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Netherlands

HRI Food Service Sector

Hotel, Restaurant and Institutional Sector

2004

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Report Highlights:

The Dutch HRI industry remains highly fragmented, and is extremely competitive. However, increasing consumer spending and the trend toward consumption of foods from many different countries, provides opportunities for entry into the market.

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Executive Summary

The Dutch HRI industry remains highly fragmented, and is extremely competitive. However, increasing consumer spending and the trend toward consumption of foods from many different countries, provides opportunities for entry into the market.

Section I: Market Summary

Description and comparison of the HRI sub sectors

The Dutch HRI sector encompasses bars, fast-food outlets, full service restaurants, takeaway, self-service cafeterias, kiosks, hotels and catering.

Bars: This sector encompasses all establishments where the focus is on drinking either alcoholic or non-alcoholic beverages and where food is also served. While a wide variety of snacks and full meals are offered, it is not uncommon for customers to only order a drink. Bars in Hotels are in general categorized as bars.

Fast food outlets: Fast food outlets are typically distinguished by the following characteristics: a standardized and restricted menu; food for immediate consumption; tight individual portion control on all ingredients and on the finished product; individual packaging of each item; a young and unskilled labor force; counter service; franchised restaurants which operate under a uniform fascia and corporate identity.

Full-service Restaurants: Full-service Restaurants encompass all sit-down establishments where the focus is on food rather than on drink. It is characterized by table service and a relatively higher quality of food offering. It also includes à la carte, all-you-can-eat and sit-down buffets within restaurants. Restaurants at Resorts and Hotels are in general categorized as Full-service Restaurants.

Takeaway: They are classified as fixed units that provide no facilities for consumption on the premises. Food can either be picked up by the consumer, or delivered, often for an additional charge.

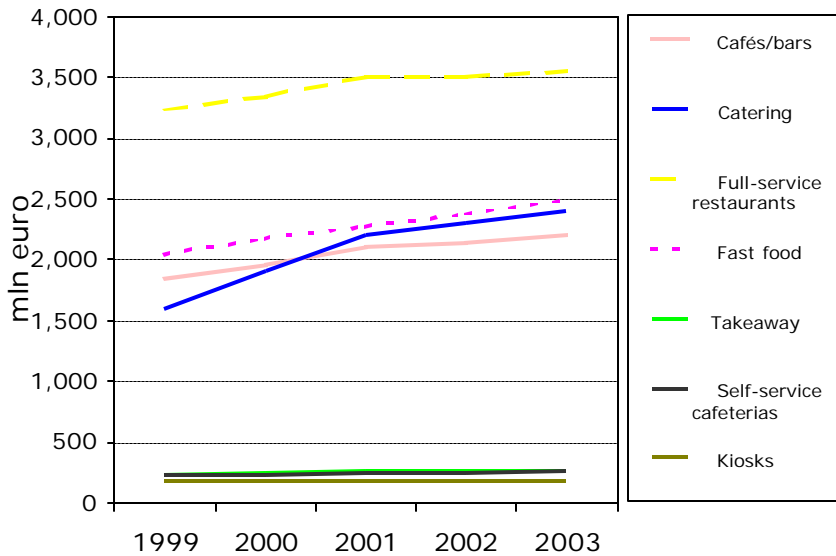
Self-service Cafeterias: Food paid for in advance of sitting down. No (or limited) service content or cover charge.

Street stalls/Kiosks: Small, mobile foodservice providers characterized by a very limited product offering and by low prices.

Catering: Contract catering encompasses all establishments at prisons, companies, hospitals, schools, where specialized companies supply food and drinks to the personnel and/or visitors. The formula of the catering depends on the institution, target group and alternatives.

Value Of The Overall HRI Industry And Sub-Sectors, Past 5 Years

Figure 1: Value of HRI industry sub-sector, past 5 years

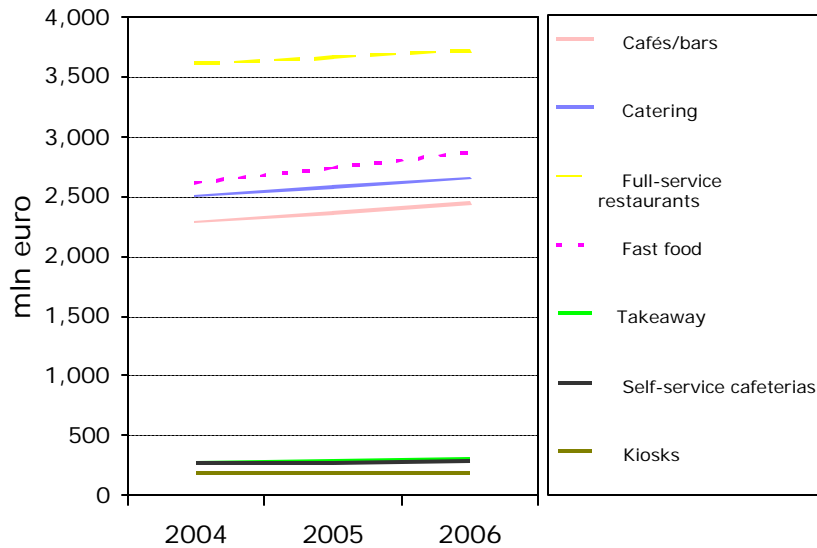


Source: Euromonitor

- Dutch HRI industry grew from 9.4 billion euro in 1999 to 11.4 billion in 2003;
- Sales in all sub-sectors have grown in the past 5 years;
- Growth rates were the highest in the Full Service and Catering sectors from 99-01, but the recent economy downturn led to a substantial slowing of their growth;
- Full service restaurants, fast-food outlets, bars and contract catering dominate the Dutch HRI industry;
- Most consistent growth rates were seen in the Fast-Food industry.

Expected Growth Rates Of The HRI Industry And Its Sub-Sectors

Figure 2: Value of HRI industry sub-sector, coming 3 years



Source: Euromonitor

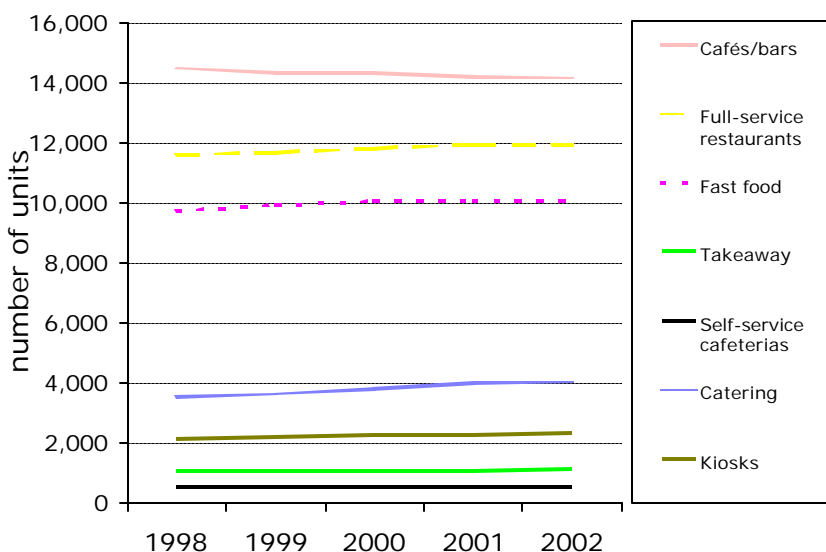
- The HRI industry is forecasted to grow from 11.4 billion euro in 2003 by another billion to 12.5 billion euro in 2006;
- Consistent growth rates are forecast for all sub-sectors;
- Full service restaurants, fast-food outlets, bars and contract catering will continue to dominate the Dutch HRI industry;
- Companies in all sub-sectors will further change the profile of their establishments to adapt to new demands and opportunities. Some cafés/bars, for example, may turn into Full Service Restaurants (FSR) or self-service cafeterias. Former takeaways units may decide to offer seating for eat-in sales. Fast-Food outlets will move more towards fruits, vegetables and other healthy side dishes or menus. This trend should be kept in mind as we watch the market evolve over the next few years.

Number And Type Of HRI Establishments

The Café and Bar sector was the largest in terms of number of establishments, accounting for 32% of total consumer foodservice units in 2002. Yet this sector also saw the number of units fall from 14,486 units in 1998 to 14,150 in 2002. Development in the Café and Bar sector reflected a structural transformation towards greater concentration of medium to large establishments.

The decrease in units would have been even more dramatic if not for an ongoing shift within the Café and Bar sector itself. Over the past 5 years, a significant number of traditional cafés opted to stay in the business by transforming themselves into more lucrative upscale “eetcafés” and “grandcafés”.

Figure 3: number and type of HRI establishments



Source: Euromonitor

Full Service Restaurants and Fast-Food outlets were by far the 2nd and 3rd largest sectors, accounting for 27% and 23% respectively, of total foodservice units in 2002. The two are expected to experience unit growth of approximately 5% over the coming few years. The steady unit growth, over the past 5 years, was mainly the result of opening of new establishments. For Full Service Restaurants, new units were from a variety of ethnic or foreign cuisines that have yet to fully break into the Dutch market. For fast food, unit growth was a result of expansion by big fast food chains, particularly McDonald's, DéliFrance and Febo.

Value Of Imported Versus Domestically Produced Selected Food Products

	Value is in million EURO	availability	production	import
Arable Farming and Horticulture	1998	16 752	8 886	7 866
	1999	16 697	8 911	7 786
	2000	17 491	9 098	8 393
	2001*	18 475	9 458	9 017
	2002*	18 529	9 602	8 927
Meat	1998	9 688	9 066	622
	1999	9 223	8 583	640
	2000	10 032	9 349	683
	2001*	10 190	9 603	587
	2002*	9 295	8 703	592
Services	1998	1 745	1 745	-
	1999	1 903	1 903	-
	2000	2 071	2 071	-
	2001*	2 310	2 310	-
	2002*	2 304	2 304	-
Forestry	1998	370	137	233
	1999	384	125	259
	2000	446	132	314
	2001*	458	140	318
	2002*	455	155	300
Fishery	1998	504	178	326
	1999	563	196	367
	2000	618	188	430
	2001*	622	199	423
	2002*	612	172	440
Fish and Meat Products	1998	10 920	8 538	2 382
	1999	10 877	8 424	2 453
	2000	11 936	8 964	2 972
	2001*	12 657	9 147	3 510
	2002*	12 211	8 776	3 435
Potato, Vegetable and Fruit Products	1998	4 073	2 619	1 454
	1999	4 385	2 763	1 622
	2000	4 544	2 762	1 782
	2001*	4 718	2 924	1 794
	2002*	4 931	3 048	1 883
Oils and Fats	1998	4 643	3 034	1 609
	1999	4 048	2 611	1 437
	2000	4 134	2 762	1 372
Dairy Products	2001*	4 405	2 865	1 540
	2002*	4 910	3 140	1 770
	1998	8 382	6 191	2 191
Cereal and Starch Products	1999	8 284	6 065	2 219
	2000	8 647	6 251	2 396
	2001*	9 083	6 691	2 392
	2002*	8 711	6 462	2 249
	1998	2 290	1 695	595
Other Food Products	1999	2 095	1 542	553
	2000	2 313	1 693	620
	2001*	2 441	1 770	671
	2002*	2 512	1 823	689
	1998	15 713	13 363	2 350
Drinks	1999	15 771	13 319	2 452
	2000	16 309	13 696	2 613
	2001*	17 046	14 180	2 866
	2002*	17 851	14 604	3 247
	1998	4 113	2 812	1 301
Drinks	1999	4 339	2 904	1 435
	2000	4 552	2 991	1 561
	2001*	4 950	3 274	1 676
	2002*	5 058	3 338	1 720

Of total availability, almost 25 percent is imported.

<http://statline.cbs.nl/StatWeb/table.asp?STB=G1,G2&LA=nl&DM=SLNL&PA=7465nr&D1=0-2&D2=0-6,9-16&D3=a&HDR=T>

Trends That Effect Dutch HRI Industry

- This year economic conditions in the Netherlands are expected to improve after the recent downturn. This is a promising prospect for HRI companies in the Netherlands.
- The profile of the Dutch consumer shows signs of long-term transformation. New consumers are more apt to eat out as leisure or social activity or a convenient alternative to home cooking. They are also more informed, social and health conscious, and outward looking in their consumption attitudes. This offers ample opportunities for new product and service concepts to tap these new interests.
- Competition in the Dutch HRI market will remain tough because as firms enter the market, including entrants and those from outside the industry. Retailers of both food (Makro) and non-food industries (V&D, HEMA, IKEA, Gamma) have already claimed prominent positions in the market. Operators are always eager to tap into the consumer foodservice market. It is necessary to keep an eye on the movement of prospective competitors from all fronts.
- The changing structure of the Dutch population creates three new lucrative markets for the HRI industry: the graying population, the working household and the ethnic group, all of which are growing.
- Industry analysts believe the Dutch HRI sector is entering a new phase of development and it is generally believed that within the next two decades, the industry profile will change to accommodate fewer small operators and more medium and large establishments. Industry shakeups will occur, with more mergers and acquisitions or strategic alliances, and branding success. In addition, there is still growth for small independent high-end hotels and restaurants.

Advantages And Challenges**Advantages**

Sector Strengths & Market Opportunities

Expected economic growth is a promising prospect for the HRI industry

The consumer is curious and wants to try new things which creates opportunities for new product and service concepts

When compared to figures in the UK and the US, the HRI industry can still gain some substantial market share in the Netherlands

The Netherlands has a good infrastructure which offers great opportunities

Challenges

Sector Weaknesses and Competitive Threats

Competition from retailers (food and non-food)

A highly fragmented sector

The consumer is more health conscious which will affect his purchase behavior when buying food.

The Dutch food supply chain is neither vertically integrated nor consolidated

Section II: Road Map For Market Entry

Entry Strategy

Prior to any export, invest in research that analyzes the Dutch food culture (concepts, flavor, price, requirements). Once the product has been chosen, be aware of fierce competition on the Dutch market.

There are several tariff and non-tariff trade barriers that complicate export to the Netherlands. A Dutch importer generally knows the market, the trade barriers and the required documentation. In addition, The Office of Agricultural Affairs in The Hague (OAA) offers guidelines on import regulations for food products that can be found on <http://www.fas.usda.gov/gainfiles/200312/146085322.pdf> FAS/Washington and the OAA maintain listings of Dutch importers.

Market Structure

- In the Dutch HRI sector, the Fast-Food sector and the Catering industry are highly consolidated. A few international and national players dominate those sub sectors.

Figure 4: Leading fast-food companies in the Netherlands



Source: USDA The Hague

Figure 5: Leading caterers in the Netherlands



Source: USDA The Hague

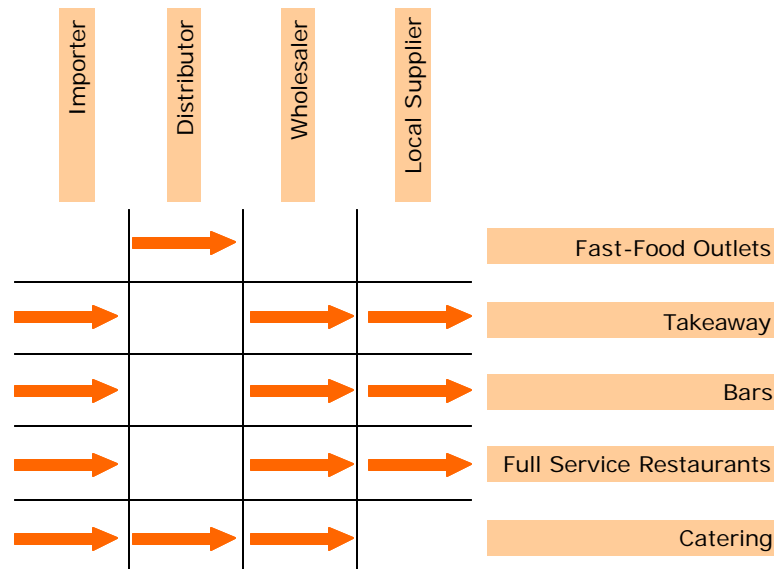
- The other HRI sub sectors are highly fragmented. In general all restaurants, cafes and hotels are independent operating companies with their own purchase patterns and decisions.
- As the chart on page 13 indicates, the small and independent entrepreneurs buy their products and ingredients at the wholesaler that matches their product requirements. There are approximately 10 wholesalers in the Netherlands. Some of the bigger are indicated below.

Figure 6: Leading wholesalers in the Netherlands



Source: USDA The Hague

Figure 7: Distribution Channel Flow Diagram



Source: USDA The Hague

- Companies in the HRI industry purchase the imported products in some cases directly from importers but in general via wholesalers or local suppliers.
- Fast-food companies are frequently part of a large chain with national, regional or global presence. Products are delivered through proprietary distributors, who normally purchase products for all franchisers.
- Due to its consolidated structure, the Dutch catering sector has a limited amount of dedicated distributors. Distributors buy directly from producers. Non-EU products are bought through importers.
- Independent Restaurants, Bars and Takeaways buy fresh products (meat, seafood, dairy products, bread and fruits & vegetables) often from local suppliers who in some cases produce those products themselves. These relationships are in most cases personal relationships between the owner of the restaurant and the supplier. For all other products (and non-food) the independent owner goes to a wholesaler, except for beer, wine and soft drinks which are delivered as well.
- For bigger Restaurants and/or Restaurant Chains, there are different players in the supply chain. The local suppliers have left the field and are being replaced by Wholesalers and Distributors.
- Different product sectors have different supply chains;
A few examples:

Dutch wholesalers buy specialized products like Jamon Pata Negra in small quantities directly from Spanish processors where as pork is bought from Dutch slaughterhouses (not directly from Dutch producers). Brazilian or Thai poultry products are bought from Dutch meat importers.

New World wines are increasingly imported into the EU. In some cases the bottled product is imported and sold to distributors and wholesalers, however in other cases the wines are imported and bottled within the EU and subsequently sold to wholesales and distributors.

The purchase of soft drink is often linked to the supplier of Beer. In some cases, especially in the Restaurant and Café & Bar sector, the brewery sponsors the bar or other inventory. In return the brewer closes a contract where he is the exclusive supplier of all beers and soft drinks for a set amount of years.

Sub sectors profiles

- From all HRI sub sectors only Fast Food Chains and Caterers are consolidated although there are a few big hotel and restaurant chains active in the Netherlands.

Figure 8: Top 10 Hotel and Restaurant Chains, 2003

	name	turnover / million euro	#outlets
1	van der valk	500	52
2	golden tulip	285	70
3	nh hotels	230	28
4	accor	205	48
5	best western	173	49
6	bilderberg	109	25
7	six continentals	100	12
8	hilton	60	6
9	starwood	54	3
10	ac restaurants & hotels	51	20

Source: www.zibb.nl/horeca

Figure 9: Top 5 Fast Food Chains, 2003

	name	turnover / million euro	#outlets
1	mcdonalds	424	220
2	servex	250	300
3	burger king	50	29
4	fast foods concepts	43	170
5	febo	38	60

Source: www.zibb.nl/horeca

Figure 10: Major caterers active in the Netherlands in Alphabetic order, 2003

name
* Albron
* Compass Group
* Elior
* SAB Catering
* Sodexho

Source: www.veneca.nl

- Company information on the Leading Hotel and Restaurant Chains in the Netherlands can easily be found on www.zibb.nl/horeca and on Leading Caterers in the Dutch markets on www.veneca.nl. Some of the information is in Dutch, if you need assistance please contact FAS, The Hague.

Section III: Competition

Knowledgeable traders, Europe's largest port in Rotterdam, a good distribution system, well organized wholesalers and affluent and open minded consumers, make the Netherlands an attractive export market. The Dutch processing industry is very competitive, but the position for primary producers is somewhat different. Due to high prices for farmland, high labor costs, high standards for food safety and animal welfare and multiple rules and regulations, the cost of producing raw materials is often high. As a result, the Netherlands increasingly sources from nearby countries. Trade with EU countries is fairly easy and inexpensive because of the free trade agreement and proximity.

However for some products, the Dutch HRI sector looks outside the borders of the EU, e.g. for year-round availability of fresh fruit and vegetables. The Netherlands sources fresh produce from Southern Hemisphere Countries like Chile, Brazil and New Zealand. In addition to availability, cost is another important reason to source internationally. As a result, poultry is sourced from Brazil.

Another reason why importers and wholesalers turn to foreign markets is to look for unique products or products that improve their existing product portfolio. This can be either a new product or well-known products that are produced or packed in a different way and therefore appeal to Dutch consumers. It can also be a product that Dutch have tasted abroad and also want to eat back home. However, keep in mind that, profit margins for the entire food industry and food service sector are under strong pressure at the moment.

Figure 11 gives an example of two commodities that are imported from neighboring countries and where the US has a market share of 2 percent.

Figure 11: U.S. Market Share Versus Competitors For The Wine and Seafood Market

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Adv. & Disadv. of Local Suppliers
Wine: Total imports: 689 million EURO	France: 43% Spain: 10% Portugal: 10% United States: 2%	Good quality Export tradition/experience Proximity Popular holiday destination	No real commercial availability
Seafood: Total imports: 1.4 billion EURO	Germany: 13% Denmark: 11% UK: 10% United States: 2%	Unique products Fishery Quotas Natural circumstance	EU regulations limit additional catch The domestic market is a fresh market

Source: Product Board of Wine, Product Board of Fish, USDA

Section IV: Best Product Prospects

Products Present In The Market That Have Good Sales Potential

- Wine
- Seafood
- Fresh fruit
- Nuts
- Certified Non-Hormone Treated Beef
- Processed Fruit and Vegetables
- Sauces and Condiments
- Game meat

Products Not Present In Significant Quantities But Which Have Good Sales Potential

- Fruits that are not produced in the EU
- Innovative Sauces and Condiments

Products Not Present Because They Face Significant Barriers

- Red Meat and Meat Preparations (hormone ban)
- Poultry (sanitary procedures)
- Processed Products (GMO)

Section V. Post Contact and Further Information

United States Department of Agriculture's Foreign Agricultural Service
Agriculture Export Service
<http://www.fas.usda.gov/agexport/exporter.html>

Office of Agricultural Affairs at the American Embassy
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