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Argentina

Hotel, Restaurant & Institutional Food Service Report

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Buenos Aires [AR1], AR

Hotel, Restaurant & Institutional Food Service Sector Report

I. Market Summary

The import market for food products used in the Hotel, Restaurant and Institutional (HRI) sector in Argentina is a relatively small portion of total food sales, but displays a promise worth investigating. Several factors which characterize the sector are listed below:

- The food and beverage sector in Argentina represents approximately 6 percent of the country's US$300 billion GDP.

- Food and beverage sales to the HRI sector are estimated at between US$2.7-3.0 billion, accounting for 15 to 20 percent of all food and beverage sales in the country. The total value of sales made by the Argentine HRI sector is estimated at $11 billion, of which the cost of foods and beverages accounts for about 25 percent.

- An estimated 5 percent of food and beverages used in the HRI sector is imported, representing US$150 million in value terms.

The growth of the economy and the HRI sector in the past five years is highlighted in the table below, while some of the main factors that will influence changes in the future are presented later:

Growth in the Economy and HRI Sector

Year	Economy	Food & Beverage Sector	HRI Sector
1994	8.0%	4.9%	6.7%
1995	- 4.0%	4.7%	-7.2%
1996	4.8%	1.9%	6.4%
1997	8.6%	9.0%	10.0%
1998	4.2%	5.0%	6.0%
1999	-3.0%	0%	-6%
2000*	3.0%	2.0%	2.0%

*Estimate

- Looking at relative shares of the three components of the HRI sector, Hotels and Resorts account for 10% of purchases, Restaurants for 80%, and Institutions for 10%.

- Hotel food purchases are expected to grow steadily in the near future as a reflection of the expected 11 percent increase in tourism. There are currently 11 five-star hotels in Buenos Aires, and many more either under construction or planned.

- The growth of the restaurant sub-sector, composed of 30,000 establishments country-wide, is projected to follow closely the expansion of the economy.

- The local institutional sub-sector is forecast to grow at about 4 percent annually in the next few years. Catering service for events (congresses, shows, product launchings, seminars, etc.) is becoming more important.

To summarize a number of factors expected to influence the HRI sector in the coming years, please review the table below:

Factors Expected to Affect the HRI Sector

Macroeconomic	Microeconomic
Economic stability	Expansion of international tourism
Continuity of the economic model	Domestic tourism potential
Foreign investment	Low expenditure for eating away from homes
Strong investment in the hotel sector	Longer work hours
Greater per capita GDP growth	More women in the workforce
	Greater professionalism in the restaurant sector

- Most restaurants usually buy products based on the lowest price, not on quality, a fact also true of the institutional sub-sector. In contrast, obtaining high quality food products for catering of events is a very significant factor in that sub-sector's purchasing decisions.

- In general, local HRI still operators prefer fresh products to those which are precooked, preserved, frozen or canned.

- Although the use of frozen products in the HRI sector is very low (5 percent), the current trend is showing that they have good growth potential.

As in any market, a potential exporter will face challenges. Some of the points that an exporter must consider, along with advantages or incentives to enter the market, are included in the following table:

Advantages and Challenges

Advantages	Challenges
Good acceptance of "American Culture" and products	Competition with the well-established European cuisine (especially Mediterranean)
Association of American food culture with service, speed and efficiency	Change image of American food, almost exclusively associated with fast food.
Excellent quality of U.S. food and beverages	Promote use of American foods in other cuisines
Good knowledge of the use of frozen and precooked food products in the HRI sector	Induce hotels and restaurants to adopt the use of frozen and precooked foods
Product standardization and good packaging	Efficient supply: on time, way and regularity
Novelty and user-friendly products and packages	Negotiating flexibility (especially on terms and volumes)
Capacity to adapt to new cultures	Product pricing
	Financing of products

II. Road Map for Market Entry

A. Entry Strategy

The most common way to enter the Argentine market is through an importer or distributor, due to their knowledge of the market and well-developed contacts and operating distribution systems.

Due to the relatively small volume of imported products demanded by the HRI sector, its professionalism and the types of products imported, it is recommended that an exporter work closely with chefs to develop a strategy to incorporate products in traditional and special menus to generate increased demand.

There are two main reasons why the volume of imported food products is not very significant:

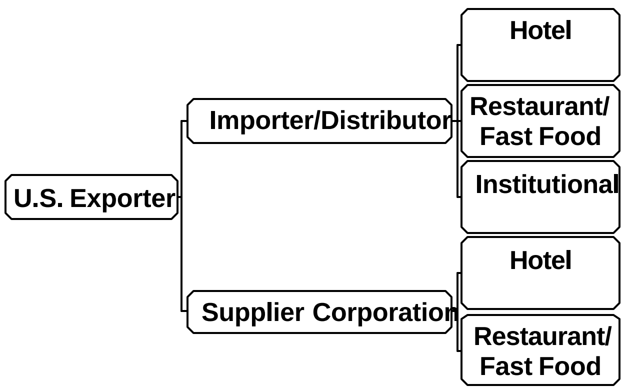
C the good quality and timely supply of domestic products that already exists; and

C the large number of establishments in the HRI sector, a sector characterized by a very atomized market with many small family-run companies and a high rotation (rapid entry and exit in the market).

Therefore, shipments to Argentina are quite limited in volume, unless exporters also take advantage of Argentina as a point of entry for products that are distributed to neighboring countries (Brazil, Chile, Paraguay, and Uruguay) from Argentina.

B. Market Structure

C Supply and distribution channels are the same for both imported and domestic food and beverages. There is also little difference among the types of establishments or institutions to supply: Hotels, Restaurants and Institutional Contracts. The following diagram shows the distribution channel flow:



C The local HRI sector buys foods and beverages from several distributors. In some cases, there are distributors or importers/distributors who handle several food lines, such as dry, refrigerated and frozen. These are currently the most widely used among the highest level segment of the HRI sector.

Due to relatively small volumes and limited storage capacity in the sector, there is little chance of much direct trade developing between exporters and most parts of the HRI sector, with the obvious exception of large restaurant chains. The following table highlights the distribution chains for several important sectors.

Distribution Channels in Argentina

Type of Distributors	Distributor Sector
Manufacturer/distributor (md)	Fish
Distributor (d)	Frozen products
Importer/distributor (id)	Canned products
Wholesale distributor (wd)	Cold cuts
	Meats
	Fruits and vegetables
	Chilled products
	Beverages

- High level restaurants and hotels use many distributors to be able to source a greater selection of food products and obtain better quality and prices.

- Standard restaurants and institutions try to concentrate most of their purchases with a few suppliers. Therefore, they usually work through distributors or wholesale distributors who handle many food and beverage products at good prices, but only deal with a few brands.

- There are some establishments (primarily hotels and fast food chains) which import some products directly but, in general, they source their products from an importer or importer/distributor. Five-star hotels and catering service for events only occasionally import specialty foods and beverages.

- Importers who are not distributors typically supply distributors or assist each establishment directly. There is a clear trend among establishments to source products from only one distributor.

- There are approximately a dozen HRI importer/distributor companies in Argentina. Any imported new-to-market product will have better chances if marketed through one of these companies.

- The hotel gastronomy sub-sector (H) proportionally utilizes more imported food and beverage products due to its high level of professionalism, product or menu specialization, high quality standards and low price sensitivity.

- On restaurants (R), those specialized in international cuisine use a higher proportion of imported products. Demand is mainly for specific products. Frozen and precooked foods are still low in popularity, primarily because of the perception of higher costs. Additionally, there is a strong culture among restaurant owners to prepare most products in-house.

- In the Institutional (I) sub-sector, companies servicing firms, schools and hospitals require simple and standardized inputs, which are almost totally sourced locally. Top caterers for events, hotels and restaurants use a greater number of imported foods and beverages, mainly specific products which are not produced domestically or premium foods and beverages for high level events.

C. Sub-Sector Profiles

- The HRI sector is divided into: Hotels 10%, Restaurants 45%, Fast Food Chains 15%, Convenience Stores 15%, Take-away Stores 5 %, and Institutions10%.

- Buenos Aires City and suburbs (12 million people) account for approximately 80 percent of the HRI sector´s total sales.

1. Hotel

Leading Hotels

Company Name	Estimated Sales (million $)	Outlet Name & Type, & Number of Outlets	Location	Purchasing Agent(s)
Sheraton	60	Restaurant and Catering Service (6)	National	Direct; Importer/ Distributor; Direct Import
Marriott Plaza	9	Restaurant and Catering Service (1)	Buenos Aires	Direct; Importer/ Distributor; Direct Import
Park Hyatt Buenos Aires	N.A.	Restaurant and Catering Service (1)	Buenos Aires	Direct; Importer/ Distributor; Direct Import
Caesar Park	N.A.	Restaurant and Catering Service (1)	Buenos Aires	Direct; Importer/ Distributor; Direct Import
The Leading Hotels of the World	N.A.	Restaurant and Catering Service	Alvear in Buenos Aires and Llao Llao in Bariloche	Direct; Importer/ Distributor; Direct Import

- The hotel (H) sub-sector is very dynamic and shows good growth potential as a consequence of large investments in hotels. Tourism has grown at higher rates than the Argentine economy. Despite the current recession, this sub-sector grew 1% in 1999 and is expected to expand at higher rates once the Argentine economy recovers. Domestic and international tourism is expected to grow nearly 11% annually in the years to come.

- There are close to 6,000 hotels in Argentina. Approximately 1,600 are located in Buenos Aires City, and of the latter group, only 11 are five-star hotels, 43 are four-star and 38, three-star hotels. Buenos Aires has a deficit of high-level hotels. More than five million tourists visit the country annually, of which 73% come through the country´s capital city.

- There are 10 new hotels under construction: two are five-star and four are four-star hotels. About eight are either in the process of reopening or expanding, of which two are five-star hotels and six, four-star hotels. There are also 18 different projects of high-level hotels.

- In five-star hotels, catering service represents a far greater business than restaurants, as the number of social events, congresses, workshops, conventions, etc., is very high. Argentines who eat outside their homes do not usually choose hotel restaurants.

2. Restaurant

Leading Restaurants

Company Name	Estimated Sales (million $)	Outlet Name & Type, & Number of Outlets	Location	Purchasing Agent(s)
Arcos Dorados	230	McDonald's (Fast Food) (160)	National	Direct and corporate-approved supplier
Fast Food Sudamericana (Burger King)	25	Burger King (Fast Food) (25)	National	Direct, corporate-approved supplier and importer
Wensur	25	Wendy´s (Fast Food) (25)	National	Direct and corporate-approved supplier
El Noble Repulgue	5	El Noble Repulgue (Delivery) (100)	National	Direct
La Caballeriza	10	La Caballeriza (Steak House) (4)	Buenos Aires	Direct
Romanaccio	6	Romanaccio (Pizza & Pasta Restaurant & Delivery) (18)	Buenos Aires	Direct
Delicity	N.A.	Delicity (Pastry & Coffee shops)	National	Direct and importer
Los Inmortales	N.A.	Los Inmortales (Pizza Restaurant & Delivery) (3)	National	Direct and importer

- The Restaurant (R) sub-sector is very dynamic due to the high rotation (inaugurations and shut-downs) of establishments. The growth of this sector in the past few years was hardly above the economy´s average. During economic expansions, it usually grows at higher rates, while in recession periods, the drop is greater than that of the general economy. Three factors have heavily influenced this sub-sector:

- a) a macroeconomic effect, due to economic stability and growth in 1991-98;

- b) a wealth effect, since a higher per capita GDP encouraged greater expenditure in eating away from homes (which is still low, accounting for 6% of total average home expenses in Buenos Aires City); and

- c) a microeconomic effect: people spending more time away from their homes, and the full incorporation of women to the workforce, which increased the use of restaurants and take-aways.

- The growth of the restaurant sub-sector in 1999, which is currently considered to be oversized, is estimated to be below 10%. The development of the restaurant sub-sector is projected to follow more closely the development of the general economy.

- There are 30,000 restaurants in the country. More than one-third are in Buenos Aires City and its suburbs. About 1,800 are regular restaurants and the balance are takeouts and street-cart vendors.

- It is a very atomized and vast sector with a low grade of professionalism. In general, low prices are far more important than quality. However, it is a sector with good potential as it is becoming more efficient.

Cuisine Offered in Buenos Aires City

Types of Cuisine	%	Ethnic Cuisine	%
International	22.29	Italian	31.73
Ethnic	20.22	Spanish	14.10
Quick Food (Minutas)	13.35	French	7.05
Steak House	11.21	Chinese	6.73
Pizza	8.49	Japanese	5.77
Argentine	6.68	Arabic	3.85
Fast Food	6.35	Mexican	3.53
Pizza and Pasta	4.02	American	3.53
Fish and Seafood	2.33	German	2.56
All-you-can-eat	1.56	Greek	1.6
Home-made	1.56	Oriental	1.6
Vegetarian	1.04	Jewish	1.28
Dinner-Show	0.91	Armenian	1.28

- Restaurant chains are typically fast food and delivery companies, which are mainly operated through franchises. Those which are not fast food, pizza or delivery chains are very few and have at the most four stores.

- Although ethnic food (except for European) is quite limited in Argentina, the current trend is showing a big change as demonstrated by the large number of restaurants which have opened recently.

3. Institutional

Leading Institutionals

Company Name	Estimated Sales (million $)	Outlet Name & Type, & Number of Outlets	Location	Purchasing Agent(s)
Integralco	60	Companies, Cafeterias, Hospitals, Schools	National	Direct through distributors
Foodservice	N.A.	Companies, Cafeterias, Hospitals, Schools	National	Direct through distributors
Eurest Argentina	20	Companies, Cafeterias, Hospitals, Schools	National	Direct through distributors
Saint-Germain		Companies, Cafeterias, Hospitals, Schools	Buenos Aires	Direct through distributors
Oralco	N.A.	Companies, Cafeterias, Hospitals, Schools	Buenos Aires	Direct through distributors
Malenchini	10	Malenchini (special events)	Buenos Aires	Direct through distributors
Buenos Aires Catering	N.A.	Airlines Catering	Buenos Aires	Direct through distributors

- The Institutional sub-sector is very atomized and diverse due to the wide range of operators supplying food to companies, hospitals, schools and other institutions. Its growth follows more closely the development of the country's economy. Institutional catering is less influenced by the fluctuation of the economy, as food demand for schools, hospitals, etc. varies little over time. Catering for events is also quite stable as banquets are usually planned ahead and paid with savings. There is a great dispersion of catering companies servicing banquets, from small family-owned to large professional ones with national coverage. No growth is expected in this sub-sector for 1999 but, in the next few years, it is projected at about 4 percent.

- The Institutional sub-sector is composed of 80-100 companies. There are ten large ones which service mainly firms, hospitals and schools.

- Catering for events is serviced by approximately 20 companies, of which the first five account for 50 percent of the total (excluding hotels).

- There is only one airline catering company owned by three international airlines.

III. Competition

- Most companies prefer to use domestic products because they are fresh and of good quality. Imported products usually offer better quality, but rarely lower prices and better packaging (nicer and more user-friendly).

- Most imported products come from Europe, due to the popularity of the Mediterranean cuisine. They usually have a good quality/price relation or good price and regular supply. Older generations have a stronger affinity with European culture, while youngsters (30 and younger) are more "Americanized".

- Food and beverages imported from the United States account for about 10% of the HRI sector´s total imports, and in value terms represent $70 million.

The following table shows the origin of total food and beverages for all sectors imported into Argentina:

Market Share, 1998

TOTAL	$970 million	Market Share, %
United States	90	9.3
Europe	185	19.1
Germany	16	1.6
Spain	46	4.7
Italy	36	3.7
Netherlands	15	1.5
Mexico	16	1.6
Canada	7	.7
Brazil	282	29.1
Mercosur + Chile	511	52.7
Chile	139	14.3

- Most U.S. food and beverages are sold through retail and a smaller share through the HRI sector:

	Domestic Products	Imported Products	U.S. Total F&B Imported for HRI
HRI Sector uses:	95%	5%	4.5%
H Sub-sector uses:	90%	10%	10%

R Sub-sector uses:	95%	5%	4%
I Sub-sector uses:	95%	5%	3%
Advantages	Good supply, volume, quality and price	Quality, packaging, user friendly, premium products, unique products price (sometimes)	Standardization, packaging, service, user-friendly, speed

- HRI establishments usually make their payments at 30/60-day terms. Imported products are often paid for immediately.

IV. Best Product Prospects

A. Products Present in the Market Which Have Good Sales Potential

- all kinds of sauces (including those specific for special celebrations like Thanksgiving);
- portion-controlled ready-prepared side-dishes;
- dry nuts, especially U.S. walnuts and almonds, which are larger in size and usually used in desserts and candied products;
- specialty cheeses;
- beer, although it is a mature market where many different local and foreign brands are found, it is growing constantly;
- foie gras;
- frozen string beans and pulses;
- fruit sauces;
- sweet corn;
- pineapples;
- palm hearts;
- tropical fruit;
- turkey;
- mushrooms;
- herbs; and
- fruit puree.

B. Products Not Present in Significant Quantities But Which Have Good Sales Potential

- baby vegetables (supply is very irregular);
- frozen parsley;
- frozen strawberries for dessert sauces (they come from Europe);
- seafood

C. Products Not Present Because They Face Significant Barriers

The following products are currently not imported into Argentina from the United States due to trade barriers or other restrictions**:**

- U.S. frozen/fresh pork; and
- some fresh fruits.

V. Post Contact and Further Information

For further information about this report or other marketing questions, please contact us at any of the following addresses.

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