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Dominican Republic

Retail Food Sector

Report

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Report Highlights:
The latest changes in the retail sector structure in the Dominican Republic benefit the distribution and consumption of imported products. Supermarkets in the country are growing in size and number. However, 75% of food products are sold through the traditional system of "colmados", which are scattered all over the country.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Santo Domingo [DR1], DR

RETAIL FOOD SECTOR REPORT

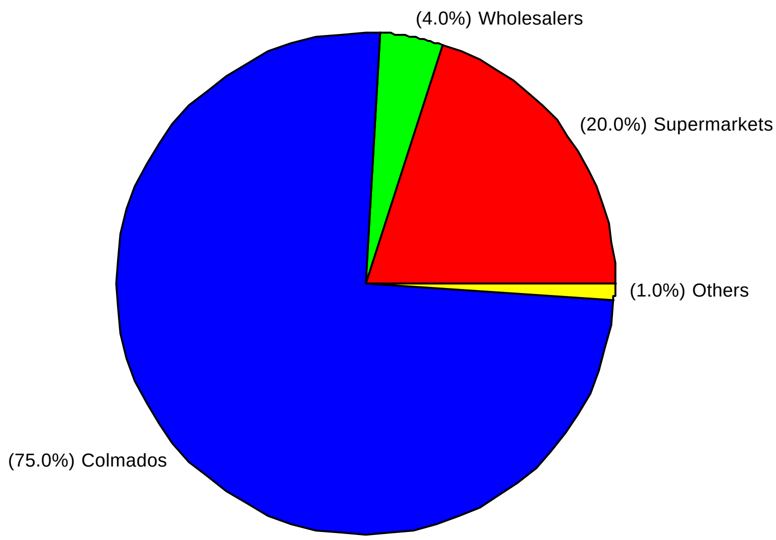
I. MARKET OVERVIEW

The retail food sector plays a key role in distributing US food and agricultural products in the Dominican Republic. This sector is comprised of three major subsectors: traditional markets, supermarkets and small convenience stores (colmados). The latest changes in the retail sector structure benefit the distribution and consumption of imported products.

Supermarkets have benefitted the most from recent changes. The traditional market has been the most affected one. Although supermarkets are growing in number and size, small convenience stores still keep having the highest market share nationwide.

According to the National Survey on Income and Expenses carried out by the Dominican Central Bannk, in 1998, the total demand for food and drinks was estimated at US$3.1 billion. It was estimated that about 80 % was distributed through the traditional system: Colmados(75 %), Wholesalers(4 %), and others(1%). Only about 20 % was distributed through supermarkets. It shows that although supermarkets are growing, the small convenience stores keep leading the sector.

Figure 1. Market Share by Retail Outlet



Source: Megavision, 2000

It is estimated that about 45% of the total food and drink consumed in the country is imported. About 53% of the imported products are from the United States. This ratio is expected to continue both in terms of food imports and in U.S. participation.

The general trend in distribution channels is to reduce the role of intermediaries. Many importers and local producers are distributing their products directly to retailers. Large supermarket chains are importing directly their products through their own importing company and at the same time are representing some product lines in the country.

In 1999 there were some 600 supermarkets and minimarkets nationwide. About 50% of them were located in Santo Domingo, the capital city and the largest one with a population of about two million people, and 20% in Santiago, the second largest city with a population of about one million people. More than 30% of these supermarkets have been opened in the past three years.

There are approximately 1,600 wholesalers, 40,000 colmados and 40 food marts at gasoline stations Most wholesalers also are retailers. Many of these have been transforming their businesses, adding a self-service area, which functions as a supermarket.

There are various services provided by retailers to their customers. Almost all large and medium supermarkets have a cafeteria or fast food restaurant that is mainly used by people working in nearby businesses. Some supermarkets have photo developing services and commercial bank offices.

Small convenience stores are also improving customer services. Besides providing credit to some customers, they are implementing home delivery mainly at residential areas.

Some of the advantages and challenges facing US exporters in the Dominican market are the following:

Advantages	Challenges
1. The number of supermarkets has grown nationwide, and this is the main means to distribute most imported food products.	1. More than 75% of food products are still distributed through traditional means, small grocery stores ("colmados").
2. The economic growth of the country (nearly 8% annually over the last 5 years), supported by an increase in tourism, increases the demand for high quality food products.	2. Local producers and processors are becoming more competitive in quality and price.
3. American culture has a great influence the consumption patterns of Dominicans.	3. Globalization has allowed other cultures, such as European, South American and Asian, to influence the consumption pattern of Dominican.
4. There is a bill in the Dominican Senate that, if passed, would reduce tariffs on imports.	4. Import of some products (milk, beans, rice, and poultry) is restricted by a WTO-approved safeguard to protect local production.

II. ROAD MAP FOR MARKET ENTRY

A. SUPERMARKETS

Entry Strategy

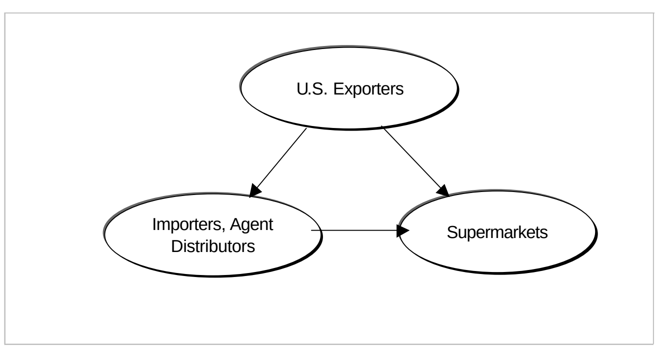
The best way to enter the Dominican market is through a local representative. This representative should know the market, business practices, related laws and should be able to establish direct sales contacts with supermarkets. Depending on the type of product to be introduced, an analysis of the representative's sales organization and the product lines is suggested.

Supermarkets have a buying structure that depends on their size. The largest supermarkets have a purchasing department with several buyers, specialized by product line. Normally, supermarkets have no more than 3 to 5 brands of one type of product, and the selection of these brands is based on competitive advantage criteria for the business and for customers. The purchasing committee decides on the introduction of new products.

Market Structure

- Normally, products are imported through an Importer or Agent who may be a wholesaler and/or distributor.
- In the case of large supermarkets, most of them have a separate company, in a Holding Group, which assumes the function of importer/distributor.
- Supermarkets prefer products which are represented by a known agent.
- Most chain supermarkets have plans to open new locations this year in Santo Domingo and in other cities nationally.
- Wholesale-type supermarkets (Price Smart) cannot yet be evaluated, since they began business in the Dominican Republic only in December of 1999.
- According to national laws, any business may import goods directly.
- According to some supermarket purchasing managers, the sales of imported products in their establishments is between 40 and 45% of total sales, of which about 50% of these are products from the United States.
- The floor space of the large supermarkets (Pola, Nacional, Bravo) ranges from 15,000 to 55,000 square feet and they have between 8 to 50 cash registers per establishment.

Figure 2a.



PROFILE OF THE MAJOR

SUPERMARKETS

Name of Retailer	Ownership (Local/Foreign)	Food Sales CY 1999 US$Millions	Number of Outlets	Location	Purchasing Agent
Nacional Supermarkets	Dominican	N/A	7	Santo Domingo and Santiago	Direct, Importers and distributors
Super Pola	Dominican	N/A	5	Santo Domingo and Santiago	Direct, Importers and distributors
Comercializadora La Cayena/Pali	Costa Rican and Dominican	30	12	Santo Domingo	Importers Distributors
Plaza Lama	Dominican	N/A	2	Santo Domingo	Direct, Importers and distributors
Bravo Supermarkets	Dominican	N/A	2	Santo Domingo	Direct, Importers and distributors
PriceSmart Warehouse	US	N/A	3	Santo Domingo and Santiago	Direct
Carrefour	French	Opened on April 2000	1	Santo Domingo	Direct, Importers and distributors
Hiper Olé	Dominican	N/A	3	Santo Domingo	Direct, Importers and distributors

Source: Megavisión, April 2000

B. CONVENIENCE STORES, GAS MARTS, KIOSKS

The only type of convenience stores that exists in the Dominican Republic is the one located at the gasoline stations.

Market Entry

As in the case of supermarkets, the best way to introduce products into this type of business is with a good representative. In this case, one must rely on a direct and efficient distribution system that can make frequent visits to the establishments.

Market Structure

Convenience stores located in gasoline stations are designed according to norms established by the gasoline company.

The main objective of gasoline companies is to increase fuel sales through the service provided by the convenience stores.

The number of these stores has not increased during the last two years. Some of them have closed their operations due to a lack of profit.
Each separate store purchase the specific products it wants to sell.

These stores carry a limited number of products. The products are consumer ready products, such as soft drink, juice, beer, snacks, sandwiches, chocolate, and ice cream. Most of the juices, snacks and ice creams are imported.

It is a relatively new business, in which most of the stores have been established within the last three or four years.

These stores prefer to buy directly from distributors through direct distribution systems.

Figure 2b

PROFILE OF THE MAJOR CONVENIENCE STORES					
Name of Retailer	Ownership (Local/Foreign)	Food Sales CY 1999 US$M	Number of Outlets 1999	Location	Purchasing Agent
Esso Food Shop	Local	12,11	27	Nationwide	Distributor
Tiger Market	Local	3,14	7	Nationwide	Distributor
Food Smart	Local	2,69	6	Nationwide	Distributor

C. TRADITIONAL MARKETS - "MOM AND POP" SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

Entry Strategy

To introduce products into this subsector, exporters should be cautious in choosing a local representative who has a good knowledge of the market, preferably with an efficient system of direct distribution. The local representative could be a wholesaler, importer, or local processor who manufacture products that are distributed through the same channels.

It is advisable to use a representative who has or can establish a direct distribution system which sells directly to colmados.

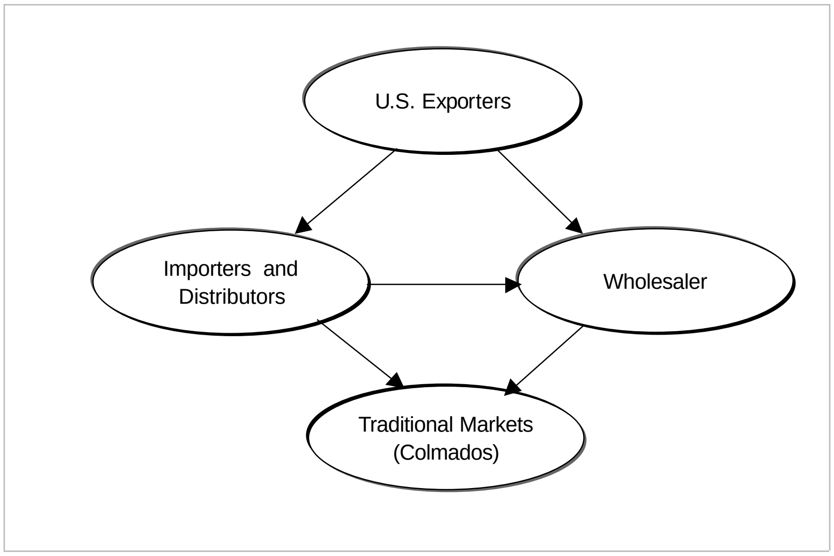
Market Structure

There are some 1,600 food wholesalers nationwide. Most of them are located in the Santo Domingo and Santiago areas.

A research study carried out in 1994 showed that there were 40,347 colmados and 31,754 "pulperías and ventorrillos". "Pulperías" and "ventorrillos" are very small grocery vendors, with less space and fewer products than a "colmado" and they are visited not as frequently as the "colmado" by direct suppliers.

Colmados have refrigeration systems for drinks (beers, juices and soft drinks), but only rarely for fruit and vegetable storage. The supply of electricity in the country is not stable. This greatly affects the handling of perishable products at the colmados.

Figure 2c



The colmados are easily reached by suppliers (distributors, producers and wholesalers) due to the relatively good communication systems in the country (telephones, highways). Retailers usually go to public markets only to buy fruits and vegetables.

About 80% of food items are distributed by colmados. The location (distance), along with the small quantity of some products needed, play an important role in the customer's decision to buy at the colmado or at the supermarket.

The increase of the supermarket operations in the country and the evolution of some colmados into small supermarkets (minimarkets) have replaced some colmados and small stores (pulperías an ventorrillos). Supermarkets offer better selection, more product variety and better prices. Nonetheless, there are still many reasons, such as distance, quantity needed, and the colmado-customer relationship, which help the traditional system of wholesalers and/or colmados keep playing its role.

The following is a representative list of imported food and drink products which form part of the inventory of colmados.

IMPORTED PRODUCTS IN A COLMADO		
Type	**Brand**	**Origin**
Tuna	Bumble Bee	United States
Baby Foods	Gerber	United States
Raisins	Ligo	United States
Vinegar	Heinz/Musselman's	United States
Clamato juice	Mott's	United States
Apple Juice	Mott's	United States
Grape Juice	Welch's	United States
Apple Wine	Night Train Ltd.	United States
Tuna	Quaker	Brazil
Sugar		Brazil
Sardines	Isabel	Ecuador
Sardines	Brunswick	Canada
Malta	Caracas	Venezuela
Soft Drinks	Chubby	Trinidad
Popsicles	Colombina	Colombia
Olive Oil	Figaro	Spain
Olives	Figaro	Spain
Brandy	Tres Cepas	Spain
Powdered Milk	Alaska	Netherlands
Powdered Milk	Milex	Denmark
Powdered Milk	Kanny	Netherlands
Whisky	Cutty Sark	Scotland
Whisky	Dewar´s White Label	Scotland
Whisky	J & B	Scotland
Whisky	Johnnie Walker Black Label	Scotland
Whisky	Johnnie Walker Red Label	Scotland
Whisky	Seagram´s 100 Pipers	Scotland
Source: Megavisión, 2000		

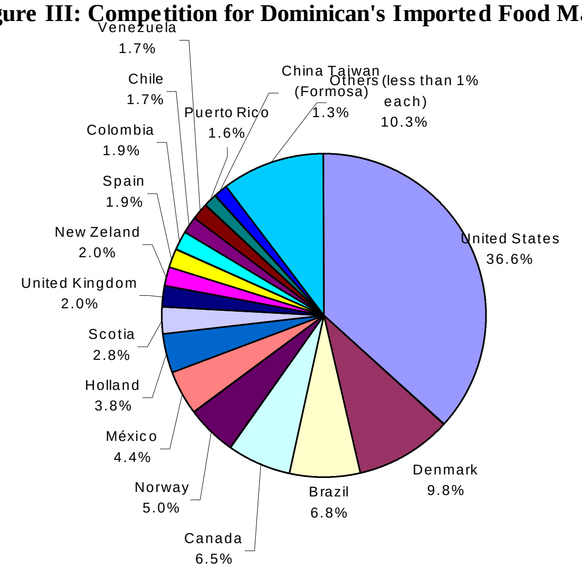
D. OTHER DISTRIBUTION SYSTEMS FOOD PRODUCTS AND DRINKS

The Dominican government has a food distribution system aimed at helping the poor. It uses permanent vending stands located at poor neighborhoods and mobile vendors using small trucks which sell food directly to housewives in the neighborhoods. Most of the products sold through this system are staple foods such as rice, milk, oil, pastas, etc. Products sold may be local products or imported ones. The program is run by the National Institute for Price Stabilization (INESPRE), which in some cases directly

III. COMPETITION

Food imports in the Dominican Republic from the United States are estimated a 36.6 %. European countries (Denmark, Norway, the Netherlands, Great Britain, Spain, France, etc.) represent between 25% and 28%; Canada and Mexico, 6.5% and 4.4%, respectively.

Figure III: Competition for Dominican's Imported Food Market



Source: National Statistics Office of the Dominican Republic (ONE) , 1998

In the past few years imports from South America, Central America and the Caribbean have slightly increased. Two free trade agreements between the Dominican Republic and Central America, and between the Dominican Republic and the Caribbean are to be implemented.

IV. BEST PRODUCTS PROSPECTS

US exports to the Dominican Republic, which comprise about 65-70 percent of the Dominican Republic's total agricultural imports (including fish and seafood products and forest products), increased from US$570 million in 1998 to $653 million in 1999. Dominican export figures for 1997 mark the highest export levels ever achieved. However, the decrease in Dominican exports during 1998 was associated with atmospheric agents (i.e., those related to Hurricane Georges). The large portion of the imports from the United

Imports of rice from the United States (US) increased from 3,000 metric tons (MT) in 1996 to over 73,600 MT in 1998. Import of US rice remained high in 1999 with a value of US$22 million dollars. Import of tobacco (mainly wrappers) set a new record in 1999 of US$137 million dollars. Imports of consumer oriented products also set a record in 1999 at a US$121 million dollar. This sector has an excellent growth potential as the number of supermarkets, retail outlets, and fast food chains continue to expand in the Dominican Republic. Adding to this sectors growth potential is the increase in the number of new products introduced from the US to local stores. Another factor contributing to the increase of consumer oriented products is the expanding Dominican tourism industry. The tourism industry demands high quality food products and this has helped increase the sale of consumer ready products.

Products Present in the Market Which have Good Sales Potential

Product types with greatest sales growth in 1999 were: snack foods (39%), fresh and frozen beef (111%), prepared beef (44%) and fruit and vegetable juices (31%). Other high value products imported from the United States were dairy products, breakfast cereals, and processed fruits and vegetables.

Products Not Present in Significant Quantities but Which Have Good Sales Potential

Many of the edible products in the United States have already been introduced into the Dominican market. Natural fruit juices have good growth potential as the quantity of suppliers and brands is not yet high although local processors provide considerable competition.

Products Not Present Because They Face Significant Barriers

The only barriers to imports are those established by the World Trade Organization concerning staple food products. These are managed through import quotas.

V. POST CONTACT AND FURTHER INFORMATION

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The Foreign Agricultural Service home page at http://www.fas.usda.gov has useful information on how to export to the Dominican Republic, including a report titled "Exporter Guide to the Consumer Food Market".