Seafood Industry Factsheet

Seafood in Commercial Foodservice 2016

Market overview:

The Foodservice market continues to grow
Over the last year, overall seafood servings have increased in the face of continued strong competition from other protein and non-protein meal options.

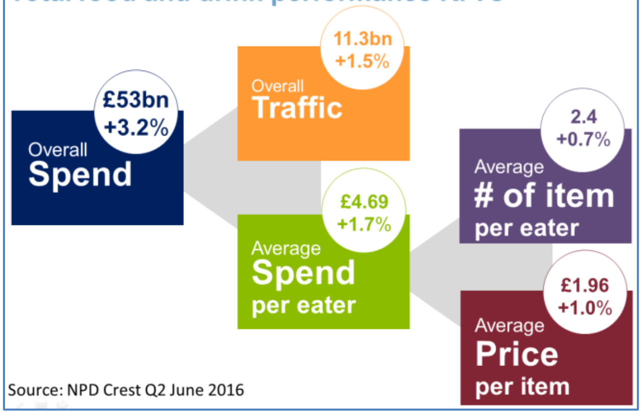
General foodservice trends

Britain's economy grew stronger than expected in Q2 2016. GDP grew to 0.6% in Q2 2016 compared with a growth of 0.4% in the previous quarter.

Consumer confidence in GB has fallen following the EU referendum yet the Foodservice market continues to grow its year-on-year spend at 3.2% in Q2 2016 compared with 2.5% in Q2 2015. Consumer spend has increased £410m with the total foodservice market now estimated to be worth £53bn.

The growth is driven by a healthy mix of both increased traffic and a higher average spend (+1.5% and +1.7% respectively). Essentially, consumers are eating out more often, buying more items for a higher price.

Total food and drink performance KPI's



Both promoted and non-promoted occasions are increasing. Also all day parts are seeing growth with the exception of 'late snack'.

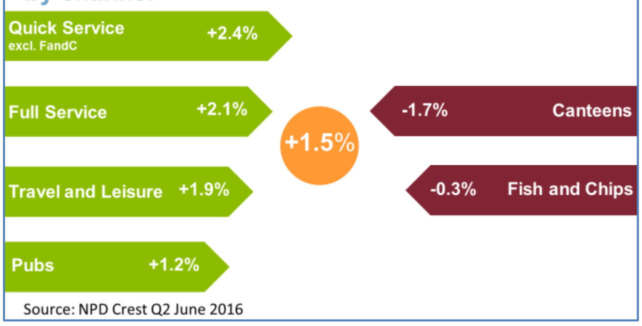
Both adult only groups/individuals and families are eating out more often, with visits growing by 0.9% and 2.9% respectively. This is especially the case for Travel and Leisure and Full Service Restaurants, where this year family occasions grew by 6.1% and 4.3% respectively.

'Quick Service Restaurants' is the biggest channel within Foodservice and experienced the largest increase in visits of 2.4%. Diners also chose to visit Full Service Restaurants, Travel and Leisure outlets and Pubs more often.

Some of the key trends driving this visits growth involve "casual dining" or "social eating" occasions and fashionable "street food" style menus.

Visits to Canteens and Fish and Chip Shops are declining suggesting that they need to review their offer to meet their customers evolving expectations considering value for money, variety, health and convenience.

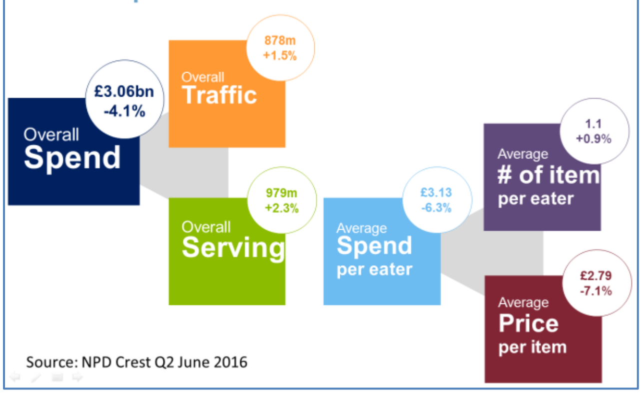
Total food and drink year-on-year traffic change by channel



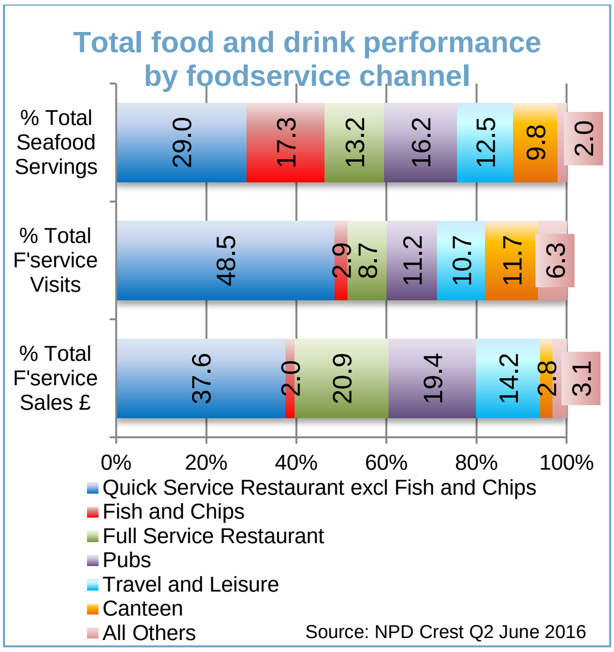
Seafood trends in foodservice

Over the year ending June 2016, seafood servings have increased 2.3% to 979.2m a year on the back of 1.5% more visits and diners buying 0.9% more items each. However, the average price per item fell 7.1% to £2.79 causing the overall value of seafood sales to fall 4.1% to £3.06bn.

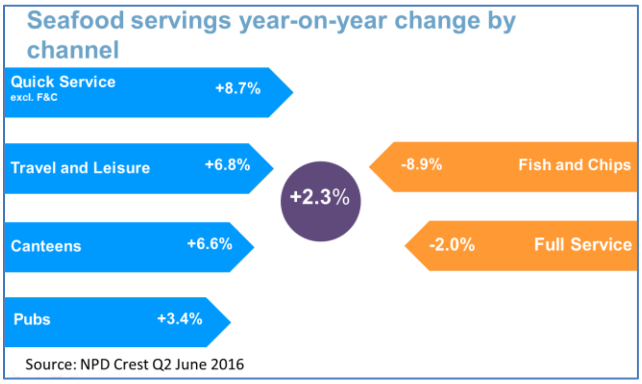
Seafood performance KPI's



Seafood's sales value performance within the different foodservice channels contrasts with the respective channels' overall share of sales. The only channels where seafood over-trades are Fish and Chip Shops and Leisure and Canteens. Seafood under-trades within Quick Service Restaurants (excl. fish and chips), Pubs and Full Service Restaurants.

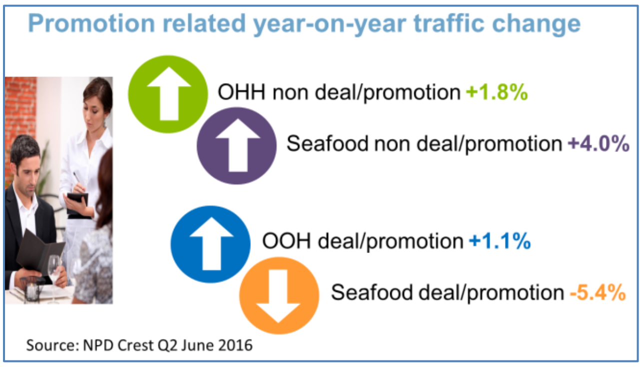


Positive shifts this year; seafood servings increased in Quick Service Restaurants (excl. fish and chips), Travel and Leisure, Canteens and Pubs. Negative shifts include Fish and Chip Shop and Full Service Restaurants, which showed a decline in seafood servings, suggesting those diners are choosing meals that are not protein based or contain alternative proteins. The increased use of aggregated delivery services, such as Just Eat and Deliveroo may also be contributing towards this switch to non-seafood meals.

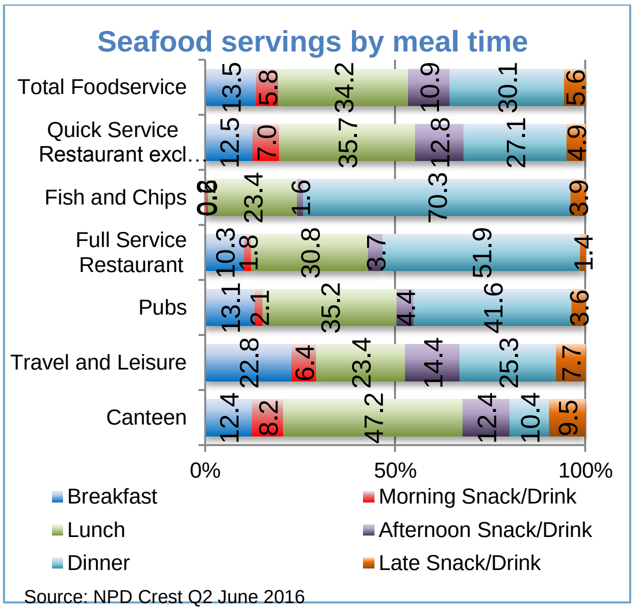


Consumers are increasingly visiting outlets that serve a variety of meal options. This trend could explain the move away from Fish and Chip restaurants to quick service restaurants, which offer a variety of meal solutions from fish and chips to pizza, burgers and kebabs, catering for a wider variety of diner tastes.

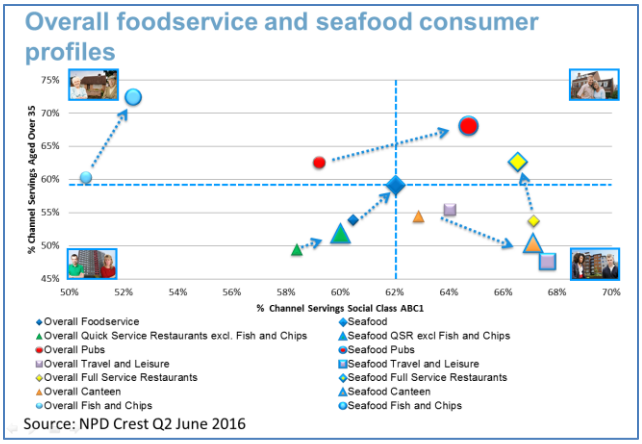
Overall foodservice is seeing an increase in both promoted and non-promoted sales. In contrast, the amount of seafood sold on deal has decreased, with sales switching towards non-promoted items.



Seafood traffic is growing at lunchtime but the falling servings in Full Service Restaurants and Fish and Chip Shops is causing dinnertime sales to decline.



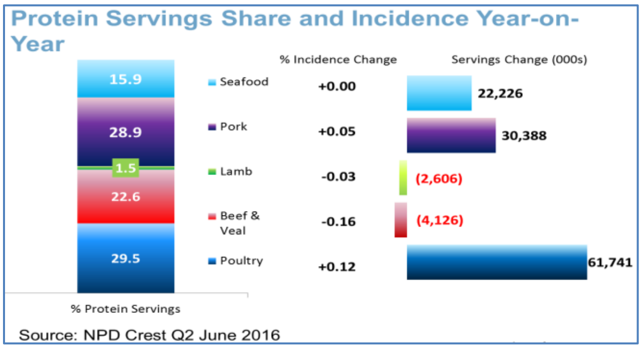
Seafood consumers are older and more affluent than most channels overall consumer profiles, except in full service restaurants where they are less affluent, and in travel & leisure and canteens where they are younger. Overall, younger consumers continue to find seafood, especially shellfish, less appealing.



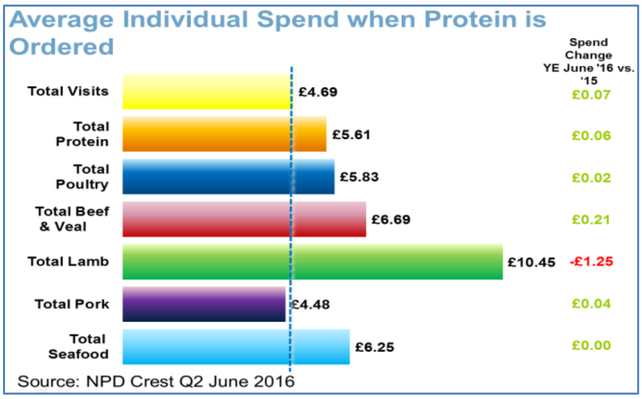
Seafood performance versus other proteins

Over the last year both protein and non-protein servings have increased 1.5% and 3.6% respectively. This difference in growth rates has reduced overall proteins' share of servings to 35.1% compared with 35.6% last year.

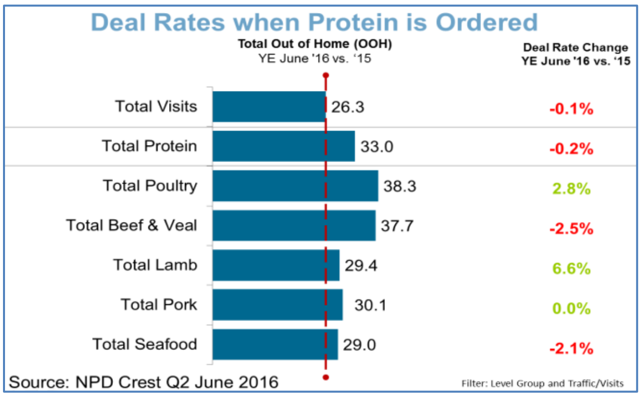
Within proteins, pork, poultry and seafood are driving the growth in servings whilst lamb, beef and veal are in decline.



Although the price of an individual seafood dish has remained steady, a seafood meal is still relatively expensive (£6.25) compared with cheaper options such as poultry and pork. Only lamb, and beef and veal are more expensive.



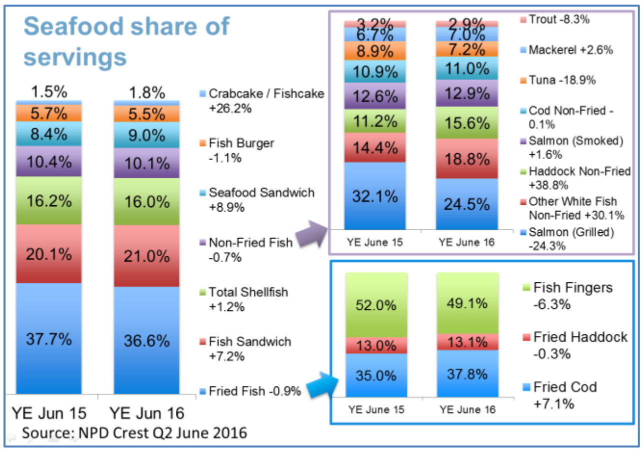
Seafood deal rates are above the foodservice average but remain below the total protein average, which could explain consumers switching to other options.



Seafood format and species trends

Good value, portable, convenient, healthy meal options such as fish and seafood sandwiches, crab and fishcakes are experiencing strong growth. This trend reflects consumers increasingly busy lifestyles, where health and value are of great importance. In contrast, servings of fish burgers have declined.

Total shellfish servings have returned to growth, driven by scampi and prawns, whilst the number of mussel and calamari dishes served has declined.



Traditional fried fish servings have declined yet they continue to dominate total seafood servings, with fried cod servings increasing.

Non-fried fish servings have experienced a slight decline driven by grilled salmon, tuna, trout and cod. However, servings of other non-fried white fish, haddock, smoked salmon and mackerel have increased.

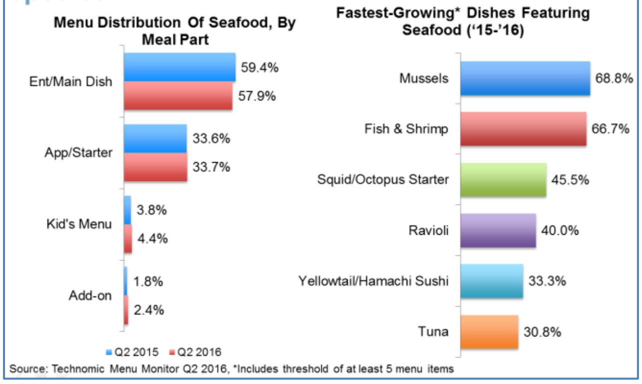
Seafood menu trends

Seafood maintained its presence in the 96% of surveyed outlets. However, the number of dishes listed on their menus reduced 17% to 2,859 seafood dishes. When implemented effectively, this menu consolidation can provide consumers with a simpler choice, potentially reducing operating costs, enabling seafood to compete against other proteins.

Several non-seafood examples of this menu consolidation trend have successfully opened in locations with limited floor space. These outlets focus their menus on a key theme or dish keeping choice simple, quality high, service quick and costs down.

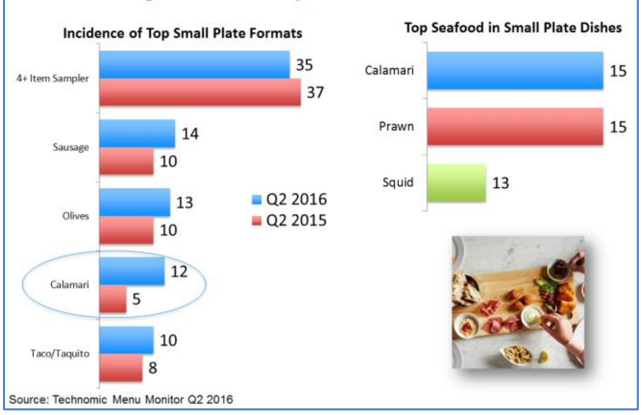
Core menu structure across the meal parts has remained stable but the introduction of more customisable options has provided customers with increased choice. In terms of seafood offered on menus, mussels, fish and shrimp dishes are the fastest growing.

Seafood menu structure and fastest growing species



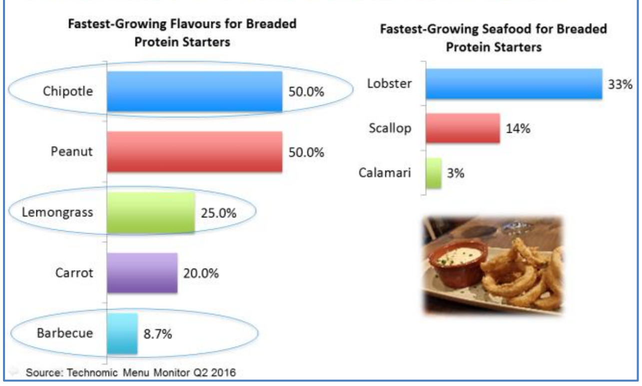
The trend for eating out when socialising with friends is still strong within foodservice. During these occasions, consumers opt for a variety of small plates/dishes or sharing options to suit everyone's pallet. Calamari ranks fourth in the overall small plate menu listing, with incidence increasing from 5% to 12% of these menus. Looking specifically at the seafood offered in small dishes, calamari and squid (which have been analysed separately) are the most popular seafood option followed by prawns.

Menu analysis: small plates



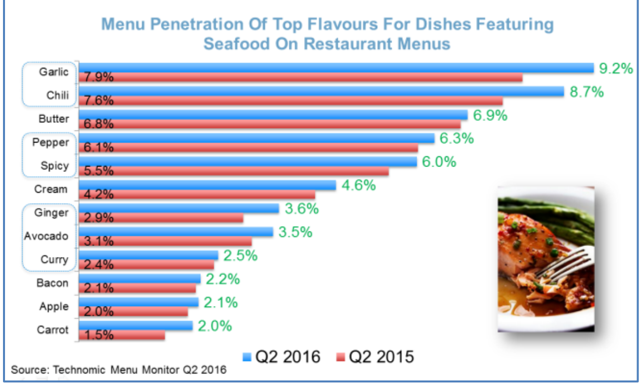
Indulgent breaded protein options are also popular within small plate menus. These dishes offer increasingly spicy, ethnic flavour profiles. The fastest growing seafood species in this format are lobster, scallop and calamari.

Menu analysis: breaded protein small plates



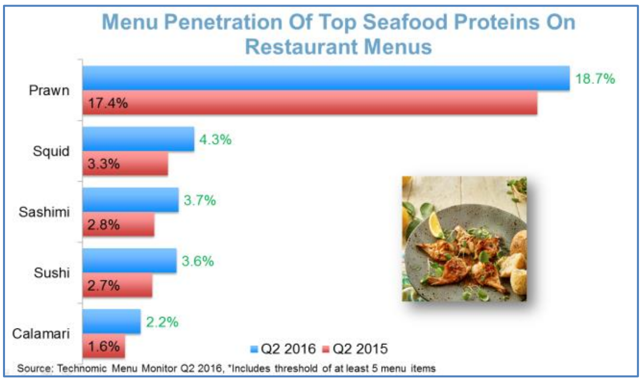
This spicy and ethnic flavour trend is evident across all seafood menu listings. This chart (below) shows the top flavours paired with seafood; Garlic and Chilli are ranked one and two respectively with other interesting flavours such as pepper and spicy not far behind.

Menu analysis: seafood dish top flavours

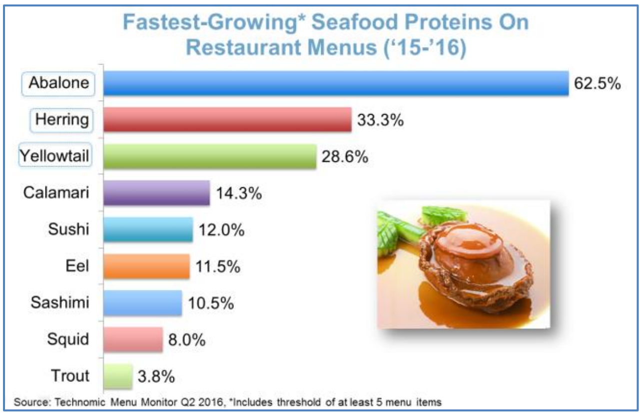


Rich flavours, with fruits and herbs are also emerging amongst seafood dishes.

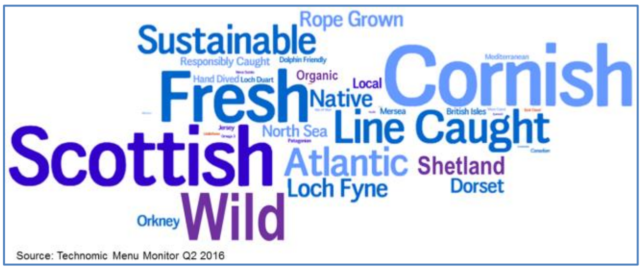
Prawns, squid, sashimi, sushi and calamari are the most popular seafood dishes on full and limited service menus.



The species seeing the most growth in terms of menu listing are abalone, herring and yellowtail, which suggests that chefs and their customers are becoming a little more adventurous.

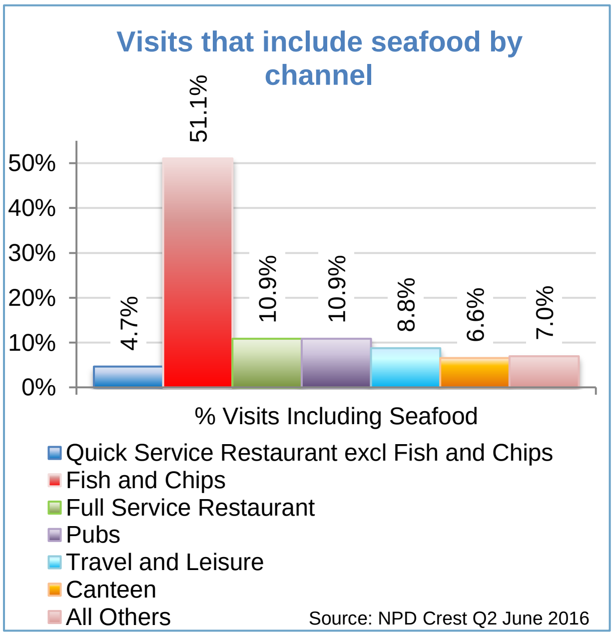


Analysis of descriptors used on menus found that 'Cornish' and 'Scottish' are top seafood descriptors with 'sustainable', 'Shetland' and 'rope grown' callouts emerging.

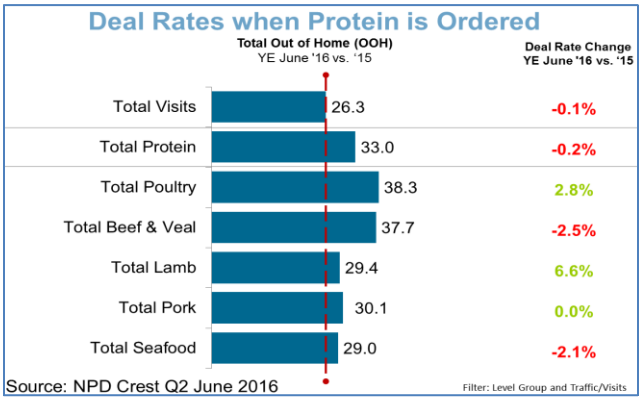


Channel focus: Quick Service Restaurants excluding fish and chip shops

Quick Service Restaurants excluding fish and chip shops continue to represent the biggest opportunity for seafood. As the largest seafood foodservice channel it is worth £19.9bn (+4%), visited 5.5bn times a year (+2.4%) representing 48.5% of overall visits. However, only 4.7% of these visits involve a serving of seafood despite the number of seafood servings within this channel increasing 8.7% to 284.1m a year.



Quick service restaurant customers are receptive to paying more for a meal including protein, however seafood has a lower than average price compared with other proteins except pork. Its deal/promotion rate is also lower than beef, veal and poultry suggesting that seafood's product, price and promotion mix could be more competitive. Another explanation for seafood's underperformance within the channel may also be that 17% of restaurants do not even offer seafood on their menus.

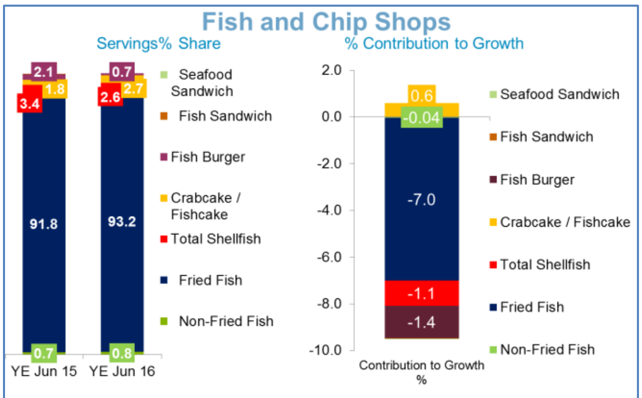


Handheld, convenient seafood is driving the majority of the growth in servings: fish sandwich +4.4%, non-fried fish +1.9%, seafood sandwich +1.6%, total shellfish +1.2%, fish burger +0.5%. Servings of the following have declined: fried fish -0.9%, crabcake / fishcake -0.2%. There is also potential to develop the range to incorporate more handheld street food options with spicy and ethnic flavours.

Channel focus: Fish and Chips

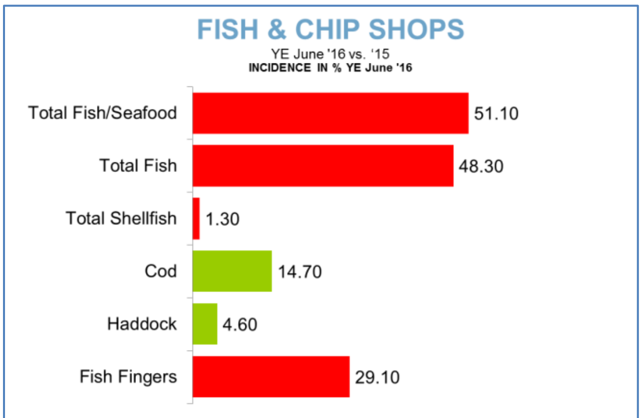
Overall fish and chip shop sales grew 0.5% to £1.1bn over the last year whilst visits declined 0.3% to 0.3m. Consumers purchased seafood on 51.1% of visits to this channel and it remains the second largest channel for seafood, accounting for 17.3% of all seafood servings. However, overall servings of seafood within fish and chips shops declined 8.9% to 169.2m whilst servings of poultry, pork, beef and veal slightly increased.

Fried fish, fish burgers and shellfish are the main drivers for seafood's decline with only crabcake / fishcake formats in growth.



Source: NPD Crest Q2 June 2016

With regards species, only cod and haddock see positive incidence performance.



Source: NPD Crest Q2 June 2016

Consumer spend on seafood is above the protein average, with only lamb being more expensive. Both of these proteins are also seeing inflation whilst other proteins are getting cheaper.

Overall Deal/Promotion rates within fish and chips shops are in decline. Seafood deal rates are still below the average but they are increasing.

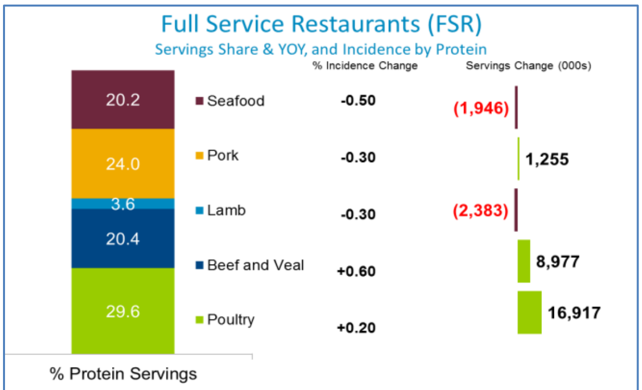
Socialising and convenience are the key motivations for buying seafood in Fish and Chip Shops. Seafood is also more of a treat when purchased from fish and chips shops, compared with other channels. Operators should be constantly adapting their offer to meet consumer expectations and build on these motivations.

The key considerations that recent Seafish consumer research highlighted are; a choice of consistently standard portion sizes is important, consumers are increasingly health conscious and they would like more information relating to the nutritional content of their meal.

Channel focus: Full Service Restaurants

The Full Service Restaurant channel shows continuous healthy growth for the seventh consecutive quarter. The channel is now worth £11.1bn, 3.9% more than last year, as consumers visited the channel 2.1% more often, and spent 1% more on average. In contrast, seafood servings have declined 2% to 129.6m a year, the equivalent of one serving in only 11% of visits.

Prices are higher in the channel and customers are clearly willing to spend more on premium proteins if the value proposition is set out properly. Yet servings of seafood and lamb are declining whilst poultry, beef, veal and pork are on the increase.



Source: NPD Crest Q2 June 2016

Non-fried fish and shellfish primarily drive the decline in seafood servings; only fried fish and fish sandwiches are experiencing growth.

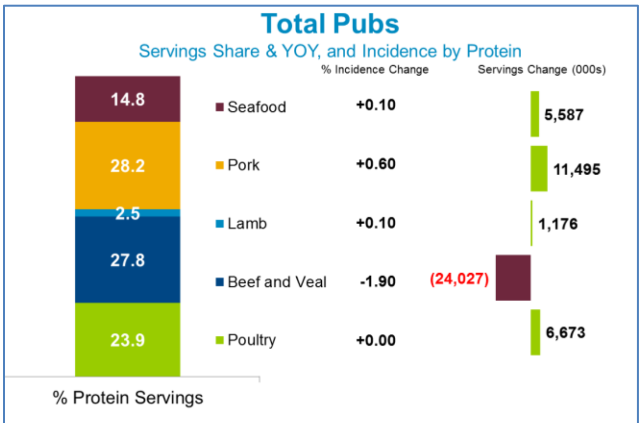
Menu innovation to meet the social, casual dining trend is required to address this under performance, as 4% of casual dining outlets do not include seafood on their menus.

Developing seafood dishes suitable for home delivery via the growing aggregated delivery services is crucial for future growth.

Channel focus: Pubs

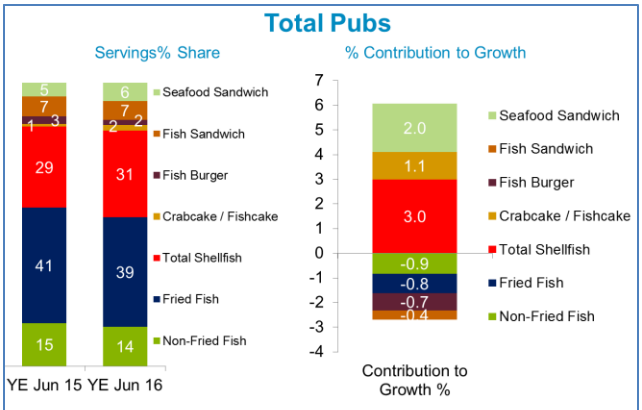
The pub channel continues to show growth after a positive Q2, which may have been helped by EURO 2016 driving the 1.2% increase in visits. This growth combined with consumers increasing their spend 0.7% to £8.12 per visit has increased the channels overall sales by 1.9% to £10.3bn.

Seafood servings within pubs have increased 3.4%, increasing seafood's share of protein servings. In fact, 10.9% of all food servings in pubs include seafood.



Source: NPD Crest Q2 June 2016

Shellfish, seafood sandwiches and crab/fishcakes are driving seafood's growth in Pubs, whilst servings of non-fried fish, fried fish, fish burgers and fish sandwiches decline. Servings of salmon and cod have also declined.



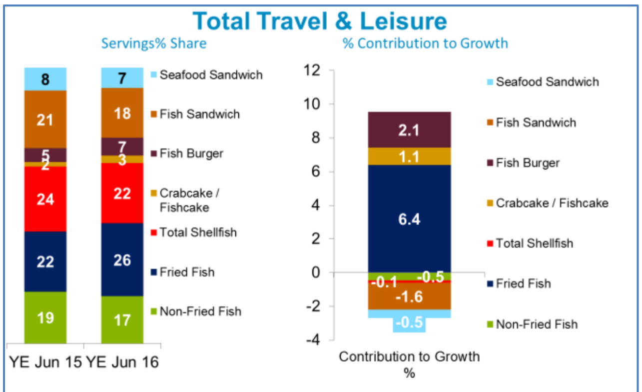
Source: NPD Crest Q2 June 2016

Pub prices are generally higher as customers are clearly spending more when visiting this channel. Seafood's average price is higher than the protein average, however it is supported by a higher than average deal/promotion rate.

Seafood over performs in pubs during social meal occasions. It is ideal for the smaller, sharing dishes of seafood, including breaded options with spicy and ethnic flavours.

Channel focus: Travel and Leisure

Another very positive quarter for the sector the travel and leisure channel is now worth £7.5bn, 3.6% more than last year. This performance is the result of both increased visits and higher average spend. On the back of this trend, seafood servings increased 6.8%. The meals that are driving this growth include fried fish, fish burger and crab/fishcakes.

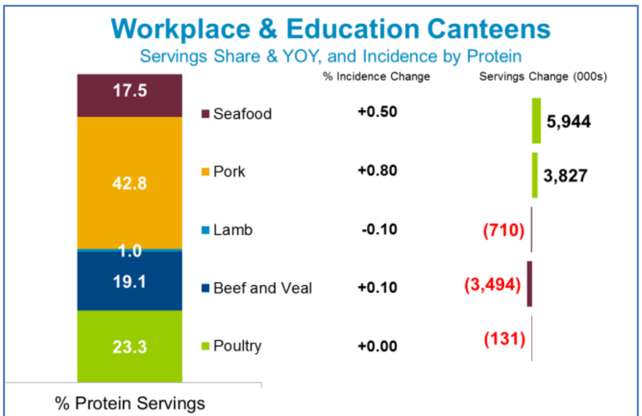


Source: NPD Crest Q2 June 2016

On average, consumers spend more on seafood than poultry or pork dishes. However, the gap is closing as seafood is getting cheaper and pork, beef and veal are becoming more expensive. Seafood deal rates are higher than all other proteins but they are in decline.

Channel focus: Workplace and Education Canteens

Whilst the average consumer spend has increased 0.9% to £1.12 per individual, the channel experienced a 0.9% decline in overall spend as visits have fallen 1.7% over the year. Pork and seafood servings have increased, growing their share in the channel whilst servings of beef, veal, lamb and poultry declined.



Source: NPD Crest Q2 June 2016

Future of foodservice

The challenge for manufacturers and operators is continuing to understand their customers, permanently upping their game in the hope to meet consumers' expectations and bettering their competitors offer.

The Quick Service Restaurant (excl. fish and chips) and Pubs channels delivered the growth in seafood servings. However, there is plenty of scope, especially through Quick Service and Full Service Restaurants to further boost the popularity of seafood.

Channels need to constantly innovate to maintain consumer interest and adapt to meet consumer changing needs and high expectations.

The key challenge remains: making the offer more attractive to younger consumers.

Headline opportunities

Quick Service Restaurants (excl. fish and chip shops) are the most frequently visited outlets but consumers only purchase seafood on 5% of their visits.

Fish and Chip Shops seafood sales are declining so outlets must make their offer more relevant.

Full Service Restaurant servings are showing strong and stable growth and should include seafood.

Shellfish, if marketed towards younger consumers, could drive future growth.

Tactics and tools

Constantly innovate to maintain consumer interest and adapt to meet consumers' needs and expectation.

Target young consumers to eat more seafood, especially shellfish.

Introduce convenient, easy to hold seafood meals for eating whilst on the move.

Expand small dish, sharing ranges for casual meal occasions.

Key menu trends

Indulgent breaded seafood for small sharing dishes.

Ethnic and spicy flavour combinations with seafood are increasing.

Rich, fruit and herb notes are becoming more popular with seafood.

Location and sustainability cues add value and provenance to seafood meals.

Data:

NPD Crest Q2 June 2016

Technomic Q2 July 2016

Macro-Economics UK

Enjoy fish and chips research 2016 Seafsh and Agriculture and Horticulture Development Board

Further reading:

Q2 16 Foodservice Report.pptx

Seafood Menu Trends UK 1607.pdf

Foodservice Perspective - Julia Brooks, Seafish.pdf

http://www.seafish.org/about-seafish/blog/opportunities-for-seafood-in-the-growing-53bn-commercial-foodservice-market

http://enjoyfishandchips.co.uk

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