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Report Highlights:

The food service sector has been growing rapidly in Nigeria despite overwhelming challenges - including the COVID-19 pandemic. Local and international franchises operate in major cities across the country. The country's huge consumer base with a growing youthful and urban population represents unrivalled optimism and business opportunity.

Market Fact Sheet: Nigeria

Executive Summary: Nigeria is an oil rich country with an estimated population of about **206.1 million** which accounts for 50% of West Africa region. The country population is forecast to reach 400m by 2050 with a youthful median age of 18.4 years. 50% of the total population live in urban centers. Nigeria’s GDP as at 2020 - **\$432 billion**, positioning the country as the largest economy in Africa. Nigeria agricultural sector is not well organized and developed. The country relies on imported processed food and agricultural products estimated at \$10billion. As of September 2021, US food and agricultural exports to Nigeria reached \$532 million - wheat importation accounted for 70 percent.

Import of Consumer-Oriented Products

In 2020, the value of consumer-oriented food exports to Nigeria is estimated about \$480 million and the US contributed \$48 million (10%). Nigeria’s large consumer base and growing demand will continue to make the country’s food market sector attractive to investors for a long time. The latter will continue to grow despite the challenging situation - negative macroeconomic factors, ineffective policies, insecurity, high cost of local production and COVID-19 induced problems etc.

Composition of Nigeria’s Market Sector

Retail Food Industry: It is forecast to exceed \$20bn by 2022 and accounts for 16.4% of GDP. It is estimated that 80% of retail shopping is still conducted at the traditional shops but, more consumers are gradually shifting towards patronizing supermarkets convenience stores.

Food Processing Industry: accounts for more than 65% Nigeria’s manufacturing sector and shares about 7% of the GDP. The sector is dominated by SMEs as well as multinational food processing companies and is estimated at \$20bn.

Food Service Industry: worth over \$7 billion with its Quick Service Restaurants (QSR) sub-

sector growing at annual average of 25%. Snacks and fast-food consumption are estimated at more than \$250m and grows about 20% per year.

2020 Quick Facts

Imports of Consumer-Oriented Products from the United States: \$48m

Leading Food Service Chains

- 1. Mr. Biggs 2. KFC 3. Chicken Republic 4. Domino’s Pizza 5. Tastee Chicken 6. Kilimanjaro 7. Jevilink

Leading Hotel Chains

- 1. Eko Hotels & Suites 2. Hilton Hotels & Resort 3. Marriot Hotels & Resorts 4. Sun International Group. 5. Meridien 6. Radisson.

Leading Food Retailers

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

GDP/Population

Population (Million): **206.1 (2020)**
 GDP (billion USD): **432 (2020)**
 GDP per capita (USD): **2,097.09**

Strengths, Weaknesses, Opportunities & Challenges

Strengths Huge market of more than 200m people	Weaknesses Weak infrastructure and low purchasing power
Opportunities Increasing urbanization and growing youth population with changing lifestyle to western world	Threat Security concerns in food baskets areas (northern Nigeria) limiting tourism and making distribution of goods in the region a high risk and expensive task.

SECTION I. MARKET OVERVIEW

Nigeria's population of over 206.1 million (estimated for 2020) accounts for about 50 percent of West Africa's 400 million people. Over half of the country's population resides in urban areas, and urbanization is growing at 4 percent annually. The country's population is estimated to reach 400 million by 2050 with about 20 percent of the population between the ages of 15-24 years, and national median age is approximately 18.4 years.

Nigeria is Africa's largest economy and a major oil producer. Oil and gas exports account for about 11 percent of the national Gross Domestic Product GDP, 95 percent of total export earnings, and about 85 percent of the country's total revenue. (GDP grew by 4.2 percent, year-on-year, in the third quarter according to the National Bureau of Statistics (NBS). In January 2022, the World Bank points out that the economy is slowly transitioning to full recovery - largely attributed to the full resumption of economic activities after the end of COVID-19 restrictions. Furthermore, the World Bank notes that the economy is projected to strengthen by 2.5 percent in 2022 and 2.8 percent in 2023.

Despite the World Bank's optimism about a post pandemic recovery, Nigeria employs restrictive trade measures such as import bans, high tariffs, permits/license, and quotas. The aim of these roadblocks is to protect domestic agriculture and food processing sectors. Many of the measures run counter to WTO agreements, of which Nigeria is a member. Essential food and agricultural commodities (such as rice, poultry meat, beef, etc.), are prevented from entry into the market – the central bank imposes foreign exchange restriction on dairy products. Meanwhile, food inflation is negatively affecting household income, decreasing spending (i.e., purchasing power) and shifting consumer demand. Inflation came in at almost 20 percent in the middle of 2021.

At the beginning of the COVID-19 pandemic, Nigeria's food services and hospitality sector were negatively affected. Restrictions on movement, lockdown and social distancing protocols introduced by the Presidential Committee on COVID-19 prevention affected consumer behavior. The sector recorded declines in patronage, occupancy rates, events, and profits while the restrictions were in place. In 2021, the sectors began to recover due to the gradual reopening of the economy and lifting of bans on social gatherings.

The Consumption Expenditure Pattern (CEP) published by National Bureau of Statistics measures the nationals spending pattern on both food and non-food items. The CEP shows that an average Nigerian spends about 55 percent of their income on food while 45 percent on non-food items.

Currently, Nigeria's organized fast-food industry is estimated at N250 billion (\$602.5million) according to the Association of Fast-Food Confectioners of Nigeria (AFFCON) - growing at 10% annual rate in recent years. Despite its robust growth rate, only a few QSRs thrive while many others struggle to survive. Like many businesses in Nigeria, QSRs constantly face major business challenges. Many food service businesses struggle with significant infrastructural deficiencies and strive to master the changing dynamics within the fast-food market. While some businesses are subject to unfavorable industry regulations, others are face with stiff competition.

SECTION 2: ROAD MAP FOR MARKET ENTRY

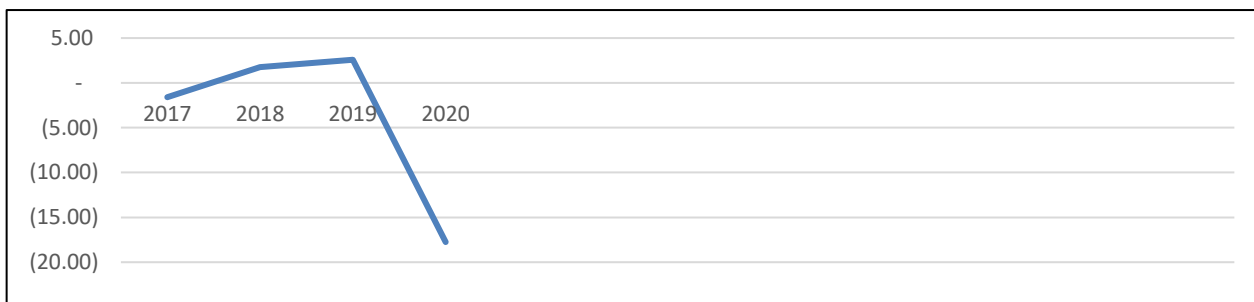
The Accommodation and Food Services sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption. The sector includes both accommodation and food services establishments because both sectors are closely connected.

The accommodation (Hotels) sector is an important aspect of the hospitality industry in Nigeria. It has attracted about \$5bn investment into the country in the last 3 years. On the other hand, the industry is undisputedly one of the hardest-hit sectors by COVID-19 pandemic – eliminating years of strong revenue growth across the country. The biggest hoteliers in Africa’s largest economy lost about N20 billion in 2020. All the hotels listed on Nigerian Exchange Group (NGX) recorded losses in 2020 due to the pandemic. Companies across the industry faced their worst challenge in history. Several businesses blamed the pandemic for weak commercial growth - following an average 59.105 percent plunge in revenue.

Nigeria’s food service industry shrank by 16% as the pandemic affected the ecosystem in 2020. The fear of contracting the virus by consumers and deliberate efforts of the consumers to reduce their discretionary spending due to the pandemic greatly negatively impacted the food service industry.

National Bureau of Statistics report says Accommodation and Food Services contracted by 17.75 percent in full year 2020 from 2.85% in 2019 and 1.76% in 2018. It contributed -4.13 percent to the GDP for 2020 full year.

Figure 1: Accommodation and Food Services Performance (2017 – 2020)



Source: National Bureau of Statistics (NBS)

2.1 MARKET SECTOR STRUCTURE AND TRENDS

Nigeria’s food market structure comprises the: 1) retail food, 2) food processing, and 3) food service or hotel, restaurant, Industries (HRI). The market is influenced by factors such as high population growth, rapid urbanization, oil-dependent economy, poor infrastructure with low agricultural investment, ineffective policy formulation and implementation, insecurity including the COVID-19 pandemic. Meanwhile, motorbike food delivery services are booming. Jumia Food Deliveries – a Nigerian ride-hailing company is strengthening its e-commerce and food delivery business with an app to attract consumers.

2.2 Retail Food Sector

The sector accounts for about 16.4 per cent of total GDP and forecast to reach \$40 billion in 2025 due to expectations of long-term economic and population growth in Nigeria. However, about 80 percent of shopping is still conducted by traditional market and shops. However, more consumers are gradually shifting towards purchasing consumer food at supermarkets and convenience stores.

In the early 2000s, a growing middle-class, high oil prices and strong macroeconomic conditions supported a rebound of Nigeria's large scale, high-end regional and mixed-use retail operations. Shopping mall proliferated in major cities. Shopping malls with multinational supermarkets such as ShopRite from South Africa, SPAR, GAME (a South African retail chain acquired by Walmart) expanded operations across the country.

However, the sector is currently threatened by several challenges including - macroeconomic volatility, the continuing rapid currency depreciations as well as the negative impacts of COVID-19 pandemic. These challenges are mostly responsible for the recent trend towards smaller-sized operations serving neighborhoods and the growing number of shopping kiosks and street shops. Analysts indicate the trend is mostly discouraging more consumers from patronizing the traditional open markets while not killing supermarket sales.

2.3 Composition of Nigeria's Retail Food Sector

Nigeria's retail food sector consists of supermarkets, convenience stores/small groceries, and traditional, open-air markets sharing 2.0 percent, 25 percent, and 73 percent of total retail food sales, respectively. An importer may either be the U.S. exporter's appointed agent and sole representative, or he/she may be buying mixed-grocery containers from various consumer-oriented food exporters and wholesale/retail outlets around the globe.

- The wholesaler sells to retailers in large quantities and at discounted prices. Retailers purchase more than 80 percent of their stock of consumer-oriented foods from importers and wholesalers located in the traditional, open markets.
- There are growing instances where middlemen such as the wholesalers/agents are bypassed in Nigeria's distribution channel for consumer-oriented foods.
- Online retailing is still at its infancy in Nigeria but, consumers (especially the young population) are increasingly leveraging on the growing internet penetration and increased adoption of smartphones, to move towards online retailing. However, this is not expected to dislodge patronage for formal retail outlets in the immediate future as majority of Nigerian consumers still desire the mall experience. Demand for food delivery increased dramatically during the pandemic.
- Increase in the range of in-store offerings for consumers such as fresh foods (including local foodstuff, fruits, and vegetables), take-away food service, bakery, and confectioners' corners, etc. Many supermarket outlets are also dedicating corners for these new offerings, and in most cases, supply of local foodstuff, fresh fruits and vegetables are contracted to local food producers.
- Street/stalls kiosks and similar outlets offer low prices and attract more consumers especially during the current economic downturn.

- Nigeria’s large consumer base and growing demand for modern outlets will continue to make the retail food sector attractive to investors for a long time despite challenging negative macroeconomic factors.

2.4 Entry Strategy

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

The U.S. exporters can follow one or a combination of these strategies to enter the Nigerian market:

- Contact the Agricultural Counselor at the USDA/FAS office located in the U.S. Consulate at Lagos-Nigeria, to assist in selecting one or more importer-distributors.
- Directly contact the selected importer-distributor/s with sales catalogs. Product samples could be sent when necessary. The local importer-distributors usually register the products with the Government of Nigeria (GON)’s food regulatory agency, NAFDAC.
- Target distributors and wholesalers that stock a wide range of items, as the food service market is looking to ‘one-stop-shop’ distributors who can offer a range of dry and frozen goods.
- Exhibit at shows such as the National Restaurant Association show in Chicago, Gulfood Show, Dubai (UAE) and other major international food shows, which are well attended by Nigerian importers and where follow-up contacts can be made.
- Offer flexible shipping volumes and small-sized packaging, indicating readable manufacture date and date of expiration.
- Send sample products and sales catalogs of importable HVP to Post during local promotions of U.S. food products. U.S. exporters should base their entry strategy on stimulating demand by encouraging local HRI operators to incorporate U.S. food ingredients in traditional and international menus.
- Build brand awareness through advertising and promotion; etc.

Regardless of which strategy is chosen, personal contacts are highly recommended to get to know the buyer. The Nigerian partner should be well known to the U.S. exporter before any permanent contractual arrangement is made and should be able to provide updated information on the market consumer trends, on current market developments and trade practices.

2.5 Advantages and Challenges for U.S. Exporters

Advantages	Challenges
Nigeria’s huge domestic market of more than 206 million population and the additional regional West African market of another 200 million people provide expanded market opportunities for US food and agricultural exports	Average per capita income is estimated at only \$2,097 and income distribution grossly uneven as more than 70 percent of Nigeria’s population lives on less than \$2 per day.

<p>Nigeria’s increasing urbanization and rising levels of female employment supporting demand for convenience food and retail food shopping in supermarkets and weather-controlled environments.</p>	<p>U.S. food products have shorter shelf life and worsens with long transit/clearing times; seldom carry readable “Best Before” dates as required by GON’s food regulations while Nigeria’s regulators prefer the day/month/year order for “best before dates.</p>
<p>Nigeria’s large middle-class and western-style retail sector, and a trend toward greater demand for healthy foods are creating market similarity and easing transaction.</p>	<p>Many U.S. products are much higher priced when compared to competitor products - Nigeria is a price conscious market; strong competition from Asian and EU suppliers remains; Nigeria’s traditional trade links with Europe also remain strong; and Chinese marketing efforts and presence in all sectors of the economy continues to increase</p>
<p>Nigerian consumers are becoming increasingly discerning and demanding better quality food products, more local food processors perceive imported intermediate products/ingredients as the highest quality products.</p>	<p>High tariffs, levies, quotas, and permits employed to restrict trade, and items (especially rice, poultry, beef, and pork) remain prohibited for imports; many essential foods and agricultural commodities are excluded from accessing lower rate foreign exchange from the Central Bank of Nigeria.</p>
<p>Nigerian small business entrepreneurs have increasingly begun processing and packaging shelf-stable foods - using low-technology food processing unit operations over the last two decades – opportunities for U.S. exports of intermediate foods and ingredients in Nigeria.</p>	<p>Importers are unable to utilize GSM-102 because of stringent local bank requirements and lack of bank-to-bank relationship between U.S. and Nigerian entities while third country banks can be (and have been) used for shipments to Nigeria.</p>
<p>U.S. Agricultural Trade Shows (National Restaurant Association Show and IFT Ingredients’ Show) regularly attract Nigerian importers.</p>	<p>Higher U.S. to Nigerian freight compared to Europe, Asia, and South Africa</p>
<p>FAS/Lagos has good working relationship with GON policy officials and representatives of the key private sector trade and industry associations. FAS provides first-hand market intelligence for U.S. interests.</p>	<p>Inadequate and unreliable power and communications services, and substantial bureaucratic inefficiencies constrain ease of doing business in Nigeria</p>

3.0 COMPETITION

According to industry sources, revenues of Nigeria's food service consisting of full-service hotels, restaurants, quick service restaurants, cafes, and bars, 100% home delivery, etc. reached \$13 billion in 2019.

- The Quick Service Restaurants (QSR) sub-sector is growing fastest at annual average of 25 percent with more than 200 brands operating several hundred outlets across the country.
- Annually, the value of snacks consumed in Nigeria is estimated at more than \$250 million with a 20 percent growth rate.
- Increasing urbanization is responsible for Nigeria's continuing shift toward convenience-type foods.
- The trend in convenience foods largely accounts for the increasing number of snack and fast-food processors and outlets.

Nigeria's foodservice operations are grouped as:

Type: Full-service hotels, restaurants, quick service restaurants, cafes, and bars, 100% home delivery, etc.

Structure: Independent outlets and chained outlets.

Operation: Traditional small-size, individual operations, open-air outlets, bicycle, tricycles, and, cart and truck services, online and home delivery services, etc.

Company Profiles

Overall, growth in Nigeria's HRI food service sector over the past five years has witnessed a phenomenal growth, averaging 40 percent per annum.

Nigeria's foodservice (HRI) sector consists of three main sub-sectors - hotels and resorts; restaurants; and institutional/industrial/Outdoor contracts. Industry analysis shows that the HRI share in food sales as hotels (30 percent), restaurants (50 percent) and institutions/industrial/outdoor (20 percent).

Fast Food

Nigeria Fast Food is expanding and evolving. It's characterized by both local and international franchising models. There are some brands that have survived for years – other brands didn't stay for long before they exited the market.

There are three distinct segments in the fast-food market: The indigenous brands led by Mr. Biggs, international franchise includes brands such as Steers, and the myriad of single, neighborhood outlets - Burger King entered the market in 2021. The low barrier to both entry and exit has attracted a myriad of both local and foreign investors. There is a growing awareness among Nigerians about healthy eating – especially the trend toward lighter meals. The demand for fresh produce and foods without preservatives has also increased. There is also an increasing trend for the Quick Service Restaurants/Fast Food Chains to serve local menus in their outlets providing a choice for many Nigerians preferring the local menus.

Table 1: Fast Foods Chains in Nigeria

Brand Owner	Brand	Website
Yum Restaurant Int. USA	KFC, Pizza Hut	https://www.yum.com/wps/portal/yumbrands/Yumbrands
Famous Brand SA	Debonairs Pizza	https://famousbands.co.za
UAC	Mr. Biggs and Domino Pizza	https://www.uacnplc.com/portfolio/quick-service-restaurants/
Burger King	Burger King Nigeria	https://www.burger-king.ng/

Hotels

Hotel revenues have been harmed by the COVID-19 economic fallout. While hotels have taken a beating in bookings because of the COVID-19 pandemic and global lockdown, short-term temporary housing and apartments bookings have soared with the number of bookings continuing to rise as the economy recovers.

- A large proportion of visitors to Nigeria are largely business travelers working in the oil and gas sector; business travelers representing multi-national companies and consulting firms; travelers representing governments, NGOs and businesses attending seminars and conferences; etc.
- There is a growing trend for Nigerian families and individuals to stay in hotels during vacations, business meetings and conferences instead of staying at friends and relations private houses is also contributing to hotel industry expansion in the country.
- Many Nigerian businesses also buy franchise of international brand hotels and operate under such brands whereas others enter technical partnership with major international hotels but operate with own brands.
- Hotels in Nigeria are also increasingly offering restaurant and institutional food services

Table 2: Leading Hotels in Nigeria

Name	Website
Eko Hotels and Suites	https://www.ekohotels.com/
Transcorp Hilton and	https://www.abuja.hilton.com
Marriot Hotels in Nigeria	https://www.marriott.com/
Radisson Hotels	https://www.radissonhotels.com/
Best western Hotels	https://www.bestwestern.com/en_US/hotels/destinations/worldwide-hotels/africa/countries/hotels-in-nigeria.html
Sun International (Federal Palace)	https://www.suninternational.com/federal-palace/

Institutional - Catering Services

There is a growing trend for hotels and restaurants to establish food service contract divisions to serve industrial, institutional and events customers. The number of institutional food service contractors in Nigeria is uncertain but they do exist as chain catering organizations; welfare catering; hospital catering; school meal service; industrial catering; transport catering; institutional catering; contract catering; outdoor catering. Several of the contractors are in Nigeria's Abuja, Lagos, Port Harcourt, and Warri. The government's regulation of this sector is minimal. The sector comprises of mostly full-service catering and food operations including camp style canteens, university-style cafeteria, a la carte restaurants, cafes, bakeries, bars, supermarkets, ice cream stands, and special event catering.

Table 3: United States Top 10 Consumer-oriented products to Nigeria.

Commodity Description	Annual Series 2018 - 2020		
	2018 (000) \$	2019 (000) \$	2020 (000) \$
Food Preparations	15,131.00	23,614.00	12,459.00
Wine and Related Products	14,335.00	24,174.00	17,424.00
Dairy Products	12,481.00	11,350.00	2,930.00
Condiments & Sauces	6,291.00	5,364.00	6,019.00
Distilled Spirits	5,936.00	1,327.00	1,586.00
Non- Alcoholic Bev. (e.g., juices)	1,056.00	843.00	771.00
Bakery Goods, Cereals & Pasta	948.00	1,605.00	2,108.00
Processed vegetables	622.00	836.00	374.00
Fruit & Vegetable Juices	448.00	689.00	822.00
Meat Products NESOI	296.00	910.00	530.00

Source: BICO – U.S Census Bureau Trade Data

FURTHER INFORMATION

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Attachments:

No Attachments