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## Spain

## HRI Food Service Sector

## 2000

Approved by:

**Robert J. Wicks**

**U.S. Embassy**

Prepared by:

Magdalena Escudero

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### Report Highlights:

**Economic stability, more women in the labor force, an increase in employment, more people living in the cities, and more tourists were some of the factors that have increased demand in the HRI sector. Most products are locally produced or sourced from other EU countries, but there are opportunities for some U.S. products.**

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## I. Market Summary

According to preliminary information from the Spanish Ministry of Agriculture, Fisheries and Food, during 1999 Spanish consumers spent around 8.8 trillion pesetas on food and beverage purchases. This represents an increase of 2.4% over purchases in 1998. In-home consumption expenses represent 72 percent of total Spanish food purchases. Spain's HRI sector absorbs about 28 percent of the total food consumed in Spain, with about 2.4 trillion pesetas (\$15.4 billion), of which 2.3 trillion pesetas are consumed in hotels and restaurants and 0.17 trillion pesetas in institutions. This sector experienced an increase of 2.3 percent in 1999, and further increases of 2.5 to 3 percent annually are expected.

The Spanish HRI sector is very complex and diverse. The food service is divided into commercial, with an estimated of 14,594 hotels, 60,582 restaurants, 12,787 cafeterias and 229,215 bars, and social food service, with about 800 catering companies (company cafeteria/restaurant, schools, universities, hospitals, prisons, the army). There is an average of one outlet per 180 people. Further growth of this sector is expected, as there are more people eating out or their homes and more tourists are visiting Spain. There are also about 200,000 vending machines in Spain, with a volume of sales in 1998 of 270,000 million pesetas. This sub-sector is also experiencing important growth. In 1990 there were only 77,000 vending machines.

Spain's HRI has expanded significantly since the 80's. This growth was more rapid after 1994 as a consequence of an economic recovery and a further stability, as well as due to the following social changes:

- T Smaller household sizes
- T Older population
- T More women in the labor force
- T A decrease in unemployment
- T An increase of the urban population
- T Longer distances from home to the work place or school

Another factor that boosts demand for meals in the HRI sector is the growing number of tourists arriving in Spain as well as internal tourism. In 1999, 51.7 million tourist came to Spain, representing an increase of 9.2 percent from a year earlier. Official sources indicate that during the first 9 months of 1999, there were 35.7 million of internal trips by Spaniards within the country.

Market access is frequently a challenge, as U.S. products have to comply with EU regulations. Many products have restricted access to Spain. Additionally they have to compete with similar products from Spain and other EU countries, at lower prices.

**Advantages and Challenges Facing U.S. Products in Spain**

<b>Advantages</b>	<b>Challenges</b>
Fast-food chains are boosting the demand for U.S. products	EU barriers against many imported goods from third countries
Ethnic food restaurants are becoming popular, especially Tex-Mex restaurants	Higher prices for U.S. food products relative to local market products
The tourist industry is demanding more international foods	Complex distribution system
U.S. culture is very popular among the young generation	U.S. exporters are not aware of the potential Spain offers them for some products
U.S. producers offer quality and variety of products for the food service industry	Lack of awareness of the variety, diversity and service of U.S. products

**II. Road Map for Entry Market****A. Entry Strategy**

The best way for a U.S. company interested in exporting products to the Spanish HRI market, is to find an importer, agent or wholesaler who will take care of all the customs clearances and will advise the exporter how to comply with all the regulations for each product, such as labeling, packaging, import duty, sanitary regulations. On some occasions cash&carries and large HRI chains import directly but mainly from other EU countries. Usually food distributors acquire their imported products through an importer or agent, which very often are also distributors because they have warehouses and the means to do the distribution.

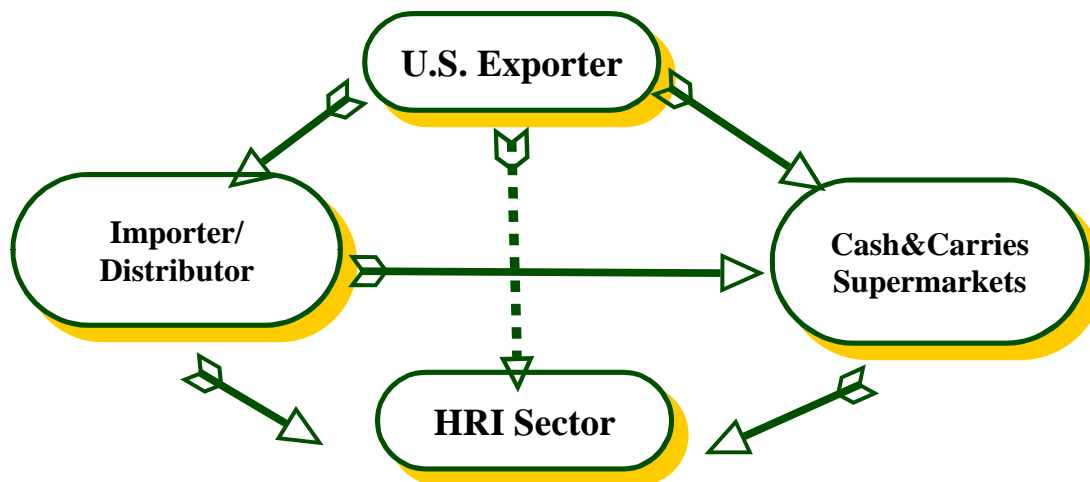
Another way to meet the key players in this sector and introduce U.S. products to the Spanish HRI sector is by participating in sector or food shows in Spain or in neighboring countries visited by the Spanish food service sector.

## B. Market Structure

Spanish HRI sector is very atomized. Only the large chains have a central purchasing office. The owners of the small bars, cafeterias and restaurants, which account for the largest number of outlets, purchase fresh products in the local market or wholesale market. Beverages are bought through distributors, a sector that is well organized. About 80 percent of non perishable goods are also purchased through distributors as well as in the cash&carries. Institutions, hotel chains, food chains (usually fast food) and vending machines have more organized purchasing channels, thus being more competitive.

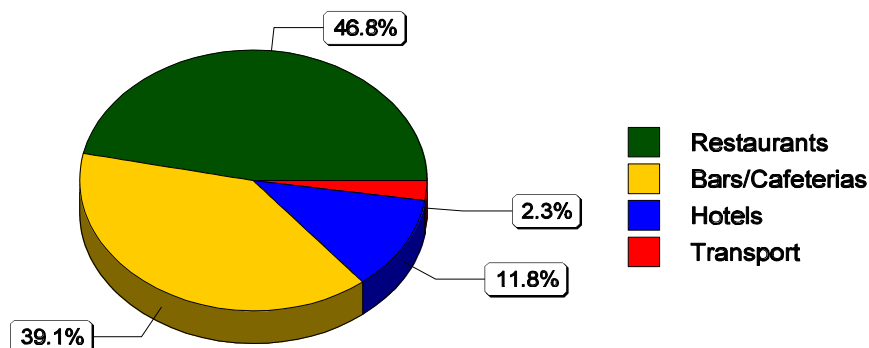
Several companies in the food distribution sector have outlets designed specifically to supply the HRI sector; MAKRO being the largest cash & carry group, followed by GRUPO UNIGRO, COOP. COVIRAN, PUNTOCASH, ALIMENTACION PENINSULAR, GRUPO ENACO, SUPERDIPLO, and others. Also, some distribution companies for this sector are located in specific areas where the tourist demand is higher, like MERCATEL and DAVIGEL in the Balearic Islands, and GRUP SEHRS in Costa Brava (North Eastern coast). Food companies supplying the HRI sector are diverse and must be able to serve small customers with different needs. Beverage distributors are very specialized as most of the beverages consumption takes place in bars, cafeterias and restaurants.

**Spain - HRI Food Sector Distribution Chart**



## C. Sub-sector Profiles

### Sales to the food service



Official sources report that in 1997 about 3,400 million meals were served in the HRI sector, of which 2,450 million were in commercial food service and 950 million were in the institutions channel.

#### 1. Hotels

Hotels are a very important sector in the Spanish tourism industry. Spain is one of the three most visited countries in the world. There is a wide variety of hotels throughout the country, from luxury hotels to bed&breakfast hotels in remote villages. Tourism infrastructure is well-developed and in continuous expansion. In 1998, there were 5,780 hotels; 8,814 hotels and pensions; 450 time-sharing apartments; 1,200 campings; 2,700 rural bed&breakfast establishments.

Eighty percent of the hotels are in the 1 to 3 star range, while the remaining 20 percent are 4 to 5 star hotels. During the last few years, the hotels that experienced higher growth were the 3 and 4 star hotels. Hotels in Spain are growing at a rate of around 4 percent yearly. About 38 percent of the hotels are less than 10 years old. Thirty-nine percent of the hotels are located in the Mediterranean region including the Balearic and the Canary Islands. Twenty-six percent are in the inland regions, 18 percent in large urban areas, and 17 percent in the Cantabric Sea area.

National and international chains represent 19 percent of the market. Most of them are in the 4 and 5 star range. Medium-level hotels at the 2 and 3 star are equally divided between being owned by a hotel chain and/or by an individual. Small and medium-sized hotels have an average of 42 rooms and 80 beds. Larger hotels have, on average, 85 rooms and 162 beds.

Reportedly it is expected that about 349 million meals will be served in the hotels by 2005, accounting for 13 percent of total meals in the commercial food service industry.

## Main Hotel Chains in 1998

Company	N. Hotels	N. Rooms	Sales - M. Euros
Sol Melia, S.A. (Grupo)	247	62,894	553.39i
RIUSA II, S.A.	85	22,425	432.73i
Inmotel Inversiones (Grupo)	82	22,689	387.09i
Hispano Alemana Mngmt Hotelero	34	11,577	199.54i
NH Hoteles, S.A.	78	9,248	182.62i
Paradores de Turismo	83	5,049	173.28i
Barcelo Hoteles	56	13,211	155.12i
Occidental Hoteles Mngmt, S.A.	25	5,608	123.43i
TRYP, S.A.	54	9,546	115.39i
Grupo Empresas Matutes (Fiesta H.)	39	10,340	113.49i

## 2. Restaurants

In Spain, in 1997, there were more than 300,000 food outlets, divided among the following categories:

- > **Restaurants: 60,582**
  - 5 forks: 17
  - 4 forks: 300
  - 3 forks: 1,200
  - 2 forks: 26,553
  - 1 fork: 32,512
- > **Cafeterias: 12,787**
  - 3 cups: 295
  - 2 cups: 980
  - 1 cup: 11,512
- > **Coffees & Bars: 229,215**
- > Self-Services: 86
- > Fast-Food: 2,300 \*

\* Year 1999

Self-service outlets have been decreasing since the mid 90's. Currently there are about 86 outlets, usually located in the shopping centers.

During the period 1996-98 the fast-food sector grew at a rate of 20%. In 1999, this sector grew only 16.8% due to a decrease in the number of new pizza restaurants. Total sales in the fast-food sector were 216,900 million pesetas, of which 85,000 million were spent in pizza restaurants, 83,100 in hamburgers, with an increase of 21.7 %, and 35,000 million pesetas in sandwich outlets, with an increase of 24.6 percent. Franchises account for 66 percent of total fast-food restaurants. About 75 percent of the fast-food outlets are national or international chains. In 1999, there were about 2,300 outlets. Fast-food home-delivery accounts for 25% of sales of this sector. Pizzas with a market share 41.9 percent, is the most consumed fast-food, followed by hamburgers (36.9%), sandwiches (14.7%) and others (6.5%).

### Spain - Leading Fast-Food Chains

Company Name	Type	Number of outlets (franchised)	Sales in million i - 1998
Telepizza, S.A.	Pizza	477 (148)	291.70
McDonald's	Hamburgers	188 (147)	282.08
Burger King	Hamburgers	172 (155)	119.60
Pans & Company	Sandwiches	183 (81)	84.14
Pizza Hut	Pizza	128 (10)	75.13

Life-style changes and economic stability led to stagnation in the bars and traditional restaurants, while restaurant chains and fast-food chains are a way to meet the always increasing demand. These groups offer a meal at a good price in a short period of time. Reportedly in 2000 their share will be 10 percent of total commercial food service. The key factors are a good management, sourcing good products at lower prices, and offering a good quality. Many of these companies offer traditional Spanish food adapted to today's demand, which is healthier and more natural.

As indicated above, these companies directly import some products, although most of the products are locally produced or purchased from importers/distributors. They also demand products with higher value-added, products that need less preparation, like pre-cut vegetables and standardized products with high quality.



### Spain - Leading Restaurant Groups

Company Name	Type	Number of outlets	Sales in million i - 1998
Areas, S.A.	Restaurants/ Convenience stores	364	162.46
Sigla, S.A.	Restaurants	80	153.43
El Corte Ingles (Restauracion)	Restaurants & Cafeterias	52	132.22
Grupo El Amparo	Restaurants	20	36.06
Grupo Moncho's	Restaurants	14	33.64

Ethnic restaurants have been growing dramatically in the last few years. Chinese restaurants were the first to enter this market. Restaurants offering Tex-Mex products like Tony Roma's, Foster's Hollywood, as well as the Mexican restaurants are currently those experiencing higher growth. One of the best ways to introduce new types of food is through the food service sector. For instance, in 1997 sales of Mexican products in the retail food sector grew by 129 percent.

### 3. Institutional

The number of companies in the Institutional food service sector is uncertain, but reports indicate there are about 800 companies. The first five hold 25 to 30 percent of the total market.

The sector has strong price competition, and reportedly exists unfair competition at the part of some companies. Also, an inadequate system of bidding for a new contract. High market concentration and specialization of the small companies is common.

While demand from schools is decreasing due to a drop in the number of births and a change in school schedules, there is an increase in demand from hospitals and retirement homes as a consequence of a higher life expectancy and more homes for elderly people.

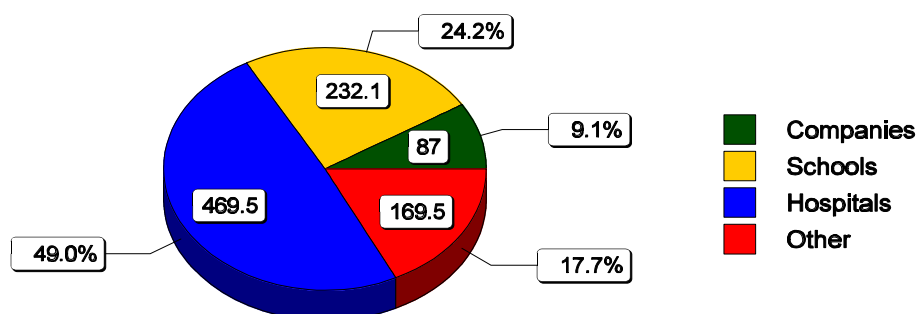
## Spain - Leading Social Food Service Groups - 1999

Company	Total meals	Total Sales in Million Pesetas	Sector*
Eurest Colectividades, S.A. - Compass Group Holding	33,000,000	19,235	1 - 2 - 3 - 4 - 5
Sodexho España, S.A.	n/a	10,500	1 - 2 - 3 - 4
Aramark Servicios de Catering, S.L.	n/a	8,840	1 - 2 - 3 - 5
Serunion, S.A.	30,000,000	8,200	1 - 2 - 3 - 4 - 5
Grupo Osesa, S.A.	3,430,000	4,646	1 - 2 - 3 - 5
Vanyera, S.A.	13,000,000	4,700	1 - 2 - 3 - 5
Restauracion Colectiva, S.A.	9,000,000	3,400	1 - 2 - 3 - 4 - 5
Carlos Rocha, S.A.	4,500,000	3,450	1 - 2 - 4 - 5
Auzo Lagun, S. Coop.	5,200,000	3,200	1 - 2 - 4 - 5
Mediterranea del Catering	12,000,000	2,879	1 - 2 - 3 - 4
Gastronomia Mediterranea	5,136,000	1,903	1 - 2 - 3 - 4 - 5

\* **Sectors** : 1 - schools, 2 - hospitals, 3 - company cafeterias, 4 - retirement homes, 5 - others (army, religious communities, prisons)

## Meals Served by Sector

Millions - 2000 (Forecast)



Social food service managers indicate that about 65 percent of the products used are fresh. Nevertheless, there is a tendency to use more frozen products due to the lower price, more convenient storage, and less perisability. These companies are requiring more value-added and pre-cut products to avoid excessive handling.

### **III. Competition**

Domestic and EU suppliers are the main competition for U.S. suppliers. The main advantages are the normalization and standardization of products in all EU countries as well as the lower shipping costs and absence of import duties.

In 1998, Spain imported \$17.7 billion of agricultural products, of which only \$1.69 billion were imported from the U.S., while \$9.28 billion were of EU origin.

Food service companies rely on suppliers. U.S. exporters/suppliers need to concentrate their efforts on working with Spanish importers and distributors to this sector.

### **IV. Best Products Prospects**

#### **A. Products in the market which have good sales potential**

##### *- Seafood*

Spain is a net importer of seafood products. Spain's catches are not enough to meet demand, about half of the seafood consumed in Spain is imported. In 1998, Spain imported 1,146,908 metric tons, with a CIF value of \$3.3 billion. Total U.S. seafood exports to Spain were \$78.6 million. Spain is a good market for U.S. seafood products, particularly squid (2,926 tons in 1998), fresh fish - mainly hake - (5,452 tons), frozen fish - monk fish, wild salmon - (18,830 tons), and lobster (1,587 tons)

##### *- Lobster*

As a result of the economic situation demand for lobster has grown dramatically in recent years, especially in the food service sector. Growth is expected to continue in the near future. U.S. lobster competes in Spain with local catches, although Spanish production is very limited and imports grow every year to meet increasing demand. In 1998, imports of U.S. lobster and spiny lobster were \$18 million, mainly live lobsters (\$16), representing a 41 increase from 1997.

*- Tree Nuts and Peanuts*

Spain is an important market for U.S. nuts, mainly shelled almonds and in-shell walnuts. In 1998 imports of U.S. almonds and walnuts represented about 91 percent (\$85.9 millions) and 88 percent (\$25.6 millions) respectively of total tree nut imports. Peanuts occupy the middle segment of the Spanish snack food market. Almonds, hazelnuts and peanuts are served in many bars and restaurant as a snack. The Spanish peanut market is a mature market. Its value is stable at about \$37 million.

*- Bourbon*

Bourbon holds about 30 percent share of the whiskey market. U.S. bourbon exports experienced rapid growth in recent years, reaching \$26.3 million in 1998. Reportedly 62% of total whiskey is consumed in the HRI sector

Although tariff barriers on alcohol have fallen since Spain joined the EU, taxes on alcoholic beverages have increased substantially. Nevertheless, there are significant market opportunities for American-type bourbon whiskeys.

**B. Products not present in significant quantities but which have good sales potential are as follows:**

- Tex-Mex products
- Surimi
- Processed fruit & vegetables and juices
- Cake mixes
- Snacks

**C. Products not present because they face significant barriers***- Poultry*

U.S. poultry does not enter any EU countries due to the chlorination issue.

*- Red meat*

Due to the hormone issue, only U.S. non-hormone treated beef can be imported into the EU.

## V. Post Contact and Further Information

American Embassy Madrid  
Foreign Agricultural Service  
PCS 61 - (Box 20)  
APO AE 09642

Phone: 34 91 564 5275

Fax: 34 91 564 9644

e-mail: [AgMadrid@fas.usda.gov](mailto:AgMadrid@fas.usda.gov)

For further information check the "Agricultural Affairs" home page on the U.S. Embassy Madrid web site:  
<http://www.embusa.es> or <http://www.fas.usda.gov> then look under countries - Spain

NOTE: Average exchange rate: 1998: 149.40 pesetas/\$1; 1999: 156.33/\$1 .

Current exchange rate: 172.56 pesetas/\$ - i 1 - \$0.957