SEAFISH

Market Insight Factsheet

Seafood trends in commercial foodservice (2017 Update)

Seafood servings continue to grow in foodservice despite a challenging economic and political climate, breaking the 1bn mark again in 2017. Quick service restaurants continue to dominate the foodservice market, whilst fried fish remains the most popular type of seafood eaten out of home. Seafood featured highly in new starters and main dishes in 2017. Gourmet seafood sandwiches including, Maine lobster rolls, Louisiana style street food sandwiches with blackened fish and Cajun shrimp & crawfish balls are on trend.

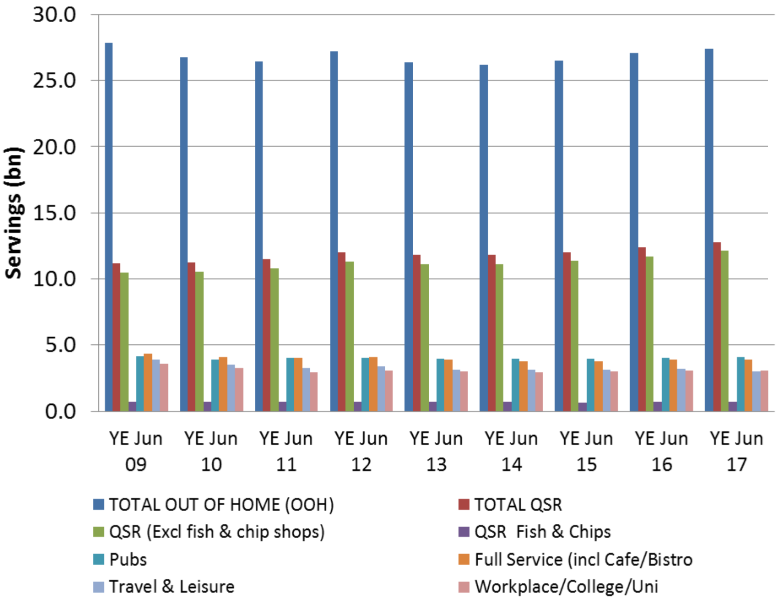
This factsheet provides a summary of both long and short term seafood trends in GB foodservice. It covers the detail behind the menu, channel, format and species trends; along with an overview of seafood performance vs other proteins. Together, the trends and insight can be used to identify future opportunities for growth.

September 2017

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. 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 may drive a return to foodservice servings decline in 2018

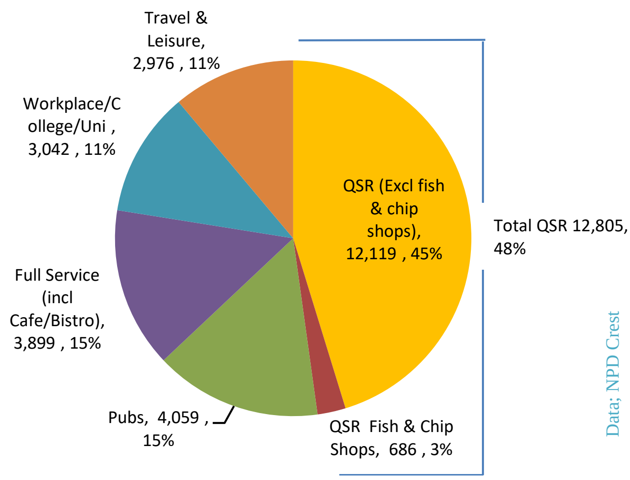
Long term Total Food and Drink Out of Home (TOOH) Channel Trends (Servings, 2009-2017)



Data: NPD Crest

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 2009 levels. In the 52wks to June 2017 the largest channel for total servings was the total quick service restaurant channel (QSR), which takes nearly half of all servings (48%). Total QSR is made up of the QSR fish & chip shops channel (3% of total OOH) which mainly consists of around 10,500 independent fish & chip shops; and the QSR excluding fish & chip shops channel (45%) which is mainly fast food restaurants. The remaining channels take a roughly even share of remaining servings.

Share of Total Foodservice OOH Servings (m) by Channel (year ending June 2017)



Data; NPD Crest

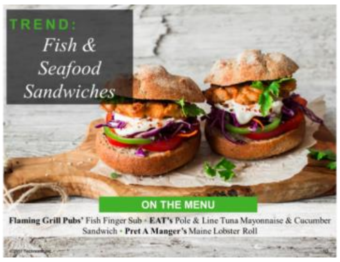
Over the short term (52wks to June 2017) total foodservice has grown servings by 1.1%. The QSR (excluding fish & chip shops) channel continued to perform strongly (+3.6%), driving overall foodservice growth. The other channels remained flat or in servings growth; but the poorly performing travel & leisure channel (-6%) was pushed into a last place ranking by the workplace channel.

Over the long term (8yrs to June 2017) the QSR (excluding fish & chip shops) channel is the only channel which showed servings growth, up +15.6% since 2009. This is undoubtedly due to the attractiveness of the relatively low price point during austerity. Servings in all other channels have

Long and Short Term Total OOH Servings Channel Performance

TOTAL OOH Servings (m)	YE June '17	% chg 8 yrs (2009 vs 2017)	% chg Year Ago
TOTAL OUT OF HOME (OOH)	27,368	-1.8	1.1
TOTAL QSR	12,805	14.6	3.4
QSR (Excl fish & chip shops)	12,119	15.6	3.6
QSR Fish & Chip Shops	686	-1.2	0.9
Pubs	4,059	-2.7	1.1
Full Service (incl Cafe/Bistro)	3,899	-10.2	0.6
Workplace/College/Uni	3,042	-15.4	-0.0
Travel & Leisure	2,976	-23.4	-6.0

Data: NPD Crest June '09 and '17



fallen; travel and leisure (-23.4%), workplace channel (-15.4%) and the full service channel (-10.2%) have been the hardest hit. Over this period, the QSR (fish & chip shop channel), showed the smallest decline, (-1.2%) helped by a relatively low spend.

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. These servings are captured in the QSR (excluding fish & chip shops) channel contributing to its strong performance. The past couple of years has seen a growing interest in healthy eating with some consumers choosing to eat more meals without meat, coining the term 'flexitarianism'. As yet the trend has not gained much traction outside London but could provide a boost for seafood.

Current trends remain for American and South American, Asian and Far Eastern flavours, along with upmarket portable food formats such as gourmet burgers, wraps and sandwiches. Latest emerging flavours include warm and spicy Middle Eastern, Mediterranean, Cajun, kimchee and flavoured mayonnaise.

The good news is that seafood appears to be leading the way in some areas by tapping into the latest emerging trends

Cuisine popularity

Total out of home foodservice servings are made up of 'off premise' or 'take out' where the food is eaten on the move and 'on premise' where diners eat in. Over the past 9 years there has been an increase in 'off premise' servings (+3%) driven by the lower average spend. Since 2009, burgers, Italian, traditional British (Greggs pasties etc.) and Mexican cuisine has shown the highest growth, with Chinese showing the greatest decline.

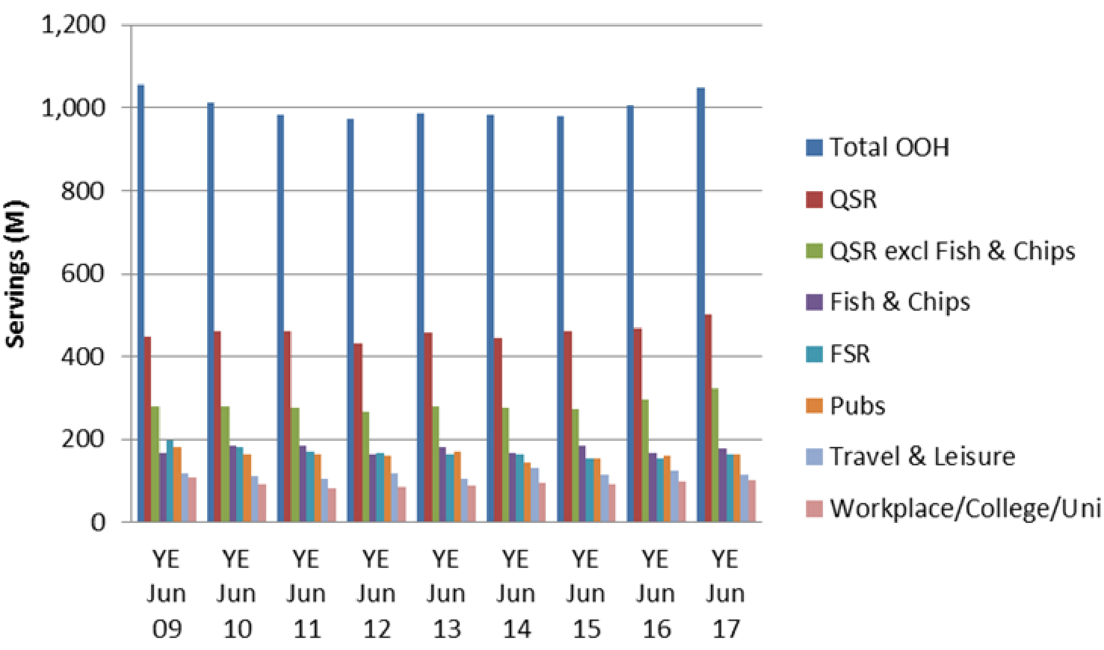
In 2017 the most popular cuisine types were burgers, followed by Italian and Chinese. In the past year 'off premise' servings continued to grow (+4%) with Mexican and Indian showing the fastest growth.

Fish and chips eaten together as a meal (not be confused with the fish and chip channel) still plays an important part in contributing to overall, seafood consumption, representing around 10% of all seafood servings in 2017. Fish & chip servings in total foodservice grew until 2010/11 then fell into decline until 2015/16 and have been in growth since. Fish & chip servings across all foodservice in the year to September 2017 totalled 190 million, up 9% from the previous year and 7.4% from 2009.

Seafood trends in foodservice

During austerity, seafood faced a tougher time than most proteins, due to its relatively high average spend and 'health' falling lower down the list of diner priorities until 2015/16. Seafood servings fell post 2007 as diners traded out of seafood into cheaper proteins and traded down within seafood to cheaper options such as fishcakes and fish burgers. Diners also traded down to cheaper seafood species; shellfish having the highest average price were the hardest hit.

Long term Seafood Servings Trends by Channel



Data: NPD Crest

Seafood servings rallied in 2012/13 in line with the 'double dip' (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. If recent economic and political uncertainty and falling spending power remains unchanged, this may impact negatively on seafood servings in late 2018 with total OOH servings following several months later.

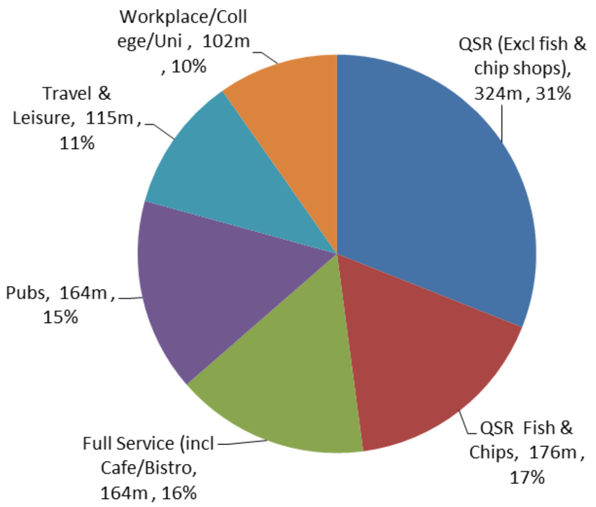
Over the short term, (52wks to June 2017), total GB seafood servings have continued to grow, standing at 1,048m (+4.1%), worth an estimated £3.38bn (+6.1%); but remain -0.8% down on nine years ago (June 2009). The largest foodservice channel for seafood continues to be QSR (excluding fish & chip shops) with 31% share; followed by QSR (fish & chip shops) channel (17%) and the other channels all taking a roughly even share of the remaining seafood servings. Most channels performed strongly, except travel and leisure (-8.3%). QSR (excluding fish & chip shops) 8.9%, full service (+6.3%) and QSR (fish & chip shops) showed the strongest seafood servings growth.

Over the long term (eight years from June 2009 to June 2017) seafood servings in most channels have fallen significantly, with the exception of the QSR (excluding fish & chip shops) channel (+15.4%) and QSR (fish & chip shops) channel (+4.4%), both channels remaining popular due to their relatively low average pricing. In fish and chip shops the trend has been towards cheaper seafood products such as fishcakes and fish burgers. The full service (-17.1%), and pub channels (-9.0%) were the hardest hit due to the relatively high average spend.

Long and Short Term Seafood Servings Channel Performance (2009 vs 2017)

Seafood Servings (m)	YE June '17	% chg 9 yrs (2009 vs 2017)	% chg Year Ago
TOTAL OUT OF HOME (OOH)	1,048	-0.8	4.1
TOTAL QSR	500	11.3	7.3
QSR (Excl fish & chip shops)	324	15.4	8.9
QSR Fish & Chip Shops	176	4.4	4.3
Full Service (incl Cafe/Bistro	164	-17.1	6.3
Pubs	164	-9.0	1.4
Travel & Leisure	115	-2.9	-8.3
Workplace/College/Uni	102	-5.8	4.1

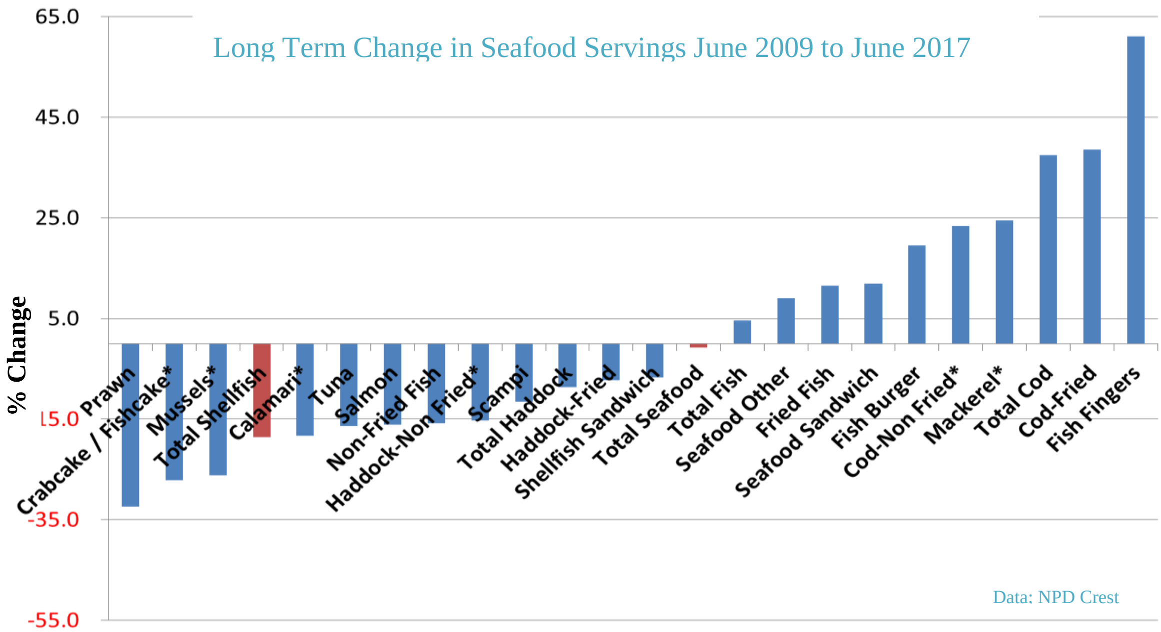
Share of Seafood Foodservice OOH Visits by Channel (June 2017)



Data: NPD Crest June '09 and '17

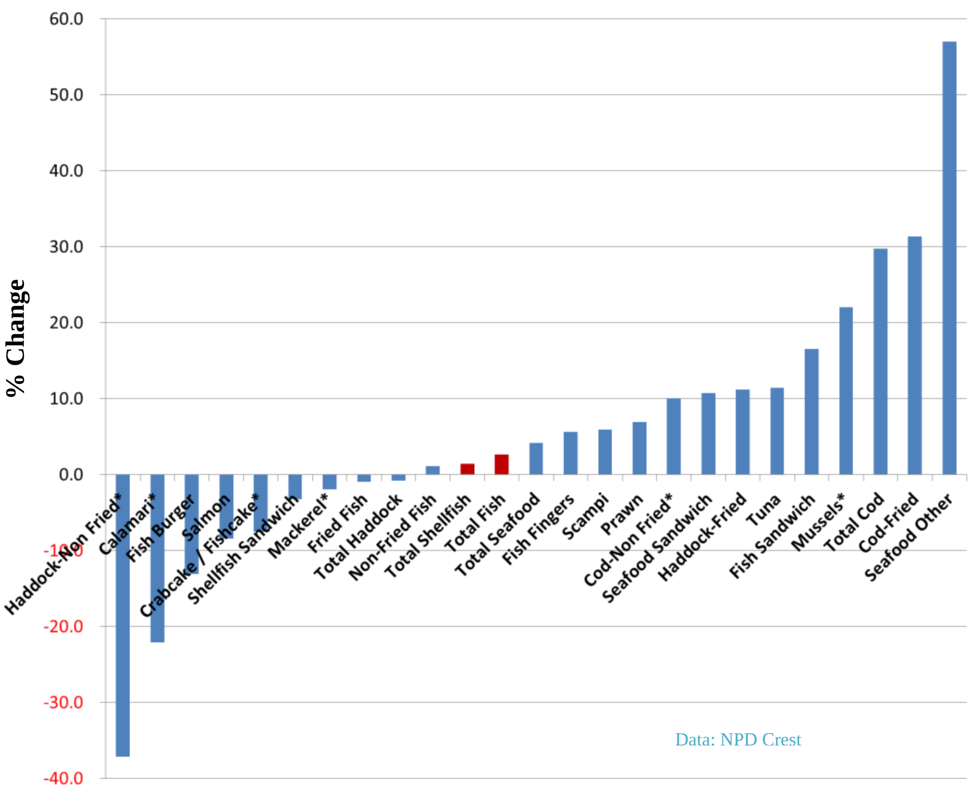
Seafood format and species trends

Over the long term (8 yrs. from June 2009 to June 2017) growth has been in the cheaper and convenience focused seafood formats; with the macro trends for portable street food driving increased popularity in seafood burgers, seafood sandwiches and fried fish. Fish fingers showed the highest growth of over 60%. Easing cod supply and price has resulted in strong performance, linked with the demand for fried fish; and species like mackerel have grown servings as a result of being championed by high profile media campaigns.



Long term, it is the more expensive seafood species such as shellfish and tuna which have declined. Total prawns saw the greatest servings decline of over -30%. Species such as tuna, mussels, salmon and prawns have lost servings due to changing consumer preferences and/or significant price inflation of the supply, driving menu price increases. Surprisingly salmon servings have also declined, this is likely to be due to its huge success in retail, resulting in consumers wanting to try something different when dining out.

Short Term Change in Seafood Servings (June 2016 to June 2017)



In the short term, 52wks to June 2017, fish continues to dominate seafood in foodservice by share, with nearly four times more servings than shellfish; fried fish makes up 60% of total fish servings. Cod remains the most popular seafood species, followed by tuna, prawns and salmon. Buoyed by diners entrenched in a 'spend it while you have it' mentality, the more expensive formats and species such as shellfish, non-fried fish, tuna and prawns were in growth. But, cheaper formats and species like fried cod, seafood sandwiches and 'other seafood' (where the species is not mentioned - usually Alaskan pollack or basa) proved to be the fastest growing perhaps signalling an impending slowdown.

Trending seafood flavours and formats

Menu trends from Technomic provide useful insight into seafood trends around popular styles of dishes and flavours. Remaining on trend and providing dishes that diners want to eat is important if seafood is to retain a strong market position. In the 52 wks. to June 2017, seafood menu incidence has decreased slightly overall, driven by decline in seafood starters and main dishes but increased on children's menu and as a side dish.

However, new seafood dishes trended strongly in the 52wks to June 2017. Non breaded fish was the second most popular new starter added to menus behind speciality salad. Whilst the small plates (sampler/tapas) trend is declining for other proteins, seafood small plates are the exception, growing menu incidence from last year. And the good news continues as 'speciality fish dish' was the top new main dish added to menus. This is an evolution of the trending premium burgers (scratch made and locally sourced) which have evolved to incorporate gourmet seafood sandwiches. Formats include Maine lobster rolls and Louisiana style street food sandwiches with blackened fish, Cajun shrimp and crawfish balls as emerging trends in London (ref Technomic).

Long and Short term Change in Species and Format Servings (to June 2017)

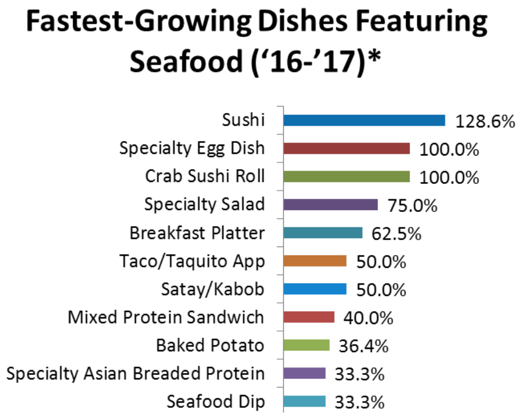
	Servings ('000)	YE June '17	% Chg YA	% chg vs June '09
	Total Seafood	1,047,936	4.1	-0.8
	Total Fish	788,731	2.6	4.6
	Total Shellfish	208,125	1	-19
	Seafood Other	51,080	57	9
Species	Total Cod	189,551	29.7	37.4
	Tuna	160,512	11.4	-16.4
	Prawn	107,159	6.9	-32.4
	Salmon	74,643	-8.5	-16.2
	Haddock	61,797	-0.8	-8.7
	Scampi	39,694	5.9	-11.6
	Calamari*	15,788	-22.1	-18.3
	Mussels*	13,677	22.1	-26.3
	Mackerel*	6,781	-2.0	24.5
	Trout*	2,209	-59.7	-53.6
Format	Fried Fish	399,661	-0.9	11.5
	Non-Fried Fish	283,602	1.1	-15.8
	Fish Sandwich	247,980	16.5	20.2
	Shellfish Sandwich	84,988	-3.2	-6.7
	Fish Fingers	54,394	5.6	61.1
	Fish Burger	46,518	-13.1	19.5
	Crabcake / Fishcake*	16,423	-7.5	-27.2

*Low sample directional use only. Data; NPD Crest June '09 and '17

Emerging trends in seafood are for warm and spicy Middle Eastern and Hispanic flavours and bold libatious flavours like tequila and lime sauce, bourbon glaze and spicy, ethnic flavoured mayonnaise.

Overall, the top five seafood species appearing on menus are prawns, salmon, cod, tuna and crab; with prawn and tuna growing menu incidence vs last year.

The fastest growing species on menu is tilapia (+40%), yellowtail (+11.1%) and Eel (+3%). Top flavours for seafood dishes are lemon, garlic and chili, while the fastest growing flavours for seafood are remoulade (spiked mayonnaise), garlic or mayonnaise based flavoured dip, with a spicy ethnic twist, followed by peppercorn, cinnamon and tamarind. (Technomic)



Technomic

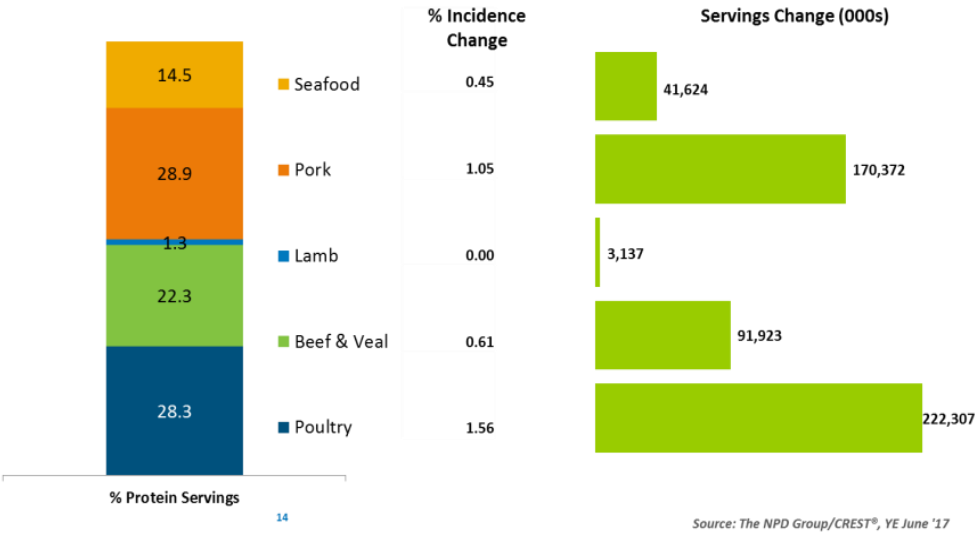
The fastest growing seafood dishes on menus are sushi, fish and egg dishes, crab sushi and specialist seafood salads.

Seafood breaded starters are no longer showing near double digit growth as seen in 2016, but fastest growing breaded items are haddock, shrimp, crab and squid. Key growing flavours are saffron, spring onion and ginger. Top seafood species featured on small plates are prawn, calamari & squid, crab and salmon.

Seafood Performance vs Other Proteins

Protein servings are growing in foodservice (+6.6% vs year ago, but seafood continues to lose servings share to other proteins. In the 52wks to June 2017, seafood was ranked fourth with a 14.5% share of Total OOH (down from 15.7% in June 2015). Pork (28.9%) displaced poultry (28.3%) from the number one slot, followed by beef (23.3%) in third. All proteins, including seafood were in servings growth except for Lamb. Poultry and pork showed the greatest increases in incidence (a measure of frequency of choice).

Total Out of Home Servings Share & YOY, and Incidence by Protein



Seafood remains an expensive choice, average seafood spend, is still ranked third behind lamb and beef with an average individual meal spend till spend of £6.27. Seafood also lags behind on promotions, ranked third when it comes percentage sold on deal at 29%, behind beef (39%) and poultry (38%).

The motivation behind eating seafood in foodservice varies by channel; but seafood is seen as a social occasion followed by treat across all channels except QSR (excluding fish & chips) which is seen as convenient. New product formats and flavours should be tailored to channel to maximise opportunity. Seafood continues to appeal to an older, affluent demographic with over 60% of servings purchased by consumers aged over thirty five. This offers an opportunity to grow sales amongst younger diners.

Top ‘Takeaways’ for seafood in foodservice

- In June 2017, seafood took around 4% of all foodservice servings, with 1.048bn servings.

- Seafood servings continue to grow in foodservice (vs last year) despite a challenging economic and political climate; but remain -0.8% down on 2009 levels.

- The quick service restaurant channel (fast food outlets) took the largest share of seafood servings (31%) in June 2017, followed by independent fish and chip shops (17%), these channels were the only channels in seafood servings growth over the long term and continued to perform strongly vs 2016.

- Fried fish remains the most popular type of seafood eaten out of home. Fish continues to dominate seafood in foodservice by share, with nearly four times more servings than shellfish; fried fish makes up 60% of total fish servings.

- Over the long term (8 yrs. June 2009 vs June 2017) growth has been in the cheaper and convenience focused seafood formats; with the macro trends for portable street food driving increased popularity in seafood burgers, seafood sandwiches and fried fish. Fish fingers showed the highest growth of over 60%.

- Over the long term (8 yrs. June 2009 vs June 2017), more expensive seafood species such as shellfish and tuna have declined; total prawns saw the greatest servings decline of over -30%. Species such as tuna, mussels, salmon and prawns have lost servings due to changing consumer preferences and/or significant price inflation of the supply

- In June 2017, cod remained the most popular seafood species in foodservice, followed by tuna, prawns and salmon. Buoyed by diners entrenched in a ‘spend it while you have it’ mentality, the more expensive formats and species such as shellfish, non-fried fish, tuna and prawns returned to growth. But cheaper formats and species, like fried cod, seafood sandwiches and ‘other seafood’ (where the species is not mentioned - usually Alaskan pollack or basa), proved to be the fastest growing perhaps signalling an impending slowdown.

- Current trends remain for American and South American, Asian and Far Eastern flavours, along with upmarket portable food formats such as gourmet burgers, wraps and sandwiches. Latest emerging flavours include warm and spicy Middle Eastern, Mediterranean, Cajun, kimchee and ‘spiked’ flavoured mayonnaise. Seafood featured highly in new starters and main dishes in 2017. Gourmet seafood sandwiches including, Maine lobster rolls, Louisiana style street food sandwiches with blackened fish and Cajun shrimp & crawfish are on trend.

Data Sources:

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

- Q2 Foodservice Report, 2017, NPD Crest
- Seafood Trends Across UK Restaurants Aug 2017, Technomic
- UK Flavour Trend Forecast Q2-2017, Technomic
- On the UK Menu Webinar, June 2017, Technomic

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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