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Market Sector Report

**The Italian Hotel, Restaurant and Institution Industry
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Report Highlights:

The 60 million Italian population combined with over 35 million yearly tourists provides some interesting opportunities for U.S. agricultural exports. While Italy has a tradition of Mediterranean-type cooking and eating habits, opportunities exist for exports of products matching the Mediterranean habits as well as for non-traditional and ethnic types of foods that are shown increasing more interest.

Includes PSD changes: No
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Summary:

There is considerable U.S. export potential in the Italian hotel, restaurant, and institutions foods sector. Italy's nearly 60 million population is bolstered by around 35 million tourists per year. Italy is the fourth most visited country in the world. Most tourism is seasonal, occurring from April to September, but historic towns like Florence, Venice, Rome and Milan are visited year round. In the year 2,000 Rome will celebrate the Christian Jublieum with an additional 10 to 20 million tourists.

Italy has the world's fifth largest economy and is one of the seven most industrialized countries in the world. The economic structure provides for strong and numerous small and medium size companies. Inflation has been dropping steadily, falling from 5 percent to 1.5 percent from 1993 to 1996.

The country is known for the Mediterranean cooking tradition, based not only on elements such as pasta and pizza, but also on more refined dishes that belong to the international cuisine. This cooking tradition forms the basis for one of the Italian art forms: *eating*. Most meals in restaurants, and the home, has food presented in a more formal course format than what we are used to in the United States. Meals begin with appetizers, primo (pasta or rice), followed by secondo (meat, poultry or fish), accompanied by vegetables ordered to your liking, e.g., grilled, boiled, french fries, etc., possibly followed by another meat dish or a salad, then desert, coffee and a liquor. U.S. opportunities exist in the HRI sector for providing basic ingredients or even prepared portions of these meal arrangements. In addition, there are opportunities for providing food to the more American types of restaurants.

This report will provide information on the Commercial Restaurant sector and the Commercial or Institutional Restaurants.

I. Commercial Restaurants

The commercial restaurant sector includes family restaurants, hotel restaurants, and Italian bars. This sector accounted for nearly one half of all out-of-home consumption in Italy.

There are over 94,000 commercial restaurants in Italy. These are broken down into two sections: Family Restaurants and Hotel Restaurants.

The commercial restaurant sector earned US \$48 billion in 1996, up from US \$45 billion in 1994. Family restaurants took about half the earnings in both 1996 AND 1994.

A. Family Restaurants

1. The Family Restaurant Industry:

The family restaurant industry as part of the commercial restaurant sector includes high quality restaurants, mid-range quality restaurants and taverns, pizzerias, rotisseries, and "modern restaurants," which include fast food restaurants and clubs. There are 67,000 family restaurants in Italy.

The proportion of dinners served at family restaurants has risen from 57% of the meals served during a year to 62%. While lunches have dropped proportionately from 43% to 38%. Average customer expenditure is around US\$13.20. When presented with better quality food at higher level restaurants (white table cloth on the tables), Italians will spend US\$21.00 on the average.

Pizzerias have been increasing in numbers since the 1980's, due to increasing quality and low prices. Italian pizzas are much different from the American perception of pizza; normally it has a thin crust, almost cooked al'dente, with a plain tomato sauce, mozzarella cheese and one or two toppings added. The appearance and taste do not compare with the types of pizzas we are accustomed to in America.

Modern buffet or cafeteria-type restaurants, oftentimes associated with shopping centers and super highway road stops, are gaining in size as well. All other family restaurants are relatively stable in number.

2. Consumption Trends:

The total number of meals served in the commercial restaurant sector grew from 3.2 billion in 1994 to 3.5 billion in 1996. Family restaurants served nearly one half of the meals provided by the restaurant industry.

McDonald's holds a strong monopoly on the fast food hamburger market. They purchased a local hamburger chain, Burghy, which was the Italian equivalent to McDonald's and was its main competitor. Reportedly, this is the first time that McDonald's has purchased an entire operating restaurant chain that competed in the market. Other fast food cafeteria type chains include Brek, Spizzico, Ciao, and Fluch Lunch.

3. Food versus Beverage Purchases:

Over 80% of family restaurant purchases is for food items; the remaining 20% is for beverages.

4. Distribution Channels:

Small restaurants receive their food ingredients from Italian supermarkets or markets. Many medium and large restaurants, including large chains, receive food ingredients directly from Italian farm sources, markets, the food industry, distributors and importers. The modern restaurants mainly use traditional wholesalers, wholesalers acting as service centers, specialized distributors, and purchase centers.

5. Competition:

The majority of food products consumed in the family restaurant industry is from either domestic production or is received through wholesalers.

B. Hotel Restaurants

1. The Hotel Restaurant Industry:

The hotel restaurant industry falls under the "commercial restaurant" category. Hotel restaurants took over 15% of the commercial restaurant earnings in 1996. The Hotel restaurants served 310 million meals of the 3.5 billion provided by the commercial restaurant sector.

The hotel restaurant industry earned US\$16.37 billion in 1996, a jump from US\$11.19 billion in 1994. The bulk of this was in the luxury, high, and medium range hotels.

In 1995 there were 34,296 hotels with 944,000 rooms were available. Only about 4% of the hotels were part of hotel chains. Along with the traditional hotels there were 26,450 camping areas, tourist villages, and private rental houses.

Normally, four and five star hotels contain 3 to 8 times more rooms than the others.

Most importantly, 30% of the US\$22.6 billion spent at hotels was for food and beverage services.

2. Consumption Trends:

While the hotel industry as a whole showed increased returns, the hotel restaurant earnings dropped in value from US\$7.74 billion in 1994 to US\$7.44 billion in 1996. The number of meals served dropped from 325 million to 310 million due to high prices and a general decrease in business guests. An Italian government forecast based government indices and research shows an estimated 330 million meals being served in the year 2000.

Nearly 10% of all meals served in the commercial restaurant sector were served in hotel restaurants. Nearly 20% of all breakfasts served in the commercial restaurant sector were served in hotel restaurants. Nearly 5% of all lunches and 8% of all dinners served were in hotel restaurants. The average customer expenditure for hotel restaurants exceeds US\$24.00. However, this average quickly increases to US\$40.20 for the four and five star hotels..

3. Distribution Channels:

Large hotel chains receive food directly from farm sources and account for the purchase of approximately 1% of all Italian farm production. Chains and individual hotels receive food from traditional wholesalers, wholesalers that act as service centers, specialized distributors, and purchase centers.

4. Competition:

The majority of food products consumed in the hotel industry is from either domestic production or is received through wholesalers.

II. Institutional Restaurants

The institutional restaurant sector includes all organizations that serve food. These are usually broken down into four sectors, company cafeterias, schools, health and social services, and other communities (barracks, prisons, religious institutions, and so on), and are discussed together as the institution industry in this brief.

1. The Institution Industry:

Most companies that serve meals in these sectors are small and medium sized, very often family run. Approximately 600 companies exist, with only seven having a market share greater than 2%.

2. Consumption trends:

The institution industry has remained stable the last few years, with only a slight increase in earnings from US\$7.95 billion in 1994 to US\$8.33 billion in 1996. All the sectors in the institution industry have slightly increased as well, the most notable in the schools sector, which rose US\$161 million. Most of this growth is attributed to limited price growth, caused by an evolution in meal composition.

The number of meals served has also held steady in recent years, slightly increasing from 2,050 billion meals in 1994 to 2,100 billion in 1996. Only company cafeterias show a small decrease, losing 30 billion meals from 1994 to 1996. This is a trend that is likely to continue as no increase in industrial jobs is foreseen. All other sectors had slight increases. The potential for growth in these other sectors is high. This is possible in the health and social services sector because more people are living longer, increasing the need for institutionalizing the number of meals served. School hours and days of attendance have been extended, especially in elementary and junior high schools, hopefully increasing the food demand in the school cafeteria sector. Trade conventions and banqueting are also increasing as well, helping these sectors grow.

Of the 2,100 billion meals served, 390 million were breakfasts, 1,282 billion were lunches, and 428 million were dinners. Companies served the most lunches, followed by schools. The health and social services sector and the barracks/religious/prisons sector all have a more even distribution of meals between breakfast, lunch and dinner since most of their consumers are living within the institution and don't have many other options!

3. Distribution channels:

Large collective restaurants receive food directly from farm sources and account for the purchase of approximately 1% of all Italian farm production. Some collective restaurants purchase from supermarkets. Small and medium collective restaurants go through Cash & Carry Supermarkets. Large and medium collective restaurants go straight to farm sources, distributors and importers for food. Small company cafeterias receive food partially or fully prepared for possible additional processing. Large collective distribution companies and large and medium collective restaurants go through traditional wholesalers, wholesalers acting as service centers, specialized distributors, and purchase centers.

4. Competition:

The majority of food products consumed in the institution industry is from either domestic production or is received through wholesalers. Very little, other than spices and condiments is imported product.

III. U.S. Market Opportunities

Opportunities exist for US products in niche markets. U.S. fresh asparagus and berries flown in fresh from the United States are in high demand. Other U.S. fruits are also in demand when the Italian producing season has ended. U.S. wine, organic beef (not treated with hormones), pork, spices and condiments, prepared foods and appetizers requiring little preparation time and other high value processed products will continue to be in demand. Italians' increased interest in ethnic foods permits small gastronomical adventures in cultural food presentations.

High quality and a high quality image is paramount for making sales, especially in food and food products. The average Italian will refuse a lower quality food item, no matter how low the price.

IV. Other Useful Information:

A detail that cannot be neglected in Italy's commercial restaurant sector is something termed "country image," but can be boiled down to cultural stereotypes. For many Italians, the country of origin for a food or drink product forms an automatic image for the product, whether positive or negative. Things decided by a country of origin include a guarantee of quality, a certain flavor, or a type of atmosphere.

Italy's own country image is prevalent in the wine industry, where different regions are known for their qualities and tastes. *Asti spumante* and *Piemonte* borolo are quick examples. The same can be done with American wine; California vineyards versus east coast vineyards.

When country image is applied by Italians upon certain products, it affects consumers' perceptions. Bud beer is attractive for its immediate and natural association with the United States. Belgian beer is considered "strong," German beer "fat and for groups," American beer "exciting for chatting."

Negative connotations can come from country image, such as Angus beef from Scotland. Mad Cow Disease is immediately associated, thereby killing the industry.

For the United States the country and tex-mex image is a strong selling point. (So is basketball). The Western image is associated with T-bone steaks. California wine, salmon, and seafood also have a certain American image that could be used to the exporter's advantage.