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# New Zealand

# HRI Food Service Sector

# Annual

# 2008

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**Report Highlights:** This report provides an overview of the restaurant food service sector in New Zealand.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Wellington [NZ1]
[NZ]

# SECTION I. MARKET SUMMARY

### Overview

Comparable in size to Colorado, New Zealand is an island country with a diverse multicultural population of 4.23 million people. It is a largely urbanized society with over half of the population residing in the four largest cities: Auckland, Wellington, Christchurch and Hamilton. Over one-third of New Zealanders live in Auckland and the surrounding areas.

According to the New Zealand Restaurant Association, sales in the foodservice industry, which employs more than 80,000 people, reached NZ $4.8 billion (US $3.69 billion) in 2007 (April 1, 2006 – March 31, 2007), up 7% from the previous year. In New Zealand, eating out is a popular way to relax and socialize. Busier lifestyles along with rising discretionary income are two of the factors that have accounted for growth in the foodservice industry. Auckland has the largest share of the food service market at 37%, followed by Wellington at 14.6%, and the Waikato/Bay of Plenty region at 11.5%.

The total number of food outlets in New Zealand increased from 10,681 in 2006 to 10,963 in 2007, an increase of approximately 2.5%. Commercial food outlets in New Zealand range from multinational chains, such as McDonalds, to ethnic restaurants and café shops.

On average, New Zealand households spend NZ $156 (US $120) per week on food, of which, approximately 44% is spent on grocery food items, 24% on restaurant meals and ready-to-eat meals, 15% on meat, poultry and fish, 12% on fruits and vegetables and 5% on non-alcoholic beverages. (Statistics New Zealand)

**New Zealand's Foodservice Industry Sales**

| Type of Restaurant | 2004 | | 2005 | | 2006 | | 2007 | |
|---|---|---|---|---|---|---|---|---|
| | Annual Sales (NZ $ Million) | Percent Growth Rate 1/ | Annual Sales (NZ $ Million) | Percent Growth Rate | Annual Sales (NZ $ Million) | Percent Growth Rate | Annual Sales (NZ $ Million) | Percent Growth Rate |
| Restaurants, Cafes, Coffee Houses and Caterers | 2,865 | 4 | 3,099 | 8 | 3,449 | 11 | 3,637 | 5 |
| Fish and Chip Shops, Ethnic Food Takeaway Shops, Chicken and Hamburger Outlets | 487 | 13 | 572 | 17 | 608 | 6 | 683 | 12 |
| Pizzerias | 77 | 10 | 110 | 43 | 143 | 30 | 177 | 24 |
| Lunch Bars, Ice Cream Parlors and Vendors and Other Takeaways | 237 | 21 | 239 | 1 | 296 | 24 | 303 | 2 |
| **TOTAL** | **3,666** | **6** | **4,020** | **10** | **4,496** | **12** | **4,800** | **7** |

1/ Statistics reported on a March year (April 1 – March 31)
Source: Restaurant Association of New Zealand; 2007 Foodservice Facts

New Zealand's food service sector can be divided into three major segments: restaurants, cafes and coffee shops; pizzerias; and take out shops.

**Restaurants, cafes and coffee shops**

This segment of the market accounts for 76% of total food service sales in New Zealand. Sales for restaurants, cafes, and coffee shops, as estimated by the Restaurant Association of New Zealand, were up just 5% in 2007 compared to 24% for pizzerias and pizza take away shops and 12% for other take away shops (fish and chips, hamburger, chicken etc.) According to Euromonitor, full service restaurants are forecast to grow at the rate of 4% per annum through 2011. Within this segment, the number of ethic restaurants is expected to continue to increase reflecting changing consumer preferences and an increasingly multicultural society.

**Restaurant Sales in New Zealand**
**(NZ $ Million)**

| Type of Restaurant | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|
| Full-service restaurants | 2,635 | 2,713 | 2,815 | 2,871 | 2,944 | 3,091 |
| Chained full-service restaurants | 109 | 112 | 116 | 112 | 104 | 124 |
| Independent full-service restaurants | 2,525 | 2,601 | 2,698 | 2,759 | 2,839 | 2,966 |
| European full-service restaurants | 632 | 651 | 677 | 710 | 753 | 791 |
| North American full-service restaurants | 886 | 904 | 921 | 907 | 896 | 953 |
| Chained North American full-service restaurants | 96 | 99 | 103 | 97 | 90 | 111 |
| Independent North American full-service restaurants | 789 | 805 | 817 | 809 | 805 | 841 |
| Latin American full-service restaurants | 137 | 140 | 146 | 143 | 142 | 145 |
| Independent Latin American full-service restaurants | 137 | 140 | 146 | 143 | 142 | 145 |
| Middle Eastern full-service restaurants | 97 | 107 | 125 | 138 | 146 | 153 |
| Independent Middle Eastern full-service restaurants | 97 | 107 | 125 | 138 | 146 | 153 |
| Asian full-service restaurants | 406 | 420 | 438 | 434 | 433 | 439 |
| Chained Asian full-service restaurants | 4 | 4 | 6 | 6 | 7 | 7 |
| Independent Asian full-service restaurants | 401 | 415 | 432 | 428 | 425 | 432 |
| Pizza full-service restaurants | 37 | 37 | 37 | 39 | 39 | 39 |
| Chained Pizza full-service restaurants | 8 | 7 | 7 | 7 | 6 | 5 |
| Independent Pizza full-service restaurants | 28 | 29 | 29 | 31 | 32 | 34 |
| Other full-service restaurants | 438 | 452 | 470 | 498 | 533 | 567 |
| Independent other full-service restaurants | 438 | 452 | 470 | 498 | 533 | 567 |
| Casual Dining - full-service restaurants | 39 | 44 | 52 | 60 | 60 | 75 |
| Independent European full-service restaurants | 632 | 651 | 677 | 710 | 753 | 791 |

Source: Euromonitor

**Take Out Shops**

This category, which is comprised of fish and chip shops, ethnic food take away shops, and fast food shops, accounts for 14% of the food service market. In value terms, it grew 12% to NZ $683 million (US $525.9) in 2007. In 2006, fast food chains account for around 57% of the total number of fast food outlets in New Zealand. (Euromonitor).

**Pizzerias**

According to the New Zealand Restaurant Association, the value of total pizzeria sales in 2007 (March year) were $177 million. This sector accounts for 3.7% of total food service sales. At 24%, pizza chain outlets reported the highest growth rate of any food service establishment type in 2006. Yum Brands Inc. (Pizza Hut Chain) held a 40% market share in 2006, followed by Tasman Pacific Foods (Hell's Pizza chain) at 29% and Domino's Pizza Inc. at 26%. (Euromonitor)

**Home/Pizza delivery Brand Share (% market share)**

| Brand | Brand Owner | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|
| Pizza Hut | Yum! Brands Inc | 73.3 | 55.2 | 46.7 | 40.5 |
| Hell Pizza | Tasman Pacific Foods | - | - | - | 28.6 |
| Domino's Pizza | Domino's Pizza Inc | - | 7.0 | 22.5 | 26.4 |
| Wishbone | Wishbone Enterprises Ltd | 2.2 | 3.4 | 3.3 | 2.7 |
| Pizzaguy | Pizza Guy NZ Ltd | 2.0 | 1.9 | 1.6 | 1.6 |
| Tandoori Palace | Tandoori Palace Ltd | 0.6 | 0.4 | 0.3 | 0.3 |
| Hell Pizza | Hell Pizza | 2.9 | 19.6 | 25.6 | - |
| Pizza Haven | Domino's Pizza Inc | - | 12.4 | - | - |
| Pizza Haven | Pizza Haven Pty Ltd | 18.9 | - | - | - |
| Total | | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Euromonitor – 100% Home Delivery/Takeaway – New Zealand

# SECTION II. ROAD MAP FOR MARKET ENTRY

## ADVANTAGES AND CHALLENGES FOR U.S. FOOD EXPORTERS

| Advantages | Challenges |
|---|---|
| Ease of doing business, relatively low tariffs and small market size makes New Zealand an attractive export destination for new-to-export and small companies | Small market with a population of just 4.23 million people; distance from the United States results in high transportation costs |
| Southern hemisphere location provides opportunities for U.S. suppliers to ship during New Zealand's off season | Strict phytosanitary/sanitary regulations with regard to fresh produce and meat |
| The New Zealand dollar is at record levels making imports more price competitive | Australian products enjoy a transportation advantage and are assessed a zero import duty |
| New Zealanders enjoy a relatively high disposable income and a growing interest in global cuisine | New Zealand is strong in the production and export of agricultural, forestry and seafood products |

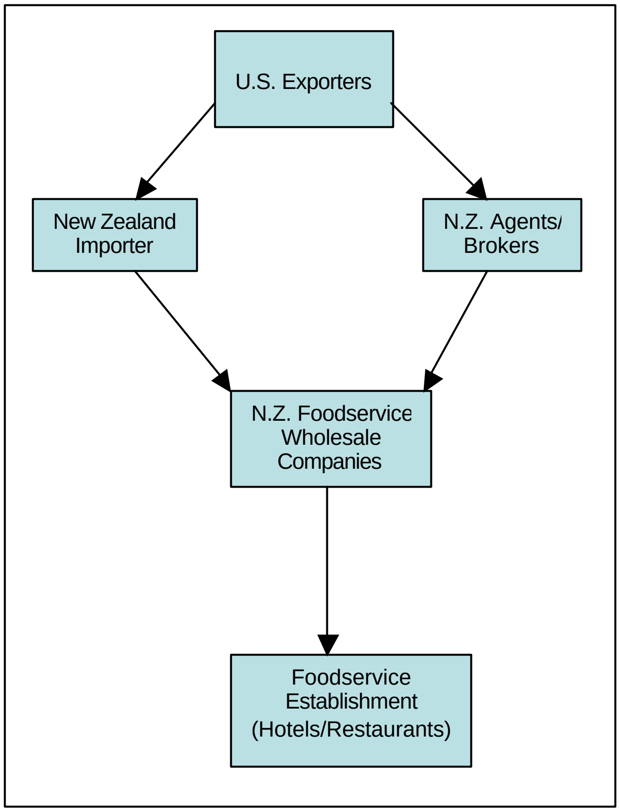
## ENTRY STRATEGY

- U.S. exporters may elect to appoint agents, distributors, wholesalers or import brokers who can target foodservice wholesalers and hospitality industry segments such as restaurants, hotels and coffee shops.

- Foodstuffs (NZ) Limited, a supermarket chain which holds more than 50 percent market share in New Zealand, has three regional offices, and each regional office operates wholesale warehouse and distribution operations to service the needs of restaurants, catering businesses, corner stores, service stations and institutions. These wholesale operators are: James Gilmour & Co. Ltd. (Auckland); Toops Wholesale Ltd. (Wellington); and Trents Wholesale Ltd. (South Island). The Wellington region has an independent wholesale/distribution chain that supplies local restaurants called Moore Wilsons Limited, which is unconnected to Foodstuffs. (See section VI for contact information.)

## DISTRIBUTION CHANNELS

**Distribution Channel Flow Chart for Market Entry into New Zealand**



## SELECTED SUB-SECTOR PROFILES

### a. Fast Food Restaurants

Chained fast food restaurants accounted for around 57% of the total number of fast food outlets in 2006. (Euromonitor)

**Leading Fast Food Chain Outlets in New Zealand (2006)**

| Company Name | Number of Outlets | Location |
|---|---|---|
| McDonald's New Zealand | 139 | Throughout NZ |
| Burger King | 68 | Throughout NZ |
| Wendy's | 30 | Auckland |
| Subway | 177 | Throughout NZ |
| Domino's | 62 | Throughout NZ |
| Pizza Hutt | 105 | Throughout |
| KFC | 95 | Throughout NZ |
| Starbucks | 46 | Throughout NZ |
| Hells Pizza | 65 | Throughout NZ |

Source: Euromonitor – Consumer Foodservice, 2007

### b. Coffee Shops

New Zealand has become a café society, especially in urban centers. Specialist coffee shops saw strong growth in 2006 in sales.

**Leading Coffee Chain Outlets in New Zealand (2006)**

| Company Name | Store Numbers | Parent Company | Ownership Structure |
|---|---|---|---|
| Starbucks | 46 | Starbucks Limited | Franchise |
| Muffin Break | 37 | Foodco Group | Franchise |
| Robert Harris | 50 | BP | Franchise |
| McCafe | 44 | McDonalds Corp | Franchise |
| BBs Coffee | 25 | RFG (Australia) | Franchise |
| Wild Bean Café | 69 | British Petroleum | Franchise |
| Esquires | 27 | Esquires (Canada) | Franchise |

Source: Euromonitor – Consumer Foodservice, 2007

# SECTION III. COMPETITION

Australia supplies more than 50% of the total value of New Zealand's food product imports including those used in the restaurant industry. Australian suppliers enjoy lower transport costs and, under the Closer Economic Relations Agreement, duty-free entry for their products. In contrast, U.S. food products are assessed import tariffs ranging from 0-7 percent. Many American firms have a manufacturing base in Australia which offers well-established food brands into the New Zealand market.

**Major Suppliers to New Zealand for Selected Products**
**2007**

| Product Category | Major Supply Sources | Strengths of Key Supply Countries | Advantages and Disadvantages of local suppliers |
|---|---|---|---|
| Fresh Fruits<br><br>Total Imports from All Sources: 135,850 tons | 1. Philippines 41%<br>2. Ecuador 25%<br>3. U.S. 15% | 1. Price competitive<br>2. Ability to supply counter-seasonal fruits (U.S.) | Major U.S. exports include fresh grapes, apricots, cherries, peaches, plums, pears and citrus fruits. New Zealand is a producer of most of these fruits, however, local fruit is unavailable in certain months creating a window of opportunity for U.S. fruits. |
| Processed Fruits & vegetables<br><br>Total Imports from All Sources: 124,048 tons | 1. Australia 25%<br>2. China 20%<br><br>*(U.S. has a 5% market share)* | 1. Price competitive<br>2. Duty-free access and proximity to NZ (Australia) | New Zealand has limited processed fruit and vegetable manufacturers. Local crop shortfalls also encourage import of these products. |
| Dried Fruit (Dates, Figs, raisins)<br><br>Total Imports from All Sources: 1,970 tons | 1. Iran 62%<br>2. Turkey 17%<br><br>*(U.S. has a 4% market share)* | 1. Traditional supply relationships<br>2. Price competitive | No local producers of dates, figs and raisins. |
| Nuts (almonds/ walnuts/ pistachios)<br><br>Total Imports from All Sources: 7,658 tons | 1. Vietnam 23%<br>2. U.S. 18%<br>3. Australia 10% | 1. Price competitive<br>2. Proximity to NZ (Australia) | New Zealand is not a producer of nuts. |

Source: Global Trade Atlas; NZ Food importers; Masterpet official; NZ Harmonized Tariff

# SECTION IV. BEST PRODUCT PROSPECTS

Best product prospects include:

- Food products and preparations, especially those offering convenience, such as vegetable sauces, prepared fruit sauces etc.
- Frozen/chilled appetizers used in food service industry
- Meat products and specialty seafood products
- U.S. wines especially varietals not produced in New Zealand such as Zinfandel

**U.S. Exports to New Zealand with Strong Growth Rates**

| Product Category | Total Imports 2007 (US$ millions) | 5 Year Average Annual Import Growth | Import Tariff Rate | Key Constraints over Market Development | Market Attractiveness for U.S. |
|---|---|---|---|---|---|
| Fresh Grapes | $20,790 | 25% | Free | NZ is a small market; competition from Chilean and Australian grapes. | High growth potential. Consumers want fruits to be available year round. |
| Fresh Fruits (apricots, cherries, peaches, plums) | $5,484 | 22% | Free | Some consumers have a slightly negative quality perception of imported fresh fruits. | U.S. can supply counter-seasonal fruit. Consumers want fruits to be available year round. |
| Pears | $3,598 | 26% | Free | Consumer resistance to unfamiliar varieties such as red Anjou pear. | NZ is one of the first markets to get the fresh pear crop. |
| Citrus Fruit | $17,998 | 20% | Free | Small market | New Zealand consumers appreciate quality of U.S. citrus. |
| Fruit Juice | $49,982 | 21% | 5-7% | U.S. products are expensive compared to product from some competitor countries. | Value-added juices/ concentrates with health and nutritional benefits have potential to grow. |
| Processed Fruits & Vegetables | $186,135 | 16% | 0-7% | U.S. products are expensive compared to other countries such as China. | U.S. has a reputation of supplying good quality product. To be successful, product must be price competitive. |
| Dry Fruit (dates, figs, raisins) | $3,195 | 20% | Free | U.S. is price competitive in raisins; faces tough competition in dates/figs category. | Expanding demand for good quality and healthy foods. |
| Pork meat (frozen/Chilled) | $81,582 | 21% | 5% | U.S. products face tough competition from Canadian products. | Demand for pork products such as ham and its by-products are increasing. |

# SECTION V. POST CONTACT AND FURTHER INFORMATION

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