How the cost of living crisis is affecting UK seafood consumption

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Three Key Messages

1 How the 'cost of living' crisis is affecting the UK Grocery market and shopper behaviour

2 How the wider grocery inflation is affecting UK seafood consumption, and what shoppers will likely do in the face of increased seafood prices

3 Why Cod is potentially becoming less relevant to today's consumers

1 | How is the 'cost of living' crisis affecting UK Grocery?

UK Households are facing significant financial pressures

- UK inflation is at its highest rate for 40 years
- Interest rates are at their highest since 2009
- UK Household Confidence (GFK) is at an all time low
- Food Volumes are -5% lower than they were last year

In normal times, the volume of food & drink bought does not decline

In the last 12wks, food & drink volume has declined by **-5%**, which is approx. 13 less products per household

1. A slow return to OOH last year
2. Continued working from home
3. More families going abroad

Some shoppers are making fundamental changes to their shopping and eating habits…

1. Wasting less, using up leftovers
2. Making food go further
3. Skipping Meals

1 in 10 Breakfasts are being skipped by 'struggling' consumers

1 in 7 Lunches are being skipped by 'struggling' consumers

53% of Lunches by 'struggling' consumers contain 3 items or less

42% of Evening Meals by 'struggling' consumers contain 3 items or less

Source: **Kantar** – August 2022

How is the UK Grocery sector being affected?

Supermarket **value sales** grow by +2.2% in the last 12wks

Supermarket **volume sales** drop by -7.4% in the last 12wks

12wk grocery inflation hits +9.6%

4wk grocery inflation increases to +11.6%, the highest since Kantar started recording this information

Grocery bills are set to increase by +£533 per annum or £10.25 per week

Research suggests that the households will generally **absorb around 75% of any price increase** (through mitigation)

Shoppers are buying 13 less packs per month than last year - & slightly less than 2019

Own Label sales grow by +7.3% and now account for 51.6% of supermarket sales, with own label value ranges growing by +20%

33% of Asda baskets now contain a Just Essentials product

Volume sold on deal has dropped to below 25% This was 30% in the 2008 financial crash

Source: **Kantar** – August 2022

How are UK shoppers reacting?

27% of households class themselves as **Struggling**
(38% for lower affluent households)

42% of households class themselves as **Managing**
(45% for lower affluent households)

31% of households class themselves as **Comfortable**
(17% for lower affluent households)

1 in 5 households are **spending less on electronics & entertainment**

1 in 6 households re **cutting back on TV / Film subscriptions**

Comfortable Households are managing to cut back more on their grocery spend than the Managing or Struggling Households

£2.3bn of spend has shifted to the **Hard Discounters**

Managing households have **increased spend in Aldi & Lidl** by +12%
(Struggling +7%; Comfortable +6%)

Online spending has dropped to just 11.8% as shoppers start to visit more physical stores

Source: **Kantar** – August 2022

Grocery prices have risen by +10% in the last 12wks…

Many high penetration sectors rising considerably faster

Dairy	Ambient	Chilled	Frozen	Household
Butter +25%	**Pasta +28%**	**Poultry +14%**	Chips +9%	**Toilet Tissue +16%**
Milk +20%	**Cooking Oil +22%**	**Ready Meals +12%**	Vegetables +8%	Wash Liq. +9%
Cheese +10%	Baked Beans +11%	Beef +8%	Seafood +5%	Mach Wash +8%
		Seafood +6%		

4wks vs Yr. Ago

This will put a huge squeeze on discretionary purchases such as seafood

Source: **Kantar** – August 2022

…meaning that households will review what goes into their basket…

We are buying more of…

Fresh Soup	+7%
Pasta	+4%
Frozen Poultry	+4%
Herbs & Spices	+4%
Frozen Ready Meals	+3%
Canned Fish	+1%

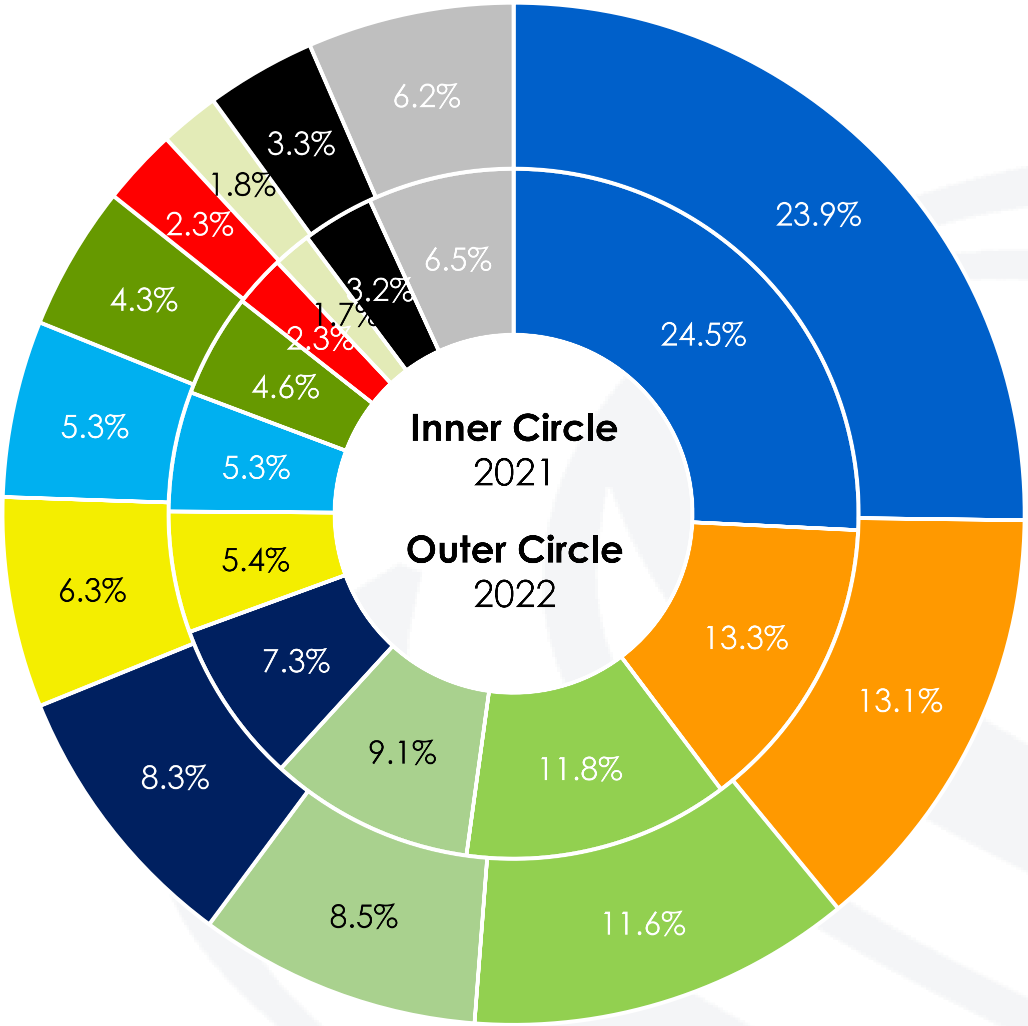
We are buying less of…

Fresh Vegetables	-7%
Sugar	-7%
Fresh Milk	-6%
Fresh Poultry	-6%
Tea	-6%
Fresh Pork	-5%
Frozen Seafood	-5%
Sliced Cooked Meats	-4%
Bread	-4%

Fresh Lamb	-23%
Chilled Vegetarian	-18%
Alcohol	-12%
Fresh Beef	-11%
Fresh Gammon	-10%
Instant Coffee	-10%
Chilled Seafood	-10%
Frozen Veg	-10%
Prep. Fruit & Veg	-9%
Chilled Bacon	-9%
Chilled Desserts	-8%
Butter	-8%
Chilled Ready Meals	-8%
Chilled Sausages	-7%
Fresh Fruit	-7%

Source: **Kantar** – August 2022

…and review where they do their shopping



- The Top 4 major multiples have collectively lost 1.6pts of share in the last 12wks vs last year
- Aldi & Lidl have gained 1.9pts, and now control 14.6% of the market
- Morrisons appear to be in freefall, with sales declining by -5%, with the majority of the decline due to switching to Aldi & Lidl

#	Retailer	12wk Share	12wk pt +/-	12wk £ +/-
1	Tesco	23.9%	-0.6pt	-0.4%
2	Sainsbury's	13.1%	-0.2pt	+0.8%
3	Asda	11.6%	-0.2pt	-0.6%
4	Morrisons	8.5%	-0.6pt	-5.3%
5	Aldi	8.3%	+1.0pt	+15.9%
6	Lidl	6.3%	+0.9pt	+19.4%
7	Co-op	5.3%	+0.0pt	+1.2%
8	Waitrose	4.3%	-0.3pt	-4.1%
9	M&S	3.3%	+0.1pt	+3.3%
10	Iceland	2.3%	+0.0pt	+2.2%
11	Ocado	1.8%	+0.1pt	+7.2%
12	Other Stores	6.2%	-0.3pt	-2.2%

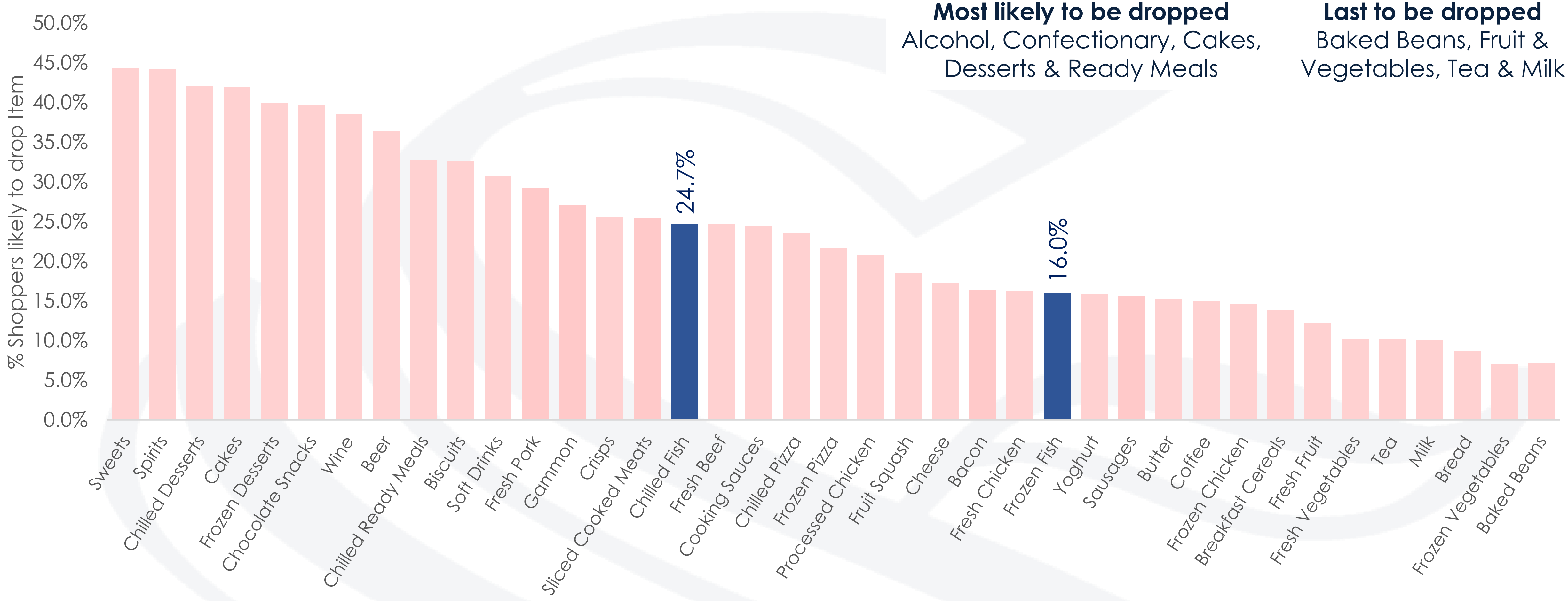
Source: **Kantar** – 12wk Data to 7th August 2022

Finally, shoppers will find ways to mitigate future price rises

Which of the following foods are you likely to buy less of as a way to manage your grocery spending?

Most likely to be dropped
Alcohol, Confectionary, Cakes, Desserts & Ready Meals

Last to be dropped
Baked Beans, Fruit & Vegetables, Tea & Milk



Source: **VYPR** – 500 Respondents – August 2022

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2 | How the 'cost of living' crisis could affect UK Seafood?

Chilled & Frozen Seafood Category Map

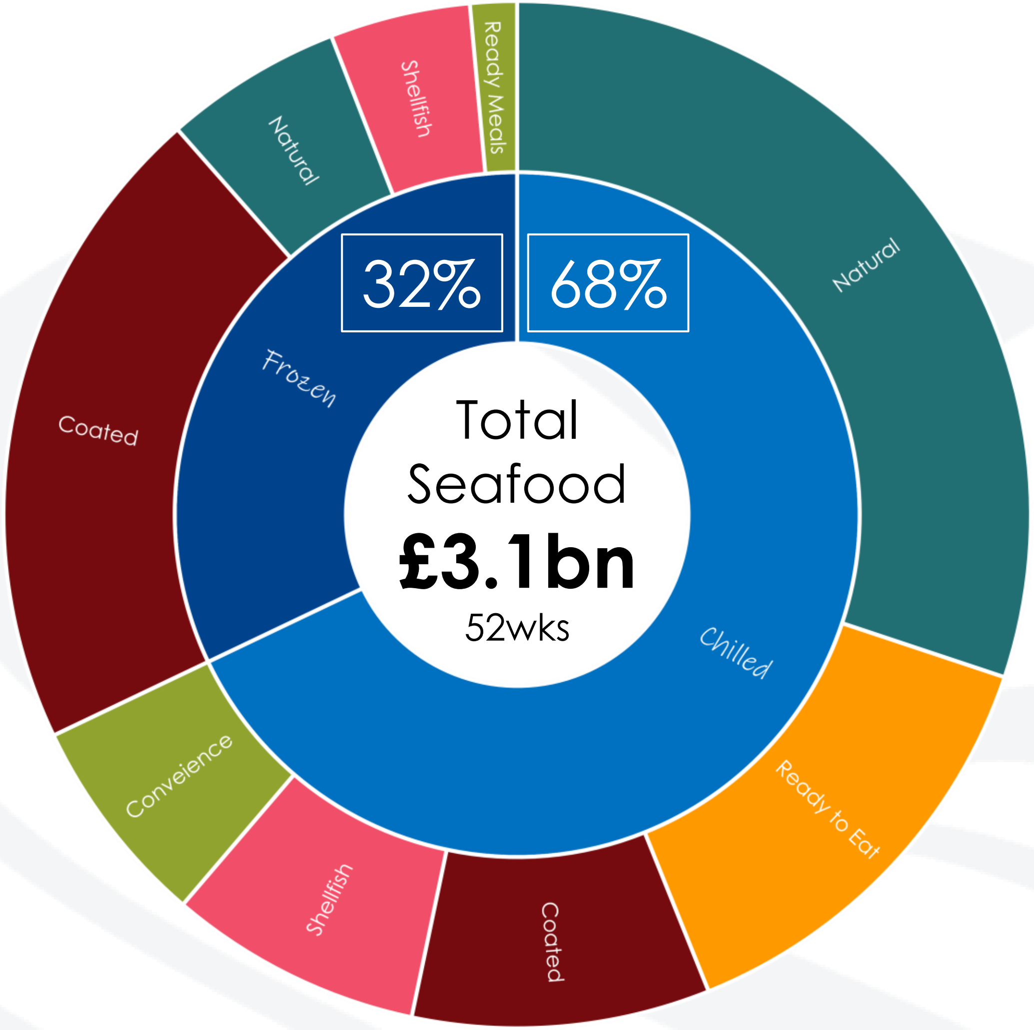
Frozen Seafood

£1.0bn – Annual Sales
Value -9% 52wks | -0% 12wks
Volume -7% 52wks | -5% 12wks

85% of Households buy -2%pts
11x Trips per year -0.9x
£43 annual spend per HH -£3.25

57% Own Label | 43% Branded

Category	Share +/-
Coated	+2.5pts
Natural	-4.2pts
Shellfish	+2.1pts
Ready Meals	-0.5pts



Chilled Seafood

£2.1bn – Annual Sales
Value -4% 52wks | -5% 12wks
Volume -8% 52wks | -10% 12wks

81% of Households buy -1%pts
19x Trips per year -0.8x
£93 annual spend per HH -£3.52

87% Own Label | 13% Branded

Category	Share +/-
Coated	+0.0pts
Natural	-2.4pts
Shellfish	+0.9pts
Convenience	+0.3pts
Ready to Eat	+1.2pts

Source: **Kantar** – 12wk Data to 7th August 2022 | Share +/- vs 5 years ago

Chilled Seafood declines are worsening in the last 12wks vs 52wks…

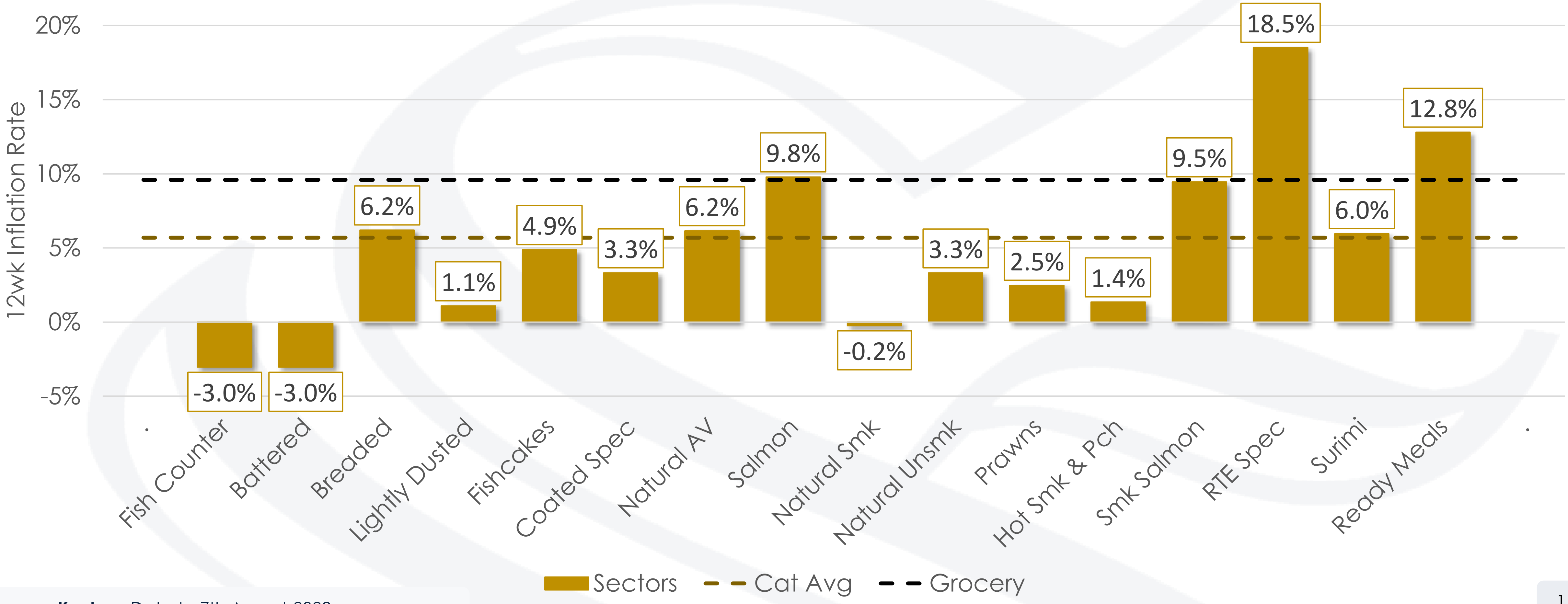
Value	£483m	-£23m	-4.5%
Volume	37,246t	-4.0t	-9.7%
Households	18.0m	-457k	-2.5%
Frequency	5.5x	-0.2x	-3.5%
Price/kg	£12.99	+£0.71	+5.7%
Trip Spend	£4.91	+£0.12	+2.5%

- Decline driven both by a reduction in the number of shoppers buying, and the remaining shoppers buying less often
- With Trip Spend increasing by less than inflation, shoppers are managing to mitigate some of the price rises through basket mix / trading down within the sector

Source: **Kantar** – Data to 7th August 2022

…although chilled inflation is tracking behind total grocery inflation

- 12wk Chilled Seafood inflation (+5.7%) remains lower than total grocery inflation (+9.7%)
- Across chilled seafood, RTE Speciality, Salmon, Smoked Salmon and Ready Meals are seeing average prices rise the most
- Coated Fish price increases are tracking at around the category average or below
- Average prices of Prawns & Hot Smoked are only increasing by +2.5% and +1.4% respectively



Source: **Kantar** – Data to 7th August 2022

Frozen Seafood declines are improving in the last 12wks vs 52wks...

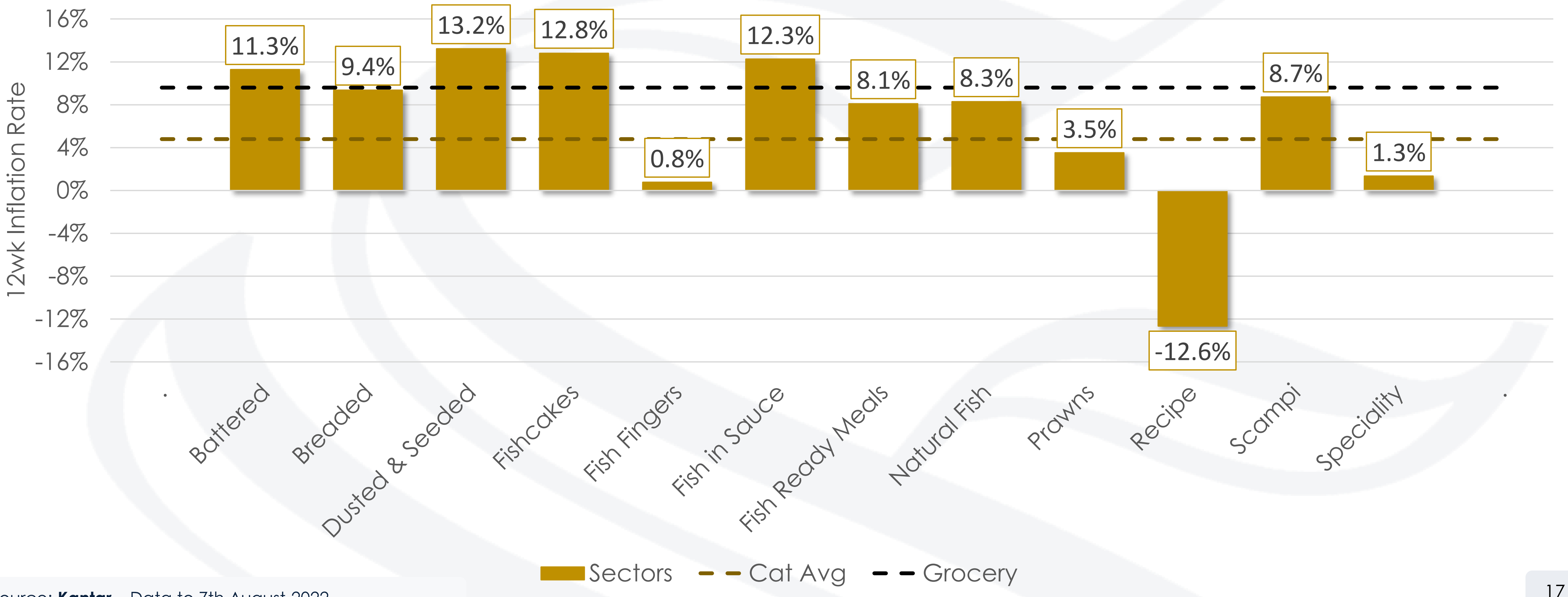
Value	£228m	-£0.3m	-0.1%
Volume	30,721t	-1.5t	-4.6%
Households	17.7m	-623k	-3.4%
Frequency	3.1x	-0.1x	-3.1%
Price/kg	£7.44	+£0.34	+4.8%
Trip Spend	£4.11	+£0.27	+7.0%

- Frozen Seafood value and volume declines are improving in the last 12wks vs 52wks
- Volume decline is driven both by a reduction in the number of shoppers buying, and the remaining shoppers buying less often
- Trip Spend is increasing by more than inflation, suggesting that shoppers are switching more of their grocery spending into frozen foods to mitigate some of the price rises through basket mix

Source: **Kantar** – Data to 7th August 2022

Although some frozen inflation is now ahead of total grocery inflation

- 12wk Frozen Seafood inflation (+4.8%) is currently tracking behind Total Grocery inflation (+9.7%)
- Across frozen seafood, many sectors (Battered, Dusted, Seeded & Fish in Sauce) are actually experiencing higher levels of inflation than total grocery – it is the supressed price increases on Fish Fingers and deflation within Recipe which is pulling the overall inflation rate down



Source: **Kantar** – Data to 7th August 2022

It is the lower affluent shoppers who are leaving first…





	Fish Fanatic	Adventurous Family	Fish Finger Family	Budget Balancer	Traditional Fish Lover
Social Grade	AB	C1	C2	D	E
Actual | % +/-	-179k | -3%	-187k | -3%	-291k | -8%	-120k | -5%	-126k | -6%
Dropping out of… (4wks vs Yr. Ago)	Chilled Smk Salmon	Frozen Battered	Frozen Battered	Chilled Salmon	Chilled Breaded
	Frozen Battered	Frozen Prawns	Chilled Salmon	Chilled Natural AV	Chilled Natural
	Chilled Breaded	Counter Unsmoked	Chilled Fishcakes	Frozen Scampi	Frozen Fish Fingers
	Chilled Hot Smoked	Frozen Breaded	Frozen Fish Fingers	Frozen Battered	Chilled Ready Meals
	Frozen Fish Fingers	Chilled Prawns	Chilled Natural	Chilled Natural	Frozen Prawns
Going into…	Chilled Battered	Chilled Fishcakes	Chilled Surimi	Chilled Fishcakes	Frozen Fishcakes
	Chilled Lightly Dusted	Frozen Ready Meals	Frozen Lightly Dusted	Frozen Fish Fingers	Chilled Fishcakes
	Chilled Salmon	Chilled Surimi	Frozen Fishcakes	Chilled Surimi	Chilled Surimi

Source: **Kantar** – Total Chilled & Frozen Seafood – August 2022 | Young's Segmentation Study - 2021

We are expecting more inflation to be passed on to the consumer

Seafood prices (@RSP) have risen by just +4.8% in the last 4wks

Almost 1m shoppers have dropped seafood from their basket in the last 4wks vs last year…

…and remaining shoppers are buying seafood 1.5x less often per annum than they were a year ago…

Source: **Kantar** – Total Chilled & Frozen Seafood – August 2022

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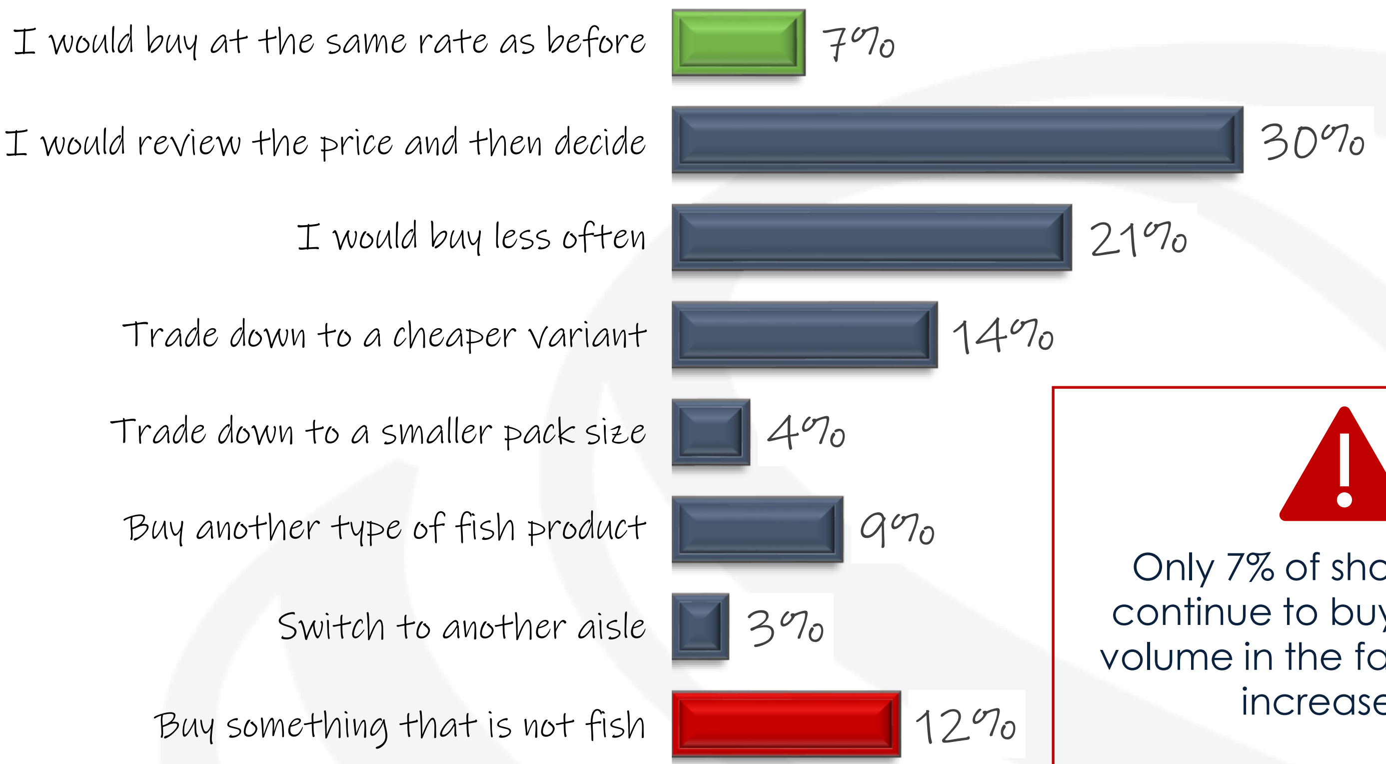
… and more seafood inflation will lead to a further reduction in spend

Young's Est. 1805

What would you do if your favourite chilled / frozen fish product went up in price?



Only 7% of shoppers will continue to buy the same volume in the face of price increases…

… 1 in 8 would potentially leave the sector altogether

The remaining 80% will try to mitigate the increases

Source: **VYPR** – 500 Respondents 30th May 2022

3 | Are shoppers starting to fall out of love with Cod?

Whilst Cod remains one of the UK favourites...

The UKs Top 12 Chilled & Frozen Species		52wk Volume	52wk % +/-	12wk % +/-
1	Salmon	62kt	-7%	-11%
2	Cod	59kt	-11%	-11%
3	Pollock	52kt	-6%	-1%
4	Haddock	29kt	-4%	-1%
5	WW Prawns	23kt	-8%	-3%
6	Basa	11kt	-5%	-10%
7	CW Prawns	11kt	-6%	-12%
8	Scampi	8kt	-4%	-13%
9	Mackerel	5kt	-13%	+4%
10	Mussels	4kt	-10%	-9%
11	Tuna	4kt	+4%	+4%
12	Sea Bass	3kt	-20%	-7%



Most species are declining YOY as shoppers reduce spend as a result of the cost of living crisis.

Source: **Kantar** – Total Chilled & Frozen Seafood – August 2022

...Cod is losing shoppers and frequency is also down...

COD

2018	64,926t
2019	64,985t
2020	65,899t
2021	65,808t
2022	58,558t

Latest 52wks to August 2022 vs Last Year

Value	-9%	-£49m
Volume	-11%	-7,250t
Frequency	-5%	-0.5x
Shoppers	-4%	-889k
Price/kg	+2.7%	+£0.24

...and inflation is only at +2.7%

It is more likely to be the coated fish sectors shoppers where the declines have been seen most

Frozen Coated	Frozen Natural	Chilled Coated	Chilled Natural
-3,845t	-720t	-1,675t	-1,403

Source: **Kantar** – Total Chilled & Frozen Seafood – August 2022

Cod has not benefitted from the long term increases in consumption

The UK consumed 11kt (+3%) more chilled & frozen seafood in 2022 vs 2018

SALMON

+17%
+8.9kt

COD

-10%
-6.3kt

POLLOCK

+5%
+2.3kt

HADDOCK

+2%
+0.5kt

WW PRAWNS

+8%
+1.9kt

BASA

+21%
+1.9kt

CW PRAWNS

+12%
+1.2kt

SCAMPI

+25%
+1.7kt

MACKEREL

-27%
-1.6kt

MUSSELS

+4%
+0.2Kt

TUNA

-10%
-0.4kt

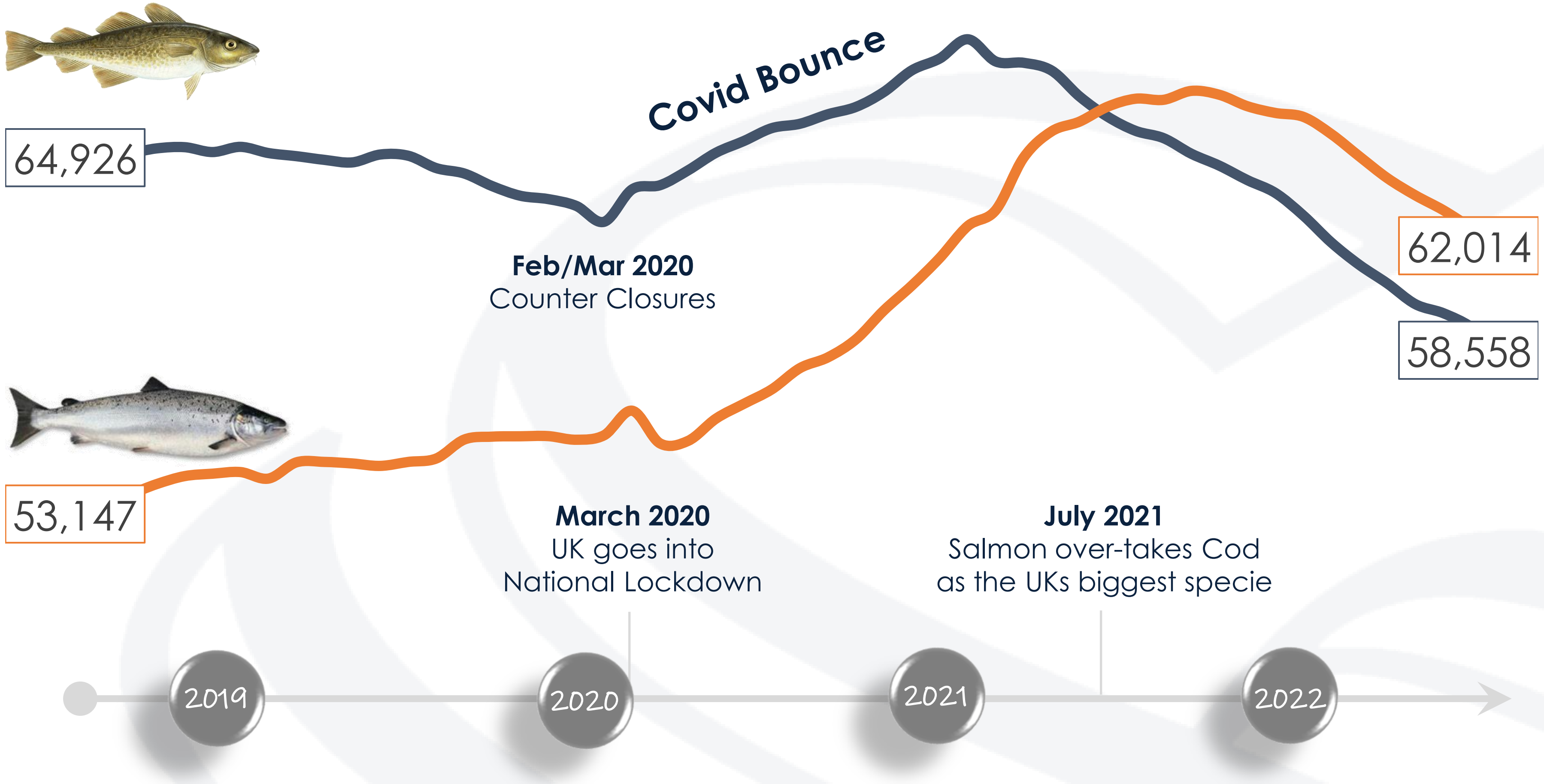
SEA BASS

+20%
+0.6kt

Although in the same time period, Cod has lost 10% of its total volume

Source: **Kantar** – 52wks data to 7th August 2022 vs 2018

Cod has now been over-taken by Salmon as the UKs biggest specie



Both Cod & Salmon benefitted from the stay at home / lockdown policies in the UK, both growing to record highs

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However, Salmon continued to grow for a much longer period and has not has the same drop off

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Volumes of Cod are now 6.5kt lower than they were 5 years ago

Source: **Kantar** – Total Chilled & Frozen Seafood – August 2022

Five Key Considerations

Why is Cod declining when other species are in such good growth?

Changing Health Needs

Health is an increasingly important factor when buying food, and other species & sectors are often seen as more healthy than Cod

75% of Cod sold in the UK is coated in batter or breadcrumbs – less healthy

Global Tastes & Occasions

The impact of global cuisines in the UK over the last 20 years has been huge, with consumers experiencing more flavours & formats than ever before

Cod remains very traditional with the majority of occasions being either 'Fish & Chips' or a Fish Pie

New Species Younger Shoppers

Over the last 15 years we have seen the growth of Basa, Sea Bass, Squid and Crab, all of which are attracting a younger & often more adventurous consumer

To many consumers, Cod is seen at best as 'traditional' or at worst, as 'old fashioned'

Value for Money

Cod is certainly not the most expensive specie in the UK, but we are in a cost of living crisis and shoppers are looking for value

There are many species such as Pollock and Basa which shoppers can easily switch into

The Media

Whilst this will not have affected the historical performance, media surrounding the Russia / Ukraine war and the subsequent bans on Russian Fish imports could potentially have a negative perception of Cod as a fish species over the coming months

Thank you for listening. Any questions?