



How High is the Ceiling?

Growing Sales for Alaska Seafood

Chris DuBois
EVP and Practice Leader


November 2, 2023



Today's Discussion

- 01 2023 Economic Drivers and Consumer Impact
- 02 2023 Seafood Retail Landscape
- 03 Keys For Alaska Seafood Growth
- 04 2024 Crystal Ball





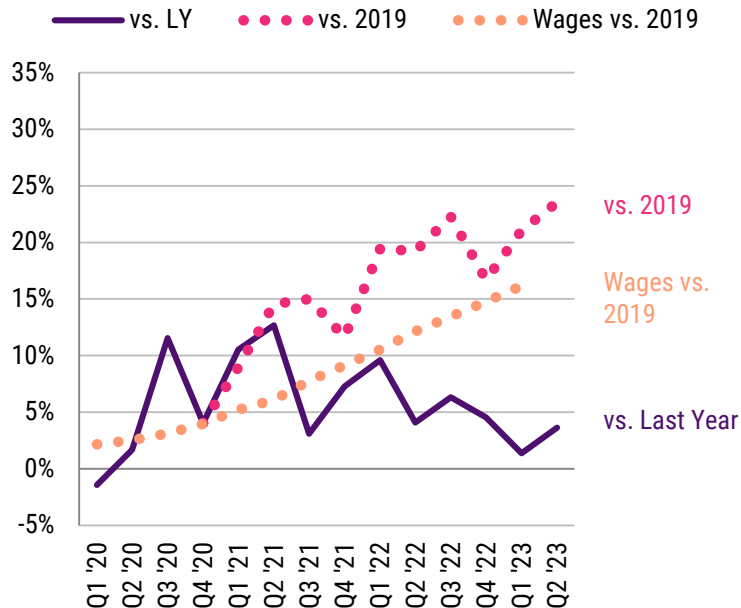
Growing Sales for Alaska Seafood

Economic Drivers & Consumer Impact

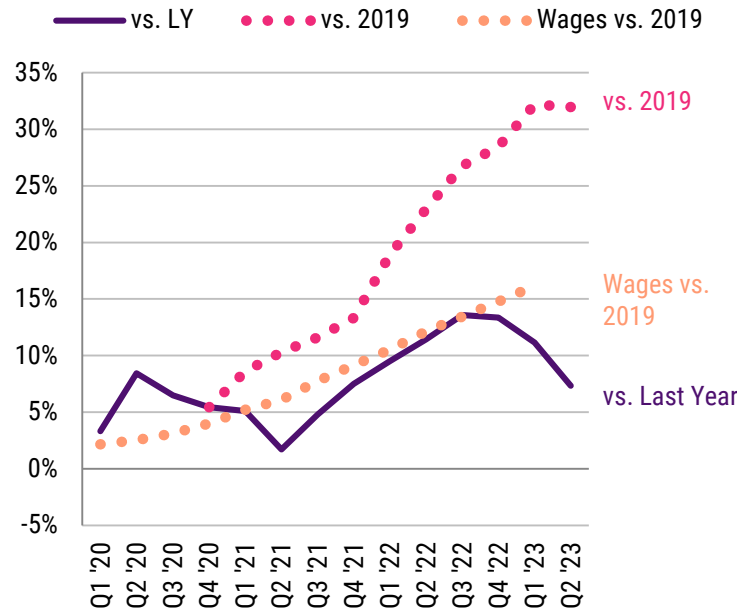
Food prices are 30% higher than pre-pandemic and wage growth has not kept pace

Quarterly Average Price Percent Change vs. the Same Quarter Prior Year & 2019 and Wage Growth vs. 2019

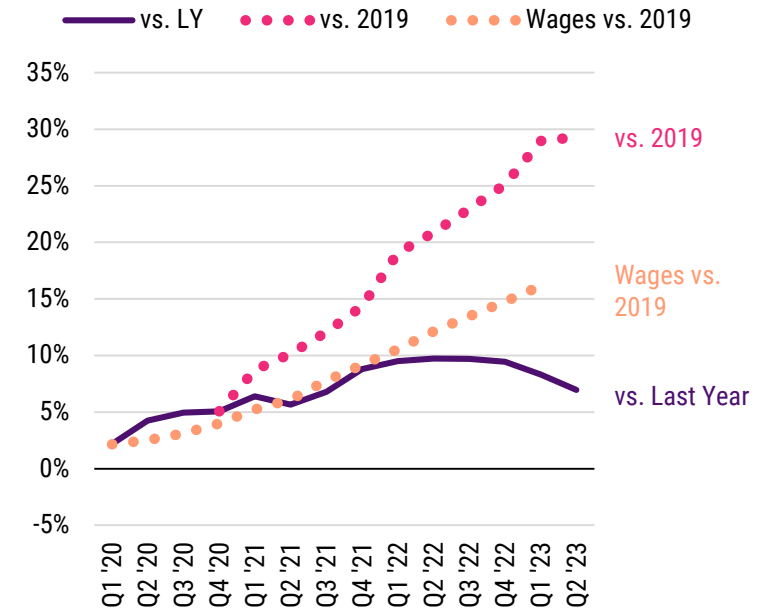
GENERAL MERCHANDISE



RETAIL FOOD & BEVERAGE



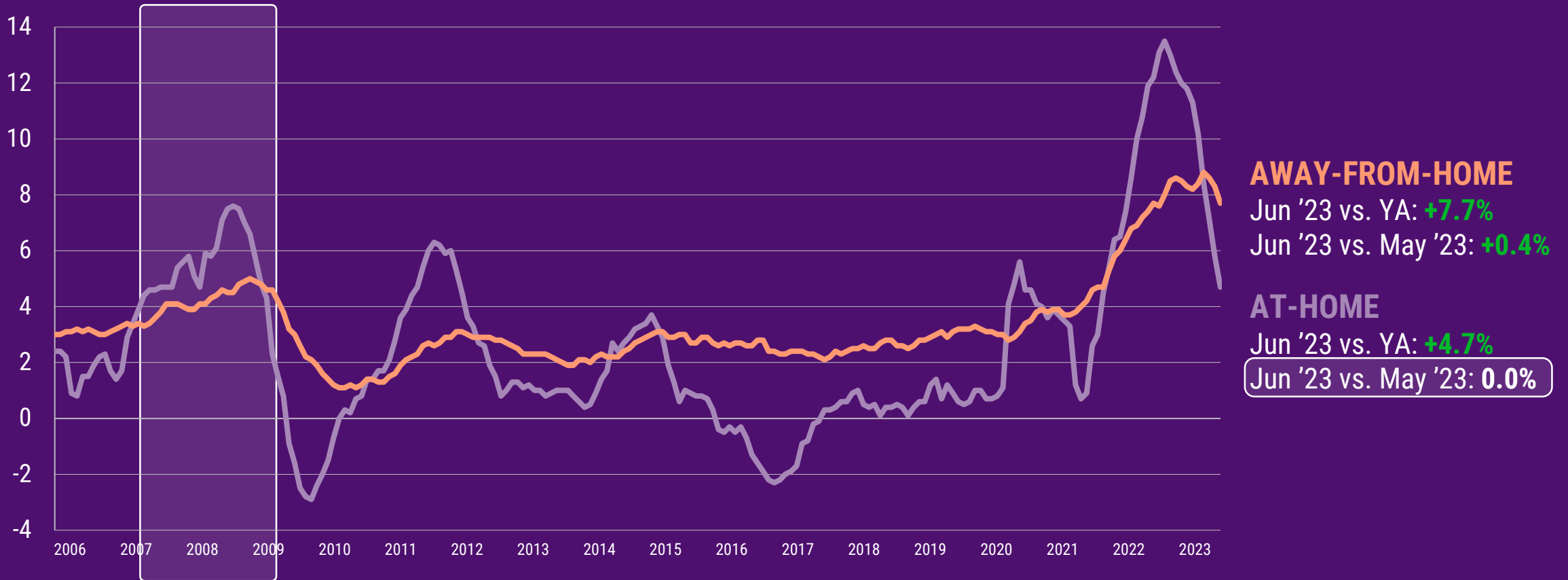
NONEDIBLE CPG



*Wage data through Q1 2023. Source: Circana/Point-of-Sale First Read Data/Limited Release (general merchandise). CircanaTotal Market View MULOC (F&B/Nonedible CPG), Average price per unit Bureau of Labor Statistics Employment Cost Index for Wages and Salaries of All Workers Dec 2005 = 100, Seasonally Adjusted (current quarter vs. avg of 2019), Moody's Analytics – Wage growth

Food CPI begins to stabilize month-over-month

Monthly F&B Inflation, % Change vs. YA

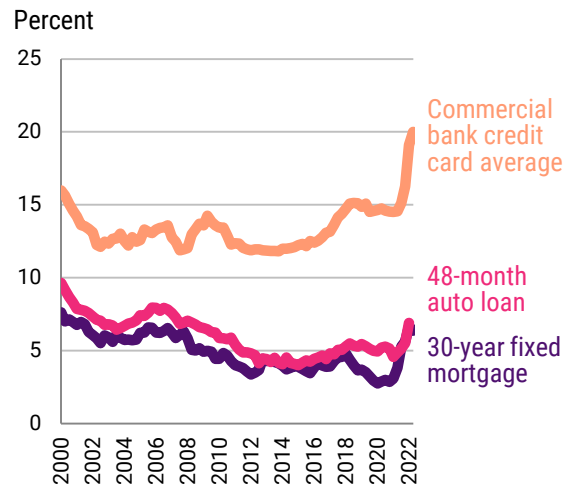


Beyond inflation...

Other economic factors impacting the ability for consumers to spend

01

Cost of Consumer Credit Rapidly Rising

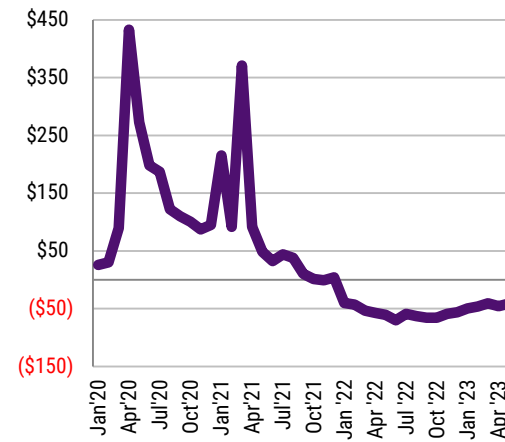


Cost of servicing new loans, or existing loans with variable interest rates, along with credit card interest are a rapidly building burden on consumers.

02

Depleting Pandemic-Related Excess Savings

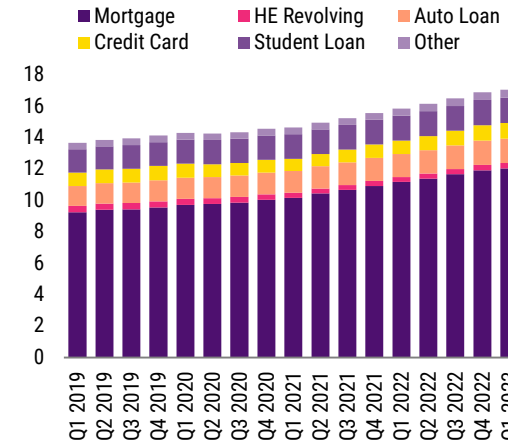
Monthly Excess Personal Savings (\$B)



03

Increasing Household Debt, Driven by Credit

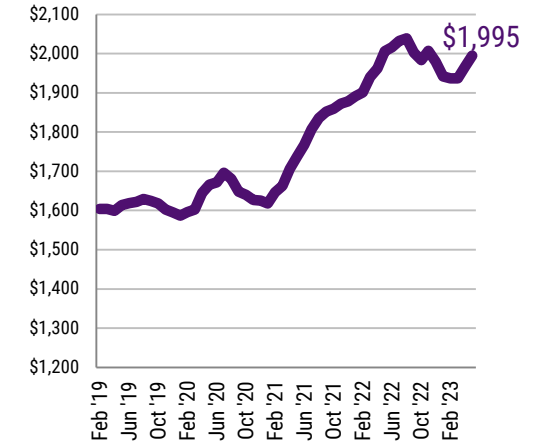
Total Debt Balance and Composition (\$T)



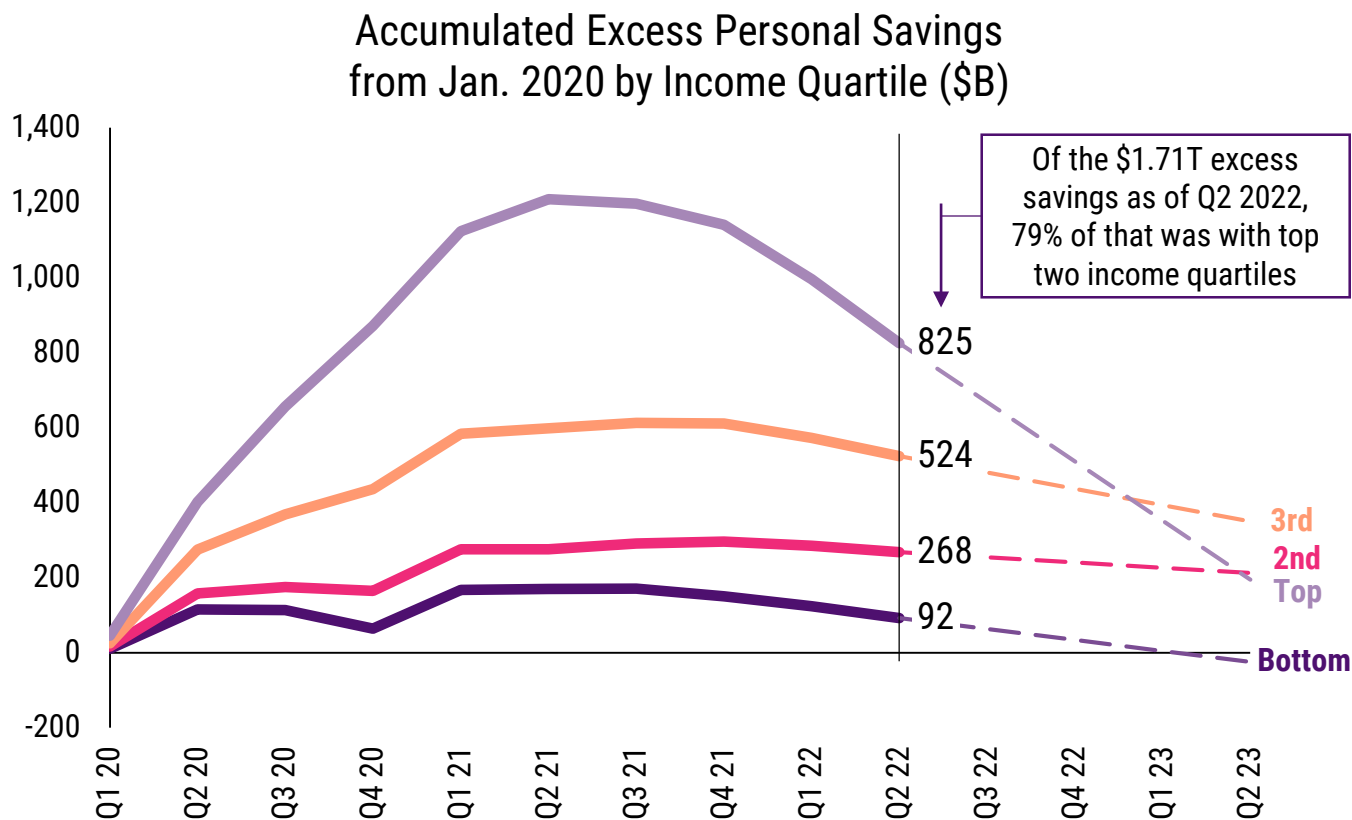
04

Cost of Housing is Shifting

Average Monthly Rent Prices (\$K)



Lower income households have depleted most excess savings from the pandemic



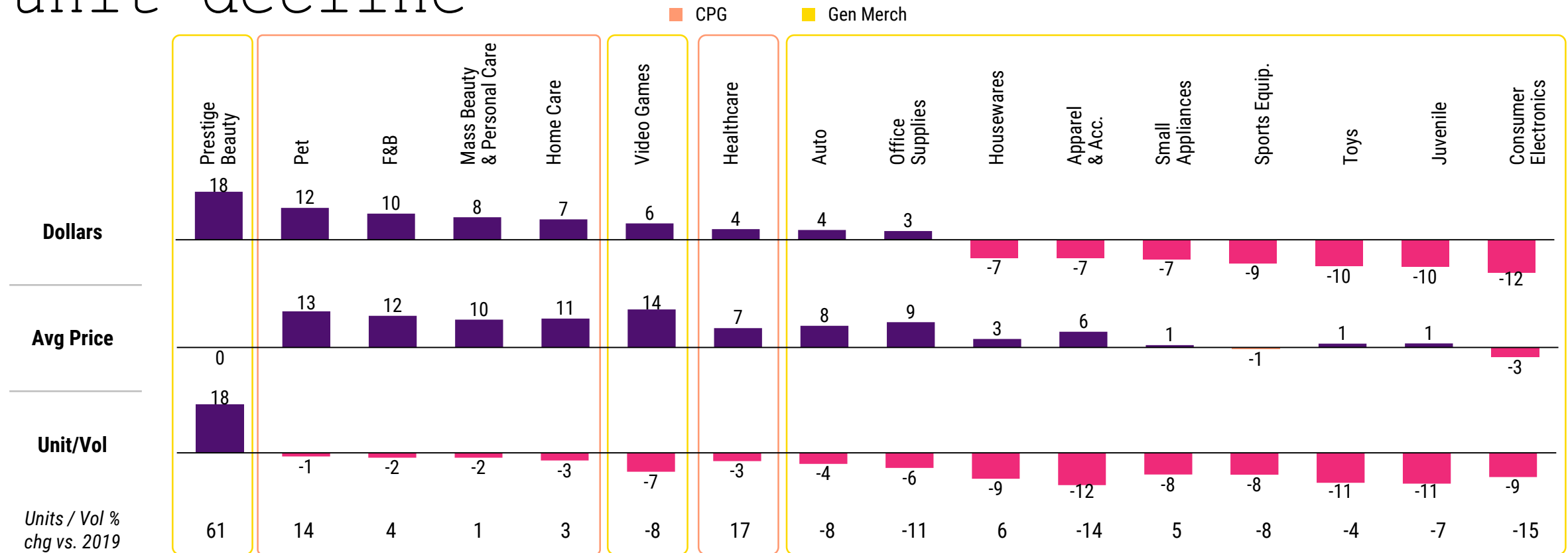
Contributions to Excess Savings by Income Quartile

Quartile	Income	Fiscal Support	Reduction in Outlays	Total
Bottom	(2)	817	(722)	92
2nd	(16)	695	(411)	268
3rd	(74)	450	148	524
Top	(382)	(233)	1,440	825

Bottom 2 quartiles increased spending by \$1.13T from Jan 2020 through Q2 2022, which was funded by \$1.5T increased fiscal support

Discretionary spend areas continue to see unit decline

Retail Segments YTD Sales % Change vs. YA

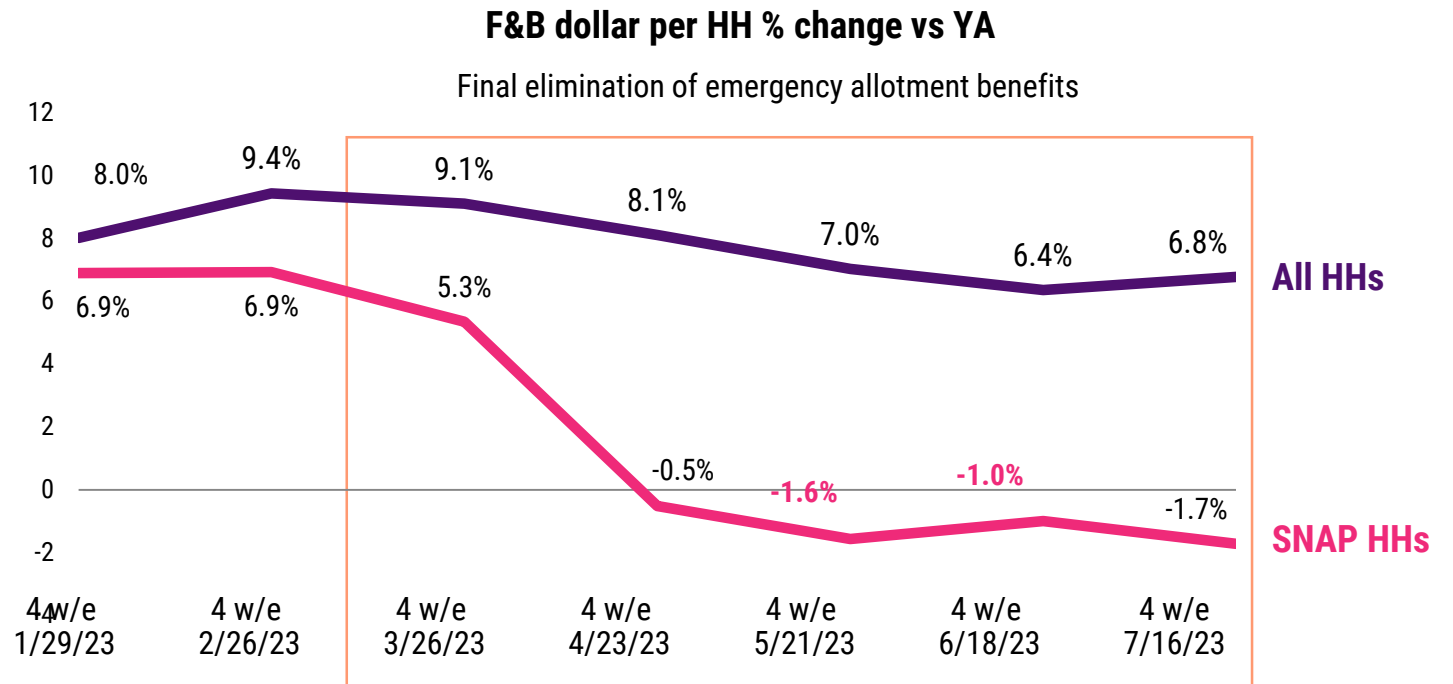


Note: Volume sales and price per volume shown for CPG segments. Unit trends shown for general merchandise. Source: Circana/Retail Early Indicator, 29WE 7/22/23 vs. YA (general merchandise); Circana Omnichannel (F&B/nonedible CPG) YTD ending 7/16/23. Circana Thought Leadership.

Affected SNAP households are reducing spend by ~35%


- ✓ **SNAP household** spending on retail food & beverage drops behind all household trends
- ✓ We estimate impacted households are reducing their total **monthly F&B spend by about 35% of cut benefits** (~\$70 of \$200) in these initial months, by **drawing money from other areas of discretionary spend** to cover lost food benefits
- ✓ To-date, consumers **do not appear to be reallocating other spend to cover reduced F&B spending**
- ✓ SNAP buyers exhibit **consistently lower growth rates in non-edible CPG** pre- and post- SNAP cuts

SNAP households seeing sales growth decelerate in F&B

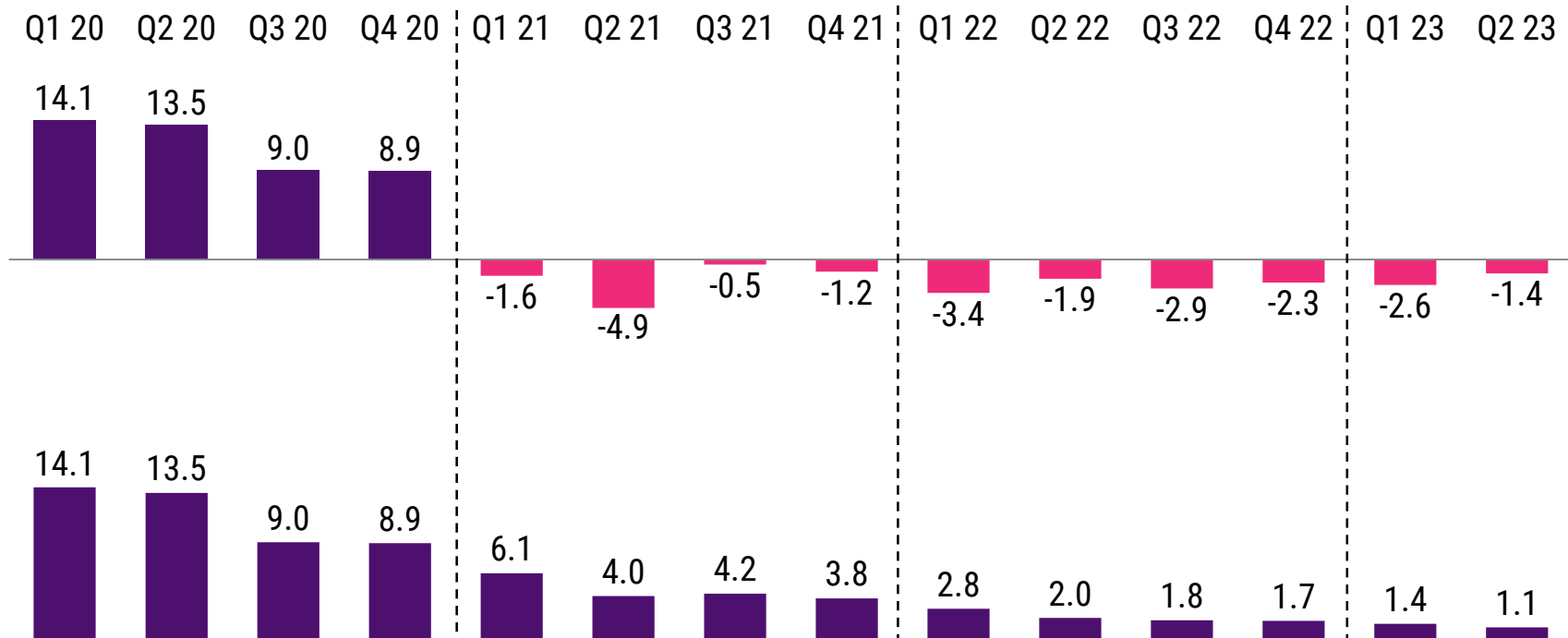


Evolving consumer demand – retail F&B volumes slowly decline

At Home Retail F&B Volume Sales % Growth – Total U.S. Omnichannel


Volume Sales
% chg. Vs. YA


Avg. Annual %
chg. Vs. 2019



Pre-pandemic 2019
Volume % chg. Vs.
YA = +1.1%

2019-2023
average annual U.S.
population growth
= +0.4 - 0.5%

Reversion of
elevated pandemic
sales likely to
“bottom out” in next
1-3 quarters¹

1. Based on latest rate of de-escalation, population growth, and assumption of at-home share remaining elevated. Note: Dollar-weighted volume change across categories. Omnichannel estimated across POS (majority, MULO+C) and Panel data assets (pure play ecom and other miscellaneous). Prepared deli foods excluded due to lack of volume consistency. Source: Circana POS and panel data, ending 7/2/23.

Shift in brands – consumers still splurge as incomes are strong, but private label is growing

F&B categories where shoppers are trading up to private label, 13 w/e 7/16/23

Categories Where Consumers Are **TRADING UP**

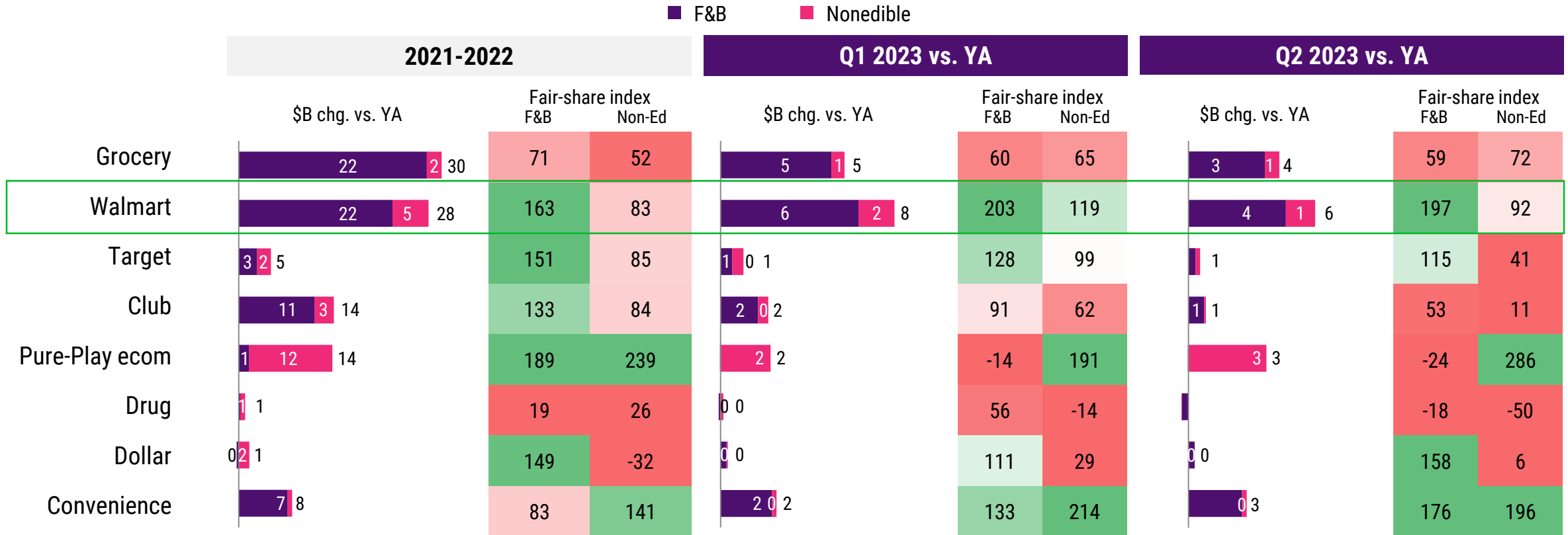
Category	Premium tier % Volume Shr.	Prem. Ppt. chg. vs. YA
Sports Drinks	11.4%	4.1
Dry Fruit Snacks	22.6%	3.4
Dried Meat Snacks	2.8%	2.1
Luncheon Meats	20.3%	1.7
Frozen Fruit	2.6%	1.4
Canned Fruit	10.8%	1.4
Frozen Appetizers	19.7%	1.4
Pasta Sauce	14.5%	1.4
Frozen Novelties	17.3%	1.3
RTD Tea/Coffee	22.3%	1.3

Categories Where Consumers Are **TRADING DOWN**

Category	Premium tier % Volume Shr.	Prem. Ppt. chg. vs. YA
Cream Cheese	37.0%	7.6
Frozen Seafood	60.0%	5.0
Shortening & Oil	59.1%	4.4
Bottled Water	52.4%	4.0
Frozen Plain Vegetables	62.0%	3.4
Pasta	36.2%	3.4
Fresh Eggs	71.4%	3.3
Asian Food	11.6%	3.3
Rfg Entrees	37.5%	3.1
Plant Based Milk	19.0%	3.0

Shift in where consumers shop - post-pandemic, Walmart is dominating food growth

CPG Channel Growth vs. YA, \$B Change and Fair Share Index



Note: Pure eCom includes Amazon 1P, 3P and other e-commerce only retailers (e.g., Boxed, Fresh Direct, etc). Store-fulfilled e-Commerce, i.e., store delivery and pickup, included in respective channels. Omnichannel based on POS and Panel data. Source: IRI Omnichannel data ending 6/18/23. Circana Thought Leadership.

Evolving consumer demand...

Every income group is purchasing differently



Meal Components

Meal components or scratch cooking ingredients are among winners with **low income households**



Baking Products

Baking products are winning with **middle income households**, along with meal components



Discretionary Categories

Discretionary categories like Beverages and Snacks are winning among **high income households**

At-home still dominates, but a.m. meal and p.m. snack has grown at away-from-home locations

Quarterly At-Home Share Occasions

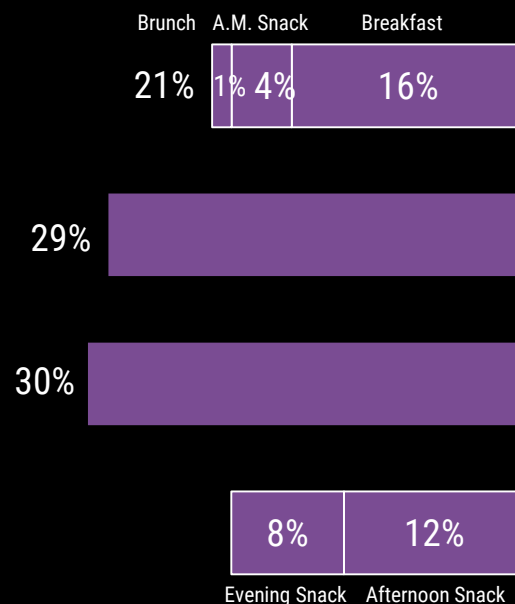
83%

2019

86%

2023

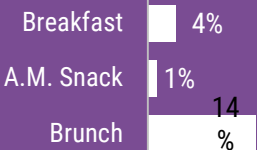
Away from Home Traffic Share



Away from Home Traffic PCYA

Morning Meal

4%



Lunch

-2%

Dinner

-3%

P.M. Snack

3%



Shift from capturing growth to winning share with rapidly evolving consumer behaviors



INVESTMENT STRATEGIES

Need integrated investment strategies across different vehicles, accounts and brands



GRANULAR APPROACH TO PRICING

Understand **where price can still be pushed to drive profitability** and where consumers may be on the brink



SHIFTING CONSUMER SENSITIVITIES

Do not only rely **only** on backward looking elasticities when making pricing decisions



PROMOTION

Monitor promo effectiveness at a granular level to **avoid investments that erode profitability**



INNOVATION

Still plenty of premiumization happening, **innovation will be key to driving share growth and premiumization**, but...



CONSUMER WILLINGNESS TO PAY

...leverage granular "consumer willingness to pay" framework to understand attributes that can drive premiumization as you look to innovate

Growing Sales for Alaska Seafood

2023 Seafood Retail Landscape

Total 4-year seafood sales growth is well-balanced across different segments



Refrigerated
Finfish sales were
But items per store increased
over the last year

-0.3%

sales

-3.5%

volume

+3.3%

price per volume

+0.2

average items / store / week

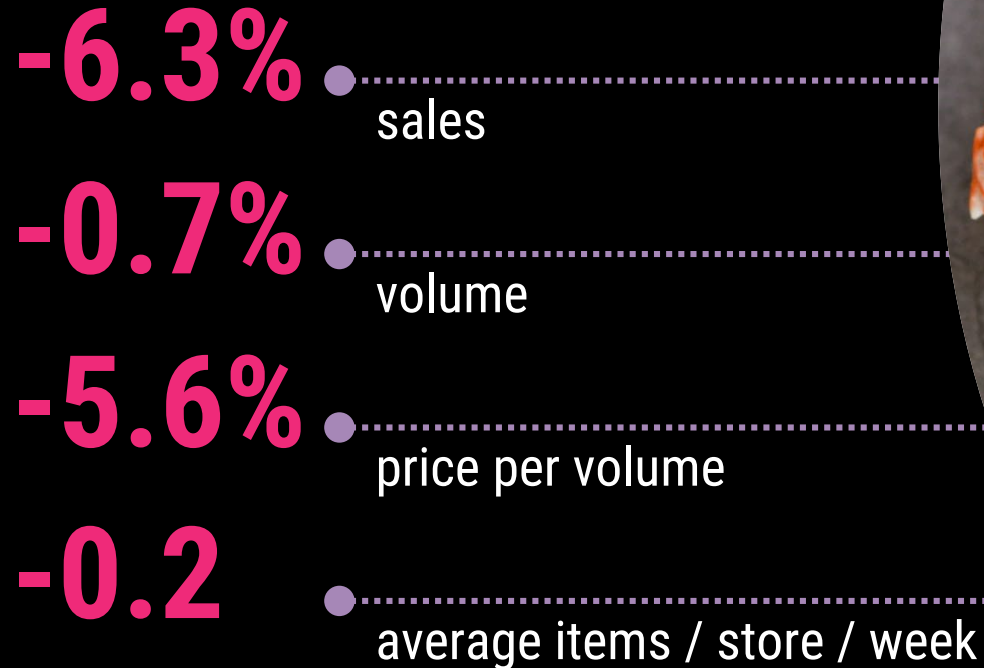


Circana Omnichannel MULO POS for 1 years\ ending 9/8/2023

Circana, Inc. and Circana Group, L.P. | Proprietary and confidential

Refrigerated Shellfish pricing has finally

But demand has weakened; it's
time to bring lost buyers back



Circana Omnichannel MULO POS for 1 year ending 9/8/2023

Circana, Inc. and Circana Group, L.P. | Proprietary and confidential

Frozen Finfish's
higher shelf prices
helped elevate
inflation pulled down volume

-0.3%

sales

-6.6%

volume

+6.7%

price per volume

-1.6

average items / store / week



Circana Omnichannel MULO POS for 1 year ending 9/8/2023

Circana, Inc. and Circana Group, L.P. | Proprietary and confidential 20

Frozen Shellfish
had lower sales,
but

This was due to a major shift to
discount retailers in 2023

-5.1% ● sales

+3.1% ● volume

-7.9% ● price per volume

+0.5 ● average items / store / week



Circana Omnichannel MULO POS for 1 year ending 9/8/2023

Circana, Inc. and Circana Group, L.P. | Proprietary and confidential 21

Sushi continued to power higher across the U.S.

Despite price increases, sales and assortment both increased

+0.3% ● sales

-3.4% ● volume

+3.9% ● price per volume

+0.5 ● average items / store / week



Circana Omnichannel MULO POS for 1 year ending 9/8/2023

Shelf Stable Seafood had higher

~~This was~~ supported by price increases;
more items sold on shelf in the U.S.

+3.0% ● sales

-2.8% ● volume

+5.9% ● price per volume

+2.3 ● average items / store / week



Circana Omnichannel MULO POS for 1 year ending 9/8/2023

Circana, Inc. and Circana Group, L.P. | Proprietary and confidential

Alaskan Species of Refrigerated Finfish Sales



Cod



Flounder



Halibut



Pollock



Salmon

1 YEAR DOLLAR SALES

-3%

-0.1%

-11%

0.7%

0.1%

4 YEAR DOLLAR SALES

+5%

65%

-9%

21%

-4%

Who is the Alaskan Refrigerated Fish consumer?

132	135	148	131
Upper Income	Older Singles	HH Income \$60-\$69.9K	HH Income \$100K+
122	131	123	153
1 Person Household	Household Age 65+	Younger Singles	Older Boomers



Alaskan Species of Refrigerated Shellfish Sales

Who is the Alaska Refrigerated Shellfish Consumer?

132	124	208
Upper Income	HH Income \$60-\$69.9K	Household Age 18-24
121	120	
Household Age 65+	Older Boomers	

CRAB

14.1%
1 year \$ sales

+39.2%
4 year \$ sales

SCALLOPS

-2.5%
1 year \$ sales

+131%
4 year \$ sales

Alaskan Species of Frozen Finfish Sales



Cod



Flounder



Halibut



Pollock



Salmon

1 YEAR DOLLAR SALES

-8%

28%

+0.7%

14%

-4%

4 YEAR DOLLAR SALES

+4%

-53%

+5%

54%

+13%

Who is the Alaskan Frozen Fish consumer?

120	124	147	153
Upper Income	HHs with Older Children	Asians	African Americans
210	127	134	
Larger Person HHs	Children 12-17 Only	Children <6 and 12-17	



Alaskan frozen crab sales skyrocketed from a low base

Alaskan frozen scallop sales remain high vs. historical levels

Who is the Alaska Frozen Shellfish Consumer?

120	125
Asian	African American
173	146
Larger Person HH 5-7 People	HHs with Children 6 and 12-17

CRAB

+133%
1 year \$ sales

+58%
4 year \$ sales

SCALLOPS

-12%
1 year \$ sales

+265%
4 year \$ sales

Alaskan Species of Shelf Stable Salmon Sales

\$197M

salmon sales

-6%

L52 weeks

+4%

L4 years

Who is the Alaska Shelf Stable Salmon Consumer?

231

African
American

183

Lower
Income

285

Larger Person
Households

242

HH w/Children
Multi Age Groups

142

Younger
Boomers

156

Older Boomers and
Couples



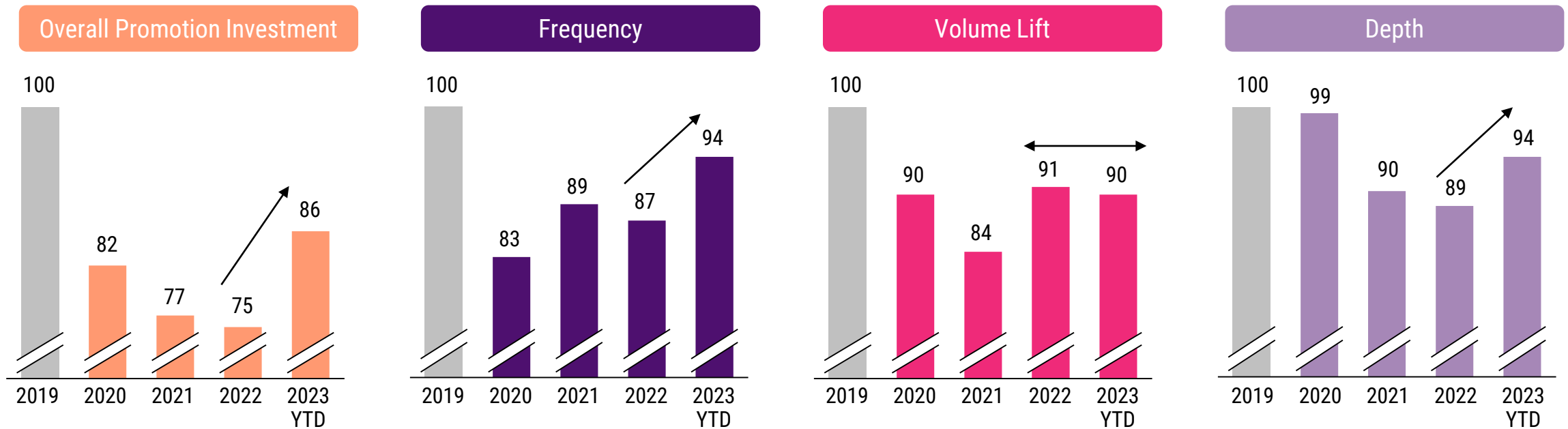
Growing Sales for Alaska Seafood

Keys For Alaska Seafood Growth



F&B promotion levels are returning, but promo response lags despite promo depth

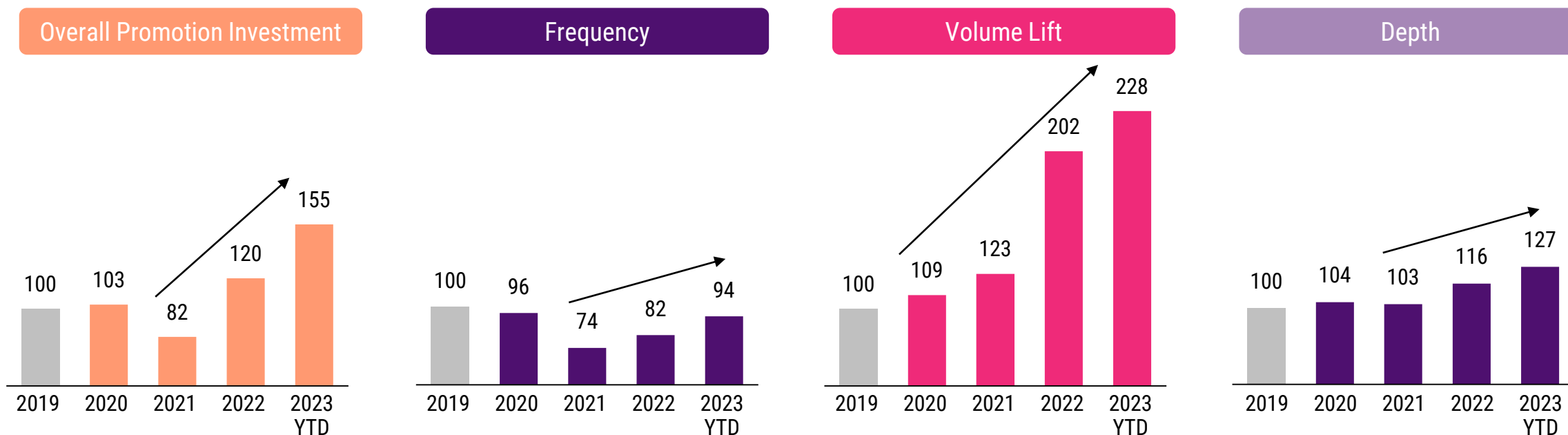
F&B Promotion Levels Indexed to 2019 / Total U.S. Grocery



Note: Promotion Investment is value of promo markdown as a % of dollar sales, driven by both frequency and depth of promotion. Lift calculated as % increase in volume on Any Merch. Frequency as % of base dollar sales sold on Any Merch. Depth as % price reduction on Any Merchandising condition. All measures done at a category level then dollar weighted up to get to edible results. Source: Circana POS data ending 10/1/23. Circana CPG Thought Leadership.

Seafood looks slightly different as depth is greater than pre-pandemic and consumer response is significantly improved

Fresh Seafood Promotion Levels Indexed to 2019 / Total U.S. Grocery

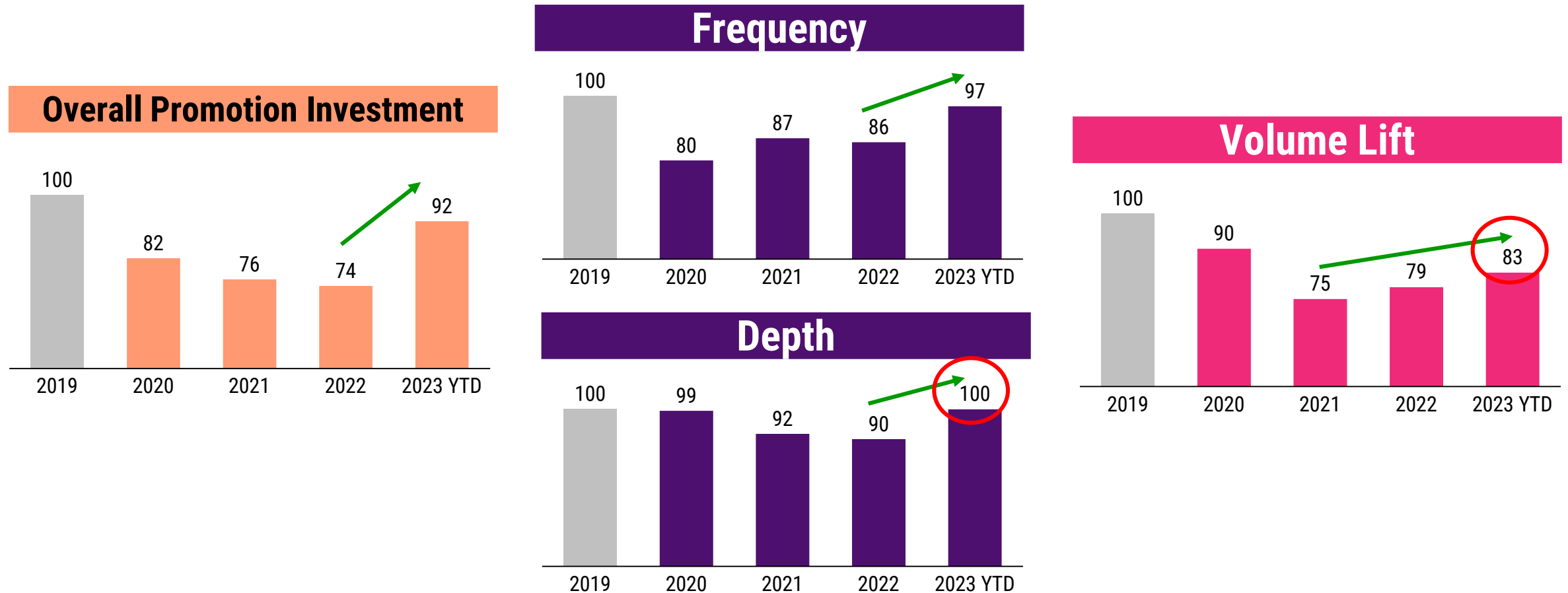


Note: Promotion Investment is value of promo markdown as a % of dollar sales, driven by both frequency and depth of promotion. Lift calculated as % increase in volume on Any Merch. Frequency as % of base dollar sales sold on Any Merch. Depth as % price reduction on Any Merchandising condition. All measures done at a category level then dollar weighted up to get to edible results. Source: Circana POS data ending 10/1/23. Circana CPG Thought Leadership.



Fz Seafood investment levels have come back.
Despite depth coming back, lifts are lagging pre-pandemic levels

Fz Seafood Promotion Levels Indexed to 2019 / Total US Grocery



The top 25% Refrigerated Seafood retailers have broader assortments from Alaska

	Top Retailers	Remaining Retailers
Items Sold (Average)	83	43
Items Sold from Alaska (Average)	8	6.4
Different Salmon Items Sold	21	14
Different Salmon Items Sold from Alaska	3	2.6



The top 25% Frozen
Seafood retailers maint
aggressive price gaps
to the competition

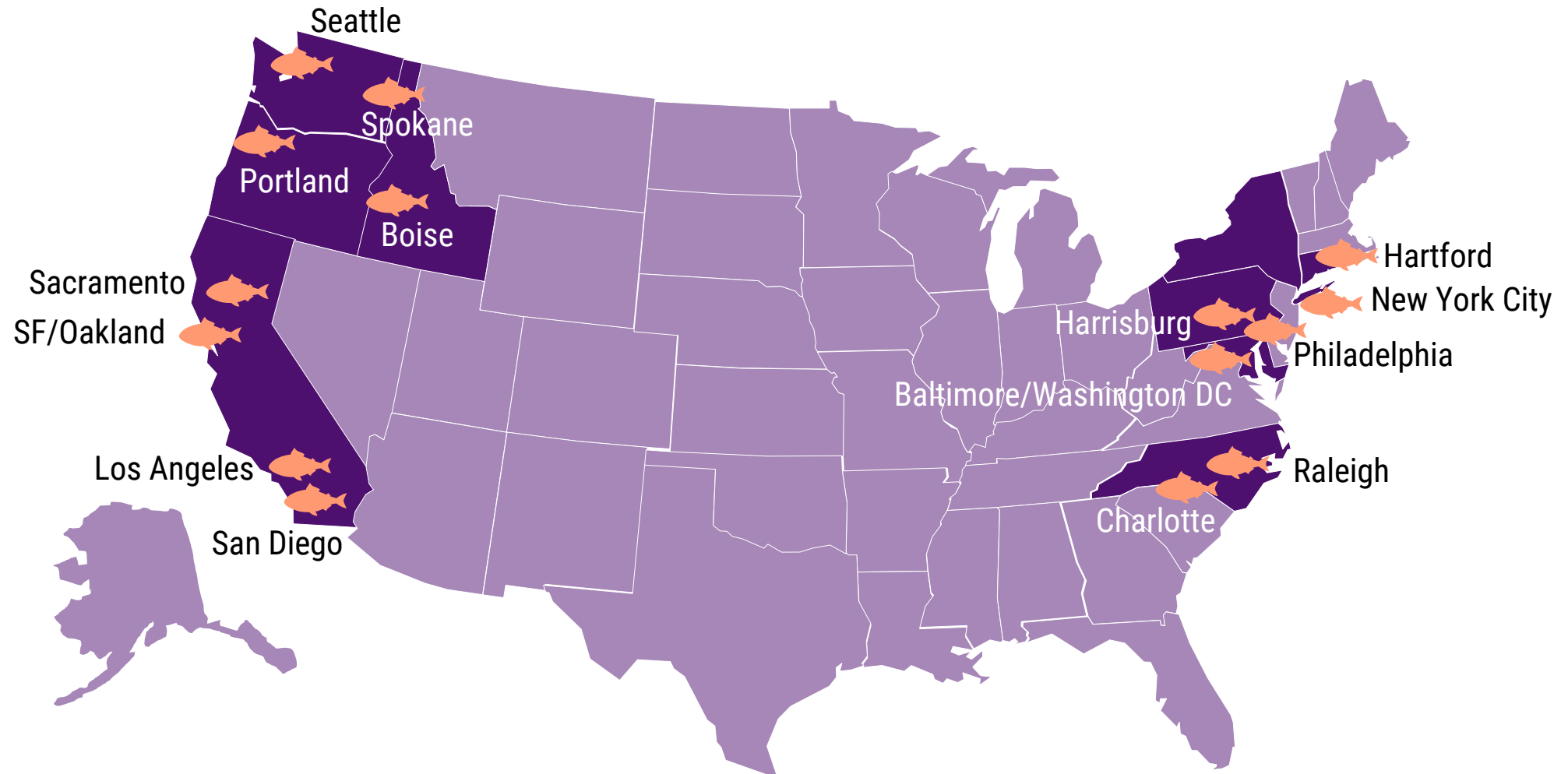
	Top Retailers	Remaining Retailers
Frozen Seafood Prices	-\$1.90	+\$0.10
Frozen Seafood Prices from Alaska	-\$0.87	-\$0.14
Frozen Salmon Prices	-\$0.82	+\$0.22
Frozen Salmon Prices from Alaska	-\$0.83	+\$0.89



The top 25% Shelf Stable Seafood retailers have strong shelf presence of Alaskan products

	Top Retailers	Remaining Retailers
Alaskan Dollar Share of Shelf Stable Seafood	8.1%	6.5%
Alaskan Dollar Share of Shelf Stable Salmon	80%	73%

Top Markets for Alaska Seafood Growth



Value-Added Seafood is a major contributor



The Top 10% of U.S. Seafood Retailers Compared to the Total U.S.

32% vs. 30%

of sales are gained from
value added seafood

66 vs. 47

sell a larger variety of
value added seafood items

\$9.69 vs. \$8.66

more money
earned per item

Sushi contributes strongly to overall Prepared Foods sales at retail



The Top 10% of U.S. Prepared Foods Retailers Compared to the Total U.S.

482 vs. 274 items

have larger prepared
foods departments

29 vs. 12 items

sell a larger variety
of sushi items

\$6.65 vs. \$5.32

more money
earned per sushi item

Targeting high value seafood buyers is extremely important as a small number buy most U.S. Seafood



Only 51% of households purchase Seafood, but the top 10% of seafood purchasers are very important

45%

of all seafood is purchased
by the top 10% of
seafood purchasers

4x

more trips are made per year
by the top 10% of
seafood purchasers

2x

as much is purchased
by the top 10% of
seafood purchasers



62%

of seafood buyers are seeking to **increase consumption** over the next year

Why are they choosing seafood?

- 78% say it's healthier
- 50% want more protein
- 43% choose seafood because of easy preparation



53%

of top seafood
buyers prefer
wild caught

15% prefer farmed

32% have no preference

Where do they get their information?

- 40% rely on seafood counter person
- 42% websites / recipes
- 40% friends and family

The U.S.
dominates
country
sourcing

USA **66%**

No Preference 33%

Norway 4%

China 0%

Russia 0%

Alaska dominates U.S. preferences

31%
Alaska

11% Maine

11% Florida / Keys

32% No Preference



Growing Sales for Alaska Seafood

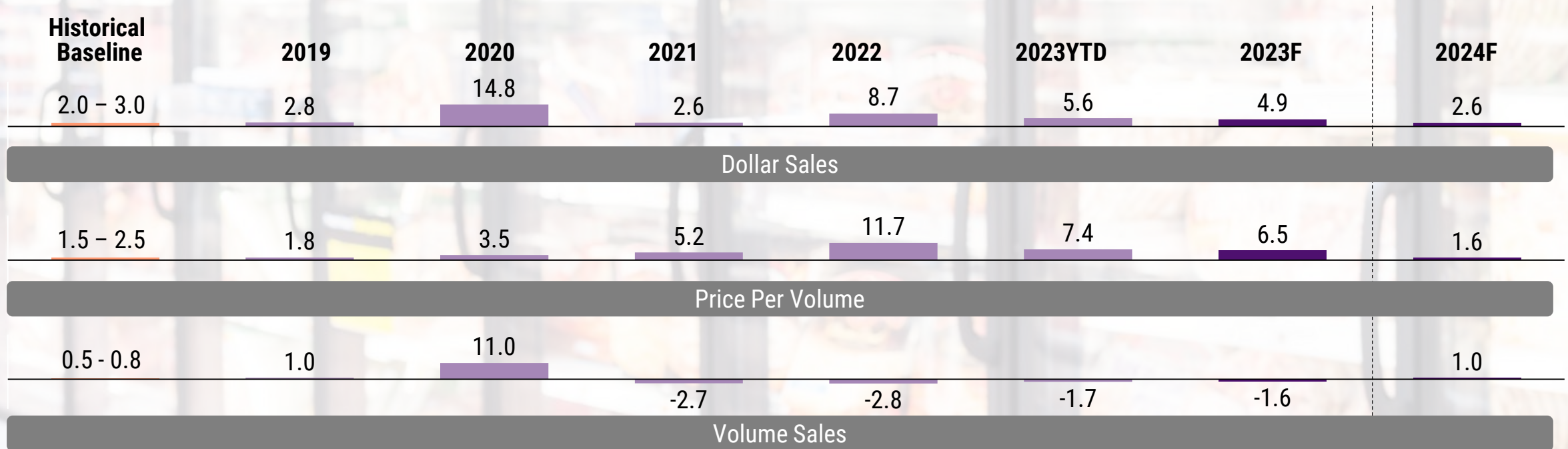
2024 Crystal Ball

Our 2024 POV was developed using econometric demand models

- Leveraged Circana **Demand Forecasting Platform** to develop causal based econometric demand model for each F&B department
- Leveraged **100+ variables** to test hypotheses for each model developed
- **Machine learning algorithm and over 500 Random Forest models** to determine most important causal variables
- Models finalized **based on best fit, significance levels and intuitiveness**
- Developed **forward looking input variable assumptions** using historical trends and industry experts
- Platform allows us to run scenarios and **estimate future sales and decomposition of its drivers**

While retail F&B dollar sales growth will moderate in 2024, we may see volume growth for first time in 3 years

Retail F&B Point of View, Omni Market



Note: Forecast does not include Liquor department; Historical baseline based on 2010-2019; Source: Circana Demand Forecasting Platform using up to 208 weeks of historical data to build department level models. For each forecast the platform uses machine learning algorithm and over 500 Random Forest models to determine most important causal variables based on MSE. Over 100 causal variables initially evaluated across POS measures, Moody's macro economic and holiday/seasonality. Models also include variables for mobility, key COVID weeks and SNAP

Seafood will perform on par with F&B growth,
but Frozen and Meat will most likely lag

Retail F&B 2024 Point of View - Expected Department Performance

**Expected to outperform
total F&B volume growth**



Beverages



Deli

**Expected to perform on par
with total F&B volume growth**



Bakery



Refrigerated



Produce



General Food



Seafood

**Expected to underperform
total F&B volume growth**



Frozen



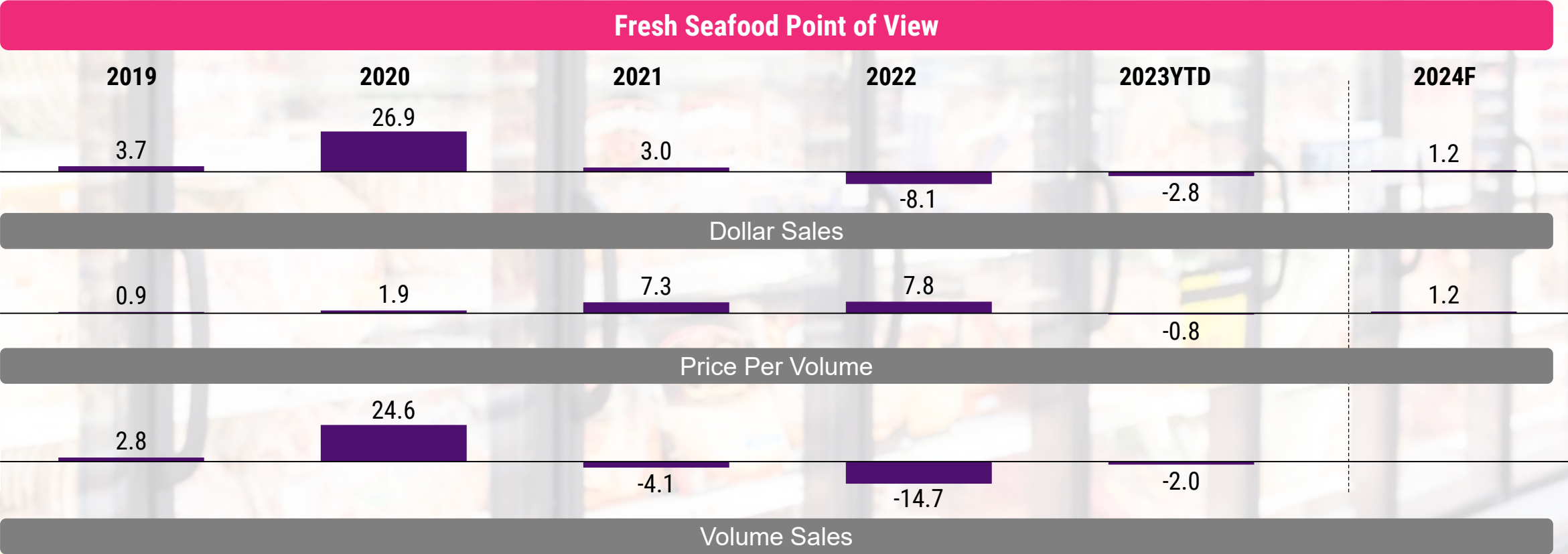
Meat



Liquor

Note: Forecast does not include Liquor department; Historical baseline based on 2010-2019; Source: Circana Demand Forecasting Platform using up to 208 weeks of historical data to build department level models. For each forecast the platform uses machine learning algorithm and over 500 Random Forest models to determine most important causal variables based on MSE. Over 100 causal variables initially evaluated across POS measures, Moody's macro economic and holiday/seasonality. Models also include variables for mobility, key COVID weeks and SNAP

Seafood should be relatively flat in 2024 as downward and upward pressures



Note: Forecast does not include Liquor department; Historical baseline based on 2010-2019; Source: Circana Demand Forecasting Platform using up to 208 weeks of historical data to build department level models. For each forecast the platform uses machine learning algorithm and over 500 Random Forest models to determine most important causal variables based on MSE. Over 100 causal variables initially evaluated across POS measures, Moody's macro economic and holiday/seasonality. Models also include variables for mobility, key COVID weeks and SNAP

Questions & Answers

Want to learn more?

Circana can help. Plus, registered users get new thought leadership from Circana's research, data and analytics experts.



Thank you

