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

**Country:** Chile

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**Report Highlights:**

This report gives an overview of the hotel, restaurant and institutional food service (HRI) sector in Chile and outlines current market trends, including best product prospects. Chilean consumers are concerned about nutrition and interested in food preparations with natural and healthier ingredients. New restaurant chains and international restaurants open each year, and food service operators in the institutional sector are constantly growing, with providers developing products to suit each sector. Best products prospects categories are pork, poultry, beer, dairy products, beef, condiments and sauces. The Foreign Agricultural Service (FAS) in Santiago recommends exhibiting at Chile's major food trade show and USDA-endorsed show Espacio Food & Service (September 29-October 1, 2020).

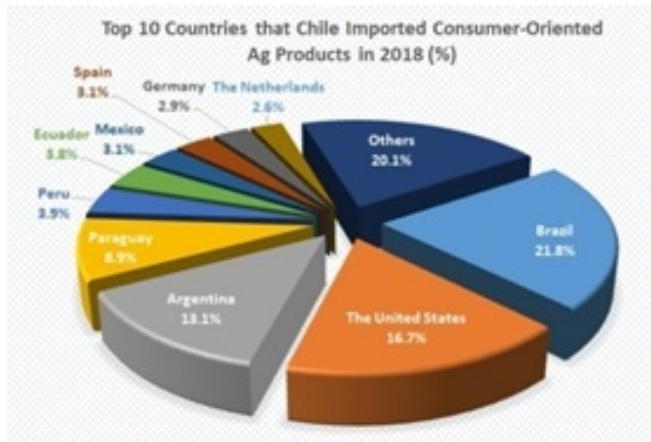
**Market Fact Sheet: CHILE**

Chile is a South American country that borders the South Pacific Ocean, Argentina, Bolivia, and Peru. Chile is divided into 16 regions, of which Santiago, the capital of Chile, is the most densely populated with 7.5 million out of the 18.8 million citizens, and where most food consumption occurs. In 2018, the GDP reached \$290 billion. GDP per capita in current prices grew by 4.0 percent and reached \$15,426 in 2018 (based in Chilean Central Bank data). This is the highest GDP per capita in the Latin American region and the main driver for consumer spending. Chile’s GDP growth was 4 percent in 2018. The World Bank predicts Chile’s GDP will reach 3 percent in 2019 while consumer expenditure is projected to have a real growth of 3.6 percent in 2019.

U.S. exports of agricultural & related products reached \$1.0 billion in 2018, which represents a 4.4 percent increase over the same period in 2017.

**Import of Consumer-Oriented Agricultural Product:**

In 2018, Chile imported \$3.7 billion worth of consumer-oriented agricultural products from the world and \$669 million from the United States, a 5.6 percent increase over 2017, and the highest level of exports recorded so far. The top U.S. agricultural exports to Chile are pork, poultry, beef, dairy products, beer, condiments and sauces.



**Food Processing Industry:**

Chile has a modern and developed food processing industry that represents 25 percent of Chile’s economy and is forecast to grow to more than 35 percent by 2030. The food and beverage industry are expected to grow by 6.6 percent annually. Chile is among the top ten agricultural exporters in the world. Chile’s main agricultural exports are wine, fresh fruit, dairy, meat and fishery products. Healthy foods, gourmet foods, prepared foods and ready-to-eat meals show huge potential for growth in the Chilean market. Food processing companies are constantly looking for innovative ingredients for production of healthier foods especially those for consumers with food intolerances such as lactose and gluten-free products. Chilean consumers have an increasing concern for health related issues while the food processing industry continues to adapt to the nutritional labeling law, higher labor costs, and sophisticated consumers, all of which present challenges, but also opportunities for U.S. high value-added products and ingredients such as natural additives, preservatives, thickeners and sweeteners.

**Food Retail Industry:**

Chile has been one of Latin America’s fastest-growing economies in the last decade enabling the country to have a modern and dynamic food retail industry. Chile’s food retail sales reached \$17.2 billion in 2018, a five percent over 2017. The Chilean retail sector is composed of a mix of large supermarkets, mid-sized grocery stores,

convenience stores, gas station markets, and thousands of smaller independent neighborhood mom-and-pop shops. On-line food sales show some dynamic, but it is still a niche market. The main food and beverage distribution channels are supermarkets with a market share of about 62 percent.

**Quick Facts CY2018**

**Imports of Consumer-Oriented Products 2018:** \$669 million

**Top 10 Chain Consumer Foodservice Outlets in Chile**

1. McDonalds (U.S.)
2. Papa John’s (U.S.)
3. Doggi’s (Chile)
4. Starbucks (U.S.)
5. Telepizza (Spain)
6. Juan Maestro (Chile)
7. KFC (U.S.)
8. Pedro, Juan & Diego (Chile)
9. Domino’s (Chile)
10. Subway (U.S.)

**Food and Beverage Trends in Chile for 2019:**

Meat and meat products (beef, pork, bacon, and poultry); dairy products (cheese and ice cream); craft beers and distilled spirits, sauces, mixed condiments, and seasonings; frozen meals; fruit juices; healthy foods (natural derived, with few food additives and preservatives); healthy snacks; healthy beverages (natural ingredients, functional drinks) and ready-to-eat foods.

**GDP/Population 2018**

Population: 18.8 million  
 Population aged 0-14: 20.1%  
 Population aged 15-64: 68.5 %  
 Population aged 65+: 11.4%  
 GDP: \$290 billion  
 GDP Per Capita: \$15,426

**Strengths/Weaknesses/Opportunities/Threats:**

Strengths	Weaknesses
Chile has one of the highest credit ratings in Latin America, with a high per capita income.	Domestic market is limited: Chile’s population is 18.8 million in 2018.
Opportunities	Threats
Franchising chain outlets is a common model in Chile.	Due to its open market, Chileans are price sensitive, especially during economic slowdowns.
Restaurants that do not have their own delivery service can now outsource their service and compete strongly with restaurants that include it in their core business.	

**Data and Information Sources:**

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## SECTION I: MARKET SUMMARY

Chile offers excellent business opportunities for U.S. food and beverage exports in the HRI sector, especially for those U.S. companies seeking to initiate or increase their exports to Chile outside supermarket chains and retail stores.

The 2018 HRI figures show that this is a mature sector with a contribution to the GDP of over \$6 million, or 8.1 percent higher than 2017. In recent years, there has been sustained growth in the number of establishments dedicated to food and beverage preparation and supply services. The Chilean Internal Revenue Service (SII) identified 48,798 establishments of the HRI sector in their last census, which represent 4 percent of the total number of companies registered throughout Chile. These establishments show a stable sales growth, reaching \$5.6 billion in 2018. Chile is a very centralized country around its capital city, Santiago, and this has led to a higher concentration of restaurants and cafés within business areas. According to SII, Santiago accounts 60 percent share of total sales of consumer foodservice. There is a high concentration of large food companies and a very fragmented segment of small establishments in the HRI channel.

The players in the HRI sector demand diversified and more elaborated products, which becomes an opportunity for products of foreign origin, many of which are characterized by having a high value-added, such as food products from the United States. U.S. food and beverage products are highly appreciated by Chilean consumers and professionals in the HRI sector, as they are associated with a high level of quality. Promotional activities are highly recommended, especially promotions and demonstrations seminars for chefs, restaurant owners, food journalists, and other professionals in the sector.

Chile's foodservice sector has been growing as a result of economy's stability, the increase in the purchasing power of the population, travel, retail outlets/channels, and greatest insertion of women in the labor markets as well as the government investment project for tourism. According to Euromonitor data, the growth of the foodservice sector is expected to increase 25.3 percent for the period from 2016 to 2022 (value in constant prices). Among the products that will set the next trends in food, stand out quality, ready-to-eat food and premium perceived natural food and beverage products. This niche market is driven by consumers seeking convenience and health-conscious millennials entering the labor market and has resulted in an increase of fast casual restaurants offering healthier premium food.

According to the study "[\*La Experiencia de Comer \(The Experience of Eating\)\*](#)", published by GfK Adimark Chile (market research company) in January 2019, 23 percent of the population eats in a restaurant at least once a month, while 11 percent eat out once a week. When it comes to taste, Chilean and Chinese gastronomies are imposed with 37 percent and 31 percent of consumers' preferences, respectively, with sandwich shops in third place with 27 percent including hamburgers. In the last five years, the HRI industry has faced different changes, such as the boom of artisan bakeries, the arrival of large groups that operate different restaurants chains (American and Peruvian), and gourmet food courts in different shopping malls.

Delivery Service Applications (Apps) Boomed in the last couple of years. They became so widespread that according to Chile's Department of Studies of the National Chamber of Commerce (CNC), during the first quarter of 2019, real sales of fast food service noted an expansion of 5.4 percent, surpassing the 3.5 percent of the previous quarter of 2018.

According to the CNC, the phenomenon is also explained by the opening of stores nationally, the increase in consumption per ticket, and delivery apps, which currently allow customers to order directly from a varied range of options, from cafeteria and breakfasts, to those foods most preferred by Chilean consumers such as pizzas, hamburgers and sushi restaurants.

**Advantages and Challenges to Enter the HRI Foodservice Market**

Advantages	Challenges
Strong demand for processed and ready-to eat meals in the hotel sector.	Due to Chile’s geography, long distances must be covered for distribution.
Areas beyond the country’s capital, Santiago, are becoming more popular, and scope for expansion in these regions and cities remains strong.	Many hotels purchase individually and do not combine purchases to increase volume. Unfortunately, it is not attractive for U.S. companies to export directly. However, some hotels report to combine their purchasing efforts in order to be able to import directly and to avoid commissions to intermediaries.
The growing tourism industry offers new clients and opportunities for the foodservice sector.	U.S. products and U.S. brands face strong competition from European ones. Certain European nations are known for their gourmet or high-quality products such as French cheese, Spanish meats, and Italian pastas, etc.
Possibility to export directly to restaurants and hotels, which require high volumes of products.	Domestic competition is rising in consumer-oriented product categories, as Chilean companies increasingly aim to produce value-added products.
Snacks and confectionary that do not carry warning labels as well as value-added products across categories are growth categories for exporters to Chile.	U.S. exporters seeking to access the Chilean HRI market should identify an importer that specializes in distributing to this sector and be prepared to offer small quantities of products or mixed containers.
U.S. suppliers and products can meet the growing demand for gourmet and premium products, healthier products, and convenient food.	Multiple delivery Apps available at lower costs.
U.S. products have the strongest reputation in Chile, followed by German products. According to Chilean importers U.S. food products are known to be more expensive, but of higher quality than other equivalent products from other suppliers.	

**SECTION II: ROAD MAP FOR MARKET ENTRY**

**A. Entry Strategy**

FAS Santiago advises U.S. exporters to check that their products meet the most up to date Chilean regulations to ensure straightforward entry into this market. U.S. suppliers will have to consider their market entry strategy. FAS Santiago maintains listings of potential importers and develops sector-specific information to help you introduce your product in Chile. State Regional Trade Groups (SRTGs) and Trade Associations are in constant contact with FAS Santiago office and are valuable partners when approaching the Chilean market. Critical considerations of market entry include the following:

- The most common way for hotels, restaurants and institutions to purchase products is usually through intermediaries such as distributors, importers, or local representatives including caterers or wholesalers. According to interviews, most hotels and restaurants use domestic distributors. Most of these firms are based in the capital, Santiago. Chain restaurants, which purchase big volumes of food products, are seeking to import directly. The trend towards direct imports is driven by the search for lower prices (avoiding intermediary costs) while also maintaining high and constant quality. Distributor commissions range between 5 percent and 10 percent depending on the product
- Many distributors are active delivering products to clients in the HRI sector, as well as supermarkets and other food outlets. Distributors will usually ask the end client to pay for transportation costs outside of Santiago or will already have these additional costs worked into their prices.

- U.S. exporters seeking to access the Chilean HRI market should identify an importer that specializes in distributing to this sector and be prepared to offer small quantities of products or mixed containers. Chilean importers typically import mixed containers and offer a range of products. HRI companies often deal with multiple importers in order to get the desired range of imported food products.
- Restaurants perceive U.S. products as “high quality and consistent.”
- The business culture and customs in Chile are conservative and characterized by the importance of personal contact and face-to-face interaction. Therefore, contact initiated via e-mail may often not be effective. Business meetings and practices in general are similar to those of the United States. For any foreign supplier it is very important to have a direct local contact in order to understand the domestic market, have access to a network of contacts and provide support with the language and culture of the Chilean market. Therefore, it is recommended to use intermediaries on site (see suggested intermediaries below).

Local Subsidiary - Opening a local subsidiary is a good option for foreign suppliers who plan to create a strong presence in the Chilean market. Registering a new business in Chile takes around three weeks. Costs for trade registry are estimated at \$1,800. Detailed information can be found at [Chilean Chamber of Commerce](#).

Chilean import operations are subject to a VAT (Value Added Tax) regime of 19 percent, calculated on the CIF value of the goods and to be assumed by the person responsible for introducing the product into Chile. However, sanitary requirements are quite restrictive, so it is advisable to keep them in mind before starting any commercial activity in Chile, especially with regard to the Agricultural and Livestock Service (SAG) and the Regional Ministerial Secretariat (*SEREMI de Salud*) of Health.

Regulations and Requirements - The ability of U.S. exporters to meet Chilean market requirements has two main dimensions: One is the legal and regulatory requirements and the other is customer expectations.

A certificate from Ministry of Health authorities (*SEREMI de Salud*) is required to be able to import, and packaging and label requirements must be fulfilled. Those products that do not comply with the standards have to be re-labeled and re-packaged in Chile before they can be sold. For details on how to export to Chile, please see the latest FAS Santiago’s GAIN Reports: [Exporter Guide](#), [FAIRS Export Certificate](#), [FAIRS Country](#) and [Food Labeling](#) on the nutritional labeling law.

If you have questions or comments regarding this report, or need assistance exporting to Chile, please contact the Agricultural Affairs Office in Santiago, Chile (see contact information in the Fact Sheet). U.S. companies seeking to export food products to Chile are advised to conduct a thorough research for a good understanding of the Chilean market. FAS GAIN reports are a good source of country specific information: [www.fas.usda.gov](http://www.fas.usda.gov)

#### **Upcoming International Trade Show in the HRI Sector in Chile:**

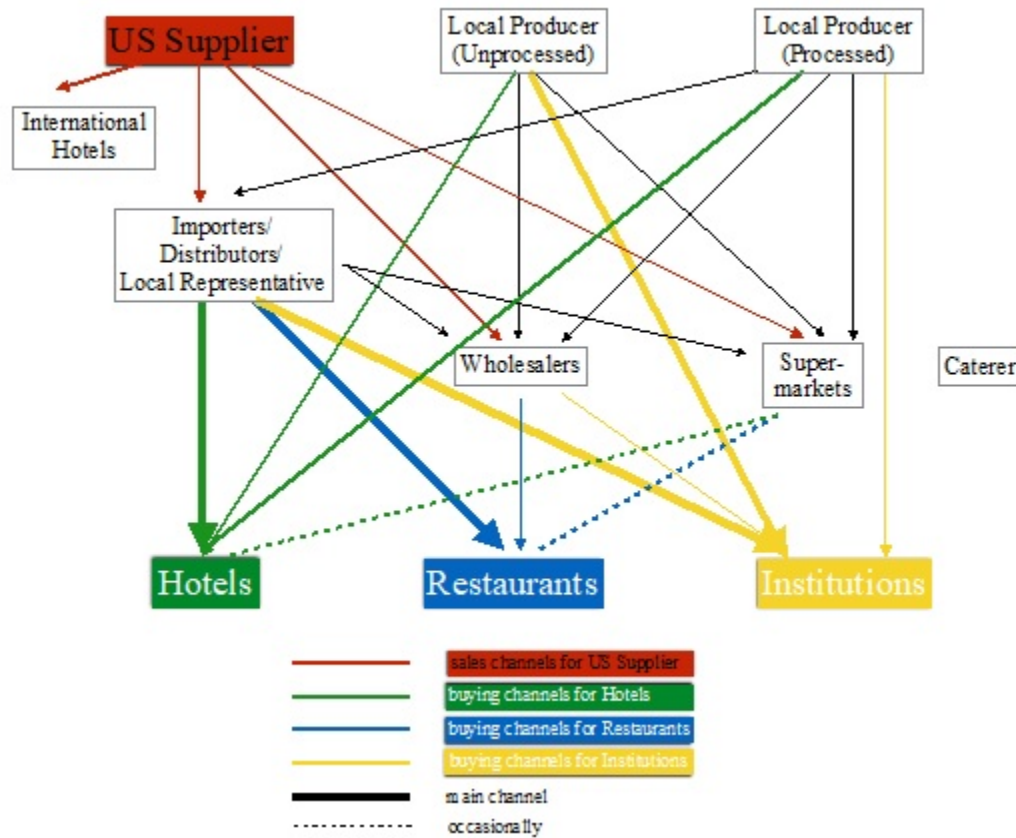
FAS Santiago recommends exhibiting at the USDA-endorsed show [Espacio Food & Service](#) (September 29-October 1, 2020), Chile’s major food show and the second most important food industry fair in the region after Brazil.

FAS Santiago maintains a strong presence in the Chilean market with the *SaborUSA* Chile umbrella branding marketing campaign and use social media [Facebook](#) and [Instagram](#) to promote U.S. food and beverages available in the Chilean market and share American culinary and cultural traditions as well as delicious and easy to make recipes.

## **B. Market Structure and Distribution**

The most common distribution channels for the HRI sector are local importers and distributors. In general, hotels operators and restaurants do not import directly. They prefer to purchase their products from distributors, mainly because they offer a vast array of products, and import costs and procedures are avoided (i.e. obtaining license to import liquor). Many distributors distribute their products to retailers and supermarkets and have a percentage of their distribution directed to the HRI channel. Among other differences, the most important thing for the HRI channel is the quality/price ratio, and the wholesale format. The brand has little or no relevance, unless it is considered the quality of the product by the end consumer.

The following diagram portrays how food products are supplied by the U.S. exporter to the various food service sub-sectors:



Distributors offer a variety of high-quality products reducing management efforts to the HRI industry. Depending on their customers, hotel operators may prefer as few distributors as possible to reduce complexity, especially when they are not catering for high-end customers.

Restaurants generally purchase from distributors however an important distinction can be made between chain restaurants and independent restaurants. The chain restaurants deal with higher volumes that increase its purchasing and negotiation power with distributors and allow them to demand specific products. In contrast, independent restaurants rely on the supply, as well as range and quality of products, from distributors. Chain restaurants may import directly for two reasons: either because they are part of a global chain that has a centralized worldwide distribution system, or because they have the volume and management capacities.

Independent restaurants work with specialized importers and make smaller purchases at a greater frequency. Due to its target group of high-income customers, the primary selection criterion is quality.

The institutional foodservice sector buys most products from local distributors. Companies purchasing large quantities may also import directly when price, quality or other selection criteria are more favorable than domestic suppliers. Apart from entering the market via a distributor, a company can set up a local subsidiary or enter via a franchising model.

**Intermediaries:**



Distributors/Importers/Representatives - Distributors are the main channel for international producers of food products. Distributors often choose to offer a wide variety of products in order to satisfy most needs of their customers. The choice of products of Chilean importer and distributors depends on price, quality, demand from clients, and the relationship with the producers as well as payment conditions.

According to importers, the country of origin of food and beverage products is important for the following three reasons: quality, variety, and the demand from their clients. U.S. brands are often well known, especially due to marketing campaigns in Chile.

Wholesalers - Wholesalers consist of mainly of large supermarkets, where products can be purchased in bulk. Independent (and smaller) restaurants and hotels are especially suited to use this option to source their supplies. The Chilean wholesale industry has undergone profound changes in recent years, such as the bankruptcy of *Rabié* and *Bigger* and the entry of *Wal-Mart* with their brand *Central Mayorista* to the sector. Other brands have shifted from the wholesale sector to providing for end-customers. Former wholesaler brands such as *Mayorista 10*, *Alvi* and *Superbodega Acuenta* nowadays target end-customers such as large families and those customers looking for a good deal. For more information on Chile’s retail sector, please see Chile’s [Retail Food Guide 2019](#).

Supermarkets - Supermarkets are not the main distributors for restaurants and hotels (or for companies that supply institutions). However, interviews with players from the HRI sector reveal that supermarkets present an option to find essential foods “in emergency situations.” This is more frequent for smaller food establishments that may not plan far in advance.

### C. Sub-Sector Profiles

The Chilean HRI sector is described below:

**Hotels** – The hotel sector in Chile consists of traditional hotels, as well as short-term rentals, and other types of accommodation such as hostels or Airbnb.

According to Euromonitor, sales for the hotel sector are expected to grow by 16 percent from 2015 to 2020, and for short-term rentals, a growth of 61.7 percent is forecasted over the same period. Online bookings increased and are predicted to grow by 79.2 percent in the same period, accompanied by a decrease in offline sales by 20 percent. This development reflects consumers’ desire and demand for quick information and the possibility to compare prices.

Despite the increase in hotel offerings in Chile, the hotel chains will continue investing in the local market, especially in the medium and luxury segments. Twenty one new hotels in these categories will be developed in Chile in the period 2017-2022.

Euromonitor highlighted three reasons that have transformed Chile into an ideal scenario for new hotel projects: the positive projections in tourists’ arrivals, the importance of Chile as a consolidated business center in the region, and the fact that the country has one of the highest average daily rates in the region, which reaches \$83 per room in these segments. In addition to these factors, the market does not have a saturated hotel offer like other countries in the region.

Eco-friendly hotels and boutique hotels are increasing their presence in the market. Moreover, the hotel industry identifies that enotourism (wine tourism) is a growing niche, which offers activities surrounding Chilean wine industry.

The top international chain hotels in Chile are [Starwood Hotels & Resorts](#), [Four Seasons Holdings Inc.](#), [InterContinental Hotels Group S.A.](#), [NH Hotel Group S.A.](#), [Hilton Worldwide Inc.](#), [Mandarin Oriental International Limited](#), [Accor Hotels](#) and [Marriott International Inc.](#)

Table 1 – Chilean Consumer Foodservice by Independent vs. Chained by Type: Units/Outlets 2018			
Outlets	Independent	Chained	Total
Cafés/Bars	2,597	302	2,899

Full-Service Restaurants	3,578	175	3,753
Limited-Service Restaurants	6,834	2,077	8,911
Self-Service Restaurants	28	32	60
Street Stalls/Kiosks	527	30	557
Consumer Foodservice	13,564	2,616	16,180
Source: Euromonitor International			

**Restaurants** – Restaurants are divided in full-service restaurants (independent and chained) and limited-service restaurants (independent and chained).

Consumer food service outlets are expected grow annually by 2.2 percent between 2016 and 2021. Foodservices related to traveling are expected to increase annually by 11.1 percent between 2016 and 2021, which reflects the growth of the tourism industry in Chile, followed by foodservice through retail with 7.2 percent CAGR (Compound Annual Growth Rate).

Independent restaurants do not only hold more outlets than chain restaurants, but also grew faster in terms of new openings per year. Moreover, tourism is a strong contributor to growth of consumer foodservices. Despite a general slowdown in economic activity, food service growth is strong and consumers have not changed the frequency in which they eat out, however they are spending less amount of money on each occasion and opting for cheaper options.

Food delivery services increased in importance, not only in the fast food sector, but also for healthier options. Delivery services provide a solution to the increasingly busy lifestyles that Chileans are leading as well as to the lack of motivation and knowledge required to prepare healthy meals. Furthermore, coffee shops show strong growth as well as juice and smoothie bars.

**Full-Service Restaurants** - The retail-sale price value of full-service restaurants in 2018 was \$1.3 billion and accounted for 3,753 outlets. Between 2012 and 2016 the value of full-service restaurants grew at a 4.7 percent annual rate, and it is expected grow at three percent annual rate until 2021 both in value and number of outlets.

Independent businesses have a stronger presence in full-service restaurants through Asian and Latin American restaurants. The high number of Asian independent restaurants was the result of rapid outlet expansion in recent years, when sushi became fashionable. The limited investment required to open a sushi restaurant and the high returns generated encouraged independents to open businesses in small formats, which displaced the presence of Chinese restaurants. Independent Latin America full-service restaurants accounted for the greatest share of independent outlets and continued to grow due to the increase of immigrants entering the country looking for better living opportunities. Peruvian independent restaurants continued to be the most consolidated restaurants in Chile.

Although Chilean foodservice is saturated with different formats of sushi restaurants, Asian full-service restaurants have exceeded expectations and led by the growth of chained sushi players. Sushi is well positioned in Chile due to its versatility. It can be prepared for a single customer or for group meals and it can also adapt to any taste, fried, Peruvian, Thai, vegetarian, light or with no rice. Although full-service restaurants are often perceived as expensive, sushi restaurants can remove this perception through various discounts and combinations, competing directly with Asian limited-service restaurants. The channel continues to become fragmented and independent sushi restaurants, which once enjoyed higher margins due to the low cost of production and ingredients, began to lose share to the main chained players such as Niu Sushi and Sushi House, which boast strong marketing strategies, delivery post sales, and fresh ingredients due to a higher rotation of products. In addition, Chilean consumers are also receptive to other types of cuisine such as Indian or Thai that use familiar base ingredients such as rice and noodles, although with an exotic twist to flavors.

In 2018, Chilean main full-service chain restaurants were [Dominó Fuente de Soda](#) (Comercial Central Alimentos Ltda.), [Mamut Restaurants](#) (Gastronomía y Negocios S.A.), [Niu Sushi](#) (Distribuidora y Comercializadora de Alimentos Oji Ltda.), [Johnny Rockets](#) (Johnny Rockets Group, Inc.), [Sushi House](#) (Soc. Comercial Zen Ltda.), [Emporio La Rosa](#) (Emporio La Rosa S.A.), [Tip & Tap](#) (Tip & Tap S.A.), [Le Fournil](#) (Comercial LF S.A.), and [Sakura](#)



[Express](#) (*Comercial Gastronómica Fisol Ltda.*) with 86 percent of market share.

**Limited-Service Restaurants (Fast Food Restaurants)** - In 2018, there were 8,911 fast food restaurants in Chile, which accounted for a retail sales price value of \$2.3 billion. It is expected to reach 9,609 stores by 2023.

In previous years, shopping centers experienced a boom in demand from both local consumers and tourists, increasing sales for retail and foodservice. However, during 2018, the scenario changed mainly due to the boom in delivery services, which impacted negatively sales of limited-service restaurants located in shopping centers in wealthier areas as the business population reduced their physical trips, preferring to order online. However, this was not the case for all fast food restaurants in shopping centers in Santiago or Chile. In popular communities and regions, shopping centers continue to be a cultural attraction, in many cases a family weekend outing, increasing sales for limited-service restaurants in these areas.

The largest 16 brands accounted for 81 percent of overall market in 2018 and the top five are: [McDonald's](#) (*McDonald's Corp.*) with 91 outlets, [Papa John's](#) (*Papa John's Int'l., Inc.*) with 89 outlets, [Doggis](#) (*Gastronomía y Negocios S.A.*) with 176 outlets, [TelePizza](#) (*Telepizza Group S.A.*) with 168 outlets, and [Juan Maestro](#) (*Gastronomía y Negocios S.A.*) with 93 outlets throughout Chile.

**Third party delivery players change pace in limited-foodservice restaurants:** The business population in Chile and the high possession of smartphones has created the perfect scenario for the boom experienced in 2018 in delivery services. [Uber Eats](#) and [Rappi](#) entered the country to compete with previously dominated by the third party service [PedidosYa](#). Aligned with the demands from the growing mid-income segment looking for convenience and speed, these services have successfully positioned themselves, changing cultural habits amongst local consumers and driving sales of limited-service restaurants. Chilean consumers have always been loyal to traditional brands, although with the variety of cuisine found through delivery apps, independent players can enjoy the same visibility as larger players due to a huge audience. The online competition amongst brands has led to new types of cuisine apart from sushi, pizza and sandwich classics. To encourage consumers to use delivery apps, players must attract them through aggressive discounts.

**Coffee Shops (Cafés) and Bars** - In 2018, there were 2,899 cafés and bars operating in Chile, and it is expected to reach 3,179 stores by 2023. This segment grew by 9 percent in number of outlets compare to 2017. Coffee offerings from convenience stores, forecourt retailers and limited service restaurants pose threat to independent specialist coffee shops. In 2018, chained specialist coffee and tea shops recorded the highest current value growth of 12 percent due to strong outlet growth. This reflects a positive trend for gourmet coffee, because of the “coffee culture” concept that is widespread in the United States and Europe.

The largest seven brands accounted for 93 percent of overall market in 2018, where [Starbucks](#) (*Starbucks Corp.*) has 60 percent of the market share. The top seven cafés/bars are: [Starbucks](#) (*Starbucks Corp.*), [Tavelli](#) (*Tavelli S.A.*), [Cory](#) (*Pastelería Austriaca Cory Ltda.*), [Juan Valdez](#) (*Federación Nacional de Cafeteros de Colombia*), [Coppelia](#) (*Coppelia S.A.*), [Café Mokka](#) (*Comercial Café Mokka Ltda.*), and [Work Café Santander](#) (*Eventos y Cafetería Cofi Ltda.*).

Gourmet coffee shops register the strongest current value growth of 40 percent due to the expansion of a new player called [Work Café Santander](#). This is a new concept developed by *Cofi*, a local specialist coffee shop in Chile, and Santander, a multinational bank, that blurs the boundaries between a coffee shop and a bank. The synergy of both concepts provides professional financial services to many independent working professionals that seek a comfortable place to work. Its aggressive expansion launched 23 stores throughout the country during 2018.

[Juan Valdez](#), the second largest brand after Starbucks emerged in 2006 through an alliance with the retail department store *Falabella*, continues to open new outlets in cities throughout Chile such as *Antofagasta*, *Viña del Mar*, *Concepción* and *Puerto Montt* where specialist coffee shops do not face as much competition as in Santiago.

An emerging working mid-income segment has driven growth of bars/pubs in populated areas of the main cities. The appearance of “happy hours” in various types of establishments has created price competition and bars have had to find novel ways to differentiate. This includes using premium ingredients or innovative activities such as alliances with drink brands such as distilled-spirits and local breweries. These activities have contributed to

consumers searching for exotic products with a premium positioning. One example is leading microbreweries which have developed rapidly in the country. Bars have integrated imported beers and local products from microbreweries with success, specializing in these drinks.

**Self-Service Cafeterias** – Self-service cafeterias records four percent current value growth to reach \$42 million, while transaction volumes declined by one percent, and outlet numbers increase by two percent to reach 60 outlets in 2018.

Self-service cafeterias in Chile are closely linked to high transit locations such as business districts and shopping centers. Both locations were heavily affected during 2018 due to the entry of app delivery services, where consumers are offered greater variety and convenience, in addition to the declining popularity of shopping centers in some of the main shopping hubs in Santiago. Self-service cafeterias that are located in shopping centers rely on the affluency of local consumers, since they tend to make impulse visits to these outlets, while shopping or doing some other activity. Unlike the situation in Santiago, there is an opportunity for self-service cafeterias in the regions where there is a high concentration of population and app delivery services have no coverage, reducing the competition. [Cencosud S.A.](#) with its brand [Rincón Jumbo](#), continues to grow as the sole chained player in self-service cafeterias in 2018

**Institutional Foodservice** - The sector for institutional food service in Chile caters health institutes (hospitals, senior residences and nurseries), the educational sector (private schools and universities), companies, military institutions, airlines and events. The two largest sectors for the institutional food service industry are the mining and education sectors. Food services for companies have experienced growth in recent years, driven by firms seeking easier and cheaper options for food services so that they can focus on their core business, as well as increased awareness that the supply of these food services for employees increases productivity.

The five main institutional food service companies are [Sodexo Chile, S.A.](#), [Central de Restaurantes Aramark](#), [Compass Catering S.A.](#), [Aliservice](#), and [Genova Ausolan](#). *Aramark* is the largest player, and according to [Canal Horeca](#) magazine it serves 60 percent of all companies that contract foodservices in the Chilean market. In the mining sector, *Aramark* holds 50 percent of all contracts for food services, with the other 50 percent being divided between *Sodexo* and *Compass*. Smaller food service companies will often supply a few schools or companies and guarantee a direct and personal contact to their clients as well as flexibility and tailored solutions. *Canal Horeca* reports that the main players in the sector aim to satisfy the health trend by offering healthy menus, transparent nutritional information, and by adapting to changing demands. The smaller companies also adapt their menus both by shifting towards higher quality ingredients as well as by offering healthier menu options.

**Tourism** - Tourism is expected to contribute six percent of Chile's GDP by 2020, twice its current contribution. As regards its competitiveness, Chile ranks fourth in South America in the Travel and Tourism Competitiveness Index published by the World Economic Forum (WEF).

With respect to the entry of visitors, 5.7 million foreign visitors arrived in Chile in 2018. Moreover, shopping centers frequently visited by tourists, especially Brazilians, positively impacted sales in food courts in Chile.

### **SECTION III: COMPETITION**

This section summarizes the overall competitive situation that U.S. suppliers face in the foodservice industry. U.S. products compete with local and other imported products.

According to FAS Santiago contacts, brands and products from the United States are generally better known and approachable to Chileans than brands from other origins. U.S. products have an excellent reputation and many U.S. brands are already present in the Chilean market. Moreover, the U.S. has a greater variety of ready-to-cook products that increase efficiency in the kitchen, such as ready-to-cook bacon slices.

**Table 2. Overall Competitive Situation for Consumer-Oriented Products (2018)**

<b>Product Category/Total Chilean Import</b>	<b>Main Suppliers in Percentages</b>	<b>Strengths of Key Supply Countries</b>	<b>Advantages and Disadvantages of Local Suppliers</b>
Beef & Beef Products (HS 0201, 0202, 0206, 0210 and 1602) Total imports: \$1 billion From USA: \$58 million	<ol style="list-style-type: none"> <li>1. Brazil – 44%</li> <li>2. Paraguay – 30%</li> <li>3. Argentina – 18%</li> <li>4. <b>USA – 6%</b></li> <li>5. Uruguay – 2%</li> </ol>	1, 2, 3, 5) Proximity and availability. Brazil and Paraguay sell lower quality and price competitive beef. The United States exports high quality and grain fed beef, known for its quality, consistency and taste, for high-end foodservice industry.	There is not enough Chilean beef production available. Brazil, Paraguay, Argentina, the United States and Uruguay all profit from this deficit.
Dairy Products (HS 0401-0406 and 2105) Total imports: \$348 million From USA: \$74 million	<ol style="list-style-type: none"> <li>1. New Zealand – 23%</li> <li>2. <b>USA – 21%</b></li> <li>3. Argentina – 18%</li> <li>4. Germany – 10%</li> <li>5. Netherlands – 6%</li> </ol>	The main dairy products the U.S. exports to Chile are cheeses, which reached \$42 million in 2018 and are mostly made up of cream cheese, mozzarella, and cheddar. U.S. dairy products exports are attractive due to their quality and competitiveness in relation to other suppliers.	Chilean has a very limited production of dairy products, especially cheeses. Chile has the highest demand for sushi in South America, making U.S. cream cheese one of the main U.S. dairy products exported to Chile.
Food Preparations (HS 1901-1905 and 2104-2106) Total imports: \$315 million From USA: \$62 million	<ol style="list-style-type: none"> <li>1. <b>USA – 20%</b></li> <li>2. Argentina – 14%</li> <li>3. Spain – 8%</li> <li>4. Netherlands – 7%</li> <li>5. Peru – 7%</li> </ol>	2-5) Proximity and availability. U.S. imports consist mainly in prepared cereals, mixes and dough preparations, pastas, frozen bread and pastries, confectionaries, soups.	Although Chile has a developed food processing industry, there is a strong demand for innovative products and competitive prices.
Poultry Meat & Products (HS 0207 and 1602) Total imports: \$216 million From USA: \$69 million	<ol style="list-style-type: none"> <li>1. Brazil – 56%</li> <li>2. <b>USA – 32%</b></li> <li>3. Argentina – 11%</li> <li>4. Spain – 1%</li> </ol>	1-3) Proximity and availability. U.S. imports consist mainly in chicken leg quarters.	Chile is the largest market for U.S. poultry in South America. Chilean importers are looking for value-added poultry products not available in the country.
Pork Meat & Products (HS 0203, 0206, 2010 and 1602) Total imports: \$194 million From USA: \$75 million	<ol style="list-style-type: none"> <li>1. <b>USA – 39%</b></li> <li>2. Brazil – 37%</li> <li>3. Spain – 11%</li> <li>4. Canada – 7%</li> <li>5. Poland - 4%</li> </ol>	The United States is the leading supplier of pork and pork products, due to its relation of price and quality.	Tradition in pork and pork products production. Chile exports almost all its exports to Japan, South Korea and China.
Beer & Spirits (HS 2203, 2204, 2205 and 2206) Total imports: \$202 million From USA: \$79 million	<ol style="list-style-type: none"> <li>6. <b>USA – 39%</b></li> <li>7. Mexico – 29%</li> <li>8. Germany – 8%</li> <li>9. Poland – 3%</li> <li>10. Peru – 3%</li> </ol>	Chile is the largest consumer of alcohol per capita in Latin America reaching 61.3 liters per capita. Fashionable products such as Aperol are especially important in the more premium HRI sector.	Tradition of beer trading and processing, beer and craft beer are popular. Local microbreweries have developed rapidly in the country. Bars have integrated imported beers and craft beers with success, and specializing in these drinks

Source: Trade Data Monitor

## **SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES**

According to FAS Santiago the two best potential categories for sales in Chile are processed foods and gourmet products.

Hotels and restaurants demand processed food in order to reduce operational costs. Specifically, their objective is to decrease labor and reduce costs. Most importantly, companies aim to guarantee the standards and high quality of their food. In hotels, high quality “ready-to-serve” food is in high demand, so that a chef only needs to give few touches and focus on presentation.

Gourmet food and beverage products are normally included in menus and offerings in the food service sector as consumer preferences become globalized and sophisticated. Hotels and restaurants will actively request their distributors to supply these products.

The best product prospects can be divided into 3 categories listed below:

### **Products Present in the Market Which Have Good Sales Potential**

1. Diet & light soft drinks, ready to drink tea, ready to drink coffee and fruit juices.
2. Craft beer and distilled spirits.
3. Beef – portion-controlled cuts.
4. Poultry and poultry products.
5. Pork (chilled/fresh).
6. Dairy products.
7. Sauces, mixed condiments, and seasonings - especially those in retail big format.
8. Healthier snacks (with dried fruits and seeds like chia and others).
9. Convenient food such as pre-prepared, pre-portioned, value-added products (healthier and more premium than fast food).
10. Elaborated and pre-processed baked goods and confectionary.
11. Healthier products (free from, naturally healthy, fortified/functional).
12. Premium coffee. Demand for premium coffee varieties increases and U.S. style coffee shops are increasingly prevalent in Chile.

### **Products Not Present in Significant Quantities but which have Good Sales Potential**

(products consumed in Chile in small quantities that have none or few U.S. suppliers).

1. Pastries, specialty desserts, baked goods, ideally ready-to-eat.
2. Premium ice cream.
3. Premium cheeses - cheddar and mozzarella in sliced format, blue cheese, Parmigiano and Provolone.
4. Edible fishery products - Many premium seafood products (shrimps and products not found in Chile) are imported. Imports from Asia are usually cheaper than locally produced goods. Almost all fish products are frozen in order to guarantee quality and safety. Frozen fish benefits from longer shelf life and tend to come in convenient, pre-cut portions
5. Prepared vegetables - like other prepared foods, imports have good potential, especially regarding value-added products.
6. Other prepared food products: i.e. ready to serve pasta.

### **Product Not Present Because They Face Significant Barriers**

U.S. products do not face significant trade barriers to enter the Chilean market. On the contrary, Chile has an open economy and is very committed to trade liberalization. Currently, Chile has 28 trade agreements with 64 economies - Notably the U.S.-Chile Free Trade Agreement (FTA), which entered into force in 2004. As of 2015, all trade tariffs were successfully eliminated, and 100 percent of all U.S. exports enter Chile duty-free.

## SECTION V. KEY CONTACTS AND FURTHER INFORMATION

<b>Chilean Restaurant Association (ACHIGA)</b> Address: Nueva Tajamar 481 Of. 704, Torre Norte – Las Condes Tel.: (56 2) 2203-6363 Web Page: <a href="http://www.achiga.cl">www.achiga.cl</a>	<b>Chilean Hotels Association</b> Address: Nueva Tajamar 481 Of. 806, Torre Norte – Las Condes Tel.: (56 2) 2203-6344 Email: <a href="mailto:secretaria@hoteleros.cl">secretaria@hoteleros.cl</a> Web Page: <a href="http://www.hoteleros.cl">www.hoteleros.cl</a>
<b>National Chamber of Commerce (CNC)</b> Address: Merced 230, Santiago Tel.: (56 2) 2365-4000 Email: <a href="mailto:cnc@cnc.cl">cnc@cnc.cl</a> Webpage: <a href="http://www.cnc.cl">www.cnc.cl</a>	<b>SEREMI de Salud (Chile's Food Sanitation Regulations)</b> Address: Pedro Miguel de Olivares 129, Santiago Tel.: (56 2) 2576-4989 Web Page: <a href="http://www.asrm.cl">www.asrm.cl</a>

### Attachments:

No Attachments