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Report Name: Food Service - Hotel Restaurant Institutional

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Post: Manila

Report Category: Food Service - Hotel Restaurant Institutional

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Report Highlights:

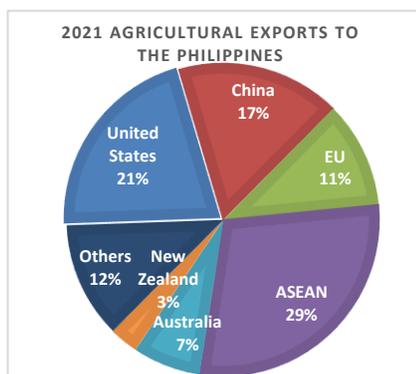
With the further relaxation of COVID-19 restrictions, increased consumer mobility resulted in higher foot traffic in restaurants and hotels. Consumers have become more confident in dining in restaurants. Coming from a low base, key food service establishments remain optimistic about growing the food service industry by 12 percent despite supply chain disruptions and inflation. Last year, U.S. consumer-oriented agricultural exports to the Philippines ranked the highest in value in Southeast Asia. Post forecasts a 16 percent increase in U.S. consumer-oriented exports.

MARKET FACT SHEET: PHILIPPINES MARKET OUTLOOK

The Philippine economy is expected to reach upper-middle-income country status in 2023. Despite higher inflation, GDP growth projections range from six to seven percent in 2022 on improving economic conditions and reduced COVID-related restrictions.

AGRICULTURAL EXPORTS TO THE PHILIPPINES

The Philippines ranked as the seventh-largest U.S. agricultural export market in 2021, reaching a record \$3.55 billion. Post estimates a 15 percent growth in 2022, with the United States remaining the largest single-country exporter to the Philippines.



Source: Trade Data Monitor

FOOD PROCESSING SECTOR

Food and beverage manufacturers have increased production in 2022 with capacity utilization now over 70 percent. Inflationary pressures have driven up raw material costs of manufacturers.

RETAIL FOOD SECTOR

Post estimates retail sales to improve in convenience stores, grocery stores, hypermarkets, and warehouse clubs in 2022 through increased consumer mobility, further spending, and higher employment rates. Selling retail price of certain food and beverage products are increasing due to inflation.

FOOD SERVICE SECTOR

Post expects the sector to partially rebound in 2022, together with the easing of restrictions and increased consumer mobility. Challenges remain from hiring employees, operational and supply chain disruptions,

and escalation of food costs caused by higher inflation.

Philippines: Quick Facts CY 2021

Demographics

- 113 million population (Jan 2022 est.)
- 1.63% population annual growth (Dec 2021 est.)
- 52% under 24 years old & median age of 24 years old
- 48% urbanization rate
- 12% resides in Metro Manila (capital city)
- 76% speaks English & 98% literacy rate

Gross Domestic Product (GDP)

- GDP: \$394 billion (est)
- GDP per capita: \$3,761 (est)
- GDP growth rate: 6% (est)
- GDP PPP: \$9,667 billion (est)

Agricultural & Related Trade (2021)

- Exports to PH: \$15.71 billion
- PH Exports: \$6.8 billion

Consumer-Oriented Agricultural Products:

- Pork, beef, poultry
- Dairy products
- Food preparations
- Sauces and condiments
- Fruits and vegetables
- Biscuits and baked products

Top Fast Food Chains

[Jollibee](#), [Mc Donald's](#), [Chowking](#), [Shakey's](#), and [KFC](#)

Top Supermarkets

[SM](#), [Robinson's](#), [Puregold Price Club](#), [Metro](#), [Gaisano](#), and [Landmark](#)

Top Convenience Stores

[7-Eleven](#), [Alfamart](#), [Ministop](#), [Familymart](#), [All Day](#), and [Lawson](#)

Top Warehouse Clubs

[S&R](#) and [Landers](#)

Sources: [Euromonitor](#), [Global Agricultural Trade System](#), [International Monetary Fund](#), [The World Factbook](#), [Trade Data Monitor](#), [The Economist](#), [World Bank](#), [Philippine Statistics Office](#), [Department of Trade and Industry](#), and FAS Manila research

Strengths	Weaknesses
Strong preference for U.S. ingredients and perceived higher standard and quality	High cost of shipping freight compared to Asian countries
Opportunities	Challenges
A newly industrialized country with a young, tech-savvy, working-age population, and robust domestic demand	Higher inflation and escalation of logistical costs

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SECTION I. MARKET SUMMARY

FAS Manila projects consumer food service sales to increase 12 percent in 2022, with full-service restaurants outperforming and cafes and bars underperforming the sector as a whole.

After gaining a foothold and beginning to build back in 2021, the food service industry will remain far below pre-pandemic levels in 2022. Continued easing of government restrictions facilitated dining in restaurants and events earlier in the year. Restaurant chains continued expansions as dine-in sales increased with returning foot traffic. Hotels have also again began experiencing more event bookings as local and international tourism picks up. Meanwhile, some consumers still prefer the convenience and safety of online deliveries, drive-throughs, and curbside pickups.

Higher inflation and logistical costs have increased operational costs while the difficulty hiring employees remains.

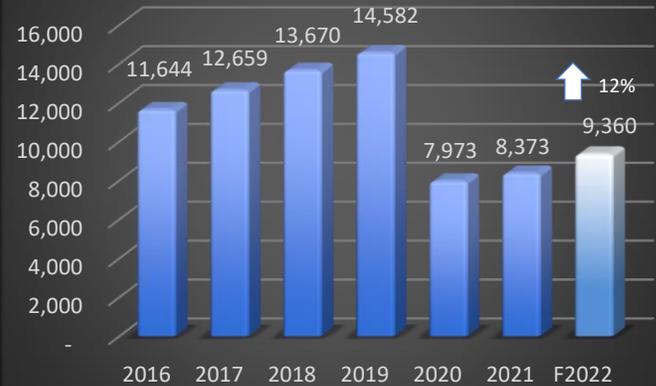
MARKET DYNAMICS

As the government eased restrictions and consumer mobility increased, food service establishments started regaining sales.

Based on research, the full-service restaurants should reach 16 percent, the highest estimated sales growth in the food service industry. The majority of the top restaurants sell chicken, pizza, and burgers, providing opportunity for U.S. ingredients.

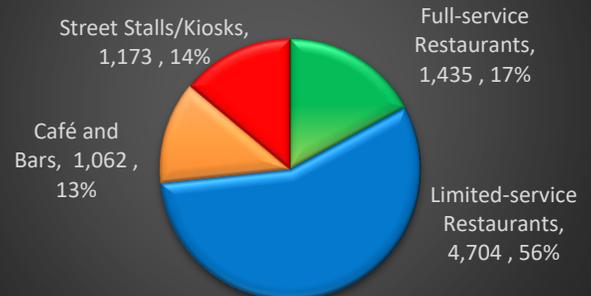
According to [Philippine Hotel Owners Association, Inc.](#) (PHOA), local and international hotels rose in event bookings and staycations, though not yet reaching pre-pandemic levels. As a result, importers and retailers gained more opportunities to supply imported food and beverage to hotels this year.

Figure 1. CONSUMER FOOD SERVICE SALES (in million dollars)



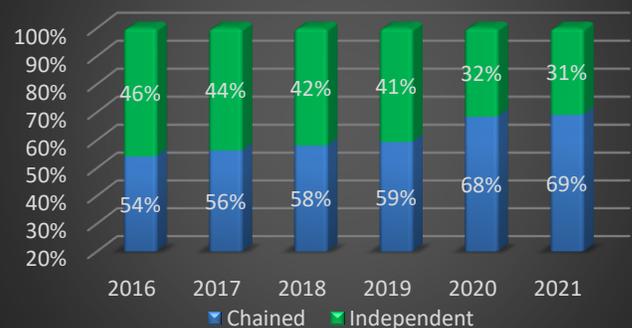
Source: [Euromonitor International](#) and FAS Research

Figure 2. 2021 CONSUMER FOOD SERVICE SALES BY SECTOR (in percentage share)



Source: [Euromonitor International](#)

Figure 3. CHAINED AND INDEPENDENT FOOD SERVICE (in percentage share)



Source: [Euromonitor International](#)

Compared to independent stores, most restaurants and café chains had an advantage due to the company’s financial and operational support. Profit, however, remains minimal which forced nonperforming stores to close. Some food chains, such as [Shakey’s](#), [Wendy’s](#), [7-Eleven](#), [Starbucks](#), and [Moment Group of Restaurants](#), focused on faster store openings this year. Jollibee, on the other hand, expanded operations locally and abroad. As foot traffic increases, Post expects better independent and chained food service performance in 2022.

Online and third-party delivery platforms continue to play a crucial role for most food service establishments while more consumers resumed dine-in this year. During the weekends, some restaurants experience full dine-in capacity and higher average check per guest.

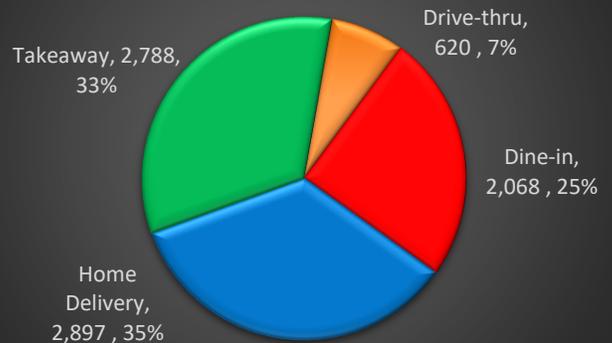
In 2021, takeaway food dropped by 10 percent as more consumers found convenience offered by home deliveries. Dine-in, however, went up by 6 percent as government increased seating capacity of restaurants. More restaurants explored outdoor dining including [bubble pods](#). According to interviews, dine-in sales will outperform home deliveries in 2022. Meanwhile, cafes and stores continue to provide more drive-throughs.

Chicken, pizzas, and burgers known for deliveries remain popular. As a result, other restaurants added pizzas and burgers to the menu to gain sales. To widen the area coverage, some restaurants outsourced from ghost kitchens for food deliveries.

Restaurants have maintained safety measures, including utilizing information technology. In pursuit of contactless efforts, stores use QR codes for displaying menus, ordering online, and processing payments. The chefs developed premium dishes highlighting the imported ingredients used and healthier options, at times with functional ingredients. Restaurants continued offering large portions for family home consumption. More food service establishments offered promotions and substantial discounts to maintain loyal customers and initial trials.

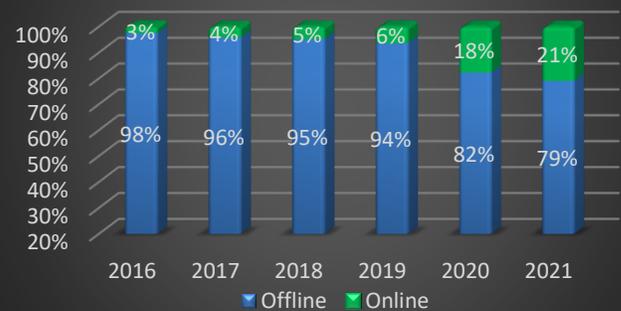
Food service establishments faced supply issues such as delayed shipment, higher prices, or at times unavailability of the ingredient. Some restaurants experienced shortages on particular imported food ingredients: frozen fries, onions, and prime beef cuts, to name a few. To bring down cost, some food service

Figure 4. 2021 CONSUMER FOOD SERVICE BY CONSUMPTION (in percentage share)



Source: [Euromonitor International](#)

Figure 5. OFFLINE AND ONLINE FOOD SERVICE ORDERING (in percentage share)



Source: [Euromonitor International](#)

establishments decided to cut down on expensive ingredients or dishes. Some establishments had to reduce the menu to basic dishes or bestsellers.

During the pandemic, production inefficiency of the food and beverage industry led to high food costs. Most food service establishment delayed price increases while operational and supply costs pushed other restaurants to increase prices. [Bangko Sentral ng Pilipinas](#) expects [higher inflation this year at 4.6 percent](#) with food inflation as a key driver currently at 6.3 percent. affecting majority of the consumers through price increases of quick service restaurants. Consequently, government revitalized this year the [National Food Policy](#) program to help address hunger and malnutrition experienced by 20 percent of the population.

ADVANTAGES AND CHALLENGES

ADVANTAGES

- Easing government restrictions increased on-premises sales.
- Consumers continued to trust in U.S. food sanitation standards of restaurants.
- Premiumization trends showed preference for imported high-quality and healthier ingredients.
- Restaurant establishments offered more grab-and-go, [frozen ready-to-eat](#), and do-it-yourself meals.

CHALLENGES

- Logistical and supply issues led to unavailability of certain ingredients or dishes.
- Higher inflation resulted in higher food cost or substituting cheaper alternatives.
- LGU regulations varying per city posed challenges in operations for restaurant and coffee chains.
- Home-cooking continued affecting food service sales.

SECTION II. ROAD MAP FOR MARKET ENTRY

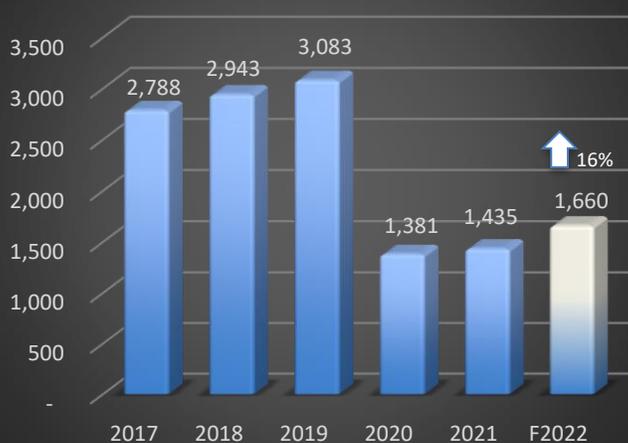
ENTRY STRATEGY AND MARKET STRUCTURE

Although most U.S. exporters transact with an agent, distributor, or importer in key cities like Manila, exporters should also directly communicate with purchasing managers of chained food service with large volume requirement. U.S. exporters should coordinate with the centralized purchasing unit and offer longer payment terms or sampling products to initiate interest.

FULL-SERVICE RESTAURANTS

Post forecasts full-service restaurants to hit a 16 percent growth, coming from a low base. After two years in the pandemic, consumers are becoming more confident to dine in restaurants.

Figure 6. FULL-SERVICE RESTAURANTS SALES (in million dollars)



Source: [Euromonitor International](#) and FAS Research

Although Filipino and other Asian stores form majority of the full-service restaurants, the North American full-service restaurants, such as pizza and American restaurants, fared better with a 4 percent growth in sales last year. Opportunities in imported ingredients ordered by hotels and high-end restaurants continue as they capitalize on premiumization trends.

Most top full-service restaurants are famous for serving chicken. American franchises such as [Shakey's](#), [Pizza Hut](#), have hold significant market share, at 29 percent and 12 percent, respectively. Max's in the most successful local franchise with 15 percent market share.

Table 1. Top Full-Service Restaurants in 2021	Million Sales USD*	Stores
1 Shakey's	414	276
2 Max's Restaurant -Max's Group Inc.	218	760
3 Pizza Hut -Yum! Brands Inc.	166	144
4 Kenny Rogers -Berjaya Corp Bhd.	86	90
5 Pancake House	82	-

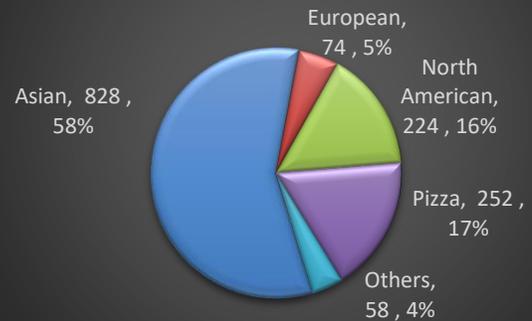
*Annual sales are based on percentage share in the industry and may differ from reported annual sales.

LIMITED-SERVICE RESTAURANTS

Post estimates that limited-service restaurants pose a smaller growth compared to full-service restaurants. Most of the limited-service restaurants offer chicken, pizza, and bakery products. Stores selling pizza and bakery products use large amounts of U.S. wheat-based flour while other restaurants sell chicken leg quarters.

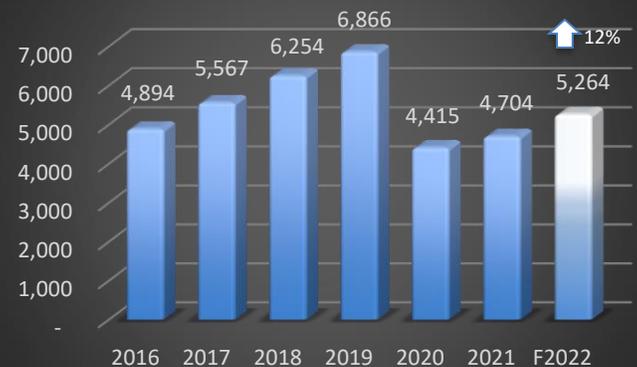
For convenience and safety, some consumers still prefer food delivery, pick-up, and drive-through offered by most quick service restaurants. Other stores explored new sales formats such as food carts, community reselling, and small stand-alone stores found at gas stations or commercial areas. Some limited-service restaurants added long distance delivery offered by [Grab](#) and online selling provided by [Lazada](#) and [Shopee](#).

Figure 7. FULL-SERVICE RESTAURANTS SALES BY CATEGORY (in million dollars)



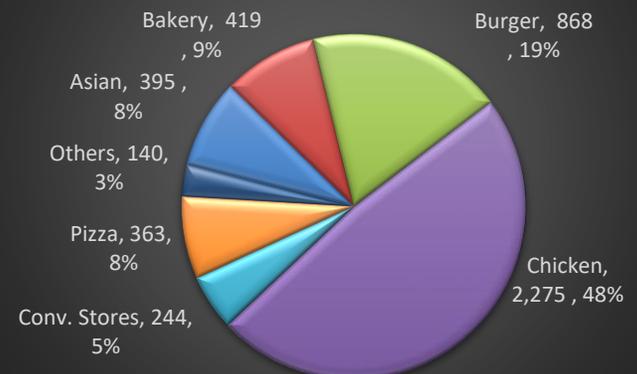
Source: [Euromonitor International](#)

Figure 8. LIMITED-SERVICE RESTAURANTS SALES (in million dollars)



Source: [Euromonitor International](#) and FAS Research

Figure 9. 2021 LIMITED-SERVICE RESTAURANTS SALES BY CATEGORY (in percentage share)



Source: [Euromonitor International](#)

Most limited-service restaurants are well-known for serving chicken. [Jollibee Corporation Foods](#), representing half of the industry, managed to register a sales increase in 2021 given the pandemic challenges. Shortages of locally available ingredients, including chicken and onion affected the subsector in 2022.

Table 2. Top Limited-Service Restaurants in 2021	Million Sales USD*	Stores
1 Jollibee -Jollibee Foods Corp.	2,526	1,400
2 Mc Donald's -Mc Donald's Corp	786	668
3 7-Eleven -Seven & IHoldings Co. Ltd.	193	2,287
4 Chooks to Go-Bounty Fresh Food, Inc.	17	1,000
5 KFC -Yum! Brands Inc.	17	300

*Annual sales are based on percentage share in the industry and may differ from reported annual sales.

CAFES AND BARS

Sales of cafes and bars have dropped the most in the food service industry – 57 percent in 2020, followed by 15 percent in 2021. The category, however, shows slight signs of recovery as café chains grew one percent last year and bars expect growth this year as on-premise alcohol restrictions in bars have eased. Post, however, foresees a slow sales growth due to changing consumption habits as companies have found opportunities in home deliveries of premium wines and liquor.

[Starbucks](#) remains the leader in the subsector, with 53 percent share held in 2021. To maintain loyal customers and adapt to new buying behaviors, Starbucks opened more drive-through stores and offered online promotions like mobile orders, pay services, and a smartphone app.

STREET STALLS/KIOSKS

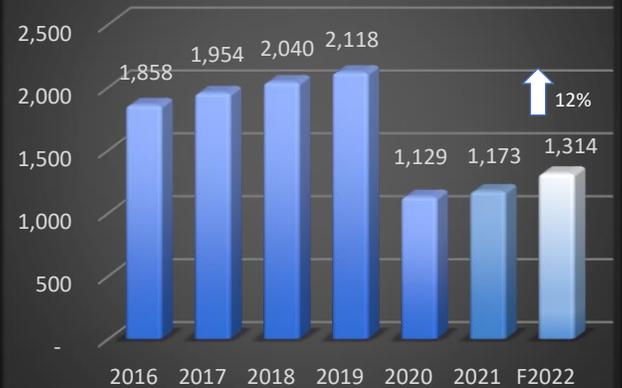
Post forecasts street stalls and kiosks sales growth at 12 percent in 2022. Street stalls and kiosks benefited from improved foot traffic in shopping malls and public transportation hubs. Some stores continued to explore lower franchise fees, home deliveries, and

Figure 11. 2021 CAFES AND BARS SALES BY CATEGORY (in percentage share)



Source: [Euromonitor](#)

Figure 12. STREET STALLS/KIOSKS SALES (in million dollars)



Source: [Euromonitor International](#) and FAS

Table 3. Top Bars in 2021	Million Sales USD*	Stores
1 Barcino Wine Resto Bar -Tarraco Group Inc.	11	16
2 Padi's Point	8	20
3 Cowboy Grill -Golden Pizza Inc	3	4

*Annual sales are based on percentage share in the industry and may differ from reported annual sales.

reselling. Given higher inflation, other street stalls and kiosks implemented price increases due to higher food.

Table 5. Top Street Stalls/Kiosks in 2021	Million Sales USD*	Stores
1 Angel's Burger -Angel's Burger Group	110	1,300
2 Potato Corner -Cinco Holdings Co.	86	1,100
3 Tender Juicy Hotdog -San Miguel Food and Beverage, Inc.	83	-

*Annual sales are based on percentage share in the industry and may differ from reported annual sales.

Table 4. Top Cafes in 2021	Million Sales USD*	Stores
1 Starbucks -Rustan's Coffee Corp.	567	404
2 Dunkin' Donuts	103	-
3 The Coffee Bean & Tea Leaf - Jollibee Corporation McCafe	60	123
4 McDonald's Corp	54	1,000
5 Mary Grace -Mary Grace Foods Inc	52	44

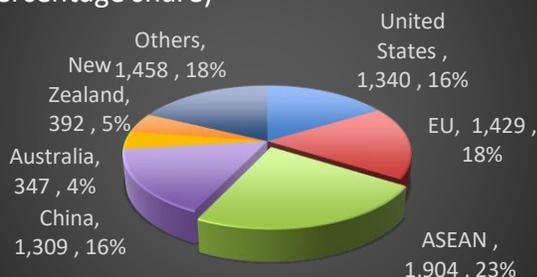
*Annual sales are based on percentage share in the industry and may differ from reported annual sales.

SECTION III. COMPETITION

Amid high competition, U.S. consumer-oriented agricultural exports ranked the highest in Southeast Asia. The United States and Europe competes for premium products but face pricing, shipping, and market access challenges. ASEAN, China, New Zealand, and Australia benefit from preferential market access and proximity to the Philippines given the global shipping challenges.

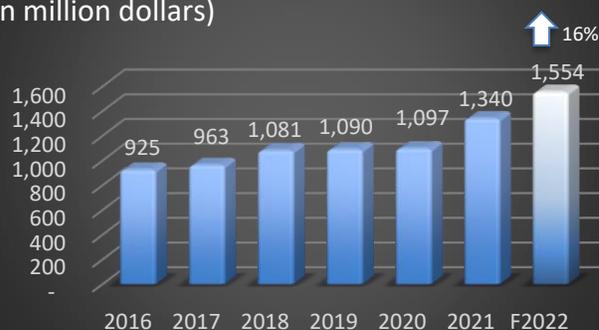
Even tough local food production forms 70 percent of the market, the food service sector continuously consume U.S. food products to provide variety, quality, and healthier options. Despite the pandemic, Post forecasts a 16-percent increase in U.S. consumer-oriented exports to the Philippines in 2022.

Figure 13. 2021 CONSUMER-ORIENTED AGRICULTURAL EXPORTS TO THE PHILIPPINES (in percentage share)



Source: [Trade Data Monitor](#)

Figure 14 U.S. CONSUMER-ORIENTED AGRICULTURAL EXPORTS TO THE PHILIPPINES (in million dollars)



Source: [Trade Data Monitor](#) and FAS Research

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

<p>PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL</p> <ul style="list-style-type: none"> • potatoes • non-alcoholic beverages • waffles and wafers • prepared pasta • bread, pastry, cakes, and biscuits • cheese • fresh or chilled garlic • fresh or chilled onions and shallots 	<p>CONSUMER-ORIENTED PRODUCTS IMPORTED FROM THE WORLD</p> <ul style="list-style-type: none"> • food preparations • meat of bovine animals and swine • chicken cuts • coffee • sauces and preparations • sugar confectionary • apples and grapes 	<p>CONSUMER-ORIENTED PRODUCTS IMPORTED FROM THE UNITED STATES</p> <ul style="list-style-type: none"> • food preparations • chicken cuts • meat of bovine animals • meat of swine • potatoes • bread, pastry, cakes, and biscuits • apples and grapes • sauces and preparations
<p>PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL</p> <ul style="list-style-type: none"> • carcasses of lamb and sheep • meat of goats • turkey cuts • olives • hazelnuts • mandarins 	<p>PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS</p> <ul style="list-style-type: none"> • whole chicken birds • fresh or chilled tomatoes • fish <p>*Note: Not all U.S. crucifers were allowed in the past, as SPS Import Clearances were not being issued. Only recently were "all U.S. crucifers" added to the list of allowable imported fresh vegetables.</p>	
<p>Table 6-10 Best Product Prospects Categories</p>		

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

<p>World Food Expo SM Trade Hall, SM Megamall, Mandaluyong City</p>	<p>National Retail Conference and Stores Asia Expo Virtual Exhibition</p>	<p>Manila Food and Beverage Expo Virtual Exhibition</p>
<p>Food and Drinks Asia World Trade Center, Manila</p>	<p>Cold Chain Philippines 2022 SMX Convention Center, Manila</p>	<p>FHA-HoReCa Singapore Expo, Singapore</p>
<p>International Food Exhibition (IFEX) Philippines Next Food Asia World Trade Center, Manila</p>	<p>HOFEX Hong Kong Convention & Event Center, Hong Kong</p>	<p>Thaifex Anuga Asia Bangkok, Thailand</p>
<p>USDA Manila E-mail: AgManila@usda.gov Tel: (632) 5301-2000</p>	<p>Department of Trade and Industry (DTI)</p>	<p>Philippine Chamber of Commerce (PCCI)</p>
<p>American Chamber of Commerce of the Philippines (AMCHAM)</p>	<p>Hotel and Restaurant Association of the Philippines</p>	<p>Association of Purchasing Managers of Hotels and Restaurants of the Philippines</p>
<p>Food Caterers Association of the Philippines (FCAP)</p>	<p>RestoPH</p>	<p>Philfoodex</p>

Attachments:

No Attachments