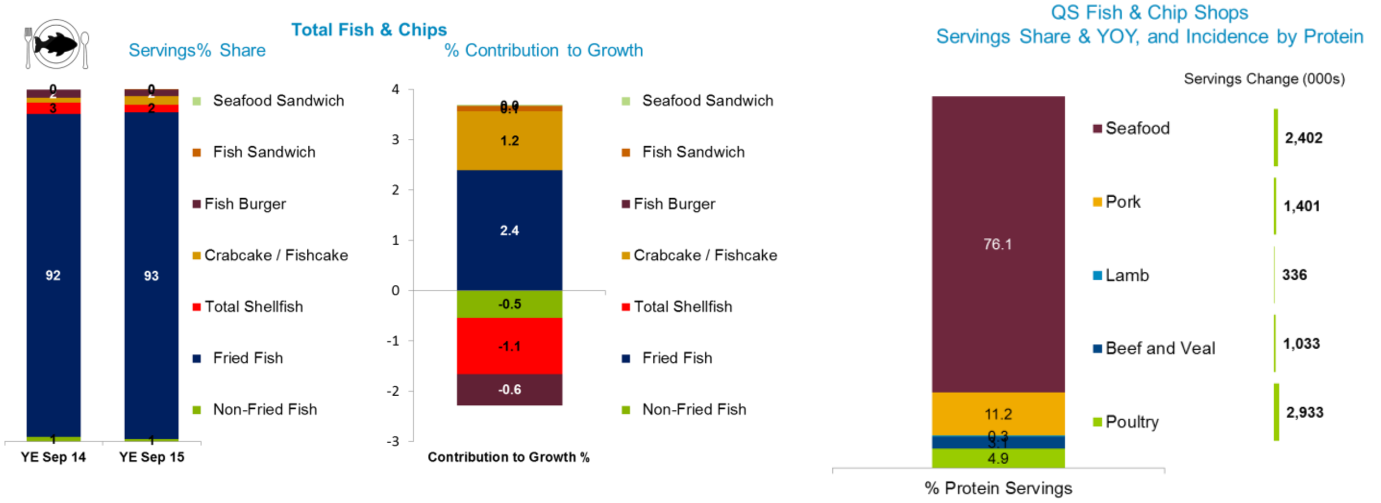


Channel Focus: QSR fish & chip shops

In 2015, this channel was the second largest for seafood servings (18%) and the main outlet for fish & chips due to the fact that it is predominantly made up of the 10,500 or so independent fish & chip shops. Since 2009 total servings have declined in the QSR fish & chip shops channel (-2.1%), however this has been the only channel in growth for seafood from September 2009 to September 2015, with seafood servings up 4.0%. This channel also performed well for seafood servings in the 52wks to September 2015, growing by 1.4%, driven by an increase in fried fish and fishcake servings. The predominant seafood format of this channel is fried fish (93%), followed by shellfish, fishcakes and fish burgers. There has also been a significant preference for consumers choosing cod, with haddock incidence in decline.

Seafood takes the largest share (76.1%) of the QSR fish & chip shops channel followed by pork and poultry which are also in growth. The independent nature of fish & chip shops is thought to be behind the fact that this channel has traditionally had one of the lowest deal rates of any channel. In the 52wks to September 2015, seafood had a channel deal rate of 9% vs 14.3% for beef & veal; seafood is the second most expensive protein with an average till spend of £3.73, behind lamb.

To fully exploit opportunities in this channel, use good quality ingredients and feature sustainability and sourcing credentials where possible. Promote health benefits of seafood; fish & chips has one of the lowest typical fat content (9.4g/100g) of any takeaway. Exploit the high functional desire of the channel, minimise waiting time, focus on 'ready to eat' & 'food on the go' offering minimum mess, portable formats. New product development (NPD) should focus on new formats for fried fish such as wraps, burgers, goujons, bites etc. Money saving shopper habits developed during austerity are now the norm, use deals to drive sales Monday to Wednesday and look for ways to build sales in the breakfast/lunchtime daypart and the 18-24 age group. Nostalgia, tradition and heritage are key levers to increase sales.

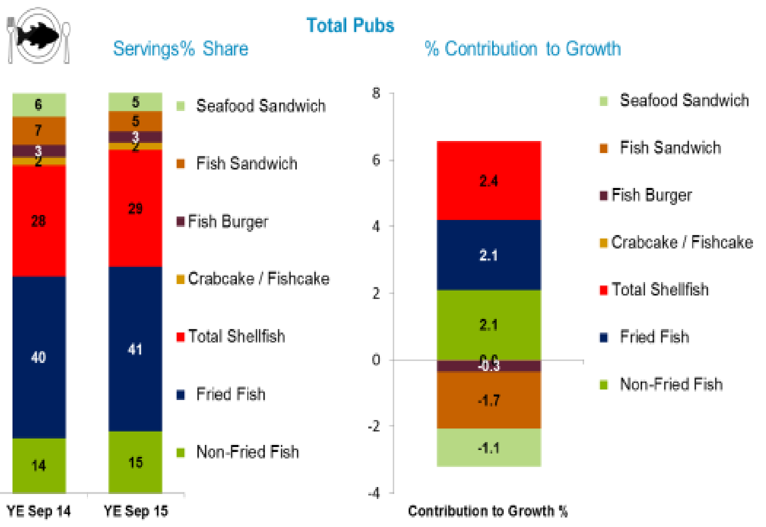


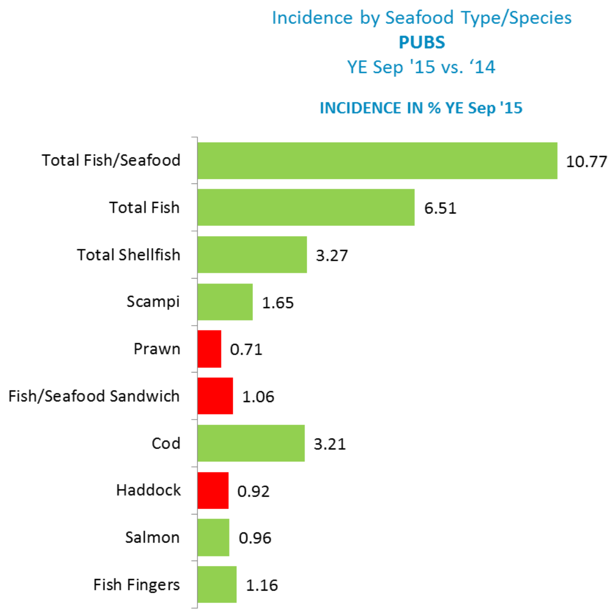
Source: The NPD Group/CREST®, YE Sep '15

Channel Focus: Pub Channel

In the 52wks to September 2015 the pub channel was the third largest channel for seafood servings, with 16% share. From September 2009 to September 2015 total servings have declined in the pub channel by -4.2%, once a strongly performing channel for seafood, seafood servings fell by -12.1% over the same period, the second largest decline of any channel. In the 52wks to September 2015, servings in the pub channel remained flat 0.0%, whilst seafood servings rallied up 3.3%, driven by a growth in both fried and non-fried fish and shellfish. The predominant seafood format of this channel is fried fish (41%), followed by shellfish and non-fried fish. In 2015 the incidence (choosing) of scampi, cod, salmon and fish fingers increased whilst prawns, seafood sandwiches and haddock declined. In 2015, beef and veal took the largest (30%) share of servings of the pub channel followed by pork (27.3%), poultry (23%) and seafood (14%). Seafood was the only protein in growth.

NPD should follow the flavour and format trends outlined in the QSR excluding fish & chip shops channel. In addition, breaded fish was the number one most added starter menu item in 2015 (with seafood salad in at eighth position) both of which are well suited to the pub channel.





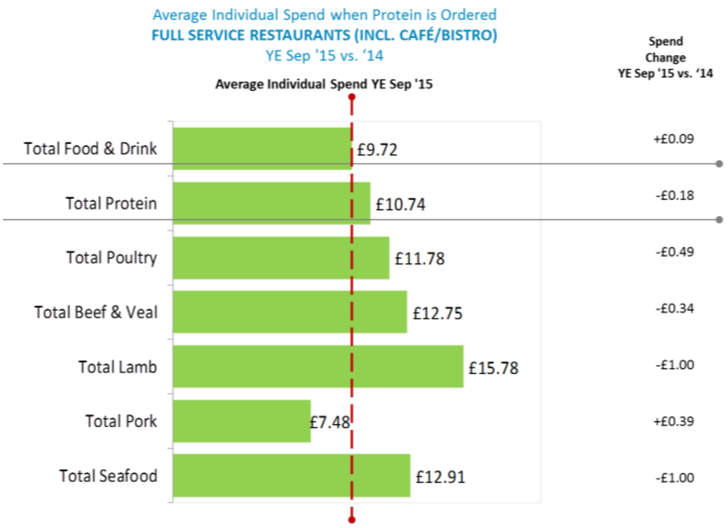
Source: The NPD Group/CREST®, YE Sep '15

Channel Focus: Full Service

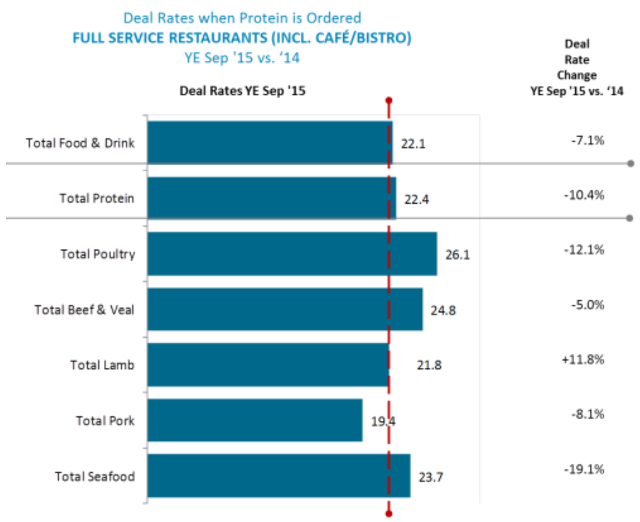
In the 52wks to September 2015 the full service channel was the fourth largest channel (15%) for seafood servings. From September 2009 to September 2015 total servings have declined in the full service channel (-11.5%); once a strongly performing channel for seafood, seafood servings fell by -19.8 % the largest decline of any channel, over the period. Over the 52wks to September 2015, total servings in the full service channel grew by 2.6%; whilst seafood servings fell -4.1% driven by a fall in shellfish and non-fried fish. The predominant seafood format of this channel is shellfish with a 35% share, followed by fried fish (25%) and non-fried fish 20%. In 2015 the incidence (choosing) of calamari, prawn, seafood sandwiches and cod increased, whilst mussels, scampi, haddock and salmon declined.

In the 52wks to September 2015, pork took the largest share of servings (32.9%) of the full service channel followed by poultry (21.8%), then seafood (20.6%). Pork and poultry were the only proteins in growth. Seafood deal rates are above average at 23.7% for the channel, but have fallen sharply by -19.1% vs 2014. Seafood is the second most expensive protein in this channel with an average total bill of £12.91, behind lamb (£15.78).

NPD should follow the flavour and format trends outlined in QSR excluding fish & chip shops and the pub channels with the opportunity for a greater focus on 'premium' and 'adventurous'. Key trending flavours for starters in 2015 were chipotle, sweet chilli and manchego, whilst the emerging trends for mains, were fruit flavours such as melon, 'sour', poppy seed and maple.



Filter: Level Group and Average Spend *Source: The NPD Group/CREST®, YE Sep '15*



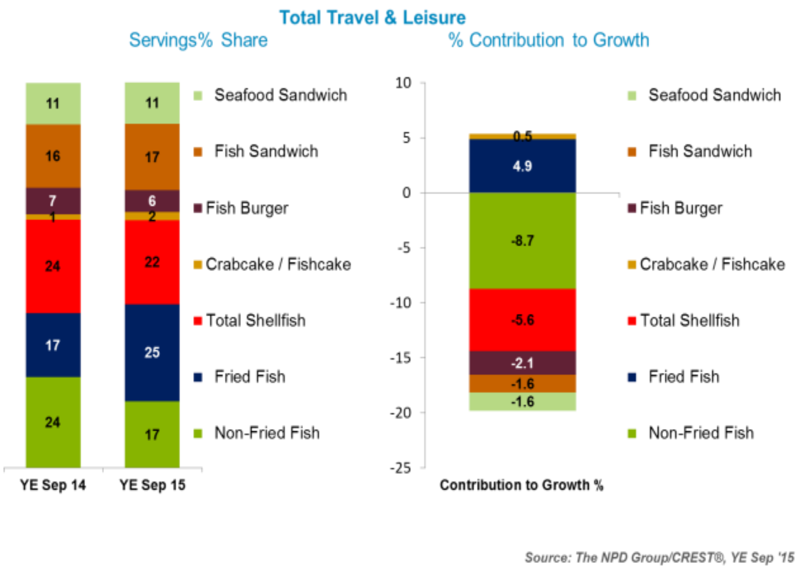
Filter: Level Group and Traffic/Visits *Source: The NPD Group/CREST®, YE Sep '15*

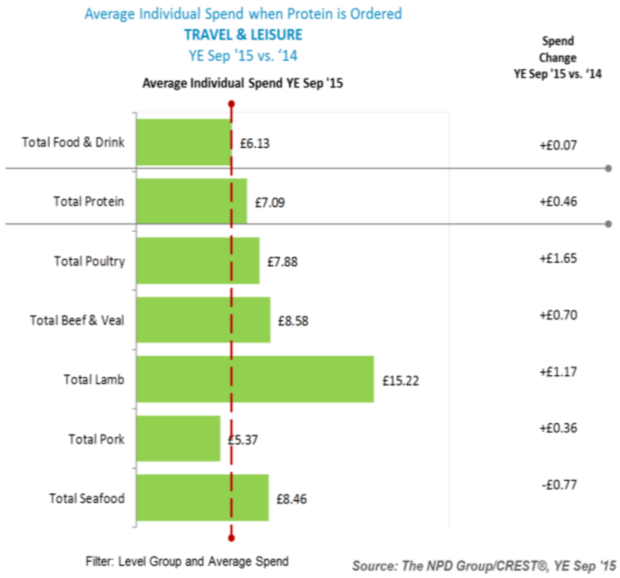
Channel Focus: Travel & Leisure

In 2015 the travel & leisure channel was the second smallest channel for seafood with 12% servings share.

Since 2009 total servings have declined heavily in this channel (-18.2%), whilst seafood fell by -8.0 %. In 2015, servings in the travel & leisure channel began to recover falling -0.2%, whilst seafood servings fell sharply -14.5% vs 2014, driven by a fall in non-fried fish and shellfish. The predominant seafood format of this channel is fried fish (25%) which displaced non fried fish the previous year, followed by shellfish (22%) and fish sandwich (17%).

In 2015, pork took the largest (38.3%) share of servings of the travel & leisure channel followed by beef and veal (20.5.3%), poultry 19.2%, then seafood (18.3%). Beef and veal are the only protein in growth. Seafood deal rates are higher than for any other protein in this channel at 46.4%, (the protein average being 39.9%), but have fallen sharply by -8.8% vs 2014. Seafood is the third most expensive protein in this channel with an individual spend of £8.46, behind lamb (£15.78) and beef & veal (£8.58)





Workplace & Education Channel Trends

In 2015 the Workplace & Education was the smallest channel for seafood servings with 11% share.

Since 2009 total servings have declined heavily in the workplace & education channel (-15.3%), whilst seafood fell by -9.6%. In 2015, servings in the workplace & education channel began to recover up 3.2%, whilst seafood servings grew strongly up 20.1% vs 2014.

Future of Foodservice.

The UK recovery continues and is best described as ‘slow but steady’. In 2015, the economy was tempered by a global slowdown in China, Russia and Brazil, but UK domestic spending remains relatively strong. This recovery is forecast to continue, (subject to global events) with UK GDP growth predicted to average around 2.4% in and 2016, driven by consumer spending and business investment.

Shopper confidence remains relatively high, with shoppers in most areas claiming their financial outlook and the cost of food and groceries will remain the same over the next 12 months. There is no sign that consumer spending is about to slow which is good news for foodservice. However, as the money saving habits developed during austerity are now the norm it is likely that QSR channels will continue to out-perform other channels over the short term.

Data Sources –

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

- NPD Crest Q3 Foodservice Report, 2015
- Seafood Trends Across UK Restaurants, Technomic
- UK Flavour Trend Forecast Q4-2015, Technomic
- New Item trends Q4 2015 , Technomic
- LTO Trends Jan 2016, Technomic

More Information:

- Seafish 2014/15 Category Insight Reports
- Seafish 2014/15 Retail Summary Reports
- Seafish 2014/15 Foodservice Reports
- Seafish 2014 Trade Summary Report
- Seafish 2015 Cod Information Sheet

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