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## **Dominican Republic**

### **HRI Food Service Sector**

# **Hotel, Restaurant, Institutional (HRI) Food Service Sector Report**

## **2001**

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#### **Report Highlights:**

**The Dominican Hotel, Restaurant, Institutional(HRI) Food Service Sector is an attractive market for imported food and beverages. This Sector provides nearly 30% of the foreign exchange generated by the country. Average growth rate during the last five years has been 9.67% and the Dominican Republic is one of the main tourist destinations in the Caribbean.**

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

## **HOTEL, RESTAURANT, INSTITUTIONAL (HRI) FOOD SERVICE SECTOR REPORT**

### **I. MARKET SUMMARY**

The Hotel, Restaurants, and Institutional Food Service Sector has great potential for imported food and beverages in the Dominican Republic. This sector already provides nearly 30% of the foreign exchange generated by the country. The average growth rate during the last five years has been 9.67% .

The Dominican Republic is one of the main tourist destinations in the Caribbean region, with 49,410 hotel rooms at the end of 1999. The average annual growth rate is 3,387 rooms (11.29%) during the last five years. Occupation rates have remained steady at about 83%. In 1999, more than 2,147,742 foreigners visited the country by air. European tourists comprised 46%, North Americans, 27% (20% from the United States, 6.6% from Canada and 0.5% from Mexico); South Americans, 5.8%; and Central Americans and Caribbeans 2%.

The importance of the food service industry has also been influenced by the economic growth of the country. It has been one of the best not only in Latin America, but also worldwide, with an average annual growth of 8% during the last 5 years. This, along with changes in the consumption habits of consumers and the increased participation of women in the workforce (implying a greater need to consume food outside of the home), demonstrates the growth in this sector.

Consumption of food and drinks in the Dominican Republic's non-tourist sector was estimated at US\$700 million in 1999. For the tourist sector (all-inclusive hotels) it is estimated that consumption was US\$320.2 million for the same year. Therefore, it could be estimated that the final value of all food and beverages consumed in the country in the HRI sector in 1999 was over US\$1.0 billion. The amount estimated for 1991 was US\$408.6 million. This represents an average growth rate of 18 % per year during the last eight years.

In the restaurant sub-sector, the largest growing area is fast food. Foreign fast food chains, mostly from the United States, started in the Dominican Republic six years ago and have been very well received by Dominicans. Over 40 of these establishments have been opened, mostly in the cities of Santo Domingo and Santiago. Furthermore, the trend towards eating out has led many local establishments to open small restaurants, independent cafeterias, cafeterias located inside businesses, and cafeterias in supermarkets. These establishments provide local food, sandwiches, and snacks at affordable prices to working class Dominicans.

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. The percentage is higher in the HRI sector, where there is a preference for imported food products due to a perception that these are of better quality. However, it is important to note that the country's food processing industry is increasing its efficiency and competitiveness. This means that the percentage growth of finished food product imports may trail off, however, ingredient imports will probably increase.

Some of the macro-economic factors which affect the food service market are the following:

- Economic Growth. - The Dominican economy has grown more than 8% annually over the last five years. Tourism has been one of the most influential factors on this growth.
- Growth in the number of women in the workforce - Over 40% of women are in the labor force. This results in higher demand for food outside the home.
- Increase of per capita income in the country.
- Vacations. - Dominicans are taking more vacations in country. This implies an increase in food consumption from HRIs.
- Menu diversification. - Dominicans are internationalizing their consumption habits. There is an increase in the consumption of pizzas, hamburgers and other types of fast food. In addition, most restaurants in the country offer dishes with imported meats, fish, and other sea foods.

**Advantages and Challenges Facing U.S. Products in the Dominican Republic**

<b>Advantages</b>	<b>Challenges</b>
<ul style="list-style-type: none"> <li>➤ The growth of tourism in the country, implies a greater demand for imported products, which are perceived as high quality products.</li> <li>➤ American culture has a great influence on the Dominican Republic. This has been conveyed through the bilateral relations over several years, the large number of Dominicans living in the United States, and the influence of mass media such as cable TV.</li> <li>➤ Fast food chains and other types of restaurants from the U.S. are becoming more popular in the country.</li> <li>➤ US suppliers can supply products with consistent and reliable quality and quantity.</li> <li>➤ The number of North American tourists visiting the country has been growing over the years and this trend is expected to continue as trade relations increase between both countries.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The local Dominican food industry is becoming more efficient and more competitive as it integrates new technology and machinery into its production processes.</li> <li>➤ Globalization and the influence of the mass media have given Dominicans access to other cultures, such as European, Asian, and South American. These different cultures have influence over consumption habits and the demand for foods from those countries.</li> <li>➤ The prices of products offered in fast food restaurants of US origin are higher in the Dominican Republic than in the United States</li> <li>➤ In the Dominican Republic there still exist some tariff and non-tariff barriers that affect food imports.</li> <li>➤ The Dominican Republic just signed a free trade agreement with the other Caribbean countries, which will increase trade within this area, possibly at the expense of U.S. exports.</li> </ul>

**II ROAD MAP FOR MARKET ENTRY**

**A. ENTRY STRATEGY**

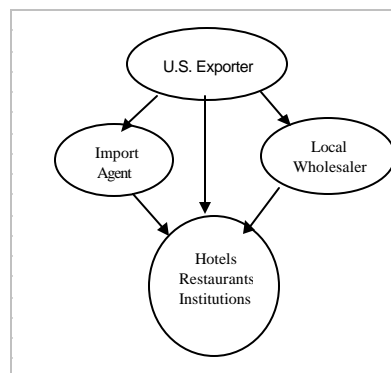
The best way to enter the Food Service Market in the Dominican Republic is through a local representative, except in the case of fast food chains from the United States, which usually import their own products and ingredients. Some purchasing agents for hotels and restaurants have stated that they are not interested in getting involved in the import business. They would rather buy from a reliable local supplier. Due to the growth of tourism in the Dominican Republic, the number of businesses specialized in importing

food and drinks has increased. These businesses supply most of the hotels and restaurants in the country.

The success of a new product will not only depend on the product itself, but also on the local representative's understanding of the market and his relationship with purchasing agents of different establishments. For purchasing agents, fundamental criteria for making purchases include product quality, prices and services.

## B. MARKET STRUCTURE

As the tourism sector grows, the supply system for hotels and restaurants has been changing. Previously, it was difficult for hotels and restaurants to get high quality products. They had to either import directly or rely on local suppliers who did not guarantee the quality and quantity necessary. Even so, at the beginning of the year 2000, over 50 businesses were competing to supply products to this market. The FAS office in Santo Domingo has a list for hotels and restaurants suppliers.



The major changes in food demand experienced by hotels and resorts over the last five years are the following:

- 80% of hotels in the country are resort-style, which are all-inclusive. Offering a relatively low all-inclusive price leads hotels to try to reduce the costs of the food they offer. However, some suppliers say that the insistence on high quality products remains unchanged.
- Tour operators have put restrictions on hotels regarding the quality of the foods they offer to the point of wielding influence over the type of supplier used. Tour operators have required that firms be contracted to certify suppliers' quality control practices in order to guarantee the quality of products used in hotels.
- Local competition has increased substantially due to increases in product quality. It is estimated that 70% of food is produced locally.

- There is a trend towards using semi-processed products in order to reduce costs.

Local products are mostly handled through the same distribution channels as imported goods. Some local producers have approached distributors or intermediaries that are specialized in this market to try to introduce their products. However, some of the country's largest businesses prefer to sell directly to this sector, avoiding having to depend on intermediaries to introduce new products when necessary.

Usually, intermediaries who handle products for this sector are specialized by area. As a result, there are suppliers specializing in meats, fish and seafood, frozen vegetables, ice creams, fruit juices and alcoholic beverages. However, there are also some suppliers who deal with a variety of these categories. Most of these intermediaries function as wholesale importers, who handle other types of products and foods that they sell to supermarkets and to the country's traditional system of food distribution. Also, some intermediaries belong to local processing businesses that round out their product line with other imported products. Furthermore, some local processors are trying to strengthen their distribution system including imported products.

## C. SUB-SECTOR PROFILES

### 1. Hotels and Resorts

#### COMPANY PROFILES

Name of Hotel/Resort	Locations	Number of Hotels	Total Rooms	Purchasing Agent
Renaissance Jaragua	Santo Domingo	1	293	Importer / Direct
Barceló Hotels	Santo Domingo/ Juan Dolio/ Bávaro	9	2,963	Importer / Direct
RIU	Punta Cana/Arena Gorda/ Puerto Plata / Bávaro	7	4,382	Importer / Direct
Allegro Resorts	Playa Dorada/ Cabeza de Toro/ Punta Cana/ Bávaro	4		Importer / Direct
Occidental Hotels	Santo Domingo/ Las Pascualas/ Sosua / Las Terrenas	9	2,833	Importer / Direct
Iberostar	Arena Gorda/ Puerto Plata	4	1,918	Importer / Direct
Fiesta Hotels	Santo Domingo / Bávaro	2	1,398	Importer / Direct
Meliá	Punta Cana/ Santo Domingo/ Bávara/ Juan Dolio	5	2,311	Importer / Direct
AMHSA HOTELS	La Romana / Barahona/ Playa Dorada/ Sosua/ Cabarete	5	1,492	Importer / Direct
Casa Marina	Juan Dolio / Samaná	5	1,466	Import / Direct
LTI	Punta Cana/ Sosúa/ Bávaro	3	1,680	Importer

The hotel sector is the largest market segment in this area due to the fast growth of tourism. The increasing worldwide recognition the Dominican Republic gains from its sustained economic growth makes it a more attractive destination for fairs, conferences, conventions and international events. These factors contribute to increase the flow of business people to the country. The fact that the hotel sector is seeking ways to

reduce costs and is receptive to using pre-cooked foods presents a great opportunity for exporters from the United States.

## 2. Restaurants

Although the Dominican Republic has restaurants that specialize in all types of local and international foods, these only function as chains in the case of fast food restaurants. Some traditional restaurants and Western-style family restaurants may expand to two locations, usually both located in Santo Domingo. Only one restaurant based in Santo Domingo has another establishment in Santiago, the second largest city in the country.

Restaurants offer good opportunities for exporters from the United States. They are very receptive to using imported foods as their menus are more oriented towards international dishes. These restaurants use many imported products, including beef, fish and seafood, pasta, French-fries, and hams.

Since these restaurants do not function as chains, and each restaurant's purchase is small, the best way to sell to them is through a local intermediary specialized in this type of business. For this reason it may be difficult to export directly to the restaurant. Following are examples of upscale and/or fast food restaurants. However, these are not the typical restaurants.

### RESTAURANT COMPANY PROFILES

Name of Restaurant	Type	Locations	Number of Outlets	Purchasing Agent
Vesuvio	Traditional Family type	Santo Domingo	2	Distributor / Wholesaler
Rancho Steak House Cafe	Western	Santo Domingo, Santiago	2	Distributor / Wholesaler
Burger King	Fast Food	Santo Domingo, Santiago, San Francisco	20	Direct
McDonalds	Fast Food	Santo Domingo, Santiago	10	Direct
Wendy's	Fast Food	Santo Domingo	3	Direct
Kentucky Fried Chicken	Fast Food, Internet Sales	Santo Domingo	4	Direct
Domino's Pizza	Fast Food	Santo Domingo, Santiago	6	Direct
Pizza Hut	Fast Food, Internet Sales	Santo Domingo, Santiago	6	Direct
Taco Bell	Fast Food	Santo Domingo, Santiago	3	Direct

Fast food restaurants are the fastest growing part of the food service industry. In the last few years, the entry of foreign fast food chains has spurred the development of local businesses dedicated to this activity although they tend to specialize in local popular foods. The foreign fast food chains offer good

opportunities to US exporters because most of their products are imported. Many of them import their own products, primarily in the case of hamburger, meats, chickens, potatoes, sauces and ice creams. They use local ingredients for fresh vegetables and bread.

In the last five years, more than 10 international fast food chains have been established in the country. They have opened more than 50 outlets, primarily in the cities of Santo Domingo and Santiago. Among these chains are Burger King, McDonalds, Wendy's, Kentucky Fried Chicken, Pizza Hut, Domino's Pizza, and Taco Bell.

### **3. Institutions**

In general, businesses (cafeterias and restaurants) that supply food to institutions or that manage their cafeterias are all independently run. The handling of food in prisons and public hospitals has not been privatized. Some free zones at industrial parks have begun to install cafeterias to offer food to their employees. One of the main objectives of these cafeterias is to offer inexpensive food of an acceptable quality to employees. This implies that food costs must remain as low as possible. These cafeterias are more oriented to serving traditional dishes, with over 90% of ingredients being produced locally. In this category there is limited opportunity for US exporters unless items are offered at cut rate prices. Still, government run institutions will tend to support the local agricultural sector by purchasing locally. Efforts should be made to work through a local intermediary.

## **III. COMPETITION**

The major competition for US suppliers in the Dominican Republic is local producers. With an improvement in production processes nationwide along with relatively high import tariffs, some local products have competitive advantages. Even so, partly due to the large growth in tourism, food imports have increased in recent years in this sector.

Countries such as India, Thailand and China are the biggest competitors for fish and seafood. Argentina is the largest competitor for meats.

## **IV BEST PRODUCT PROSPECTS**

### **A. Products Present in the Market Which have Good Sales Potential**

In the country's hotels and restaurants there is a high demand for special cuts of imported beef and veal. They are offered as very special dishes. While some local suppliers make an effort to supply quality meats, imported meats are preferred. Wines, cheeses, poultry, and fruit concentrates also have good potential.

### **B. Products Not Present in Significant Quantities but Which have Good Sales Potential**

Fish and seafood constitute the only category which can be difficult to buy, even when a variety of suppliers are available. Although the Dominican Republic is an island, fishing has not been developed to meet the local demand. This demand comes mainly from hotels and restaurants.

**C. Products Not Present Because They Face Significant Barriers**

Though these products are available, the Dominican Republic seeks to protect its local agricultural sector and has made the import of certain products difficult. These include pork, poultry, onions, milk powder, garlic, dried beans, rice, and sugar.

**V. KEY CONTACTS AND FURTHER INFORMATION**

If you have any questions or comments regarding this report or need assistance exporting to the Dominican Republic, please contact us at:

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