

**Required Report:** Required - Public Distribution

**Date:** October 26, 2023

**Report Number:** NI2023-0009

## **Report Name:** Food Service - Hotel Restaurant Institutional

**Country:** Nigeria

**Post:** Lagos

**Report Category:** Food Service - Hotel Restaurant Institutional

**Prepared By:** FAS-Lagos Staff

**Approved By:** Christopher Bielecki

### **Report Highlights:**

This report provides the latest updates in Nigeria's Hotel, Restaurant, and Institutional (HRI) sector and provides a road map for U.S. exporters wishing to enter the market. While Nigeria has Africa's largest potential consumer base, consumer purchasing power, and patronage of the HRI sector, has been stunted due to a weakened currency, rising import costs, high food inflation, and security concerns. Despite these challenges, hotels are developing more cafés, bars, restaurants, and catering services to attract customers. Quick service restaurants (QSRs) are reviewing menu options to economize and offer lower priced options as eroding purchasing power has made street food stalls a more affordable option. Due to a weakened currency making international travel more expensive, middle class consumers are increasingly looking inside Nigeria to visit nice restaurants, book celebrations, and go on "staycations."

## Market Fact Sheet: Nigeria

**Executive Summary:** With 218 million people, Nigeria is Africa’s largest country by population, and has the continent’s largest economy by gross domestic product (GDP). By 2025, some estimate the population will reach 400 million by 2050, making it the third most populous country in the world behind India and China. The HRI sector is challenged by uncertain economic times and a depreciating national currency. Nigeria imports about \$10 billion in food and agricultural products each year. U.S. food and agricultural exports reached \$631 million in 2022. About 25 percent of this consisted of intermediate and consumer-oriented products.

### Consumer-Oriented Food Imports

In 2022, total consumer-oriented food imports amounted to about \$1.8 billion, and of this, the United States exported \$58 million. The country maintains a ban on some food and agricultural products including frozen poultry, beef, pork, eggs, vegetable oils, and spaghetti/noodles. Major consumer-oriented imports included dairy products, seafood, spirits, soups, bakery ingredients, and other food preparations. While there is a large potential consumer base, purchasing power and patronage of the HRI sector has been challenged by a depreciating naira, insecurity, foreign exchange scarcity, inadequate public infrastructure, and supply chain constraints.

### Composition of Food Industry

**Consumer Sector:** Household spending on food is forecast to grow by an average of 15.2 percent year-on-year during 2022 – 2025. It is estimated that 80 percent of retail shopping is still conducted at traditional shops, but consumers are shifting towards supermarkets and convenience stores.

**Food Processing:** Accounts for more than 22 percent of manufacturing sector and contributes about 5 percent of the country’s GDP. The sector is dominated by small and medium-sized enterprises. There are no established market leaders. Food processing has been hampered by high import costs, foreign exchange scarcity,

volatile domestic production, insecurity, and soft consumer purchasing power.

**Food Service:** Organized (i.e., franchised) QSRs are growing at an average of 10 percent per year and is estimated to be worth over \$600 million. Snacks and fast-food consumption are estimated to have an annual growth rate of 20 percent.

### 2022 Quick Facts

#### Leading Food Service Chains

1. Chicken Republic 2. KFC 3. Mr. Bigg’s 4. Domino’s Pizza 5. Tastee Fried Chicken 6. Kilimanjaro 7. Tantalizers

#### Leading Hotel Chains

1. Eko Hotels & Suites 2. Hilton Hotels & Resort 3. Marriot Hotels & Resorts 4. Sun International Group 5. Le Méridien 6. Radisson Blu.

#### Leading Food Retailers

1. Shoprite 2. SPAR 3. Next Cash and Carry 4. Hubmart 5. Market Square

#### GDP/Population

Population (Million): **218 (2022)**

GDP (billion USD): **\$477 (2022)**

GDP per capita (USD): **\$2,188**

### SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>➤ Africa’s largest consumer market.</li> <li>➤ Familiarity with U.S./European foods; English language used.</li> <li>➤ Favorable view of the United States.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Weak consumer purchasing power.</li> <li>➤ Volatile currency; foreign exchange shortages.</li> <li>➤ Banking, credit, and finance challenges.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>➤ Increasing urbanization and youth population.</li> <li>➤ Increased interest in travel, leisure, and dining out.</li> <li>➤ Strong market for food and beverage imports.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Insecurity limits travel and tourism.</li> <li>➤ Cold chain, logistics, and distribution stifle higher-end offerings outside of Lagos and Abuja.</li> <li>➤ Government policies restrictions on foreign exchange and imports.</li> </ul>

## SECTION I. MARKET SUMMARY

In 2023, consumer purchasing power eroded in part due to foreign currency scarcity, high inflation, and the naira's devaluation, placing negative pressure on the HRI sector. The National Bureau of Statistics (NBS) reported food inflation reached 29.34 percent in August 2023, on a year-on-year basis. In 2023, consumer earnings failed to rise in tandem with inflation, causing consumer purchasing power to steadily erode. In 2023, the Tinubu administration removed the national fuel subsidy and implemented a value added tax on diesel imports which placed additional price pressure on discretionary business and leisure activities. The government has been working to stem inflation and the currency's slide, however positive policy effects have not yet materialized.

The government employs restrictive trade measures, including food and agricultural import bans, high tariffs, permits/licensing, and quotas. The stated aims of these policy are to stimulate domestic production, reduce imports, and contribute to a positive balance of trade. Several consumer-oriented food products are on the government's [list of prohibited or restricted import items](#). In October 2023, [the Central Bank of Nigeria \(CBN\) lifted restrictions](#) on sourcing foreign exchange from official foreign exchange sources for 43 items, including several food and agricultural products. Import prohibitions remain in place for several food and agricultural products including poultry, pork, beef, refined vegetable oils, fruit juice, and spaghetti/noodles.

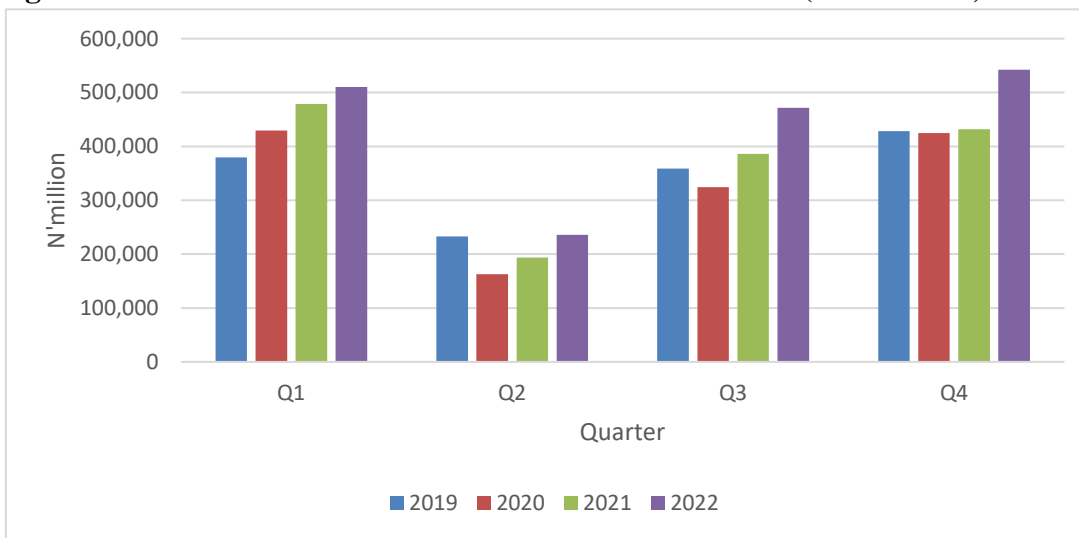
### 1.1 Advantages and Challenges facing the HRI Sector

Advantages	Challenges
➤ Large domestic consumer market of about 218 million; an additional West African market of another 200 million. Many consider Nigeria a central business destination.	➤ Per capita income is estimated at only \$2,188; income distribution is uneven with 70 percent of the population living on less than \$2 per day.
➤ Increasing urbanization and rising levels of female employment support demand for more convenient meal options.	➤ Imports have shorter shelf life due to long transit times, challenging logistics, and customs clearance inefficiencies.
➤ Western-style HRI sector with major international brands. English language predominant.	➤ Price conscious market; strong competition from European Union (EU) suppliers.
➤ Higher end consumers are increasingly searching for higher quality food and beverages inside Nigeria.	➤ Restrictive trade policies limit imports; currency devaluation makes imports more expensive.
➤ HRI buyers express interest in U.S. agricultural trade shows; high respect for U.S. HRI brands and franchises.	➤ U.S. exporters experience higher freight charges compared to Europe, Asia, and South Africa

## SECTION II: ROAD MAP FOR MARKET ENTRY

According to the NBS, the HRI sector grew annually at 4.22 percent in 2022. The industry was severely affected by COVID-19 lockdowns in 2020, which eliminated years of strong revenue growth (Figure 1). In 2021-2022, the sector rebounded with increases in investments, patronage, and hotel occupancy rates. The sector benefits from a relatively youthful and urban population. Nigeria’s culture also fosters a fun-loving lifestyle with large groups of friends and family celebrating and traveling together. In 2023, consumer price inflation, a depreciating currency, insecurity, and the removal of the national fuel subsidy tamped down demand for discretionary travel, lodging, and restaurant patronage. At the same time, challenging economic factors also decreased international travel, leading many to stay inside Nigeria to celebrate and vacation.

**Figure 1. Accommodation and Food Services Performance (2019 – 2022)**



*Source: National Bureau of Statistics (NBS)*

### 2.1 Entry Strategy

The food service sector offers a growing market opportunity for U.S. exporters of semi-processed foods and ingredients. U.S. exporters can approach the HRI food market through established importers, distributors, agents, or representatives. The importer-distributor is central and should be the first contact for entry into the market.

U.S. exporters can follow one or more of these strategies to enter the market:

- Contact the FAS Office of Agricultural Affairs (Section V) in Lagos, to assist in identifying potential importer-distributors.
- Contact the selected importer-distributor(s) with sales catalogs. Importer-distributors usually register products with the relevant government food regulatory agencies, such as the National Agency for Food & Drug Administration & Control (NAFDAC).
- Target distributors and wholesalers that stock a wide range of items, as the food service operators

search for a ‘one-stop-shop’ distributor.

- While there are some growing HRI trade shows in Nigeria and West Africa (e.g., [Food and Beverage West Africa](#) held in Lagos, June 2024), also consider exhibiting at regional trade shows, such as [Gulfood](#) and [Anuga](#), which are generally well attended by Nigerian importers.
- Offer flexible shipping volumes and small-sized packaging, indicating readable manufacture date and date of expiration.
- Consider visiting Lagos, which many consider the commercial and business capital of Nigeria. Provide samples and sales catalogs to potential buyers.

## **2.2 Market Structure**

The sector consists of three sub-sectors: hotels and resorts, restaurants, and institutions. Industry analysis shows that HRI’s share in food sales is 30 percent for hotels, 50 percent for restaurants, and 20 percent for institutions/outdoor operations.

In the early 2000s, investment spurred optimistic shopping malls plans which proliferated in major cities. International supermarkets such as ShopRite, SPAR, and GAME expanded operations across the country. However, since 2015 and the decline of the price of oil, Nigeria experienced fiscal policy volatility, supply chain challenges, currency depreciation, high operating costs, and eroding consumer purchasing power. These challenges are partly responsible for the trend towards smaller-sized operations serving neighborhoods and the growing number of shopping kiosks and street shops.

The organized fast-food industry is estimated to be valued at \$602.5 million according to the Association of Fast-Food Confectioners of Nigeria - growing at 10% annual rate in recent years. Despite its robust growth rate, only a few QSRs thrive while many struggle. QSRs face major operating challenges including unfavorable or capricious government regulations, supply chain constraints, and soft consumer purchasing power.

## **2.3 Distribution**

An importer may serve as the U.S. exporter's appointed agent and sole representative, or they may import consolidated containers from various consumer-oriented food exporters.

- Retailers purchase more than 80 percent of consumer-oriented foods from importers and wholesalers located in the traditional open markets.
- There are growing instances where wholesalers/agents are bypassed by end-buyers who deal directly with exporters.
- Online retailing is still emerging in Nigeria, however consumers (especially the young) in urban areas are utilizing mobile payments, restaurant and grocery delivery applications, and internet commerce.

- The COVID-19 pandemic increased the adoption of digital innovation in the food service industry by encouraging restaurant operators to invent menu items that could be ordered online and delivered intact. Food delivery services include JumiaFood, Glovo, and Chowdeck.

## 2.4 Sub-Sector Profiles

### Hotels

- There is a growing trend for families and individuals to stay in hotels during festive periods, vacations, business travel, meetings, and conferences.
- Hotel are evolving to offer more consumer choices with cafés, bars, restaurants, catering services, event management, night clubs, and casinos.
- International brands continue to dominate the higher-end hotel market (Table 1).
- Insecurity has limited domestic business and tourist travel, especially outside the major cities of Lagos and Abuja.

**Table 1. Leading Hotel Brands**

Name	Website
Eko Hotels and Suites	<a href="https://www.ekohotels.com/">https://www.ekohotels.com/</a>
Transcorp Hilton	<a href="https://www.abuja.hilton.com">https://www.abuja.hilton.com</a>
Marriott	<a href="https://www.marriott.com/">https://www.marriott.com/</a>
Radisson	<a href="https://www.radissonhotels.com/">https://www.radissonhotels.com/</a>
Best Western	<a href="https://www.bestwestern.com/en_US/hotels/destinations/worldwide-hotels/africa/countries/hotels-in-nigeria.html">https://www.bestwestern.com/en_US/hotels/destinations/worldwide-hotels/africa/countries/hotels-in-nigeria.html</a>
Sun International (Federal Palace)	<a href="https://www.suninternational.com/federal-palace/">https://www.suninternational.com/federal-palace/</a>
Golden Tulip	<a href="https://www.goldentulip.com">https://www.goldentulip.com</a>

### QSRs

This sector is expanding and evolving as Nigeria’s consumer base develops; it is characterized by both local and international franchising models (Table 2).

**Table 2. QSR Brands**

Brand	Brand	Website
Yum Restaurant Int. USA	KFC, Pizza Hut	<a href="https://www.yum.com/wps/portal/yumbrands/Yumbrands">https://www.yum.com/wps/portal/yumbrands/Yumbrands</a>
Famous Brand SA	Debonairs Pizza	<a href="https://famousbands.co.za">https://famousbands.co.za</a>
UAC	Mr. Biggs and Dominos Pizza	<a href="https://www.uacnplc.com/portfolio/quick-service-restaurants/">https://www.uacnplc.com/portfolio/quick-service-restaurants/</a>
Burger King	Burger King Nigeria	<a href="https://www.burger-king.ng/">https://www.burger-king.ng/</a>
Food	Chicken Republic,	<a href="https://foodconceptspc.com">https://foodconceptspc.com</a>

Concepts	PieXpress, and the ChopBox	
Sundry Foods	Kilimanjaro	<a href="https://kilimanjaro-restaurants.com">https://kilimanjaro-restaurants.com</a>
Bukkha Hospitality Limited	Bukka Hut	<a href="https://www.bukkahut.com">https://www.bukkahut.com</a>

### **Institutional**

There is a growing trend for hotels and restaurants to establish food service contract divisions to serve industrial, institutional, and event organizers. Several contractors are in Abuja, Lagos, Port Harcourt, and Warri. The government’s regulation of this sub-sector is minimal. The sector comprises mostly full-service catering and food operations including camp style canteens, university-style cafeterias, a la carte restaurants, cafes, bakeries, bars, supermarkets, ice cream stands, and special event caterers (Table 3).

**Table 3. Selected Catering Businesses in Lagos**

<b>Name</b>	<b>Website</b>
Zaza Restaurant	<a href="https://zazalagos.com">https://zazalagos.com</a>
12"Baguette	<a href="https://12inchbaguette.com">https://12inchbaguette.com</a>
Island Breeze	<a href="http://www.islandbreezeng.com">www.islandbreezeng.com</a>
The Sky Restaurant and 88 Restaurant	<a href="https://www.ekohotels.com/">https://www.ekohotels.com/</a>
Jara Beach Resort	<a href="https://www.jarabeachresort.com">https://www.jarabeachresort.com</a>
Seattle Residence	<a href="https://srscollection.com">https://srscollection.com</a>
The Wine Lab	<a href="https://www.the-winelab.com">https://www.the-winelab.com</a>
Landmark Astoria Catering	<a href="https://landmarklagos.com">https://landmarklagos.com</a>

### **SECTION III: COMPETITION**

Branded QSRs are customizing their seasonal and menu options to suit consumer preferences. Eroding purchasing power has made street food stalls a more affordable option. To compete, QSRs are reviewing their menu options to economize and offer lower priced options. Due to freight routes and traditional HRI buyer awareness of European offerings, U.S. exporters are expected to have to compete with European exporters for higher-end products. There is also competition from New Zealand for dairy products. For other products, especially fresh fruit and wines, South Africa is a major supplier of HRI products to Nigeria. Imports of fresh fruits from Europe, North Africa, and the Middle East are common during South Africa’s off-season. Product prices at the point of origin, freight costs, and foreign exchange rates are major factors affecting the competitiveness of imported U.S. food and agricultural products.

## SECTION IV: BEST PRODUCT PROSPECTS

U.S. wine and distilled spirits have an established presence and distribution network in Nigeria (Table 4). Wheat-based bakery products continue to grow in popularity, especially as hotels, cafés, and western-style restaurants grow. While the government’s trade restrictions limit imports of beef, pork, and poultry, there is indications of strong consumer demand for poultry due to rising domestic prices and the popularity of QSRs specializing in chicken. Nigerians are large consumers of wild-caught seafood and farmed fishery products. If economic growth returns, there may be renewed opportunities to export higher-end fishery products, although Europe may be at a competitive advantage over U.S. suppliers. Dairy products are another potential prospect, with world exports valued at \$758 million but with the United States only exporting about \$2 million in 2022 (Tables 4 and 5).

**Table 4. U.S. Top 10 Consumer-Oriented Exports to Nigeria**

Product Category	2020 (000) \$	2021 (000) \$	2022 (000) \$
Food Preparations	17,424	31,601	23,167
Wine and Related Products	12,459	18,210	19,749
Distilled Spirits	2,055	3,724	6,244
Dairy Products	6,019	5,409	2,237
Other Consumer Oriented	1,586	1,139	2,043
Non-Alcoholic Bev. (e.g., juices)	2,108	3,286	1,602
Bakery Goods, Cereals & Pasta	822	725	684
Processed vegetables	771	723	374.00
Dog & Cat Food	374	458	537
Condiments & Sauces	2,930	887	436

Source: BICO – U.S Census Bureau Trade Data

**Table 5. World’s Top 10 Consumer-Oriented Exports to Nigeria**

Product Category	2020 (000) \$	2021 (000) \$	2022 (000) \$
Dairy Products	766,062	839,941	758,613
Soup and Other Preparations	140,525	203,622	193,502
Processed Vegetables	81,577	103,081	123,420
Fresh Vegetables	100	23,278	94,683
Fresh Fruits	40,746	51,189	78,559
Bakery Goods, Cereals & Pasta	100	32,408	76,893
Condiments & Sauces	61,483	68,348	58,000
Distilled Spirits	18,483	43,189	38,988
Chocolate & Cocoa Products	12,557	16,437	28,930
Coffee, Roasted & Extracts	19,466	20,429	27,098

Source: Trade Data Monitor, LLC



**SECTION V: FURTHER INFORMATION**

Office of Agricultural Affairs

U.S. Consulate, 2 Walter Carrington Crescent

Victoria Island, Lagos, Nigeria

Tel: 234 01 460 3485

[AgLagos@usda.gov](mailto:AgLagos@usda.gov)

**Attachments:**

No Attachments