

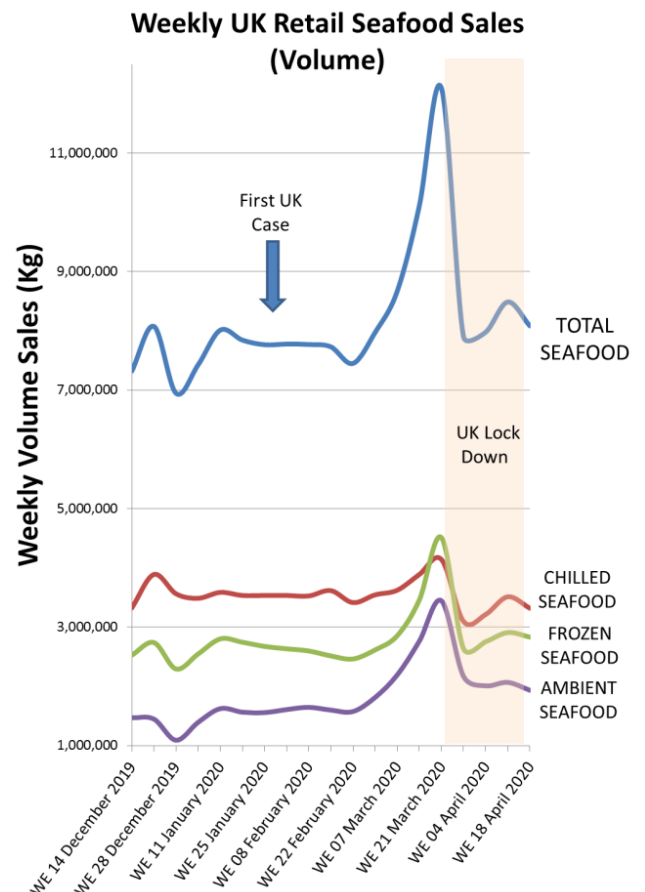
COVID-19 and the impact on seafood in retail update

May 2020

This briefing provides a summary of the impact of COVID-19 on seafood retail sales, shopper trends and the opportunities and outlook for seafood. It will be updated when further information is available.

Summary

- On the 30th/31st January, the World Health Organisation (WHO) called a global COVID-19 emergency and the first UK case was announced.
- By mid-February and faced with empty shelves, seafood sales began to increase as shoppers stockpiled food.
- Seafood stockpiling lasted 4 weeks. At its peak, total seafood weekly volume sales grew by 56% (WE 21st March vs WE 1st Feb); driven by strong demand in all sectors.
- Frozen seafood consumption outstripped chilled for the first time since 2005. The largest increases were in Ambient (canned and shelf stable), +114% and Frozen +71%, whilst Chilled (+17%) saw less growth as shoppers prioritised cupboard and freezer staples.
- Virtually all seafood segments were in strong volume growth. Total prepared seafood (+90%), total fingers (+78%), battered (+68%) and breaded (+58%) segments showed the highest growth, as seafood shoppers also prioritised coated 'comfort food'.



Segment & Species Opportunities:

- Ambient segments showed the highest growth, with ambient prepared and ambient sauce seafood sales up by +116% and 94% respectively. This was driven by tinned tuna (+116%), sardines (+103%) and mackerel (+91%).

- All frozen segments performed very strongly; with frozen cakes (+89%), frozen breaded (+82%) and frozen fingers (+79%) seeing the highest volume growth. These were driven by growth in frozen cod, Alaskan pollack and haddock
- All chilled segments performed strongly with the exception of chilled sushi, having a relatively high price and reduced lunch traffic impacting on sales. Chilled fingers (+47%), chilled cakes (+31%) and chilled dusted (+31%) saw the highest volume growth, driven by growth in chilled salmon (+17%), cod (+23%), haddock (+23%) and warm water prawns (+16%). With seafood shoppers most likely choosing products suitable for home freezing.
- All the top ten selling species saw strong volume growth with sales of species commonly tinned or frozen performing well; tuna the No.1 species (by volume) showed the highest growth at +108%, proving particularly popular in its predominantly ambient format. Some, but not all of the higher priced occasion oriented species lost out; lobster (-33%) and squid (-14%), whereas scallop (+36%) and monkfish (+50%) grew volume.

COVID-19 Key grocery and shopper trends (IGD to 19-24th April 2020)



1. DECLINING FINANCIAL CONFIDENCE

With rising concerns over the impact of COVID-19 on the UK economy and on daily life, **financial confidence has declined significantly.**



2. FOCUSED ON SAVING MONEY

With financial confidence declining, **shoppers are focusing more on saving money** in the year ahead.



3. TOP-UP SHOPS CONTINUE

With widespread stockpiling, at an overall level we are seeing more **smaller top-up shops** across the whole market.



4. IMPORTANCE OF SPEED AND EASE OF SHOP

As shoppers follow government advice and social distancing guidelines in-store, we are seeing **shoppers prioritise speed and ease** when it comes to choosing where they shop

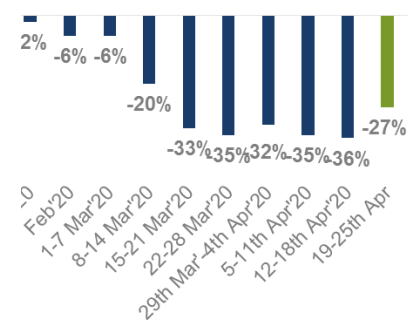


5. ONLINE GROWTH

The growth in online increases this week with a higher proportion of shoppers telling us they **are mainly using this channel to complete their shopping.**

- Shopper confidence fell strongly in March and April 2020. In April, 36% of shoppers expected to be financially worse off in the year ahead compared to only 2% in January 2020. The main seafood demographic (ages 55-64) being amongst the most concerned of all.
- Shoppers expressed a strong focus on saving money, however in the week ending 21st April the focus on quality was on a par with saving money.

Financial confidence in the year ahead Net difference % better off - % worse off



- Large stores remain by far the most used channel. Shoppers remained loyal to the supermarket channel as online delivery systems initially struggled under pressure. Now easing, online main shop increased from 7% in Feb to 13% end of April. In-store speed and ease of shop is key for shoppers.
- 57% of shoppers have claimed to have already stockpiled, benefiting supermarkets and larger stores. Now smaller top-up shops are replacing main big shops (15th-21st March 2020), set to benefit discounters and convenience channels.
- Shoppers are becoming less experimental and less tempted to experiment with new recipes and increasingly preferring to stick to what they know. They are opting to buy familiar products and brands. There has also been a slight decline in planned shopping and a small increase in impulse purchasing as shoppers buy what's available on the shelves.

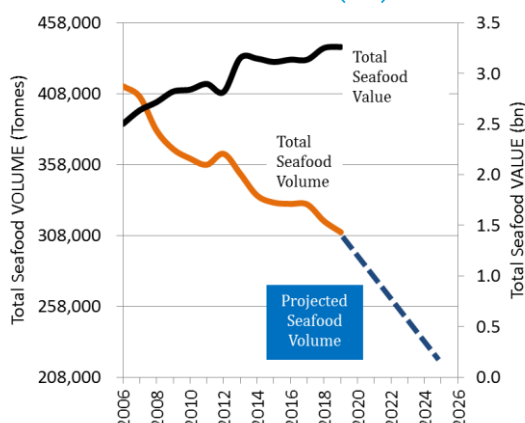
Seafood post COVID-19

Although the volume of total seafood purchased has quickly fallen back towards pre panic buying levels, as of the week ending 18th April 2020, it remains +4% higher than the start of stockpiling shopping. More significantly, total ambient seafood volume remains +20% higher and total frozen seafood volumes remain +4% compared with levels seen before the start of panic buying. Conversely, total chilled seafood volume sales have fallen to a level -6% lower than before, as shoppers continue to prioritise freezer and cupboard staples.

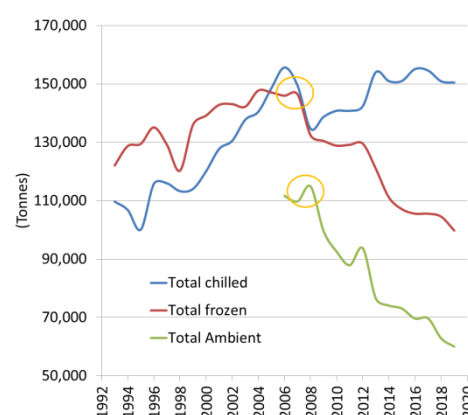
It is likely that the disruption in economic output and costs associated with COVID 19 could accelerate a significant UK and global recession. Whilst nobody can predict the future of the UK seafood market with certainty, it is probable that seafood shoppers are likely to follow similar behaviours observed following the financial crisis of 2007/8.

The first thing shoppers do when personal finances are under pressure is to trade down to cheaper options, many will continue to trade out of seafood altogether into other cheaper proteins. If the impact of COVID 19 is similar to that of the financial crash in 2007/8, now stockpiling is over, seafood purchases may return to an accelerated decline, similar to the rate seen between 2007-2011; resulting in around a 30% decline of seafood in retail over the next 5 years.

Potential Effect of COVID-19 on Long Term Seafood Sales (GB)



Effect of Recession on Seafood Sector Trends (GB)



Beneath the top line, we could see a period of decline in retail sales of chilled seafood, which has already begun. Frozen and ambient seafood are likely to remain resilient for a while as shoppers look to save money in a period of uncertainty. As uncertainty and financial pressure becomes the new normal, frozen and ambient will return to decline as chilled consumption returns to growth driven by shoppers perception of superior quality tipping the value for money perception of chilled.

As the majority of seafood we buy to eat in the UK is imported, future supply and availability and its effect on pushing up average price and in turn retail seafood prices, will be key. The degree of severity will be dictated by the degree of impact of COVID 19 on personal finances.

Seafood businesses can download accompanying slides and a comprehensive excel workbook and charts covering the detail behind key sector, segment and species trends: <https://tinyurl.com/yan4j26w>

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

- Nielsen:
 - Scantrack – UK EPOS from key retailers (including composite data from discounters Aldi & Lidl and N. Ireland) excludes seafood sandwiches
 - Homescan – GB (including discounters) consumer panel of 15,000 households excludes seafood sandwiches
- IGD Coronavirus (COVID-19) Weekly update 19th -25th April'20-

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