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## Chile

### Food Service - Hotel Restaurant Institutional

### 2018

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**Report Highlights:**

Chile offers excellent opportunities for U.S. food exports in the Hotel, Restaurant and Institutional Food Service (HRI) sector. The World Bank ranks Chile's economy as a high-income economy. Chile is considered South America's most stable and prosperous nation in Latin America and the Caribbean. The World Bank predicts Chile's GDP will grow by 4 percent in 2018 thanks to improving private-sector prospects, rising copper prices, and increasing consumers' confidence. In 2017, U.S. exports of consumer-oriented products to Chile reached \$676 million (MM). Largest categories were beer, poultry, pork, beef, dairy products, condiments and sauces. Chile's foodservice sector is expected to grow due to the increase of travel, tourism, and retail outlets/channels. According to Euromonitor data, the growth of the foodservice sector was 4.6 percent in 2017 (value in constant prices) and for the period from 2016 to 2022, an increase of 25.3 percent is expected. The best prospects for U.S. food products resides in supplying high-end hotels and restaurants (casual dining and family-style restaurants) along with coffee shops and fast food restaurant chains.

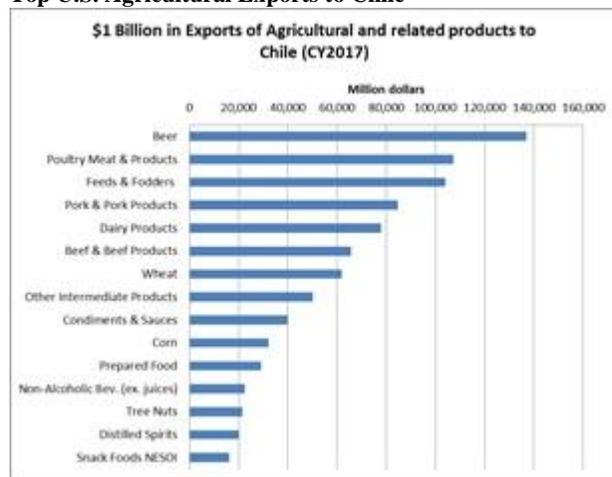
FAS/Santiago recommends exhibiting at the USDA-endorsed show [Espacio Food & Service](#) (September 10-12, 2019), Chile's major food show and the second most important food industry fair in the region after Brazil.

**Post:** Santiago

## Market Fact Sheet: CHILE

Chile is a South American country that borders the South Pacific Ocean, Argentina, Bolivia, and Peru. Chile is divided into 16 regions, of which Santiago, the capital of Chile, is the most densely populated with 7.5 million out of the 17.6 MM citizens. Population growth is slowing down (1.1 percent growth in 2017) and the population is aging. The national GDP in 2017 was \$295 billion. GDP per capita reached \$15,059 in 2017. This is the highest in the Latin American region and is one of the main drivers for consumer spending. It is estimated that in and around country's capital, Santiago in the metropolitan region 46.5 percent of the GDP is produced and more than half of the population live. The World Bank predicts Chile's GDP will grow by 4 percent in 2018 thanks to improving private-sector prospects, rising copper prices, and increasing consumers' confidence. Consumer expenditure is projected to have a real growth of 3.6 percent following 2018 and will represent 61.4 percent of GDP. Chile has an abundance of natural resources, and although it is working towards the diversification of its economy, it still depends heavily on copper exports. U.S. exports of agricultural & related products reached \$1 billion in 2017, which represents a 15 percent increase over 2016 and records the highest level of exports ever. Chile has an open economy and is very committed to trade liberalization. Currently, Chile has 26 trade agreements with 66 economies - notably the U.S.-Chile Free Trade Agreement (FTA), which entered into force in 2004. As of 2015, all trade tariffs were successfully eliminated and 100 percent of all U.S. exports enter Chile duty-free. Chilean exports reach markets that represent 86.3 percent of the global GDP with privileged tariff conditions.

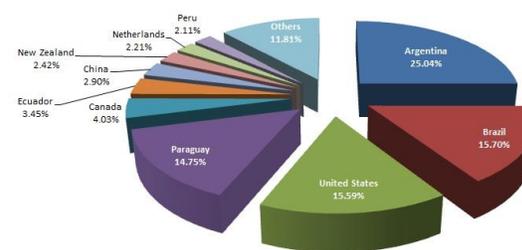
### Top U.S. Agricultural Exports to Chile



Source: U.S. Census Bureau Trade Data

Chile is the top market for U.S. "consumer-oriented products" in South America. This category of products represented 68 percent of all U.S. agricultural and related exports to Chile in 2017 reaching \$676 MM and a 40 percent increase over 2016, the highest level of exports recorded so far. Top products exported to Chile are beer, poultry, pork, beef, dairy products, condiments and sauces

Top 10 Countries that Chile Imports Consumer-Oriented Ag Products in 2017 (%)



Source: Global Trade Atlas

The HRI food service sector shows good potential for sales. The size of the middle class in Chile continues to expand along with average income. New lifestyle trends, such as more women in the workplace and healthier lifestyles are leading to rapid growth in consumer food service, a trend that is expected to continue over the next few years. Hotels, currently the biggest investment sector of the HRI market, are expected to continue to thrive and this will provide export opportunities for U.S. producers. New chains and international restaurants open each year. Subcontracted food service operators in the institutional sector are constantly growing, with providers developing products to suit each sub-sector.

### Quick Facts

**Imports of Consumer-Oriented Ag. Products 2017:** \$676 MM

#### Top 5 Restaurants/Fast Food Outlets in Chile

1. McDonalds (U.S.)
2. Doggis (Chilean brand bought by a U.S. company)
3. Kentucky Fried Chicken (U.S.)
4. Juan Maestro (Chilean brand bought by a U.S. company)
5. Pollos Tarragona (Chile)

#### Food and Beverage Trends in Chile for 2018:

Meat products (beef, pork and poultry); dairy products (cheese and ice cream); sauces, mixed condiments and seasonings; frozen meals; healthy foods (natural derived, with few food additives and preservatives); healthy snacks; healthy beverages (natural ingredients, functional drinks) and ready to eat foods.

#### GDP/Population 2017

Population: 17.6 MM  
 Population aged 15-64: 68.6 %  
 Population aged 65+: 11.1%  
 Population aged 0-14: 20.3%  
 GDP: \$295 MM  
 GDP Per Capita: \$15,059

Sources: Global Trade Atlas, Euromonitor International and trade interviews

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## SECTION I: MARKET SUMMARY

Chile offers excellent opportunities for U.S. food exports in the HRI sector. The World Bank ranks Chile's economy as a high-income economy. Chile is considered South America's most stable and prosperous nation in Latin America and the Caribbean. According to data from the World Bank, in 2017 household final consumption expenditure per capita (constant 2010 US\$), Chileans spent a higher amount compared to their neighboring countries (Chile: \$9,302, Argentina: \$7,157, Peru: \$3,944, Bolivia: \$1,551), but less than a third than households from the United States (\$36,373).

Chilean Central Bank data indicated that in 2017, the HRI sector reported \$6 million to the national GDP, and restaurants and bars registered growth rates of up to 13 percent in sales compared to the last three years. The HRI sector is looking for good quality of food products, as well as packaging and steady cold chain system. This sector is consistently shifting towards prepared foods. This is visible across all food categories, from meat and vegetables to baked goods. Any product that offers high quality while reducing the labor intensity involved in preparation is welcome in the sector, such as pre-peeled and cut potatoes, high-quality, ready-to-serve pastries, or pre-portioned hamburgers. Another important aspect is the stock of products, as the menu cannot be changed based on whether or not the supplier has a particular product. For buyers, it is very important not only the appearance and taste of the product, but also their variety of formats and flavors.

Chile's foodservice sector is expected to grow due to the increase of travel, tourism, and retail outlets/channels. According to Euromonitor data, the growth of the foodservice sector was 4.6 percent in 2017 (value in constant prices) and for the period from 2016 to 2022, an increase of 25.3 percent is expected.

Moreover, local cuisine and ingredients, and naturally healthy products are expected to perform well in the HRI foodservice sector. As new outlets for healthy foods appear, such as juice bars or independent restaurants, the trend is ever increasing. The customer base is continuously expanding as health awareness is growing amongst the Chilean population driven by foreign trends, by companies seeking new markets, and by governmental campaigns that encourage healthy eating.

The fast food restaurants industry is also expected to experience growth in the areas of healthy and premium fast food outlets. This niche market is driven by consumers lacking time and motivation to cook or health-conscious millennials entering the labor market and has resulted in an increase of fast casual restaurants offering healthier premium foods.

The Chilean HRI sector is described below:

**Hotels** – Chile is one the leading countries in hotel occupancy in South America reaching 68 percent in 2017. While hotels still represent the greatest proportion of total value of sales (72 percent) in the accommodation sector, short-term rentals are growing rapidly. In 2015, short-term rentals doubled in the number of outlets present, increasing by 123.8 percent compared to the previous year. Hotel sales are expected to grow by 16 percent in sales from 2015 to 2020. As more and more people book accommodations online, not only will direct hotel sales increase but also those of intermediaries. These include websites that offer price comparisons or the “best deals”, this group experienced strong growth of 15 percent in 2016.

Aside from the rise of web-based platforms such as Airbnb, which offer short-term rentals, eco- friendly hotels and boutique hotels are also having a larger presence within the industry.

**Restaurants** – In 2017, the growth of food outlets was 3 percent, increasing from 15,335 outlets to 15,795 units. Independent restaurants do not only hold more outlets than chain restaurants, but also grew faster in terms of new openings per year. Moreover, tourism is a strong contributor to growth of consumer foodservices. Despite a

general slowdown in economic activity, food service growth is strong and consumers have not changed the frequency in which they eat out, however they are spending less amount of money on each occasion and opting for cheaper options.

Food delivery services increased in importance, not only in the fast food sector, but also for healthier options. Delivery services provide a solution to the increasingly busy lifestyles that Chileans are leading as well as to the lack of motivation and knowledge required to prepare healthy meals. Furthermore, coffee shops show strong growth as well as juice and smoothie bars.

**Institutional Foodservice** - The two largest sectors for the institutional food service industry are the mining and education sectors. The three main institutional service companies are Sodexo Chile, S.A., Central de Restaurantes Aramark, and Compass Catering, S.A., led by Aramark. Aside from the large players, many smaller national companies serve the market. The smaller companies will often supply a few schools or companies and guarantee a direct and personal contact to their clients as well as flexibility, client-tailored and individual solutions. [Canal Horeca](#) magazine reports that the main players in the sector are incorporating the health trend into their offerings by offering healthy menus, transparent nutritional information and adapting to changing demands. The smaller companies also adapt their menus both by shifting towards higher quality ingredients as well as by offering healthier menu options.

**Key Demand Drivers** - The following drivers and trends have been identified as boosting demand within the HRI sector:

**Low-Cost Restaurants** - Economic slowdown led consumers to seek for lower cost restaurants, which resulted in an increase in the fast food sector. Fast food restaurants are constantly innovating and developing their offerings to attract consumers such as offering higher quality prepared food.

Unemployment rate of 6.6 percent in 2017 has not modified the frequency in which Chileans eat out, but rather the amount of money spent per meal, which has increased demand for low-cost restaurants.

**Health Trend** - Healthy consumption trends continue to grow, as stated by the Chilean food magazine *Canal Horeca*. It has changed not only restaurant and hotel operators, but also the institutional food service, where companies aim to deliver healthy foodservice. Low-cost restaurants also started to include healthier options in their menus as a premium, more expensive option. New companies are trying to satisfy a demand for healthy, but fast food service, i.e. catering office workers located in business areas.

Furthermore, the health trend is driving demand for homemade and local food.

**Nutritional Labeling Law** - A [nutritional labeling law](#) for food products was implemented in June 27, 2016. According to [America Retail](#), 36.5 percent of Chileans have adapted their selection and purchase of food as a direct result of the regulation. Many companies have responded to the nutritional labeling law by modifying the recipes and ingredients of current products, and by innovating and investing in new “healthy” products, which do not require labels.

**Local Foodservice** - Independent outlets still dominated the market in 2017, having increased by 12,961 venues, whereas chain restaurants decreased by 2,515 outlets.

**Tourism** - In 2017, the number of tourist arrivals staying in accommodation establishments increased by 3.1 percent. Food services in the hotel and restaurant sector have benefitted from the steady increase of tourism. In Chile, according to the *Fundación Imagen de Chile* since 1990, tourism has become one of the country's main economic resources. The first notorious change was in 2005 when GDP represented 1.33 percent of national GDP. Today, it represents 11.2 percent of the country's GDP, over business services, manufacturing and mining.

With respect to the entry of visitors, 6.4 million foreign visitors arrived in Chile in 2017. Moreover, shopping centers frequently visited by tourists, especially Argentinians, positively impacted sales in food courts in Chile. Santiago is preparing with its new airport to receive 30 million passengers a year between 2019-2020.

Accompanying this growth, the country has been winning medals as a desirable destination:

- [Election of Santiago by “Business Destinations” magazine as the best destination for doing business tourism in South America,](#)
- [Chile named in Lonely Planet’s Best In Travel 2018 book as the N°1 country to visit in 2018,](#) and
- [Award to the best Adventure Tourism destination in the World Travel Awards that the country won for the second consecutive time.](#)

E-Commerce - E-commerce in Chile is expected to grow 14 percent annually through to 2020 (BMI). The number of smartphone users in Chile is very high, and smartphone coverage level in Chile has reached 70 percent of the population. By 2020, it is expected to reach 78 percent. These coverage levels of smartphones and internet access are amongst the highest in Latin America and provide a strong potential for e-commerce. The entry of DHL e-Commerce in 2017 exceeded expectations as consumers turned to online shopping and this trend is also apparent in the food industry. Intermediaries that offer online delivery services for various types of cuisines and restaurants are growing.

Reputation of U.S. products in Chile - The worldwide [Made-In-Country](#) Index 2017 shows that 83 percent of respondents from Chile perceived products made in the U.S. as “slightly positive” or “very positive”. The survey indicates that U.S. products have the strongest reputation in Chile, followed by German products. According to Chilean importers U.S. food products are known to be more expensive and of higher quality than other equivalent products from other sources.

### Advantages and Challenges to Entering the HRI Foodservice Market

Advantages	Challenges
One of the highest credit ratings in Latin America, with a high per capita income.	Domestic market is limited: Chile’s population is 17.6 million in 2017.
Consumption (especially on non-necessities) increases.	Due to its open market, Chileans are price sensitive, especially during economic slowdowns.
Strong demand for processed and ready-made food in the hotel sector.	Due to Chile’s geography, long distances have to be covered for distribution.
Areas beyond the country’s capital, Santiago, are becoming more popular, and scope for expansion in these regions and cities remains strong.	Many hotels purchase individually and do not combine to increase purchasing volume such that it is not attractive for U.S. companies to export directly. However, some hotels report to combine their purchasing efforts in order to be able to import directly and to avoid commissions to intermediaries.
The fast growing tourism industry offers new clients and opportunities for foodservice.	U.S. products and brands face strong competition from Europe. Certain European nations are renowned for their gourmet or high-quality products such as French cheese, Spanish meats and Italian pastas, etc.
Possibility to export directly to restaurants and hotels, which require high volumes of products.	Domestic competition is rising in consumer oriented product categories, as Chilean companies increasingly aim to produce value-added products.
Chile Food Labeling Law: Many companies have adapted their recipes in order to avoid	Chile Food Labeling Law: Imposes barriers to importation due to required extra packaging and labeling.

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the labels and others are working on innovations and new products to meet the demand for healthier foods.

Snacks and confectionary that do not carry warning labels as well as value-added products across categories are growth categories for exporters to Chile.

U.S. exporters seeking to access the Chilean HRI market should identify an importer that specializes in distributing to this sector and be prepared to offer small quantities of products or mixed containers.

U.S. suppliers and products are able to meet the growing demand for gourmet and premium products, healthier products, and convenient food.

Demand for premium coffee varieties increases and U.S. style coffee shops are increasingly prevalent in Chile.

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## **SECTION II: ROAD MAP FOR MARKET ENTRY**

### **A. Entry Strategy**

FAS/Santiago advises U.S. producers to check that their products meet the most up to date Chilean regulations to ensure a straightforward entry into this market. U.S. suppliers will have to consider their market entry strategy.

FAS/Santiago maintains listings of potential importers and develops sector-specific information to help you introduce your product in Chile. State Regional Trade Groups (SRTGs) and Trade Associations are in constant contact with FAS/Santiago office and are valuable partners when approaching the market. Critical considerations of market entry include the following:

- The most common way for hotels, restaurants and institutions to purchase products is usually through intermediaries such as distributors, importers, or local representatives including caterers or wholesalers. According to interviews, most hotels and restaurants use domestic distributors. Most of these firms are based in the capital, Santiago. Chain restaurants, which purchase big volumes of food products, are seeking to import directly. The trend towards direct imports is driven by the search for lower prices (avoiding intermediary costs) while also maintaining high and constant quality. Distributor commissions range between 5 percent and 10 percent depending on the product.
- Many distributors are active delivering products to clients in the HRI sector, as well as supermarkets and other food outlets. Distributors will usually ask the end client to pay for transportation costs outside Santiago or will already have these additional costs worked into their prices.
- U.S. exporters seeking to access the Chilean HRI market should identify an importer that specializes in distributing to this sector and be prepared to offer small quantities of products or mixed containers. Chilean importers typically import mixed containers and offer a range of products. HRI companies often deal with multiple importers in order to get the desired range of imported foods.
- Restaurants perceive U.S. products as “high quality and consistent.”
- The business culture and customs in Chile are conservative and characterized by the importance of personal contact and face-to-face interaction. Therefore, contact initiated via e-mail may often not be effective. Business meetings and practices in general are similar to United States. For any foreign supplier it is very important to have a direct local contact in order to understand the domestic market, have access to a network of contacts and provide support with the language and culture of the Chilean market. Therefore, it is recommended to use intermediaries on site (see suggested intermediaries below).

Local Subsidiary - Opening a local subsidiary is a good option for foreign suppliers who plan to create a strong presence in the Chilean market. Registering a new business in Chile takes around three weeks. Costs for trade registry are estimated at \$1,800. Detailed information can be found at [Chilean Chamber of Commerce](#).

Regulations and Requirements - The ability of U.S. exporters to meet Chilean market requirements has two main dimensions: One is the legal and regulatory requirements and the other is customer expectations.

A certificate from Ministry of Health authorities (SEREMI de Salud) is required to be able to import, and packaging and label requirements have to be fulfilled. Those products that do not comply with the standards have to be re-labeled and re-packaged in Chile before they can be sold. For details on how to export to Chile, please refer to FAS/Santiago's GAIN [Exporter Guide report](#), [FAIRS Export Certificate report](#), [FAIRS Country report](#) and [Food Labeling report](#) on the nutritional labeling law.

FAS/Santiago recommends exhibiting at the USDA-endorsed show [Espacio Food & Service](#) (September 10-12, 2019), Chile's major food show and the second most important food industry fair in the region after Brazil.

If you have questions or comments regarding this report, or need assistance exporting to Chile, please contact the Foreign Agricultural Service (FAS) in Santiago, Chile. U.S. companies seeking to export food products to Chile are advised to do thorough research for a good understanding of the market. FAS GAIN reports are a good source of country specific information: <http://gain.fas.usda.gov>

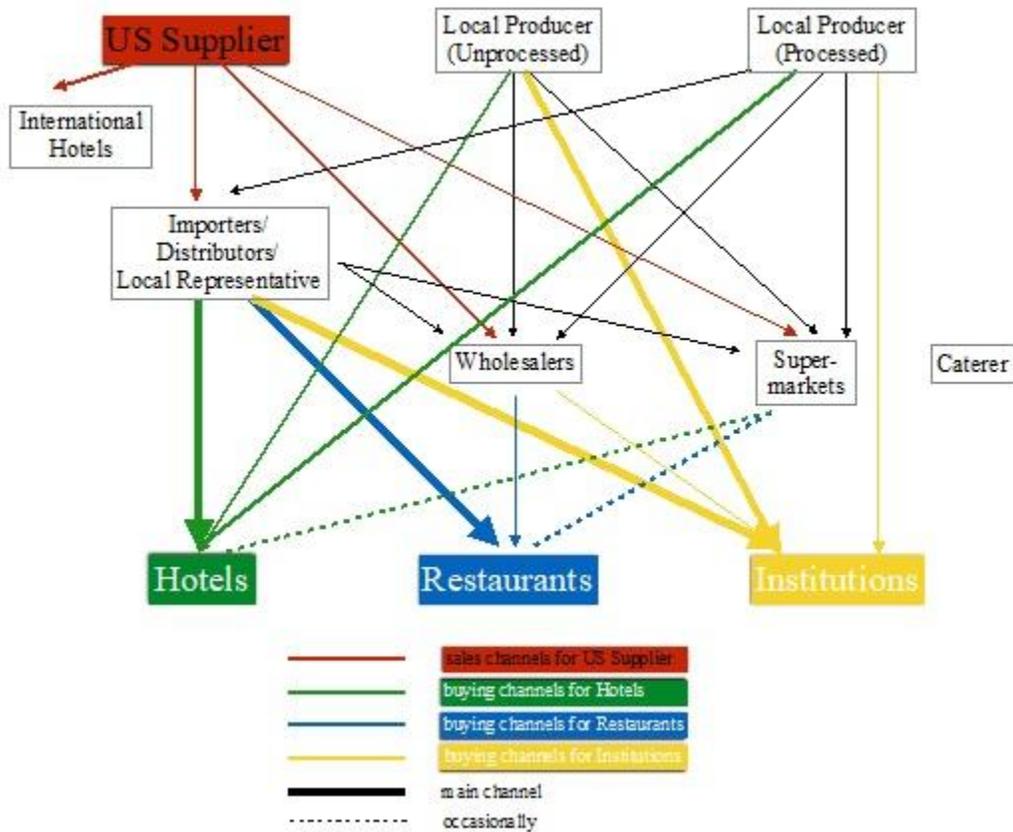
Office of Agricultural Affairs United States Department of Agriculture U.S. Embassy Santiago Av. Andrés Bello 2800 – Las Condes Santiago, Chile Telephone: +56 2 2330-3704	E-mail: <a href="mailto:agsantiago@fas.usda.gov">agsantiago@fas.usda.gov</a> Websites: U.S. Department of Agriculture in Santiago Chile: <a href="http://www.usdachile.cl">www.usdachile.cl</a> Foreign Agricultural Service homepage: <a href="http://www.fas.usda.gov">www.fas.usda.gov</a>
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## **B. Market Structure and Distribution**

The following diagram portrays how food products are supplied by the U.S. exporter to the various food service sub-sectors:

**Hotels -**

Hotels prefer purchase products distributors, mainly because they a vast array products and import costs avoided (i.e. obtaining license to import liquor). Although hotels may prefer to import some products directly to intermediary or obtain specific products, face many



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barriers such as: the risk that the products may not arrive on time or at all, the need for insurance, a lack of storage capacity to be able to import large quantities, and the need to hire additional personnel to manage and guarantee the quality of the products. According to FAS/Santiago sources, overall, the lower prices achieved via direct importation do not make up for the additional costs and time.

Some products unavailable through distributors, which are mostly luxury products, are imported directly. For example, luxury hotels import certain types of liquor directly as they are not found elsewhere in the domestic market. International hotels may have their own distribution network arranged by the company headquarters. According to FAS/Santiago sources, hotel in Chile brands do not have a centralized supply chain as each hotel has an independent purchasing department.

Raw materials and basic ingredients are purchased either from local producers directly, in order to reduce commission costs, or via a distributor. For finished or processed products, hotels prefer to purchase from the official distributor or representative of that producer in order to have consistency of supply and quality.

Supermarkets are not typically part of the supply chain, however, when an ingredient is urgently missing in small quantities both hotels and restaurants would purchase from supermarkets as a last resort.

Distributors offer a variety of high quality products reducing management efforts to the HRI industry. Depending on their clients, hotels may prefer to have as few distributors as possible to reduce complexity, especially when not catering for high-end clients.

Distributors mostly deliver directly to the central kitchen facilities, where the products and foods are prepared and delivered to the hotels. For products where quality varies, hotels use tenders to compare products based on their price and quality to achieve the best value for money.

**Restaurants** - Restaurants generally purchase from distributors however, an important distinction can be made between independent restaurants and chain restaurants. The chain restaurants deal with higher volumes that increase its purchasing and negotiation power with distributors and allow them to demand specific products. In contrast, independent restaurants rely on the supply, as well as range and quality of products, from distributors. Chain restaurants may import directly for two reasons: either because they are part of a global chain that has a centralized worldwide distribution system, or because they have the volume and management capacities.

According to a luxurious steakhouse in Santiago, products that are not offered by distributors, such as fresh and high quality meats from the United States have to be substituted by local ingredients.

Independent restaurants work with specialized importers and make smaller purchases at a greater frequency. Due to its target group of high-income customers, the primary selection criterion is quality.

**Institutional Foodservice** - The institutional sector buys most products from local distributors. Companies purchasing large quantities may also import directly when price, quality or other selection criteria are more favorable than domestic suppliers. Apart from entering the market via a distributor, a company can set up a local subsidiary or enter via a franchising model.

#### **Intermediaries:**

**Distributors/Importers/Representatives** - Distributors are the main channel for international producers of food products. Distributors often choose to offer a wide variety of products in order to satisfy most needs of their customers.

The choice of products of Chilean importer and distributors depends on price, quality, demand from clients, and the relationship with the producers as well as payment conditions.

According to importers, the country of origin of products is important for the following three reasons: quality, variety and the demand from their clients. U.S. brands are often well known, especially due to marketing campaigns in Chile.

**Wholesalers** - Wholesalers consist of mainly of large supermarkets, where products can be purchased in bulk. Independent (and smaller) restaurants and hotels are especially suited to use this option to acquire their supplies. According to America Retail, wholesalers earn approximately \$1,000 million yearly and this sector is growing at a 5 percent rate.

The Chilean wholesale industry has undergone profound changes in recent years, such as the bankruptcy of Rabié and Bigger and the entry of Wal-Mart with their brand Central Mayorista to the sector. Other brands have shifted from the wholesale sector to providing for end-customers. Former wholesaler brands such as Mayorista 10, ALVI and Superbodega Acuenta nowadays target end-customers such as large families and those customers looking for a good deal. For more information, please check Chile's [Retail Food Guide 2018](#).

**Supermarkets** - Supermarkets are not the main distributors for restaurants and hotels (or for companies that supply institutions). However, interviews with actors from the HRI sector reveal that they present an option to find essential foods "in emergency situations." This is more frequent for smaller establishments that may not plan far in advance.

## Sub-Sector Profiles

**Hotels** - The hotel sector in Chile consists of traditional hotels, as well as short-term rentals, and other types of accommodation such as hostels or Airbnb.

Sales for the hotel sector are expected to grow by 16 percent from 2015 to 2020, and for short-term rentals, a growth of 61.7 percent is forecasted over the same period. Online bookings are of increasing importance and are predicted to grow by 79.2 percent in the same period, accompanied by a decrease in offline sales by 20 percent. This development reflects consumers' desire and demand for quick information and the possibility to compare prices.

Web platforms that enable online booking grew 15.5 percent in value in 2017, and by 50 percent between 2016 and 2020. Direct hotel booking is expected to keep up with intermediaries, with a growth of 53.4 percent in the same period. According to *Canal Horeca*, professionals in the industry recognize the need to address e-tourism and are aware of the importance of online reputation.

Given that consumers are looking to save money and as owners see the opportunity to make money, dynamic and strong growth is forecasted for online platform. Hotels are increasingly witnessing competition from informal providers of accommodation and, as such, are responding to these challenges with new technology and an online presence.

Eco hotels and boutique hotels are increasing their presence in the market. Moreover, the hotel industry identifies that enotourism is a growing niche, which offers activities surrounding the wine industry in Chile.

The top international chain hotels in Chile are Starwood Hotels & Resorts, Four Seasons Holdings Inc., InterContinental Hotels Group S.A., NH Hotel Group S.A., Hilton Worldwide Inc., Mandarin Oriental International Limited, Accor Hotels and Marriott International Inc.

**Restaurants** - Consumer food service outlets are expected grow annually by 2.2 percent between 2016 and 2021. Foodservices related to traveling are expected to increase annually by 11.1 percent between 2016 and 2021, which reflects the growth of the tourism industry in Chile, followed by foodservice through retail with 7.2 percent CAGR (Compound Annual Growth Rate).

### **Independent Restaurants versus Chain Restaurants**

Independent restaurants still dominate the foodservice sector in 2017 and account for 84.5 percent of the number of outlets and 70.2 percent value of the sector. The number of independent foodservice outlets has increased by 33.6 percent and its by 21.6 percent in 2016 over 2012. Chain restaurants number of outlets increased by 6.46 percent and by percent in value in 2016 over 2012.

*Canal Horeca* reports that this development is driven by a trend towards local and regional

foodserves, which is reflected in the expected strong growth that is forecast for independent Latin American

2017 Consumer Foodservice by Independent vs. Chained Outlets			
Outlets	Independent	Chained	Total
Home Delivery/Takeaway	1,203	252	1,455
Cafés/Bars	2,604	263	2,867
Full-Service Restaurants	3,523	160	3,683
Fast Food	5,554	1,809	7,363
Self-Service Cafeterias	28	31	59
Street Stall/Kioks	609	38	647
Pizza Consumer Foodservice	542	311	853
Consumer Foodservice	13,521	2,553	16,074
Source: Euromonitor International			

of the  
value  
11.2

restaurants (2.8 percent CAGR 2016-2021 by value and 4 percent CAGR by outlets). The growth of chain restaurants is attributable to the increased accessibility of outlets in prominent locations and strong brand awareness because of marketing campaigns.

**Full-Service Restaurants** - The retail-sale price value of full-service restaurants in 2017 was \$1.3 billion and accounted for 3,683 outlets. Between 2012 and 2016 the value of full service restaurants grew at a 4.7 percent annual rate, and is expected grow at 3 percent annual rate until 2021 both in value and number of outlets.

U.S. full-service restaurants performed poorly in 2017, mainly due to the cessation of operations by Applebee's, TGI Fridays, while Ruby Tuesday and Mamut reduced their outlets numbers. When international chains launched this format in Chile they enjoyed some success to begin with, but were unable to maintain this success over the long term due to not being able to adapt the concept to the local market.

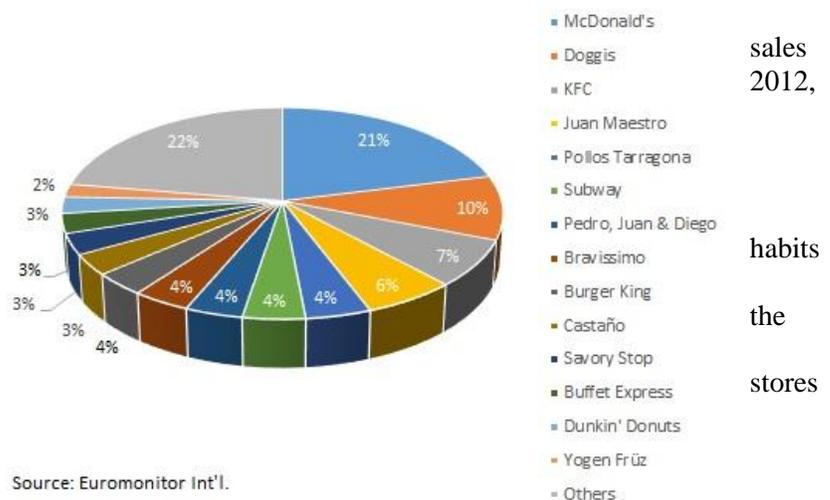
Independent businesses have a stronger presence in full-service restaurants through Asian and Latin American restaurants. The high number of Asian independent restaurants was the result of rapid outlet expansion in recent years, when sushi became fashionable. The limited investment required to open a sushi restaurant and the high returns generated encouraged independents to open businesses in small formats, which displaced the presence of Chinese restaurants. Independent Latin America full-service restaurants accounted for the greatest share of independent outlets and continued to grow due to the increase of immigrants entering the country looking for better living opportunities. Peruvian independent restaurants continued to be the most consolidated and appreciated due to ingredients that Chileans can easily relate to and the elaborate cuisine.

**Franchising** - Additionally, franchising chain outlets is a common model in Chile. In 2017, outlets of chain restaurants accounted for 18 percent of all consumer food outlets. Recently, smaller and new brands are also using the franchising business model, such as Cofi (cafeteria chain), Finitizza Bar (pizza restaurants) or OH!Salad (healthy restaurant chain). Overall, franchising is mostly used by large companies such as Gastronomía & Negocios (they own the brands Doggis, Juan Maestro, Bob's and Mamut) recently bought by a U.S. company.

In 2017, international leaders Telepizza and Pizza Hut announced a global alliance that includes Latin America. Chile's competitive market encourages main players to constantly increase the variety of products and promotions offered. Prior to the alliance Telepizza targeted a medium socioeconomic audience with over 100 stores located in the southern communes of Santiago. Pizza Hut, with fewer outlets, focused on consumers with higher purchasing power in upscale areas. Together these two brands dominate in terms of location and consumer base.

**Fast Food Restaurants** - In 2017, there were 7,363 fast food restaurants in Chile, which accounted for a retail price value of \$1.6 billion. Since the number of outlets has grown by 7 percent annually and value has increased by 4 percent annually. The growth in number of outlets can be attributed to changes in consumption due to busier lifestyles, the increase in shopping centers with food courts, and increased demand for fast food services. It is expected to reach 8,085 by 2022.

2017 Market Share of Chained Fast Food



Source: Euromonitor Int'l.

there  
sales  
2012,  
habits  
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stores

The largest 14 brands accounted for 78 percent of overall market in 2017 and the top five are: McDonald's, Doggis, KFC, Juan Maestro and Pollos Tarragona.

**Coffee Shops (Cafés) and Bars** - In 2017, there were 2,867 cafés and bars operating in Chile. This segment grew by 8 percent in number of outlets compare to 2016. Gourmet coffee shops grew the most in number of outlets in 2017, with an expansion of 15 percent. This reflects a positive trend for gourmet coffee, because of the “coffee culture” concept that is widespread in the U.S. and Europe.

Gourmet coffee shops register the strongest current value growth of 40 percent due to the expansion of a new player called Work Café Santander. This is a new concept developed by Cofi, a local specialist coffee shop in Chile, and Santander, a multinational bank, that blurs the boundaries between a coffee shop and a bank. The synergy of both concepts is able to provide professional financial services to many independent working professionals that seek a comfortable place to work. Its aggressive expansion plan saw over 15 outlets open in Santiago in only one year and also with expansion to other regions.

Juice and smoothie outlets achieved the highest growth in terms of sales (foodservice current value growth) with a 22.7 percent increase in 2017. This sector is still underdeveloped and has strong potential due to the overarching health trend. Growth is attributed to the expansion the Australian Franchise Boost Juice Bars from Atsa Inversiones S.A., which accounts for 71 percent of total sales value of juice and smoothie bars.

The café and bar sector is expected to grow 5.6 percent annually in value and 2.6 percent in number of shops between 2016 and 2021. Chain Cafés brands and bars are expected to record higher growth than its independent counterparts.

**Home Delivery/Takeaway Business** - In 2017, 52 percent of the Chilean population used delivery services, which highlighted consumers' desire to optimize their time by not cooking. Chilean historically preferred sushi, pizza and sandwiches as their favorite meals to order.

Independent companies dominate the segment (65 percent of current foodservice value sales in 2017). Half of the delivery chain companies are pizza deliveries. In 2017, Papa John's International Inc. held the highest market share of the pizza brands, followed by Telepizza Chile S.A., and Pizza Pizza Ltd.

Web-based platforms offer delivery for independent restaurants, which can thereby outsource this service to compete with restaurant chains. According to Zomato, a restaurant search and discovery service, in Santiago, the largest delivery is sushi restaurants is offered (679 outlets), followed by Japanese kitchen (574), and Pizza outlets (311).

According to Euromonitor, ordering food through a smartphone app is also a growing trend. The arrival of a new third party delivery services such as Uber Eats and Glovo increased the variety of ordering options that was previously dominated by the third party service PedidosYa. The development of these third party players affected the category by increasing the food options available to consumers. Restaurants that do not have own delivery service can now outsource their service and compete strongly with those that include it in their core business.

**Institutional Foodservice** - The sector for institutional food service in Chile caters health institutes (hospitals, senior residences and nurseries), the educational sector (private schools and universities), companies, military institutions, airlines and events. The two major types of institutions for food services are education and mining companies. Food services for companies have experienced growth in recent years, driven by firms seeking easier and cheaper options for food services so that they can focus on their core business, as well as increased awareness that the supply of these food services for employees increases productivity. Since 2012 efforts have been undertaken to increase the number of cafeterias at workplaces and companies are demonstrating greater concern to provide food services to their employees.

The five main institutional food service companies are Sodexo Chile, S.A., Central de Restaurantes Aramark, Compass Catering S.A., Aliservice, Compass Catering S.A., and Genova (Ausolan). Aramark is the largest player, and according to *Canal Horeca* it serves 60 percent of all companies that contract foodservices in the domestic market. In the mining sector, Aramark holds 50 percent of all contracts for food services, with the other 50 percent being divided between Sodexo and Compass. Smaller food service companies will often supply a few schools or companies and guarantee a direct and personal contact to their clients as well as flexibility and tailored solutions. *Canal Horeca* reports that the main players in the sector aim to satisfy the health trend by offering healthy menus, transparent nutritional information, and by adapting to changing demands.

The Spanish company Ausolan acquired Genova S.A. in April 2018. Ausolan expects to compete with Sodexo and Aramark as it does in Spain where it has 50 percent of the market share. The company will continue to be dedicated to the four business segments in the foodservice area as in Spain: hospitals, senior residences, private schools and companies/industries including here in the country also mining companies.

### SECTION III: COMPETITION

U.S. products compete with local and other imported products. The top exporters to Chile are the U.S., followed by Brazil, Paraguay, Argentina and China. Most distributors offer a wide range of international and national products.

Chile Import Statistics							
Commodity: Consumer-Oriented Products for HRI Sector Total (2017)							
Calendar Year: 2015 - 2017							
Partner Country	United States Dollars			% Share			% Change
	2015	2016	2017	2015	2016	2017	2017/2016
World	\$2,959,746,854	\$3,194,771,465	\$3,609,088,851	100.00	100.00	100.00	12.97
United States	\$442,430,967	\$464,891,002	\$597,233,896	14.95	14.55	16.55	28.47
Brazil	\$471,118,804	\$604,298,207	\$566,186,993	15.92	18.92	15.69	- 6.31
Paraguay	\$326,774,972	\$351,532,093	\$446,477,606	11.04	11.00	12.37	27.01
Argentina	\$399,213,323	\$442,200,988	\$436,657,226	13.49	13.84	12.10	- 1.25
China	\$152,334,028	\$152,733,415	\$177,210,360	5.15	4.78	4.91	16.03
Ecuador	\$151,053,832	\$148,478,150	\$159,881,333	5.10	4.65	4.43	7.68
Peru	\$108,396,906	\$112,045,644	\$106,971,941	3.66	3.51	2.96	- 4.53
Netherlands	\$47,263,222	\$56,880,386	\$103,166,865	1.60	1.78	2.86	81.38
Colombia	\$100,736,390	\$61,696,271	\$98,482,750	3.40	1.93	2.73	59.63
Mexico	\$95,517,843	\$96,228,816	\$92,942,408	3.23	3.01	2.58	- 3.42

Source: Global Trade Atlas

Compared to national products, foreign products are perceived as higher quality owing to their more advanced production technologies. U.S. products are usually known and

valued for their consistent quality.

According to FAS/Santiago contacts, brands and products from the United States are generally better known and approachable to Chileans than brands from other origins. They are known to be for mass consumption whereas products from Europe tend to seem elitist. U.S. products have an excellent reputation and many U.S. brands are present in the Chilean market. Moreover, the U.S. has a greater variety of ready-to-cook products that increase efficiency in the kitchen, such as ready-to-cook bacon slices.

#### **SECTION IV: BEST PRODUCT PROSPECTS CATEGORIES**

FAS/Santiago sees two main categories that have the best potential for sales in Chile: processed foods and gourmet products.

Hotels and restaurants demand processed food in order to reduce operational costs. Specifically, their objective is to decrease labor and reduce costs. Most importantly, companies aim to guarantee the standards and high quality of their food. In hotels, high quality “ready-to-serve” food is in high demand, so that a chef only needs to give few touches and focus on presentation.

Most restaurants, hotels, and catering services are interested in machines or equipment that reduces time and labor of cooking. Small innovations can result in great improvements, such as an oil filter that allows the oil to be changed less frequently. Technology that can process food is not currently produced in Chile and most of it is imported.

Gourmet Food and Beverages - Gourmet products are constantly being included in menus and offerings in the food service sector as consumer preferences become globalized and sophisticated. Hotels and restaurants will actively request their distributors to supply these products.

The best product prospects can be divided into 3 categories listed below:

#### **Products Present in the Market Which Have Good Sales Potential**

1. Diet & light softdrinks, ready to drink tea, ready to drink coffee and fruit juices – Due to the nutritional labeling law increased demand for healthy, but tasteful drinks.
2. Craft beer and spirits - Chile is the largest consumer of alcohol per capita in Latin America, reaching 61.3 liters per capita. Fashionable products such as Aperol are especially important in the more premium HRI sector.
3. Beef – portion-controlled cuts.
4. Poultry - Chile is the largest market for U.S. poultry in South America.
5. Pork (chilled/fresh).
6. Dairy – The United States is the main supplier of dairy to Chile, with a market share of 22 percent of all dairy imported. The main dairy products the U.S. exports to Chile is cheese, which reached \$37 million in 2017 and is mostly made up of cream cheese, mozzarella, and cheddar. According to FAS/Santiago sources, U.S. dairy products exports are attractive due to their quality and competitiveness in relation to other suppliers. Chile has the highest demand for sushi in South America, making U.S. cream cheese one of the main U.S. dairy products exported to Chile.

7. Sauces, mixed condiments, and seasonings - especially those in retail big format.
8. Healthier snacks (with dried fruits and seeds like chia and others) - People seek tasteful snacks that can be combined with increasing health awareness. Increased demand for snacks that promote health and wellness. Imports of new products are attractive since the Chilean industry and market in this category is not as advanced as foreign products.
9. Convenient food such as pre-prepared, pre-portioned, value-added products (healthier and more premium than fast food) - To meet market demand influenced by more hectic lifestyles and higher disposable income. Moreover, “home-cooked” meals, salads, and soups perform well especially in the highly populated working districts of Santiago.
10. Elaborated and pre-processed baked goods and confectionary - Especially in the HRI sector these labor intensive products save money and time and are demanded with good quality and in numerous varieties. Chileans are high consumers of confectionary and our interviews revealed that the effect of the food labeling law is expected to subside.
11. Healthier products (free from, naturally healthy, fortified/functional) - Due to the nutritional labeling law, U.S. importers are advanced in this field and can take advantage of the underdeveloped Chilean market in this segment.

### **Products Not Present in Significant Quantities but which have Good Sales Potential**

(products consumed in Chile in small quantities that have none or few U.S. suppliers)

1. Pastries, specialty desserts, baked goods, ideally ready-made.
2. Premium ice creams.
3. Premium cheeses - cheddar and mozzarella in sliced format, blue cheese, Parmigiano and Provolone.
4. Edible fishery products - Many premium seafood products (shrimps and products not found in Chile) are imported. Imports from Asia are usually cheaper than locally produced goods. Almost all fish products are frozen in order to guarantee quality and safety. Frozen fish benefits from longer shelf life and tend to come in convenient, pre-cut portions.
5. Prepared vegetables - Like other prepared foods, imports have good potential, especially regarding value-added products.
6. Other prepared food products: i.e. ready to serve pasta.

### **Product Not Present Because They Face Significant Barriers**

U.S. products do not face significant trade barriers to enter the Chilean market. On the contrary, the high number of Free Trade Agreements (26) make it one of the most open economies in which products from all over everywhere in the world are offered to consumers. Import tariffs are not considered an import barrier.

## **SECTION V. KEY CONTACTS AND FURTHER INFORMATION**

<b>Chilean Restaurant Association (ACHIGA)</b> Address: Nueva Tajamar 481 Of. 704, Torre Norte – Las Condes Tel.: (56 2) 2203-6363 Web Page: <a href="http://www.achiga.cl">www.achiga.cl</a>	<b>Chilean Hotels Association</b> Address: Nueva Tajamar 481 Of. 806, Torre Norte – Las Condes Tel.: (56 2) 2203-6344 Email: <a href="mailto:secretaria@hoteleros.cl">secretaria@hoteleros.cl</a> Web Page: <a href="http://www.hoteleros.cl">www.hoteleros.cl</a>
<b>National Chamber of Commerce (CNC)</b> Address: Merced 230, Santiago Tel.: (56 2) 2365-4000 Email: <a href="mailto:cnc@cnc.cl">cnc@cnc.cl</a>	<b>SEREMI de Salud (Chile’s Food Sanitation Regulations)</b> Address: Pedro Miguel de Olivares 129, Santiago Tel.: (56 2) 2576-4989

Webpage: <a href="http://www.cnc.cl">www.cnc.cl</a>	Web Page: <a href="http://www.asrm.cl">www.asrm.cl</a>
<b>Instituto Nacional de Estadísticas (National Institute of Statistics)</b> Address: Av. Presidente Bulnes 418, Santiago Tel.: (56 2) 2892-4000 Email: <a href="mailto:ine@ine.cl">ine@ine.cl</a> Webpage: <a href="http://www.ine.cl">www.ine.cl</a>	