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Italy

HRI Food Service Sector

Hotel Restaurant & Institutional

2005

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Report Highlights: In 2003, 59.4 billion Euros worth of food and beverage were consumed in Italy outside the home. In number of establishments the Italian Hotel sector is the second largest in the world after the United States, with over 33,000 establishments located throughout Italy.

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Market Summary

Italy is the world's sixth largest market economy, with a GDP of almost $1.5 trillion, and per capita annual incomes of over $25,000. This economy remains divided into a developed industrial north, dominated by private companies, and a less developed, welfare-dependent agricultural south, with 20% unemployment. Italy has a population of 58 million people with a culture centered on food upon which they spend 20% of their disposable income. The population is aging and will shrink in coming years. While living longer, Italians are having fewer children and are marrying at a much later age. Also, contrary to trends across Europe, the majority of Italians continue to live in small cities and towns. This said, the combined population of Italy's three largest cities-- Rome, Milan, and Naples-- accounts for almost 20% of the total. Consumer price inflation has been around 2% per annum, but this has been accelerated by the conversion from the lira to Euro, and by the strength of the Euro against the dollar. Unemployment has remained stable at 9%.

The Italian Hotel, Restaurant and Institutional industry

Every year more than 80 million tourists visit Italy, making it the world's fourth most attractive tourist destination. The Italian Hotel and Restaurant Industry (HRI) sector is a lucrative and growing sector (it is the second largest in the world after the United States); however, it is also as diverse and fragmented as the Retail Sector (please see FAS Italy GAIN report IT5005). The HRI is dominated by many small establishments, with only 6% of the over 33,411 hotels belonging to international hotel chains. (See Annex 1 for a complete listing of Italian and foreign owned hotels in Italy.) According to the latest survey conducted by Maior Consulting on the Italian HRI sector, 59.4 billion Euros worth of food and beverage were consumed outside of the home in 2003.

The best initial step that a U.S. company interested in exporting to Italy and the EU can take is to find a reputable food importer, agent or wholesaler who already operates in the Italian market, knows how to facilitate product entry and has an established distribution to the HRI sector. Italian importers are usually small to medium-sized companies, rather than the large, market-dominating entities found in northern Europe. Consequently, these companies import on a smaller scale and usually in a broader range than their much larger counterparts. Most imported food products enter the Italian market through brokers or specialized traders. Imported products from North America often enter Italy indirectly via the Netherlands' Port of Rotterdam or directly by air. Wholesalers are the main customers for fish and seafood products, as they purchase and distribute to numerous small restaurants and hotels. In Italy there are over 1000 fish wholesalers--100 of which are considered to be importers. Most of the processed food and raw material sourcing decisions are made directly by the restaurant chef and/or hotel Food Purchasing Director. While there are Category Associations for the HRI sector, every establishment operates independently when it comes to sourcing decisions. (See Annex 2 for a listing of Italian HRI sector Associations).

A recent study commissioned by Cateringross (Italy's largest catering company) on sourcing behavior and purchasing decisions made by food service establishments noted that 89% of the people stated that "quality of the food" was the number one decisional factor when purchasing, while only 18% stated that "price" was the most important factor. 36% always "purchase the same products to be on the safe side" and 94% noted that the establishment owner made "all purchasing decisions", followed by the chef with 36%. Restaurants, hotels and catering companies tend to rely on importers, wholesalers and food manufacturers, while trattorias and pizzerias purchase directly from large retail food outlets.

Consumption and Expenditures

According to ISTAT in 2003 total food spending in Italy totaled 192,210 million EUROS, (a 22% increase from 1999), of which 59.4 billion EUROS were spent outside of the home (representing 34% of overall food expenditure.) In Italy, home consumption dominates food expenditure, representing 66% of the total. Italians are changing their eating habits, and in the past ten years have increased their consumption of food eaten outside of the home by 141%. Consumer foodservice expenditures have reached 31% of total food expenditures, and industry analysts forecast that by 2014 this figure could reach 50%.

Table 1 Consumer Expenditure on Food by Retail/Foodservice
(Euro million)

	Retail	Foodservice	TOTAL
1999	111,327	45,907	157,234
2000	115,004	47,669	162,673
2001	116,773	48,862	165,635
2002	125,464	55,060	180,524
2003	131,856	60,354	192,210

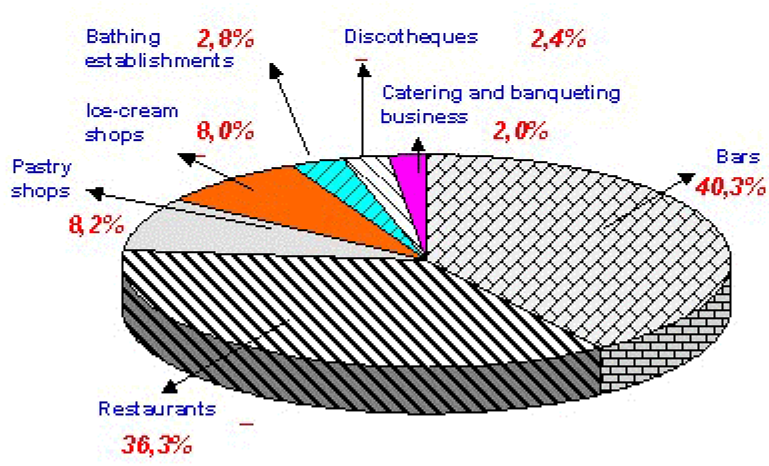
Source: Istat, Fipe, Euromonitor

Table 2 The Food Service Sector's Figures

Type of Activity	Daily Customers	Daily Sales Revenue
110,000 Bars	25,000,000	32,020,000 Euros
80,000 Restaurants	3,500,000	62,000,000 Euros
20,000 Canteen Services	500	1,653,000 Euros

Source: FIPE, Federazione Italiana Pubblici Esercizi, 2004

Table 3 Pie Chart of the Food Service Sector by type of establishment



Source: FIPE, Federazione Italiana Pubblici Esercizi, 2004

Advantages and Challenges Facing U.S. Products in Italy

Advantages	Challenges
Italians are traveling more, becoming aware of foreign cuisines.	Competition in the Italian food market is fierce and many consumers still have a preference for traditional Italian products.
Italy is a member of the Euro zone, which eases market entry.	U.S. exporters must conform to often-difficult Italian/European standards and regulations.
Interest in new and innovative products, especially with a health twist.	Recent food scares have made some Italian Consumers wary of the unfamiliar.

Road Map for Market Entry

The Italian Hotel, Restaurant and Institutional industry

With more women in the workforce, and changing working conditions, Italians seem to be eating out more, taking shorter lunch breaks, snacking more and spending much less time in the kitchen preparing a meal (only 18 minutes versus one hour as they did 10 years ago). Consumer eating out preference are shifting from traditional restaurants in favor of less expensive foodservice options like pizzerias, bars, street stalls/kiosks, self-service cafeterias and fast food. This shift towards convenient dining has led Italian importers to seek food products adapted to self-service eateries. Many bars, restaurants and food service companies also are seeking foods that microwave easily. While home use of microwaves is still low, microwave sales are increasing. Families with two working parents rely more and more on microwaves to reheat food and prepare frozen foods. Microwaves are present in most small food shops to reheat baked goods such as pizza or roasted chicken.
The Italian youth market is especially interested in lifestyle foods such as American beer, Tex Mex, sushi and salted snacks. American type packaging is perceived as being trendy and consumer friendly. U.S. exports of bulk and packaged dried fruits and nuts have consistently sold well in Italy and do very well in the HRI sector.

Recent Italian Legislation affecting the HRI Sector

Smoking ban

In December 2002, the government banned smoking in public outlets, and this went into effect January 1, 2005. In order to safeguard customer health, smoking areas will be allowed only where a proper ventilation system is installed. In any case non-smoking areas must be provided and be larger than the smoking area. Outlet management will play a core disciplinary role and will be responsible for any infringements.

Bollino Blu

Bollino Blu (Blue Decal) is the latest quality certification system created by FIPE (Italian federation of bars and catering) and the Italian Ministry of Health. The project aspires to control hygiene and quality of Italian restaurants by granting a Bollino Blu to those establishments that can provide trace-ability of food origin and suppliers.

Restaurants, Bars and Take-Away

The majority of Italian eating establishments are located in the North (47%), followed by the South (31%) and then the Center (22%). Cafés/bars continue to be the largest segment of the consumer foodservice sector, and according to FIPE, coffee is the leading product consumed outside of the home, followed by beverages and alcoholic drinks. Fast food is becoming one of the most dynamic sectors in consumer foodservice along with street stalls/kiosks. Home delivery/takeaway is still a relatively underdeveloped segment in Italy compared with other European countries and is mostly composed of pizza outlets. Self-service cafeterias remain stable, most of them belonging to chain outlets strategically located in shopping malls, airports, highway convenience stores and city centers.
(See Annex 3 for a list of leading Consumer Foodservice Brands).

Table 4 Sales in Consumer Foodservice by Sector: Units 1999-2003
(Euro million)

	1999	2000	2001	2002	2003
Cafés/bars	121,013	121,445	121,016	121,543	121,877
Full-service restaurants	78,807	80,705	81,397	81,705	82,220
Fast food	6,094	6,281	6,431	6,748	7,165
100% home delivery/ takeaway	9,126	9,431	9,651	10,020	10,390
Self-service cafeterias	1,149	1,151	1,128	1,147	1,163
Street stalls/kiosks	7,621	7,015	6,584	6,938	7,476
Consumer foodservice by type	223,810	226,028	226,207	228,101	230,291

Source: Istat, Fipe, Trade sources, Euromonitor

Institutional Food Service

The Italian Institutional sector in Italy is valued at about 6 billion Euros and serves 4 million meals a day. (An 8 % increase from 2003.) This means that 7.5 % of the Italian population over the age of 3 has lunch in one of thousands of institutional cafeterias, including hospitals, military mess halls and jails. In Italy there are presently 19 major companies that operate in this sector. The Italian Military catering sector is still a relatively untapped market segment for U.S. exporters. Industry figures show that the sector is worth more than 450 million Euros yearly. There are 300 military barracks, mess halls and Officer Clubs located throughout Italy that serve meals daily. Presently, the main Institutional Catering companies operating in Italy are; Ristochef, Gama, Gemeaz, Onama, La Cascina and Sodexho.

Competition

Italian and EU suppliers are the main competitors to U.S. products in Italy. Italy has a highly developed agricultural sector, and is a leading exporter of consumer ready and processed foods. Italians tend to be conservative and traditional in their eating. Food service companies usually select their products directly from the importers and distributors. Therefore, U.S. exporters need to work closely with the industry, focusing on the importers and distributors who can best promote U.S. products to the Italian HRI sector. These groups often have up-to-date knowledge of the most recent laws and regulations, and know how to communicate and work closely with the Italian Customs Officials. American exporters who can assist in consolidating shipments from other U.S. sources or who have a wide range of products for export have the greatest possibility of success in the Italian market. Single item exporters have a more limited chance for success in the Italian market at this time.

Best Product Prospects

American-style fast food chains, buffets, and salad bars are gaining popularity in the Italian market. This move towards more convenient dining has led Italian importers to seek out U.S. food products adapted to self-service eateries. Many bars, restaurants and food service companies also are seeking foods that microwave easily. Italians are consuming increasing quantities of breakfast cereals, organic and snack foods. The Italian youth market is especially interested in lifestyle foods such as American microbrew beer and salted snacks. American type packaging is perceived as being trendy and consumer friendly. American food does well in the Italian market, including in the increasingly popular sushi bars. U.S. exports of bulk and packaged dried fruits and tree nuts are important U.S. exports to Italy.

Leading Italian Agricultural Exports to the United States in 2004
(Million USD $) (Source: U.S. BICO)

Wine & Beer	$ 977,788
Vegetable and olive oils	$ 509,915
Cheese	$ 223,532
Snack Foods and Chocolate	$ 103,302
Processed Fruits & Vegetables	$ 30,553
Roasted & Instant Coffee	$ 26,170

Leading U.S. Agricultural Exports to Italy in 2004

(Million USD $) (Source: U.S. BICO)

Tree Nuts	$126,519
Wheat	$ 99,613
Fish & Seafood	$ 56,487
Coarse Grains	$ 40,369
Soybeans	$ 29,091
Processed Fruits & Vegetables	$ 17,990

Exchange Rate: US Dollar to EURO

Average 2001: $1.00 = €1.117
Average 2002: $1.00 = €1.100
Average 2003: $1.00 = €0.925
Average 2004: $1.00 = €0.805

Source: European Central Bank

Section 3. Best Products Prospects

A. U.S. products in the Italian market that have good sales potential:

Wild salmon from Alaska
Lobster
Dried plums
Tree nuts
Wheat
Tex Mex and other ethnic foods
Dried beans and lentils
Processed fruit juice

B. Products not present in significant quantities but which have good sales potential:

Cake mixes
Dressings and sauces/condiments
Beer
Snacks
Scallops
Chocolate
Specialty/Microbrew Beer

C. Products not present because they face significant trade barriers:

Beef
Cheese
Poultry
Processed food products containing biotech ingredients

Section 4. USDA FAS Italy Contacts in Rome

U.S. travelers to Italy seeking appointments with U.S. Foreign Agricultural Service officials at Embassy Rome should contact the office at:

Office of Agricultural Affairs,
American Embassy
Via Veneto 119, Rome, 00187, Italy

Tel:	(011) (39) 06 4674 2396
Fax:	(011) (39) 06 4788 7008
Website:	www.usembassy.it/agtrade/

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Annex 1.

Alphabetical Listing of Leading Italian and Foreign owned Hotels
(Source: Federalberghi)

Accor
French owned Hotel chain that is present in Italy with four brands: Ibis, Mercure, Novotel and Sofitel, with over 60 hotels.

Ata
Italian owned hotels belonging to the Ligresti family and present in the Italian market with 10 establishments.

Baglioni
Italian owned hotels belonging to the Facchini family and present in the Italian market with 9 establishments.

Bass Hotels and Resorts
American owned hotels present in the Italian market with 70 establishments.

Best Western International
American owned hotels present in the Italian market with 119 establishments mainly located in historical cities, sea and mountain locations.

Bettoja
Italian owned hotels belonging to the Bettoja family and present in the Italian market with 6 establishments.

Bonaparte
Italian owned hotels belonging to Fusi Finanziaria Costruzioni Immobiliari present in Italy with 8 establishments.

Boscolo
Italian owned hotels belonging to the Boscolo family and present in Italy with 8 establishments.

Choice Hotels International
American owned hotels present in the Italian market with 20 establishments.

Forte Hotels
British owned hotels belonging to the Forte family chain present in Italy with 41 establishments.

Four Seasons Hotel Inc.
Canadian owned hotels present in the Italian market with 1 establishment in Milan.

Framon Hotels
Italian owned hotels belonging to the Franz and Mondello families and present in the Italy with 15 establishments.

Jolly Hotels
Italian owned hotels belonging to the Marzotto and Benetton families present in Italy with 78 establishments.

Ladbroke Plc
American owned hotels belonging to the Hilton Hotel Corp and Hilton International present in Italy with 6 establishments.

Marriott International
American owned hotels present in Italy with the Marriott and Ramada brands, and has 4 establishments.

Monrif
Italian owned hotels belonging to the Riffeser Monti family, and present in the Italian market with 6 establishments.

Orient Express
British owned hotels mainly present in the Italian market with 3-4 star establishments.

Sina
Italian owned hotels belonging to Bernabo Bocca, President of the Italian Hotel Association, and present in Italy with 6 establishments.

Societe du Louvre
French owned hotels belonging to the company the owns Taittinger and present in Italy with 4 establishments.

Sol Melia
Spanish owned hotels present in Italy with 2 establishments.

Space
Italian owned joint venture between a group of entrepreneurs, mainly focusing in the 3-4 star hotel category and present in Italy with 90 establishments.

Starhotels
Italian owned hotels belonging to the Fabbri family and present in Italy with 19 establishments.

Starwood Hotels and Resorts
American owned hotels mainly in the 5 star luxury category and present in Italy with 56 establishments.

Turin Hotels International
Italian owned hotels belonging to the Ramondetti family and present in Italy with 10 establishments.

Annex 2.

Listing of Italian HRI sector Associations:

Federalberghi
Italian Hotel Association
Via Toscana 1,
00187, Rome, Italy
Tel: + (39) 06 42741151
Fax: + (39) 06 42871197
Website: www.federalberghi.it

Confcommercio
General Confederation of Trade, Tourism, and Services
Piazza G. G. Belli, 2
00153, Rome, Italy
Tel: +(39) 06 58 661
Fax: +(39) 06 58 09 425
Website: www.confcommercio.it

AICA – Associazione Italiana Catene Alberghiere
Italian Hotel Chain Association
Viale Pasteur 10,
00144, Rome, Italy
Tel: + (39) 06 591 3523
Fax: + (39) 06 592 90433
Website: www.aica-italia.it

FIPE – Federazione Italiana Pubblici Esercizi
Italian Federation of Bars and Catering
Piazza G. Belli 2,
00153, Rome, Italy
Tel: +(39) 06 583 921
Fax: + (39) 06 581 8682
Website: www.fipe.it

ANGEM - Associazione Nazionale delle Aziende di Ristorazione Collettiva e Servizi
Italian National Association of the Institutional Food Service
Piazza Risorgimento 10,
20129, Milan, Italy
Tel: +(39) 02 718911
Fax: +(39) 02 76111042
Website: www.angem.it

Annex 3.

List of leading Consumer Foodservice Brands and Outlets – 2003

Global brand owner	Brand	Number of Outlets
Autogrill SpA	Autogrill	432
McDonald's Corp	McDonald's	312
Autogrill SpA	Spizzico	169
Diageo Plc	Guinness Pubs	150
Heineken NV	Heineken Pubs	147
Autogrill SpA	Ciao	90
Tipico SpA	Tipico	85
Cremonini SpA	Chef Express	81
Cremonini SpA	Agape	67
Pastarito SpA	Pastarito	55
Danone, Groupe	Crazy Bull Cafè	41
Autogrill SpA	Other Autogrill brands	39
Starwood Hotels & Resorts Worldwide Inc	Sheraton Restaurants	37
InterContinental Hotels Group Plc	InterContinental restaurants	36
Ristop SpA	Ristop	33
Jolly Hotels Group	Jolly Restaurants	33
Accor Group	Accor Hotels	27
Burger King Corp	Burger King	24
Autogrill SpA	Acafé	23
PAM SpA, Gruppo	Brek	22
Camst Srl	Various Camst brands	22
Agrolimen SA	Pans & Co	21
Starhotels SpA	Starhotel	19
Agapes Restauration SA	Flunch	18
Cremonini SpA	Hot One	18
Autogrill SpA	Pan Esprit/Pain a la Ligne	17
La Ricca Srl	Insalata Ricca	15
Camst Srl	Break	12
Seven Srl	Crema e cioccolato	12
Cremonini SpA	Mister Panino	11
Cremonini SpA	Other Agape brands	10
Ice Cold SAS	Transilvania Horror Kafè	9
PAM SpA, Gruppo	Brek Focaccerie	9
Parados Srl	Parados	8
Cremonini SpA	Other Agape	7
Happy Food Corp Srl	Happy Food	7
Tex Srl	Cohiba	7
Cremonini SpA	Roadhouse Grill	5
Finitalia Srl	Tony Pasto Veloce	5
Pizza Doc Pizzerie Srl	PizzaDoc	4
PAM SpA, Gruppo	DeGustibus	3
Grands Moulins de Paris	Délifrance	3
Autogrill SpA	Al dente	2
Jungle Juice Srl	Jungle Juice	2

Source: Euromonitor, Fuori Casa, Bar Giornale, Company sources