

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date:

GAIN Report Number: 1725

Philippines

Food Service - Hotel Restaurant Institutional

2017 HRI Food Service

Approved By:

Ralph Bean

Prepared By:

Joycelyn Claridades-Rubio

Report Highlights:

Increased spending and growing dining habits of the emerging middle class in the Philippines has contributed to the growth of the HRI sector by 6.7% from 2015 with sales of US\$12 billion. This growth in the foodservice industry provides greater opportunities for exports of U.S. food and beverage products to the Philippines.

Post:
Manila

General Information:
I. Overview of the Philippine Market

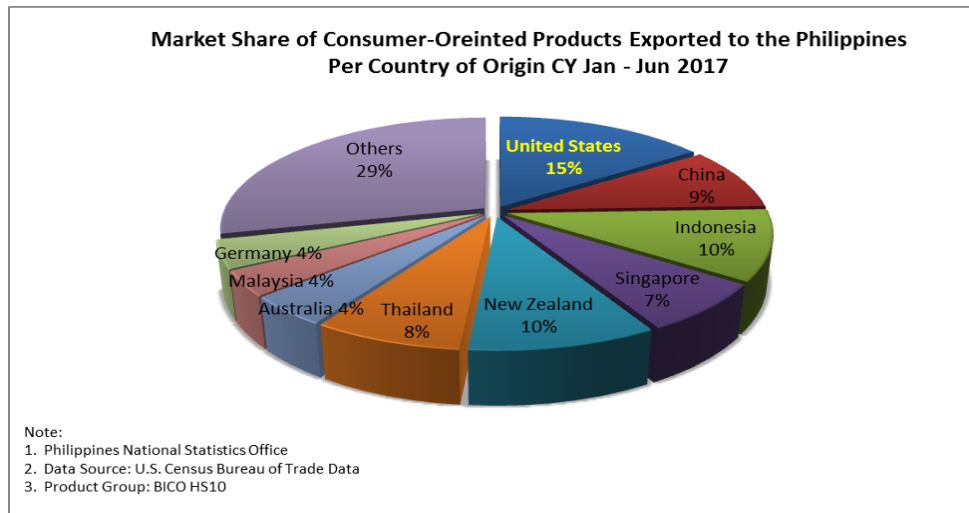
The Philippines is the largest market in Southeast Asia for U.S. consumer-oriented food and beverage (f&b) products and one of the fastest growing markets in the world, importing \$923.4 billion in U.S. f&b products in 2016.

A mature market with growing demand for consumer-oriented products, the United States remains the Philippines' largest supplier for food, beverage and ingredient products.

Ranked as the 11th largest export market for U.S. high-value, consumer-oriented products, the Philippines imported \$716.1 million from January through September 2017. Based on the chart below, the United States remains the largest supplier with fifteen percent (15%) market share, followed by Indonesia and New Zealand (10%), China (9%), and Thailand (8%). Total imports of consumer-oriented food grew annually by an average of 10%.

Table 1 – Philippine Market Profile
Population: <ul style="list-style-type: none">• 104.2 Million (July 2017 est.), annual growth rate of 1.6%• 19.17% below 24 years old• 52% living in urban areas
Land Area: 298,170 sq.km.
2016 GDP Growth: 6.8%
GDP Per Capita: \$7,700 (2016 est.)
Source: CIA World Fact Book

Chart 1 – Market Share of Consumer-Oriented Products in the Philippines Per Country



The Philippines has a strong preference for U.S. brands and is always looking for new American products to taste and enjoy. As incomes grow, more American brands are likely to find a market here.

Post expects demand for U.S. consumer-oriented products will continue to grow for following reasons:

Increasing urbanization (almost 105 million in population)

- Growing upper and middle class (18-20 million)
- Rising number of supermarkets, hypermarkets and convenience stores
- Strong interest in western brands among Philippine consumers
- Growing awareness of the quality and health benefits of U.S. food, beverage and ingredient products

II. Overview of the Philippine Foodservice Industry

Philippine consumers have developed a strong propensity to spend as the economy continues to grow and boost their income and lifestyle. In particular, the emerging middle class show a willingness to spend on higher-quality and filling meals and on new food and dining experiences. This has driven growth for consumer foodservice operators, which continue to increase in number and in variety.

Likewise, the worsening traffic and transport situation (in Manila and other major cities), increasing time and energy constraints, and prevailing health and fitness trends have encouraged consumers to purchase cooked meals (or dine out) instead of preparing food on their own at home.

As a result, foodservice establishments in 2016 increased by almost 2% in number, and sales grew dramatically by almost 6.7% from 2015.

Chart 2 – Number of Food Service Establishments in the Philippines (2012-2017)

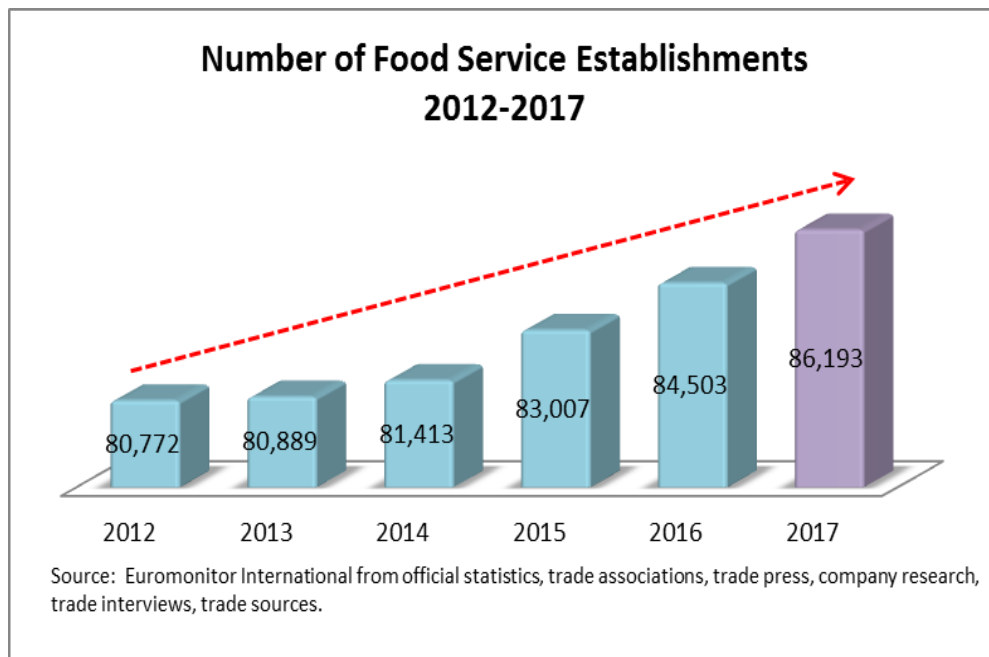
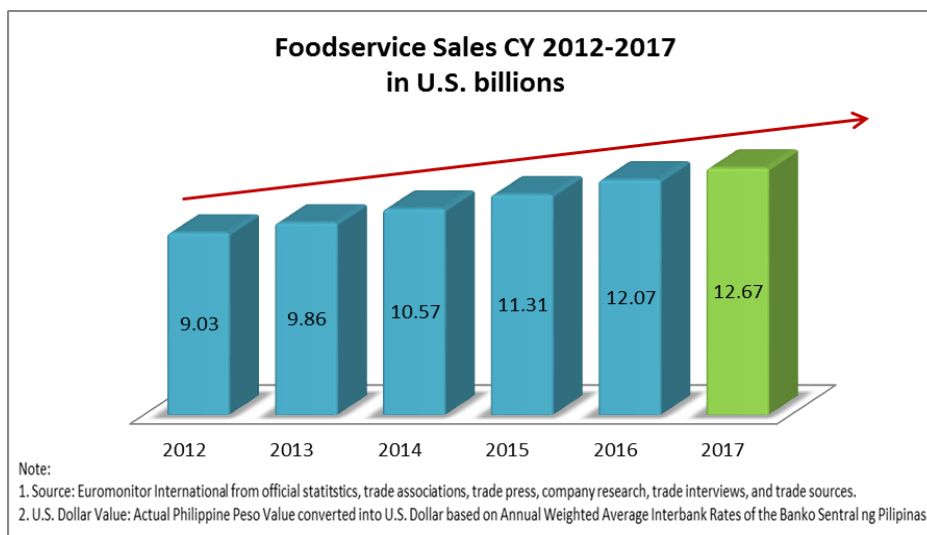


Chart 3 – Philippine Foodservice Sales (2012-2017)



The foodservice industry in the Philippines is dominated by independent players, most of which have outlets in stand-alone locations. Among chain players, local operator Jollibee Foods Corporation leads through its wide portfolio of leading fast food brands. Other important players include Golden Arches Dev Corp (with the McDonald’s brand), Ramcar Inc. (Mister Donut and KFC), Pizza Hut, and Shakey’s.

For casual dining, Max’s Group, Bistro Group, Moment Group, Global Restaurant Concepts, Inc., and LJC Restaurants, are the main players.

Table 2 - Foodservice by Type

Types of Foodservice	Description
Independent	One-branch restaurant concept that's often homegrown and starts with limited staff and marketing efforts.
Chain	An independent restaurant with one or more branches. The owner has full control of the operations of each branch in one holding company.
Franchise	A mother company (international or local) that shares branding, marketing efforts, operational systems, and supplies with multiple independent business owners in exchange for royalties and monthly commissions. Can be a street stall/kiosk or fast food outlets.
Quick Service/Fast Food	Known for quick food production, serving food in about 10 minutes, these restaurants pre-cook food that can be heated and served quickly when ordered.
Casual Dining	More creative in menu items, boasting of signature food and specialties, and a relaxed ambiance.
Fine Dining	Leisure dining with pricier cuisine and longer service, usually patronized for special occasions and business functions. Usually in stand-alone locations or in high-end hotels and resorts.

Source: Types of Restaurants: Entrepreneur, October 2013

Table 3 - Foodservice by Location

Location	Description
Stand-alone (Independent restaurants, cafes, kiosks)	Food service establishments located in a commercial area, near a mall, school, or hospital. Usually, street-stall/ kiosks, food chains, quick service restaurants and cafes.
Retail (Malls and supermarkets)	Restaurants located inside a commercial mall. Usually fast-food chains, quick-service and casual dining restaurants, and cafes.
Travel (Transportation terminals, stations incl. gas stations)	Food service establishments located in airport terminals, bus stations, and service areas alongside motorways and expressways. Usually fast-food chains, quick-service restaurants, cafes and street-stall/ kiosks.
Leisure (Hotels & Resorts)	Restaurants in nearby hotels and resorts.
Lodging (Hotel restaurants)	In-house outlets, exclusive fine dining restaurants located in high-end hotels.



Foodservice through retail posted the highest growth in 2016 with a 7.4% increase in sales, a result of the continued development of shopping centers across the country. Foodservice outlets located in retail establishments benefit from high foot traffic and are able to serve the requirements of mall-goers after they shop or watch a movie. This, in turn, is driving the consistent expansion of chained shopping malls such as SM, Robinsons, and Ayala Malls, especially those located outside Metro Manila.

Table 4 - 2015 Figures on Foodservice by Location

Foodservice by Location	No. of Outlets	No. of Transactions (in millions)	Sales (in US \$)
Stand-Alone	45,518	2,289.40	4,634,723,285
Retail	27,418	1,345.00	5,335,826,541
Travel	6,185	259.50	979,479,443
Leisure	3,805	131.00	703,793,849
Lodging		26.70	

	1,577		414,040,618
Total	84,503	4,051.50	12,067,863,737

Stand-alone foodservice grew by 5.6% in 2016, with 38% market share. This is accounted for the growing number of foodservice establishments that are generally more flexible about establishing their own opening and closing policies. Stand-alone outlets, which are mostly street stalls/kiosks, are also the best option for chained brands wishing to expand their presence in areas outside of Metro Manila, which tend to have a fewer large retail venues available. Some independent players also operate initially through stand-alone units in order to minimize their business risk.

Foodservice through travel, meanwhile, grew by 5.14% to an 8% market share. This growth was supported by the availability of low airfares from budget airlines and promotions by the Department of Tourism to expand both domestic and inbound tourism. Also, the growing number of gas stations which are tenanted by various food service shops (i.e., fast-food, casual dining, kiosks, and cafes) that cater to a growing number of motorists, contributed to the strong value growth recorded in foodservice through travel in 2016.

Foodservice through lodging and leisure combined, posted an increase of almost 9.38% in 2016. This growth was driven by the increasing number of hotels being opened every year (see table 5). Nine luxury hotels opened between 2016 and 2017. These hotels have in-house restaurants and bars that continued to be the location with the highest spend per transaction in 2016, since meals and drinks in hotel restaurants are expensive. Moreover, consumers who dine in hotels tend to opt for full meals or buffets. Affluent consumers who frequently dine in this location tend to splurge on food and drinks more as they usually celebrate special occasions whenever they visit.



Chart 4 – Percentage Growth of Sales per Channel

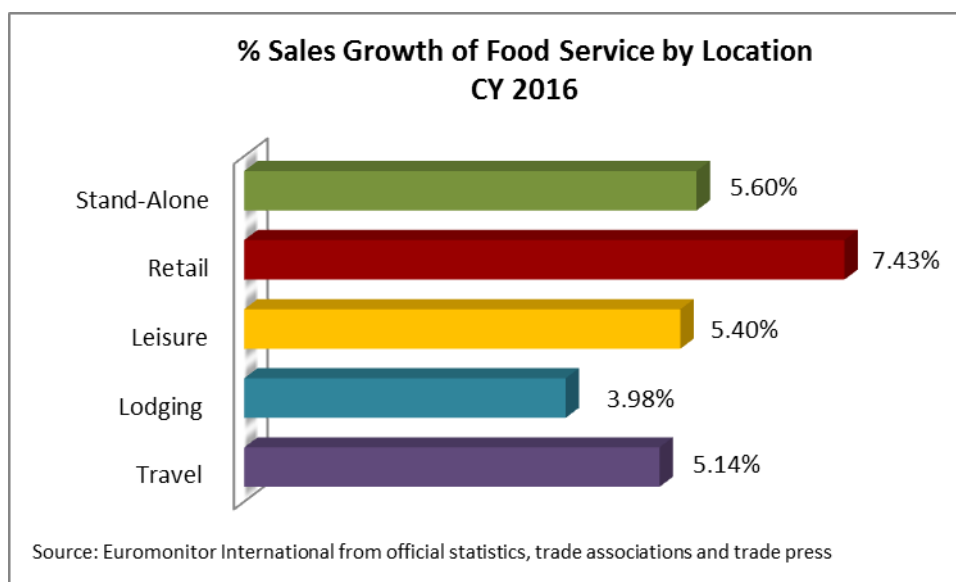


Table 5 – List of Recently-Opened Hotels & Proposed Hotels

Name of Hotel	Location	Rooms	Opening
Ascott Bonifacio Global	Fort Bonifacio Global City	220	2016
Conrad Hotel Manila	SM Mall of Asia Complex, Bay City	350	2016
Shangri-La at The Fort Manila	Fort Bonifacio Global City	577	2016
Citadines Millenium	Ortigas, Manila	293	2016
Park Inn by Radisson Clark	Clarkfield, Pampanga	154	2016
Movenpick Resort Boracay	Boracay	333	2016
Rizal Park Hotel	Ermita, Manila	46	2017
Okada Manila Hotel	Aseana Business Park, Paranaque City	993	2017
Novotel Manila Emerald Suites	Emerald Avenue, Ortigas Center, Pasig	150	2017
Grand Hyatt Manila	8th Avenue, Veritown Fort, Bonifacio Global City, Taguig	438	2018
Sheraton Manila	Newport City, Pasay	350	2018
Hilton Manila	Newport Boulevard, Newport City, Pasay	350	2018
Crockfords Tower Manila	Resorts World Bayshore, Entertainment City, Parañaque	NA	2018
Genting Grand Manila	Resorts World Bayshore, Entertainment City, Parañaque	NA	2018
Hotel Okura Manila	Resorts World Bayshore, Entertainment City, Parañaque	NA	2018

The Westin Manila Bayshore	Resorts World Bayshore, Entertainment City, Parañaque	600	2018
Mercure Manila Ermita	Roxas Boulevard, Ermita	500	2018
Novotel Suites Manila	Mandaluyong, Pasig City	310	2019
The Westin Manila Sonata Place	Ortigas Center, Pasig City	NA	2019
Movenpick Hotel Manila	Makati City	324	TBA
Radisson Blu Global City	Bonifacio Global City, Taguig	NA	TBA

Source: Wikipedia: List of Hotels in Metro Manila



Photo: Okada Manila, the largest resort in Manila has opened on the 2nd quarter of 2017. With 21 dining options, Okada Manila provides non-stop thrills to excite the palate of both local and international visitors by offering various culinary creations.

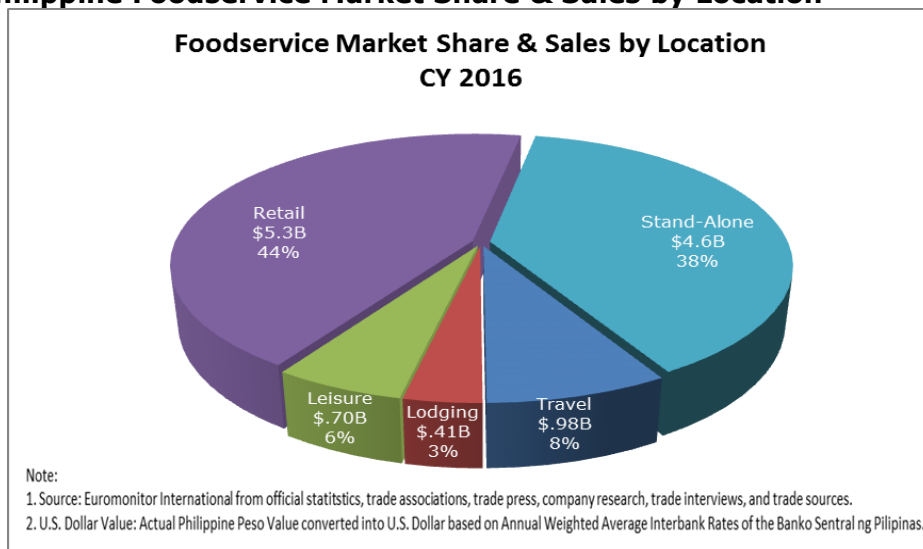
The number of foreign brands continues to grow in the foodservice industry in the Philippines through franchising or joint venture. Local foodservice companies prefer to bring in a foreign brand rather than create their own local restaurant. This strategy seems to provide better prospects for success since less effort is required to build an established foreign brand restaurant. This approach in the food service industry works as Filipinos in general have a high regard for imported brands, which they become familiar with either through their travels abroad or through social media.

Table 6 – List of Major Foodservice Companies with Popular International Restaurant Brands

Name of Company	Foodservice Brands/ Subsidiaries
The Bistro Group	TGI Fridays
	Italiannis
	Fish & Co.
	Bulgogi Brothers
	Village Tavern
	Watami
	Modern Shanghai
	Tonkatsu
	Murray & Divine
	Buffalo Wild Wings
	Texas Roadhouse
	Moe's Southwest Grill
Denny's Diner	
Global Restaurant Concepts, Inc.	Applebee's
	IHOP
	California Pizza Kitchen
	PF Chang's
The Moment Group	8 Cuts
	Din Tai Fung
	Linguini Fini
	Manam
	Phat Pho
	Ooma
	Mecha Uma
	Bank Bar
AM-PHIL Food Concepts	Chili's
	Super Bowl of China
	Wild West Roadhouse Grill
	Nanbantaei of Tokyo
	Tokyo Tonteki
	Salvatore Cuomo & Bar
RAMCAR Food Group	KFC
	Mister Donut
Max's Restaurant Group	Krispy Kreme
	Jamba Juice
Philippine Pizza Inc.	Pizza Hut
	Dairy Queen
	Taco Bell
Golden Arches Development Corp.	McDonalds
	McCafe
International Family Food Services	Shakey's
	Project Pie
ACA Group of Companies	Quiznos
	Johnny Rockets
Wenphil Corporation	Wendy's
Roasters Philippines	Kenny Rogers
Rustan Coffee	Starbucks
3030 PPP Ventures Inc.	Domino's Pizza
Global Dimsum Food	Tim Ho Wan
Bon Chon Philippines	BonChon

Berjaya Pizza Philippines	Papa John's Pizza
Golden Donuts, Inc.	Dunkin' Donuts
IceDream Inc.	Baskin Robbins

Chart 5 – Philippine Foodservice Market Share & Sales by Location



The range of foreign brands present in the country are diverse and are not limited to full-service restaurants, it also includes fast-food stores, cafes and street stalls/kiosks. Some of the popular U.S. brands in the industry that opened in 2016 include Wolfgang's Steakhouse, Rocky Mountain Chocolate Factory, Pink's Hotdogs, Fatburger, Denny's, Texas Roadhouse, Moe's Southwest Grill, Mighty Quinn's, Sugar Factory, and

Applebee's.

Photo: Pink's Hotdogs (an American brand) just opened its first restaurant on June 10, 2016

III. Advantages and Challenges for U.S. Exporters

Advantages	Challenges
The Philippines has a large base of experienced importers that cater to the HRI sector.	Few importers have a nation-wide distribution network. The high cost of inter-island shipping makes imported products more expensive in areas outside Manila.
The foodservice sector is familiar with the availability, quality and applications of U.S. F&B products. The popularity of American holidays and culture lead to Americana-themed promotional events by Philippine restaurants and hotels throughout the year.	Stiff competition from European and Asian F&B products in the market.
Philippine consumers are open to various international cuisines, providing opportunities for a broad range of U.S. F&B products.	Consumers are price-sensitive.
The recent depreciation of the U.S. dollar compared to the Philippine Peso makes U.S. F&B products more affordable and price-competitive.	Prices of U.S. F&B products are still generally higher than regionally imported products.
The rapid urbanization of provincial cities presents opportunities for U.S. F&B products.	Insufficient cold chain infrastructure.

IV. Roadmap for Market Entry

- U.S. exporters are encouraged to participate in local/regional trade shows and buying missions to meet potential importers and introduce your products.
- Exclusive distributorship agreements are preferred by Philippine importers. U.S. exporters can work with one or several importers provided the market coverage of each importer is properly identified.
- Some Philippine importers maintain buying offices in the U.S. and consolidate their shipments on the West Coast. Others consolidate shipments through third-party U.S. consolidators.
- U.S. exporters are encouraged to maintain close contact with their Philippine importers and support efforts to introducing the products to foodservice customers by

participating in technical seminars, product demonstrations, and local trade shows.

Regular market visits are also highly valued by Philippine importers and regarded as a show of support.

- U.S. exporters are advised to require payment of goods via a letter of credit, especially for initial transactions. Credit terms may be extended to the importer after conducting a thorough background and credit investigation, and after payment habits have been established. Importers request for ample credit terms since HRI customers demand 30-60 days credit.
- Releasing goods from Philippine Customs sometimes poses a challenge, especially for inexperienced importers.
- General pricing structure: Importers add about 30% to the landed cost (CIF + Duties & Taxes) to arrive at the wholesale price for HRI customers.
- HRI customers rarely import F&B products directly, except for a few fast-food chains. The importation is done mostly by importers and a few retailers.
- Importers distribute directly to HRI customers or appoint sub-distributors.
- A select number of importers distribute to retailers. There are some HRI customers that buy from retailers due to situations such as stocks running out before the next delivery, difficulty obtaining credit and difficulties meeting the minimum order required for products to be delivered.
- For perishable and temperature-sensitive products, it is important to select an importer that has the capacity to maintain cold-chain storage and transportation. If possible, products should be packed to withstand extreme heat and humidity.
- Expect higher volume of orders from September to December as importers stock-up for the Christmas season (which is marked by higher consumer spending).
- Small to medium size exporters should work with the appropriate U.S. State Regional Trade Group (SRTG) to take advantage of the SRTG's resources for marketing and promotional support in major export markets. The four SRTGs are non-profit trade development organizations that help U.S. food producers, processors and exporters sell their products overseas. They are jointly funded by USDA's Foreign Agricultural Service (FAS), the individual state departments of agriculture and private industry. The SRTGs provide export assistance to companies located in their geographic region through a variety of export programs and integrated marketing services. To learn more services available from the SRTGs, find the SRTG for your geographic region in the list below and visit the website.
 - Western U.S. Agricultural Trade Association (<http://www.wusata.org/>)
 - Southern U.S. Trade Association (<http://www.susta.org/>)
 - Food Export-Midwest (previously named MIATCO)
(<http://www.foodexport.org/>)
 - Food Export-Northeast (Previously named Food Export USA)

<http://www.foodexport.org/>)

Food & Beverage Total	866.1	997.8	1,110.9	898.5	923.4	568.3	631.4	11
Dairy Products	317.4	363.9	421.5	251.3	226.9	134.8	172.8	28
Prepared Food	58.5	69.3	88.5	84.5	88.6	58.4	60.2	3
Pork & Pork Products	88.2	112.3	103.5	79.5	78.9	46.3	63.4	37
Poultry Meat & Prods.	89.2	83.2	92.8	67.7	77.3	52.2	60.1	15
Processed Vegetables	48.1	56.0	70.6	72.8	71.9	47.8	51.9	9
Fresh Fruit	50.9	60.5	62.6	51.0	64.7	26.2	18.2	-30
Snack Foods NESOI	38.2	43.7	51.2	47.9	63.0	41.7	36.0	-14
Beef & Beef Products	44.9	54.5	59.3	63.7	54.5	32.7	42.9	31
Chocolate & Cocoa Prods.	34.8	40.0	40.8	41.5	47.2	30.1	30.6	2
Condiments & Sauces	14.2	17.3	20.4	24.8	33.6	22.2	16.6	-25
Dog & Cat Food	22.4	25.7	26.0	23.6	26.2	16.6	20.5	24
Non-Alcoholic Bev.	13.2	15.6	13.6	17.8	19.4	14.3	13.9	-3
Processed Fruit	12.0	13.3	13.0	16.4	13.8	8.4	9.6	13
Wine & Beer	8.0	9.5	9.0	12.1	13.6	10.6	9.6	-10
Fruit & Vegetable Juices	8.3	9.7	11.6	13.6	11.5	7.3	7.9	7
Tree Nuts	5.5	5.0	7.1	7.8	9.4	5.5	5.5	
Meat Products NESOI	5.6	9.4	9.5	11.6	9.4	5.1	5.1	1
Fresh Vegetables	3.4	5.4	5.6	7.6	6.7	4.5	2.5	-45
Eggs & Products	2.2	2.3	2.3	1.1	3.7	1.4	1.9	36
Breakfast Cereals	0.6	0.6	1.0	1.3	2.6	1.6	1.8	10
Other Consumer Oriented	0.6	0.5	0.8	0.6	0.6	0.3	0.4	21
Notes:								
1. Data Source: U.S. Census Bureau Trade Data								
2. Product Group : BICO-HS10								

Top U.S. Product Prospects

The established reputation of U.S. food and beverage products in the foodservice sector (HRI) in terms of quality, availability and versatility represent an advantage for U.S. exporters seeking to develop and expand their market in the Philippines. Below are the top growth prospects for U.S. agricultural high-value products based on interviews with Philippine food service company importers and HRI:

Top U.S. Product Prospects
Healthy, Natural & Organic Products
Gourmet Products
Beef
Lamb
Deli Meats & Cheeses
Snack Foods, Dips & Spreads
Dried Fruits & Vegetables
Tree Nuts
Wine & Craft Beer
Breakfast Cereals
Other Dairy Products
Preserved Fruits & Pie Fillings
IQF Fruits & Vegetables
Fruit & Vegetable Juices
Fresh Vegetables

VIII. Further Information & Assistance

USDA-FAS in Manila is ready to help exporters of U.S. food and beverage products achieve their objectives in the Philippines. For further information or assistance please contact:

U.S. Department of Agriculture
 Foreign Agricultural Service
 Embassy of the United States of America
 1201 Roxas Boulevard
 Manila, Philippines
 Trunk Line: (632) 301-2000
 Email: AgManila@fas.usda.gov

References:

1. Philippine National Statistical Coordination Board
2. International Monetary Fund's World Economic Outlook, October 2016 edition
3. Philippine National Statistics Office official data, October 2016 estimate
4. Banko Sentral ng Pilipinas
5. U.S. Customs Data as reported in U.S. Department of Agriculture Global Agricultural Trade System
6. CIA World Fact Book
7. International Monetary Fund's World Economic Outlook database, October 2015 ed.
8. Global Agricultural Trade Statistics, USDA
9. Global Trade Atlas
10. Euromonitor- Consumer Foodservice in the Philippines, 2017
11. Euromonitor-Consumer Foodservice by Location in the Philippines, 2017

12. Euromonitor-Consumer Lifestyles in the Philippines 2017
13. Company Websites of Key Hotels and Foodservice