SEAFISH

Market Insight Factsheet

Fish & Chips in Foodservice (2017 Update)

Market overview:
Total seafood has continued to perform well in foodservice since 2015, despite the recent challenging economic and political climate. Servings of fish & chips as a meal have grown faster than both total foodservice and total seafood servings over both the long and short term.

This factsheet provides an overview of performance of fish and chips as a meal across all foodservice, including long and short term trends. It includes an overview of who is buying fish and chips, where it is purchased and future opportunities for increasing market share.

December 2017

Introduction

Fish & chips can be considered the pioneer of takeaway food in the UK; thought to have originated around the mid nineteenth century it remains a hugely popular dish today. There is no definitive poll, but fish & chips was ranked as the third most popular UK takeaway in 2013, behind Chinese and Indian (Daily Mail/Vouchercodes.co.uk)

Fish & chip meal servings grew during the first part of austerity and peaked in 2010. A period of general decline followed until 2015 when fish & chip servings began to grow strongly and have remained in growth, continuing into 2017. Across all foodservice, traditional fish and chip shops remain the largest outlet for servings of fish and chips as a meal, taking 54% of servings. Along with the workplace channel, both have grown their share of fish and chip servings vs two years ago.

General GB Foodservice Performance

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. As a result, total out of home (Total OOH) foodservice servings fell and many remaining customers traded down to cheaper proteins and switched to cheaper channels; for example, trading out of more expensive full-service restaurants into cheaper, quick service restaurants. Total OOH Servings rallied in 2011/12 in line with the 'double dip' economy but it took until 2014 for servings to show consistent growth alongside rising disposable income. Uncertainty following the vote to leave the European Union in June 2016, coupled with a slowing UK economy and wages failing to keep up with rising inflation hit consumer confidence in 2017. But, the impact is yet to be seen on Total OOH servings which remain in growth. In mid-2017, consumers are still choosing to spend on entertainment, eating out and holidays, typical splurge behaviour seen before bracing for potential hard times to come. Forecasts predict the UK economy to continue to slow and real wages (adjusted for inflation) to fall by -0.5% by the end of 2018 (OECD). This could drive a return to foodservice servings decline in 2018. In the 52wks to June 2017, total GB foodservice was estimated to be worth £54.4bn (+2.8%) with 27.4bn servings (+1.1%). Despite the recent period of growth, GB foodservice servings remain -1.8% or 0.5bn servings behind the 2009 value.

Seafood Trends in Foodservice (all seafood)

During austerity, seafood faced a tougher time than most other proteins, due to its relatively high average cost. Seafood servings rallied in 2012/13 in line with the 'double dip' recession (typically 12 months later than Total OOH due to the higher price) but it took until late 2015 for seafood servings to return to growth. In 2017, seafood has continued to perform strongly across all channels except travel and leisure; being amongst the fastest growing new menu items in 2017. Over the short term, (52wks to June 2017), total GB seafood servings have continued to grow, standing at 1,048m (+4.1%), worth an estimated £3.38bn (+6.1%). However, total seafood servings are still -0.8% down on 2009 levels.

> Seafood servings have continued to grow in foodservice since 2015; outperforming seafood in retail where volumes have declined

Fish & Chip Meal Performance

Fish and chips as a meal is a key way for shoppers to enjoy seafood in foodservice, with fish & chip meals representing around 18% of all seafood servings.

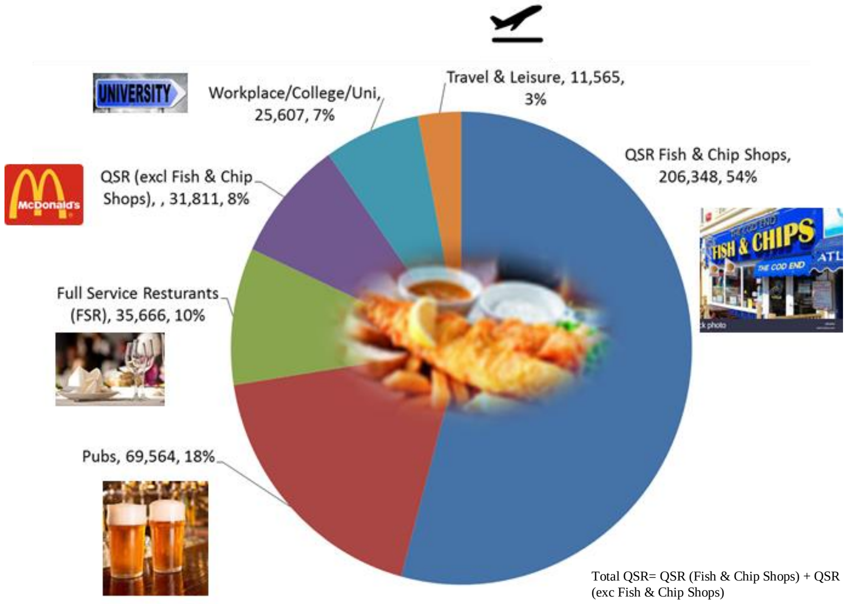
Fish & chip meal servings grew during the first part of austerity peaking in 2010. A period of general decline followed until 2015 when total fish & chip servings began to grow strongly and have been in growth since. For fish & chips purchased together as a meal, data is consolidated into two year periods to improve statistical accuracy.

> In the 2 years to September 2017, fish & chip servings totalled 381million, up +7.4% from 2009 and up +9% from the previous year

Total foodservice can be broken down into six channels, or outlet types ranging from higher ticket price full service restaurants (FSR) to cheaper fast food chains. The main outlet for fish & chip meals is the total quick service restaurant (QSR), which takes over half of all servings (62%); followed by the pub and full service restaurant (FSR) channel.

> Total QSR is made up of the QSR (fish & chip shops) channel which mainly consists of around 10,500 independent fish & chip shops; which takes the largest share of fish & chip servings (54%); and the QSR (excluding fish & chip shops) channel which is mainly fast food restaurants with which takes a smaller 8% share.

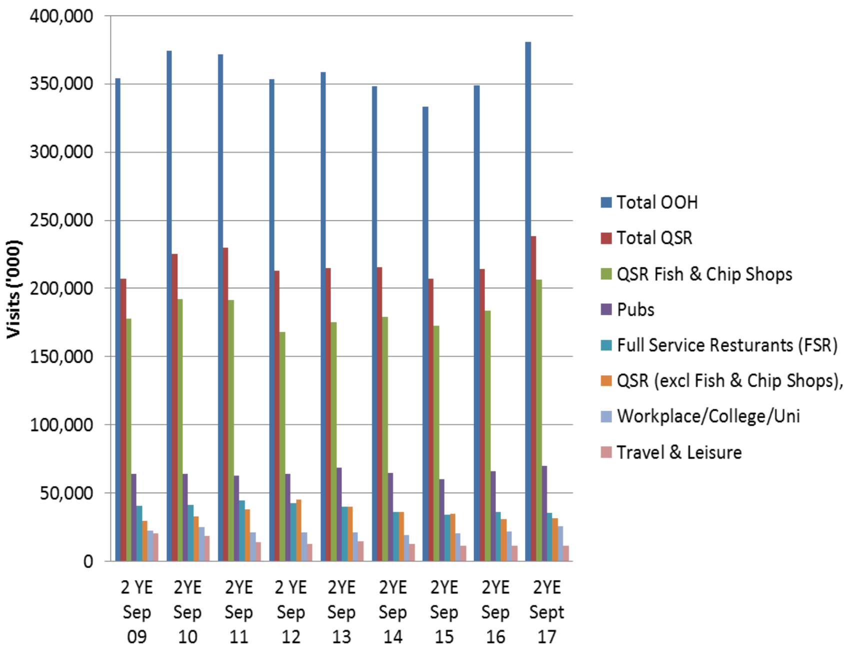
Fish & Chip Servings Share by Channel (2YE Sept 2017)



Total QSR= QSR (Fish & Chip Shops) + QSR (exc Fish & Chip Shops)

(NPD CREST 2YE Sept '17)

Fish & Chip Serving Trends by Channel



(NPD CREST 2YE Sept '17)

Over the long term (Sept 2009 to 2017) fish & chip servings grew across most channels except full service restaurants (FSR) and travel and leisure. The strongest growth was in the QSR (fish & chip shops) channel and the workplace channel, whilst travel and leisure showed the greatest decline (-43%). Over the short term (2016 vs 2017), only the full service restaurant (FSR) channel showed a small decline in fish & chip servings, with the strongest growth coming from the workplace and QSR fish and chip shop channel.

Fish & Chip Servings by Channel (2009 to 2017)

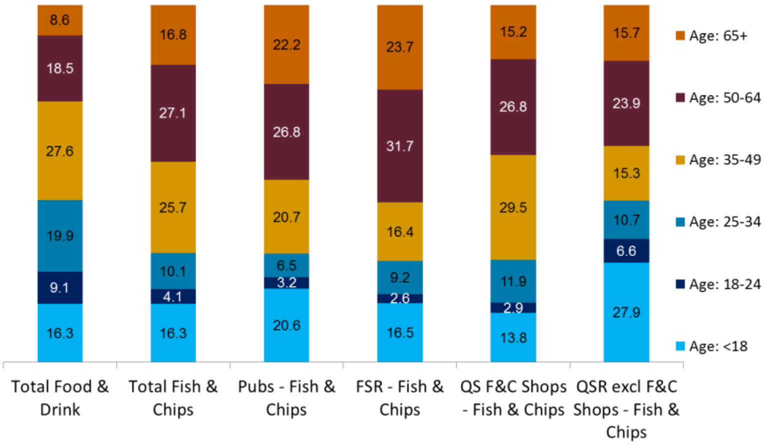
(NPD CREST 2YE Sept '17)

Fish & Chip Meal Servings ('000)	2 YE Sep 09	2YE Sep 10	2YE Sep 11	2 YE Sep 12	2YE Sep 13	2YE Sep 14	2YE Sep 15	2YE Sep 16	2YE Sept 17	%chg 2009 vs 2017	%chg vs Year Ago
Total Out of Home (OOH)	354,291	374,148	371,817	353,669	358,580	347,983	332,986	349,081	380,560	7.4	9.0
Total Quick Service Resturants (QSR)	207,385	225,007	229,570	213,147	214,965	215,404	207,381	214,489	238,158	14.8	11.0
QSR Fish & Chip Shops	177,907	192,254	191,648	168,290	175,154	179,206	172,481	183,940	206,348	16.0	12.2
QSR (excl Fish & Chip Shops)	29,477	32,753	37,922	44,857	39,811	36,199	34,900	30,549	31,811	7.9	4.1
Pubs	63,766	64,203	62,469	63,918	68,475	64,382	59,807	66,089	69,564	9.1	5.3
Full Service Resturants (FSR)	40,420	41,122	44,463	42,400	39,691	35,764	34,397	35,849	35,666	-11.8	-0.5
Workplace/College/Uni	22,273	25,057	21,240	21,364	21,040	19,318	20,130	21,457	25,607	15.0	19.3
Travel & Leisure	20,280	18,592	14,075	12,806	14,376	12,917	11,072	11,198	11,565	-43.0	3.3

Fish & Chip Meal Demographics

Fish and chips have a significantly older demographic than the average for all food & drink consumed out of home. The largest age demographic for fish and chips are the 50-64 and the 35-49 consumers; both groups have grown or remained the same vs two years ago. Under 18s are also an important demographic, the QSR (excluding fish & chip shops) and FSR are key channels for these younger consumers. The 18-24 and 35-49 age groups are an opportunity to target as they significantly under index on fish & chip meal servings compared to general foodservice. Raising awareness with this health conscious demographic around the comparatively low fat content per 100g of fish & chips compared to other takeaways may be an opportunity.

Fish & Chip Meal Servings by Age and Channel



(NPD CREST 2YE Sept '17)

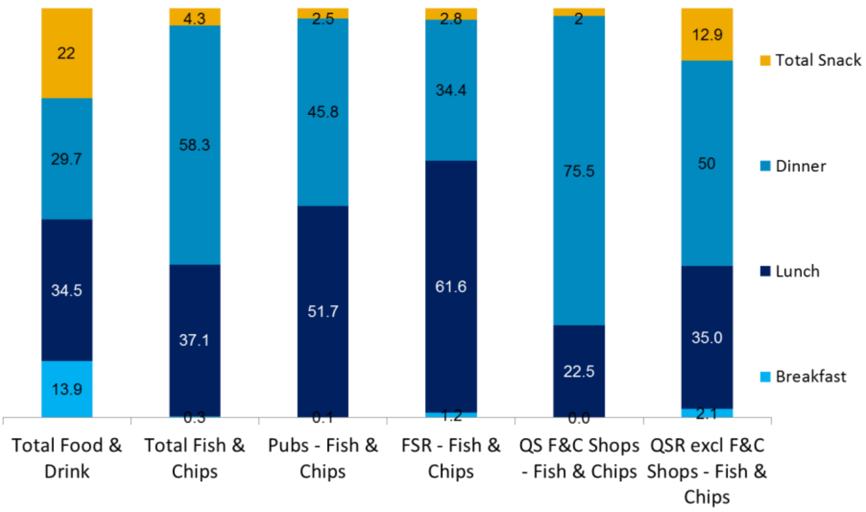
Overall and across all channels, fish and chips is more popular with female consumers. This is particularly significant for the QSR (excluding fish & chip shops) and pubs channel, where nearly 60% of purchases are made by women, compared to the 50.7% average for total food eaten out of home. Overall, when compared to Total OOH average, fish & chips appeal to a slightly less affluent shopper. This is particularly evident in the both the QSR (excluding fish & chip shops) and QSR (fish & chip shops) channels.

Fish & Chips meal servings have become more adult only focused than two years ago. The strongest family-oriented purchases are currently in the QSR (fish & chip shops) channel and full service restaurant channels which offer significant child focused NPD opportunities.

Fish & Chip Daypart and Purchase Drivers

Fish and chips are still mainly eaten for dinner/tea but this daypart has declined over the past two years, with both lunchtime consumption and snacking increasing. This opens up opportunities for smaller portions and lunchtime specials. Lunch remains a popular choice and has grown strongly in both the FSR full-service restaurants and pub channels. Surprisingly, lunch remains an unpopular daypart for fish & chip meal servings in traditional fish and chip shops and continues to decline.

Fish & Chip Meal Servings by Daypart



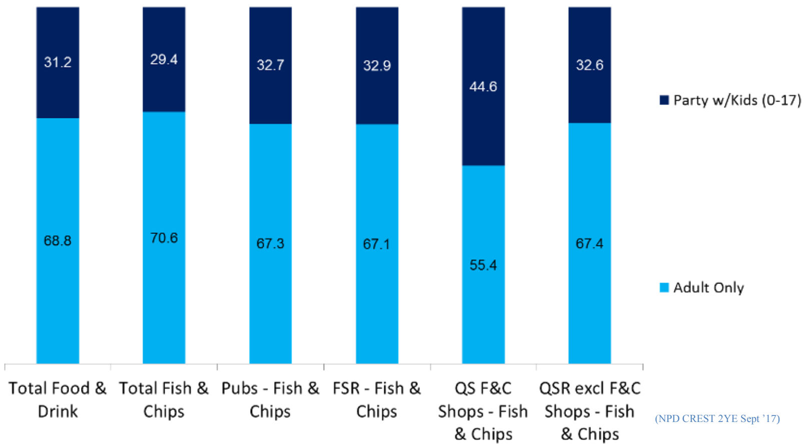
(NPD CREST 2YE Sept '17)

Overall, the most popular day for eating fish & chips is still Friday, especially in the pub and QSR (fish & chip shops) channels. Traditional fish and chip shops have seen strong growth in Friday servings compared to two years ago. Saturday is a key day for full service restaurants and the QSR (excluding fish & chip shops) channels.

(NPD CREST 2YE Sept '15)

The main reasons for shoppers to purchase fish & chips are to meet a functional need i.e. ‘hunger’, followed by socializing then as a treat. Overall there has been a shift away from socialising and functionality to treating and ‘other’ for fish & chips. Functionality is particularly strong in the fish & chip shop channel (55.8%) and QSR (excluding fish & chip shops) channel. Socialising is the key driver for fish and chips in the Pub (74%) and FSR full service restaurants (53.8%) channels. The importance of socialising had grown in the pub channel but is in decline in FSR where functionality has become more important.

Fish & Chip Meal Servings by Presence of Children



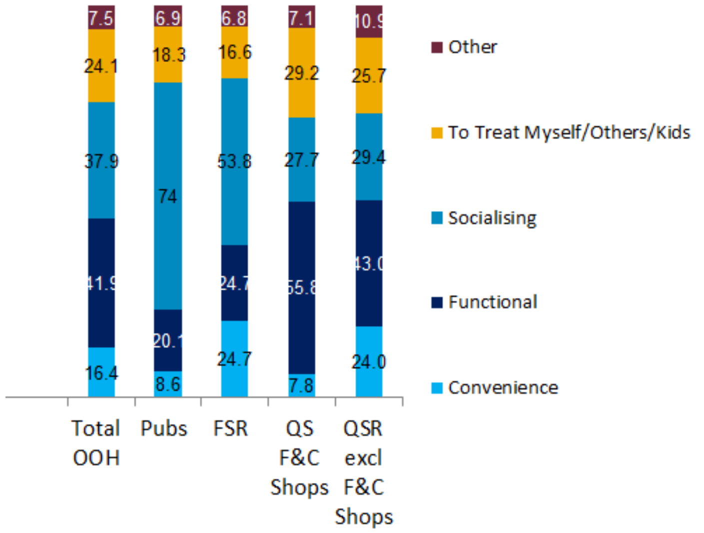
(NPD CREST 2YE Sept '17)

Future of Fish and Chips

Uncertainty following the vote to leave the European Union in June 2016, coupled with a slowing UK economy and wages failing to keep up with rising inflation, hit consumer confidence in 2017. But, the impact is yet to be seen on seafood servings which remain in growth, indeed outperforming general foodservice. If the UK does return to recession, fish & chip meal servings may continue to grow for a couple of years, following a similar pattern to that observed from 2007 to 2010.

Operators should look to capitalise on current shopper insight to help grow fish and chip sales. Price will always be high on the list of shopper priorities; but in 2016 for a brief period the importance of quality was ranked above price. The desire for premium, innovation and excitement in foodservice is high and shopper focus on value for money is strong. Shoppers expect deals but are prepared to pay for quality.

Fish & Chip Meal Motivation % Servings

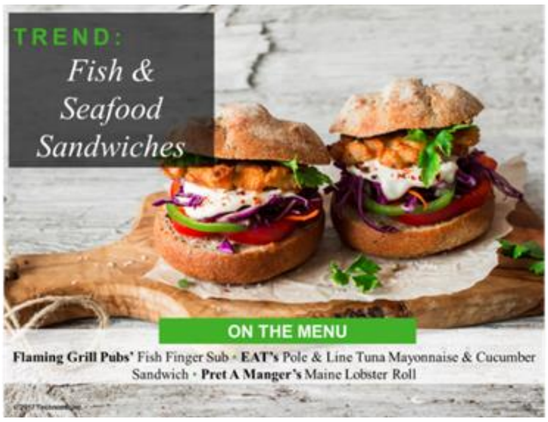


(NPD CREST 2YE Sept '17)

All Channels:

- Use good quality ingredients.
- Promote health benefits of seafood. Fish & chips has one of the lowest typical fat content of any takeaway
- Feature sustainability and sourcing credential where possible
- Focus new product development (NPD) on new formats and deals for children, particularly in QSR (excluding fish & chips) and full service channels
- Exploit functional/snacking opportunity with new portable formats, especially in QSR.
- Target the key daypart and weekday for the channel to maximise servings and grow new sales

Pub and Full Service Channels.



- Fish & chips in the FSR channel is a strongly affluent female purchase, so there are opportunities to tailor towards lighter batters, accompaniments and deals, especially desserts.
- Develop high quality gastro fish & chips for the growing adult only market. Use less common species and maximum freshness quality to drive interest, such as monkfish, hake or British pollock in a 'trio of fish'
- Exploit the sharing trends with platters or with goujons instead of individual plates
- Incorporate 'on trend' flavours for dips, dustings, batters and meal components.
- Focus on street food formats with American, South American and Eastern flavours which are currently on trend or the latest emerging trends for warm and spicy Middle Eastern and Hispanic flavours and bold libatious flavours like tequila and lime sauce, bourbon glaze and spicy, ethnic spiked mayonnaise
- Link with premium brands ie Black Sheep beer batter.

Fish & Chip Shops Channel

There are huge differences between the portions served up in the nation's fish and chip shops, which can be confusing for customers. There is an opportunity for many fish and chip businesses to adopt standard-sized portions that are closer to the national average; making changes to portion sizes doesn't mean proportional changes to the price. By introducing more portion size options, meals can be served up to suit appetites of all sizes and at different times of the day, to boost income. Seafish research found that 15% of consumers think that chip portions are too big and 44% of them even end up throwing some of their chips away, so making portion sizes more predictable and offering customers more portion size options, could make a fish and chip business more competitive.

- 1 in 3 consumers said a greater range of portion sizes would encourage them to eat fish and chips more often. That's more than 17 million people across the UK.
- 45% of consumers would order a smaller portion of chips to cut their calorie intake. That's almost 23.5 million people who are concerned about their calorie intake but still want to eat fish & chips.
- Exploit the high functional desire – minimise waiting. Focus on 'ready to eat' & 'food on the go' offering minimum mess, portable formats for fried fish such as wraps, burgers, goujons, bites etc.
- This channel has the lowest deal rates of any foodservice channel. 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.
- Britishness, nostalgia, tradition and heritage are key levers to increase sales.
- 62% of consumers would like to see nutritional information displayed per portion size; 72% would prefer their fish and chips cooked in a way that lowers the saturated fat content. That's almost 37.5 million people who fish and chip businesses could appeal to if they introduced different cooking methods. By letting customers know what cooking methods you are using, you can also help to reassure them that their fish and chips are being cooked with care and with nutritional content in mind.

Top 'Takeaways' for Fish & Chips in Foodservice

- Fish and chips are an important way for shoppers to enjoy seafood in foodservice, with fish & chip meals currently representing around 18% of all seafood servings.
- Fish & chip servings began to grow strongly in 2015 and have remained in growth, continuing into 2017. In the two years to September 2017, fish & chip servings totalled 381million, up +7.4% from 2009 and up +9% from the previous year.
- Traditional fish and chip shops remain the largest outlet for servings of fish and chips as a meal, taking 54% of servings and are one of the few channels that continue to grow share.
- The biggest opportunity is to grow fish and chips in the quick service restaurant channel (fast food outlets and casual dining) which currently only makes up 8% of servings. This is the largest foodservice channel and it grew nearly four times faster than the traditional fish & chip shops through austerity.
- Fish and chip shops, the workplace and the pub channel have performed well for fish & chips, growing servings16%, 15%, 9.1% and respectively since 2009.
- The core age demographic for fish and chips remain the 50-64 and the 35-49 consumers; The 18-24 and 35-49 age groups are an opportunity to target as they significantly under index on fish & chip meal servings compared to general foodservice.
- Overall and across all channels, fish and chips is more popular with female consumers. Raising awareness with this health conscious demographic around the comparatively low fat content per 100g of fish & chips compared to other takeaways may be an opportunity.
- 72% of consumers would prefer their fish and chips cooked in a way that lowers the saturated fat content.
- Lunchtime consumption and snacking on fish & chips is increasing. This opens up opportunities for smaller portions and lunchtime specials. Exploit the high functional desire – minimise waiting. Focus on 'ready to eat' & 'food on the go' offering minimum mess, portable formats for fried fish such as wraps, burgers, goujons, bites etc.
- Focus new product development (NPD) on new formats and deals for children, particularly in quick service restaurants (excluding fish & chips) and full service channels

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Data Sources –

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

- Fish & Chips Report Nov 2017, NPD Crest
- Seafish Foodservice SIF 2017
- Quarterly Foodservice Reports Q1/Q2/Q3 2017, NPD Crest
- Does Size Matter? Seafish Fish & Chips Information Sheet 2016

More Information:

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

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