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Bahamas, The

Retail Food Sector

Report

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Report Highlights:
This report provides information on the retail food sector in the Bahamas. It describes the types of outlets operating in the market, the channels of and trends in distribution, the best prospects and the advantages and challenges facing US exporters in that market.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
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SECTION 1: MARKET SUMMARY

The Bahamas consist of an archipelago of some 700 islands and 2000 islets in the North Atlantic Ocean, 45 miles from the southeast Florida coastline. The comparative area of all the islands is slightly smaller than Connecticut and has a population of 300,000 people. Most of the population resides on the island of New Providence where Nassau is located, and in Freeport on the island of Grand Bahama. The islands have one percent arable land and zero percent permanent crops and pastures. The Bahamas is a middle income, politically stable, developing country with a 3-4 percent economic growth rate in each of the past two years. Continued growth, however, depends largely on economic conditions in the United States, which provides large numbers of visitors to the islands. The Bahamas attracts 3 million tourists a year which accounts for 60 percent of their GDP.

Of the $22 million in food retail sales in 1998, 55 percent of products were from the United States and 85-90 percent were acquired from U.S. distributors. Bahamians are accustomed to and have a positive attitude towards U.S. goods. Most major U.S. food products and labels are already in the market, presenting some challenges for new product penetration. Many industry leaders predict that the U.S. domination of the market will continue to expand.

The Bahamian GDP was $14,448 (The Bahamas Department of Statistics, 1998) and is expected to increase. Price is an important deciding factor in many of their purchasing decisions. The most frequently purchased food items in the Bahamas are staple foods such as rice, beans, evaporated milk, corned beef, macaroni and cheese and flour. Food purchasing from gas marts is increasing due to increasing disposable income and the need to save time.

Because of proximity and historical business ties, U.S. manufacturers will find that Bahamian import policies and procedures compliment and are in accord with U.S. export regulations. The often difficult process of exporting becomes relatively easy for exporters because of the familiarity of documentation and the efficiency in which they can be processed. All business orders on the islands are placed by telephone or fax. A select few companies are operating web-sites for their companies. Online ordering, however, via a web-site has not started yet.

The island of Grand Bahama has pulled out of a recession and is experiencing growth in the tourism sector and their shipyards. Japanese investment has significantly helped the tourism and the shipping industry on the island. Direct flights to New York, Paris and Rome are have now been made available from Grand Bahama Island.

Most Bahamians buy their food needs from the well established supermarket industry with outlets ranging from 220 small independent grocers, two major supermarket chains, the hypermarket chains, the two club stores and the growing number of gas marts

Advantages	Challenges
U.S. exports dominate the food retail industry with 85-90 percent of the market share.	New product introduction can be as difficult as it is in the United States because of the extensive establishment of major brands.
Distribution systems, tariff and duty regulations compliment U.S. systems making exporting easy.	Tariffs on a several select products are high because of the government's role in protecting local businesses. The protected foods listing includes fruits and vegetables, sodas, flavored water, juices, fresh poultry, eggs, beef, pork, live fish, crustaceans/molluscs, nuts, prepared meats and spirits.
The tourist industry attracts 3 million tourists a year, mostly from the United States.	Tourists do not usually purchase food from retail stores while visiting.
The handful of local wholesalers are well established with proven track records.	It may be difficult for supermarkets to purchase directly because of the small size of the market. In addition, distributors offer competitive pricing, a working distribution network and marketing support.

SECTION II: ROAD MAP FOR MARKET ENTRY

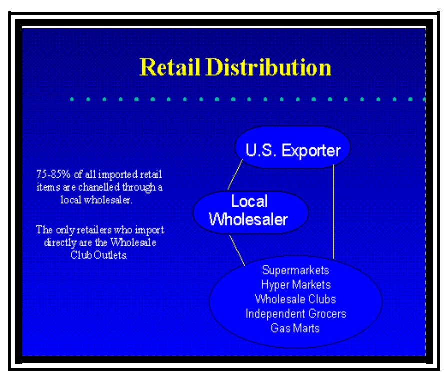
A. SUPERMARKETS, HYPER MARKETS AND WHOLESALE CLUBS

Entry Strategy

Penetrating the market in the Bahamas may be difficult because of the broad establishment of well known brands in the market. The best way for a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop an excellent visual marketing plan and then begin exporting via a local distributor. Researching the market structure and competition is key in assessing current market conditions and making sound decisions. Travel to the Bahamas to get a first-hand view of the market.

Market Structure

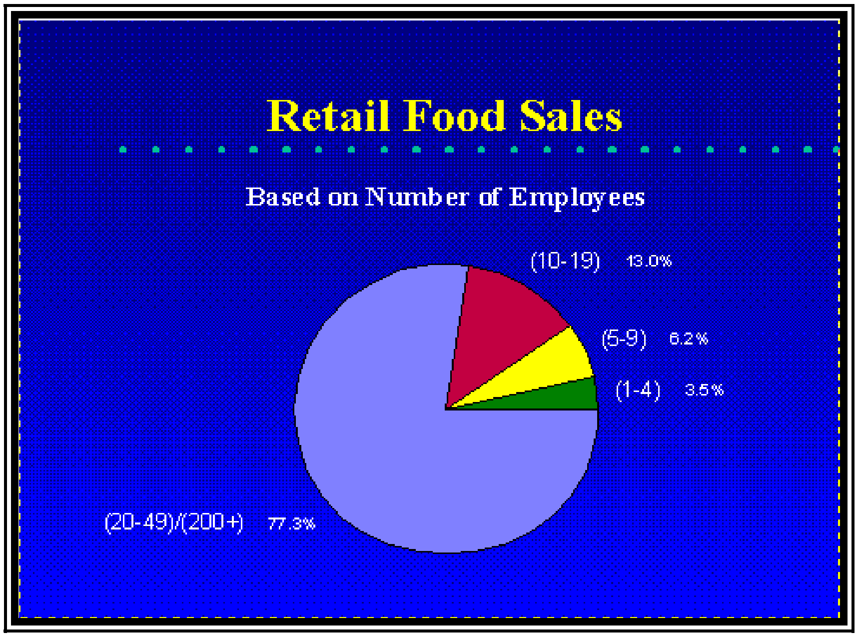
Club Warehouses have been selling enough volume to buy direct in bulk from U.S. wholesalers, resulting in a partial loss in market share for importers/ distributors. However, distributors continue to dominate the retail import industry. Because of the limited number of total retail outlets that are necessary to serve the relatively small population, further development and growth in direct purchasing from a U.S. wholesaler is slim. Therefore, using a local Bahamian distributor will ensure maximize brand distribution and effective product management effectiveness.



Company Profiles

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Food Sales, CY98	Number of Outlets	Locations (city or islands)	Type of Purchasing Agent(s)
City Market (Supermarket)	U.S. (Winn Dixie and local)	N/A	12	New Providence Island	Distributor, Direct/ Wholesaler
Super Value (Supermarket)	Local	N/A	10	New Providence Island	Direct/ Wholesaler, Distributor
Solomon's (Hyper Market)	Local	N/A	3	Nassau-1, Freeport-2	Direct/ Wholesaler
Cost Rite, Wholesale Club (Club Outlet)	Local	N/A	1	Nassau	Direct/ Wholesaler
John Chea & Sons, (Independent Grocer)	Local	N/A	6	Nassau	Distributor, Direct/ Wholesaler
Harding Food Sales (Independent Grocer)	Local	N/A	1	Nassau	Distributor
Cappuccino Café & (Specialty)	Local	N/A	1	Nassau	Direct/ Wholesaler
Winn Dixie (Supermarket)	U.S.	N/A	3	Freeport	Direct
Grand Union (Supermarket)	Local	N/A	1	Freeport	Distributor, Direct/ Wholesaler
Food World (Supermarket)	Local	N/A	1	Freeport	Distributor, Direct/Wholesaler

Although some independent grocers are slowly being replaced by either City Market or Supervalue, the Bahamian government will ensure that the independent grocers remain to some extent. Solomon's Hypermarket and Cost Rite's Wholesale Club outlet are doing well but are not expected to open new outlets in this saturated market. Cappuccino Café and Specialty Shop sell gourmet food imported through specialty food wholesalers in the United States.



TOTAL RETAIL SALES FOR 1998:
$221,150,968
(includes food, beverage and tobacco products)

Retail Food Sales Based on Number of Employees Per Company

Number of Employees	Total Sales	Market Share
1-4	$7,774,785	4.5%
5-9	$13,801,263	8.08%
10-19	$28,917,805	16.94%
20 +	$170,657,115	70.48%

Nassau, the capital city of the Bahamas, is home to the majority of the retail outlet stores in the Bahamas. Supermarket outlets are spread across the main island (New Providence Island) with locations in downtown Nassau and in the center of outlying towns. The average supermarket size is between 25,000 and 30,000 square feet. The wholesale club outlet and the three hypermarkets are located in shopping centers that have a significant amount of traffic and public visibility.

While convenience foods and home-meal replacements seem to be slowly increasing in popularity, other trends such as organic, “healthy” and frozen meals are somewhat lagging in demand. In general, however, the Bahamian retail market follows American trends because of the traditional ties, frequent travel to the United States, exposure to U.S. tourists and access to U.S. television advertising. The Bahamian retail food customer profile is a married woman with children and relatives. They are usually low middle income families without private transportation.

Bahamians still cling to their traditional "made from scratch" diet of rice, beans, evaporated milk, corned beef, macaroni and cheese and flour. As incomes rise, it is expected that Bahamians will venture to try more new food products. The major internal drivers pushing the success of U.S. goods are the availability, abundance and quality of the products imported. U.S. products are also competitively priced when compared to local goods. The Bahamian retail sector and economy is doing extremely well as of June 2000 and is forecasted to continue.

B. GAS MARTS

Entry Strategy

Gas Marts obtain 95-98 percent of their products from local wholesalers. However, if there is a specialty item that is not carried by a local distributer, they will try to buy directly from the manufacturer. The best method of targeting gas marts is via a local distributor.

Company Profiles

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Food Sales, CY98	Number of Outlets	Locations (city or region names)	Type of Purchasing Agent(s)
Shell	U.S.	N/A	12	Nassau	Wholesaler
Esso, Gas Mart	U.S.	N/A	8	Nassau	Wholesaler
Texaco, Gas Mart	U.S.	N/A	6	Nassau	Wholesaler

Gas Marts have been in Nassau since 1986. However, not until just recently, has there been a boom in their popularity. Roughly two years ago, Shell gas stations did not have any gas marts. Today, Shell has twelve open and running. Esso and Texaco are not far behind. The Bahamian economy is doing very well and is demanding convenience shopping. Now more than ever, Bahamians are able to buy automobiles, which in turn has caused the increase in traffic in Nassau. The added traffic has sprawned the convenience shopping outlets because in one stop, consumers can purchase gas and something to eat and drink for immediate consumption. Gas Marts should definitely be an area of interest for U.S. manufacturers because of the recent rapid growth and future potential. Consumers are willing to pay more for the convenience to shop while purchasing gas.

Gas Marts of all the companies listed above are well spread out around Nassau. Located mostly on main roads in this urban area, they choose their location where traffic seems to be the heaviest. Shell gas station has live radio broadcasts from local radio stations offering promotional giveaways to attract customers.

C. TRADITIONAL MARKETS- "Mom and Pop" Independent Grocery Stores

Entry Strategy

For independent grocers and wet market vendors, it is difficult to purchase items directly from manufacturers, so they purchase their items through local wholesalers. Small independent grocery stores carry less selection and quantity then the chain outlets. Stores are smaller, often less sanitary and are not as modern.

Wet Market vendors either grow or purchase their goods from a local farm, or purchase them from a local wholesaler. These market vendors have very little purchasing power because of the low volume they purchase and sell. These vendors have to compete with larger supermarket prices, product freshness and variety of choices. The best method for penetration would be via a local distributor.

Sub-Sector Profile

The traditional "mom and pop" stores in the Bahamas usually consist of one outlet located in rural areas around the island to support the local neighborhood needs. There are over 220 independent stores in the Bahamas today. On average the stores are usually 6-8000 square feet in size. Independent stores account for roughly 20-25 percent of the retail food sales in the Bahamas.

Section III: Competition

Very little competition exists for the U.S. manufacturer from local or other foreign countries. The only reason a U.S. manufacturer may find it difficult to export a product into the Bahamas is if there already is an established competing American product in the market. Most major brands are already licensed and distributed. Bahamian supermarkets look very similar if not identical to U.S. markets. The only items not from the U.S. that were consistently seen were flour from Canada, lamb from New Zealand, several pork items from Venezuela, canned beef from Argentina and certain jams and cookies from the United Kingdom.

Section IV: Best Product Prospects

Because of the relatively low GDP per capita, the best selling items in the food retail industry are staple foods. Items such as rice, flour, sugar, beans, evaporated milk, and corn meal are always in great demand. Bahamians also like cheeses, sweets and occasionally fruits. "Hot" items right now are processed chicken pieces, salty snacks, individually packaged cookies and candies for school lunch programs and hot dogs. The largest improvements over the last year have been seen in snack foods, pet foods, and beer and wine.

A constant problem that was mentioned by importers/distributors and retail managers was the "dumping" of outdated U.S. products into the market. U.S. companies offer a "special" price for outdated goods without informing them why the goods are on sale. The uninformed merchants then purchase the goods and sell them. In one case, a Bahamian merchant purchased goods that were two years out of date and sold them. A child was reported to be hospitalized as a result of eating it.

Section V: Post Contacts

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