

**Title:** Mexico – Overview of Restaurant Industry

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## SUMMARY

The Mexican Restaurant Industry is changing rapidly. New trends including more interest in upscale dining, mandatory health checks and standards, and higher levels of consumer spending in eating out are forcing Mexican restaurants to innovate. Mexico ranks second in the world for best cuisine after France because of its cultural richness and varied cuisines. The culinary experience in Mexico is also experiencing a fusion of different cuisines through varied restaurants nationwide. All these factors are generating business opportunities for US exporters. In addition, the Mexican lack of technology in restaurant equipment also generates business opportunities for US exporters. Some emerging competitors for US manufacturers are Brazil, China and some European countries. However, U.S. proximity to Mexico is still a key factor in selling into the Mexican market.

## 1. MARKET OVERVIEW

Nowadays, the restaurant industry in Mexico registers around 36,000 restaurants in Mexico City and 221,249 nationwide, out of which 96% are micro and small. The restaurant industry in Mexico generates approximately 2.3 percent of the nation's overall Gross Domestic Product and more than 800,000 jobs. It is one of the main industries for the economic, social and tourism development of Mexico. The restaurant industry reported annual sales of about US \$14 billions dollars.

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### NUMBER OF RESTAURANTS BY CITY

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Mexico City	36,000
State of Mexico	28,451
Jalisco	17,969
Veracruz	16,971
Puebla	11,980
Guanajuato	10,482
Oaxaca	10,232
Michoacan	9,733
Chiapas	9,483
Guerrero	8,984

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### RESTAURANT GROUPS

Restaurant Industry is divided into two groups: Micro and Medium sized Restaurants represent 96% and Big Restaurants represent 4.0%

<b>Big Restaurants</b>	More than 50 employees Area more than 500 sq. meters Investment: US\$100,000 – more than US\$400,000
<b>Group 1 Family Business</b>	Do not accept credit cards From 2 to 5 employees Area: 10 to 100 sq. meters Investment: US\$5,000 to US\$10,000
<b>Group 2 Family Business – Partners</b>	1/3 Sell beer but not liqueurs From 5 to 15 employees Area: 100 to 200 sq. meters Investment: US\$10,000 to US\$50,000
<b>Group 3 Owner (s)</b>	Accept credit cards From 15 to 50 employees Area: 200 to 500 sq. meters Investment: US\$50,000 to US\$400,000

### **FAST FOOD IN MEXICO**

Today, changes in life style among people reflect the increase in the consumption of fast food. The total market for the fast food industry is around US\$ 2 billion dollars a year. Of which 37% comes from pizza restaurants and 30% from hamburger restaurants.

### **RESTAURANT EQUIPMENT**

The restaurant equipment industry primarily consists of refrigeration equipment, machinery for making hot drinks and cooking, commercial conventional ovens and stoves, microwave ovens, refrigerating / freezing display counters, food grinder processors etc. It also includes decorations including furniture, tables, chairs, curtains, kitchen utensils, cutlery, glassware, among others. There is local production of ovens, refrigerators by few manufacturers but mostly all the equipment is imported from United States and other countries.

Even though there is local production of certain machinery and equipment, there is a huge market for US exporters. Mexican manufacturers are mainly small to medium-sized companies employing people less than 50. The industry is spread out from the Northeast to the central part of the country and almost 45 percent of it is concentrated in Monterrey, near the border, but there are also small centers of production in Guadalajara and Mexico City.

### **MILLIONS US Dollars**

<b>Total Market</b>	<b>2002 (Jan-Dec)</b>	<b>2003 (Jan-Dec)</b>	<b>2004 (Jan-Sept)</b>
Import market	1,146.05	1,144.57	837.85
Local production	736.00	740.25	602.98
Exports	291.55	377.81	343.35
Total Market	1,590.50	1,507.01	1,097.48 (E)
<b>(Total Market ) 1,537.14 January – December 2004)</b>			

Sources: *Bancomext, Mexican Secretariat of Economy (SIEM System) and National Chamber of Restaurants own estimates.*

## **2. MARKET TRENDS**

Although we report about 250,000 restaurants in Mexico, according to the Mexican Chamber of Restaurant Industry, these numbers might be considerably larger because there are no statistics of other restaurants such as coffee shops, coffee shops at department stores or universities, or small restaurants located at entertainment places such as: movie theaters, gyms, sport clubs, golf clubs. The banquet/catering industry, airlines food suppliers, hospitals, hotels, military establishments, and private companies having industrial restaurants for their employees are also not included. However, hotel owners through the National Association of Hotels and Motels reported 40% out of their total annual sales are from their restaurants, which accounted a total of US\$5 billion dollars.

In addition to the 225,000 restaurants reported above, The Mexican Institute of Statistics and Information, (INEGI), also reported 325,000 informal restaurants (micro-business) out of which 100,000 are established in homes managed by their owners – families. Furthermore, there are *tianguis*, which are produce markets similar to farmer's markets, which typically include Mexican food stands. The number of stands is estimated to reached around 225,000 stands. These stands are temporary and represent a serious problem for the economy and health since they do not pay taxes such as light, water and practice little to no food hygiene.

### **AWARENESS OF COLD-CHAIN MANAGEMENT**

Well-established restaurants, however, are getting more conscious of food hygiene, service quality and food quality. This is partly a result of increasing consumer spending on food and partly a result of moves by the Mexican Government to increase food preparation sanitation.

Cold-Chain Award Recognition named the “Distinctive H” program is a program developed by the Mexican Secretariat of Tourism and the Secretariat of Health as a strategic tool to promote the tourism in Mexico worldwide. It consists of qualifying for a rating related to high standards in food management and safety including control of food and resources, control of temperature, maintenance and control of water filters, pest control and food waste control. The process for restaurants is to submit an application to the Secretariat of Tourism and an audit is scheduled by qualified personnel from the Secretariat to develop an specific program for each restaurant depending on the improvements to be required in order to get a rating for excellence in service and food management as part of their daily routines.

It can take from 8 to 12 months once the restaurant decides to be screened and qualified for this award and the prices for all the processes may vary depending on the training needs from US\$2,500 to US\$4,000 dollars. The program requires this rating to be renewed annually. Under this program generally there is a need to upgrade to infrastructures composed of stainless steel equipment and thus some of the identified best prospects are:

- Stainless steel utensils, cabinets, equipment for food management
- Temperature measurers

There is a standard from the year 2000 NMX-F-605-NORMEX-2000 for the Distinctive H and this program or some version of it is expected to become mandatory in the next several years.

### **3. IMPORT MARKET**

#### **Importations in Million US Dollars during 2003**

*Source: World Trade Atlas*

<b>851660 Oven, Cooking stove</b>		<b>851650 Microwave Ovens</b>	
The world	8.33	The world	57.65
China	3.86	United Kingdom	22.99
<b>United States</b>	<b>2.25</b>	<b>United States</b>	<b>15.24</b>
Italy	0.57	China	9.22
Germany	0.41	South Korea	6.48
Spain	0.38	Thailand	1.14
<b>851672 Electric Toasters</b>		<b>851671 Coffee / Tea Maker</b>	
The world	2.62	The world	4.65
<b>United States</b>	<b>1.83</b>	<b>United States</b>	<b>1.52</b>
Spain	0.21	Germany	0.55
Philippines	0.18	Italy	0.51
France	0.16	Portugal	0.46
China	0.08	Venezuela	0.34
<b>7615.19 Tables, kitchen and articles stainless steel</b>		<b>8215.00 Tableware of base metal</b>	
The world	34.05	The World	21.14
<b>United States</b>	<b>13.24</b>	China	8.94
France	5.47	Vietnam	3.25
China	3.83	<b>United States</b>	<b>2.16</b>
Italy	3.80	Brazil	1.44
Canada	2.45	Portugal	1.02
<b>8418.29 Refrigerators, household type</b>		<b>8418.50 Refrigerating / freezing display counters</b>	
The World	0.89	The world	62.15
<b>United States</b>	<b>0.53</b>	China	44.29
China	0.19	<b>United States</b>	<b>3.45</b>
Germany	0.08	India	3.25
Italy	0.03	Spain	3.24
France	0.02	Italy	2.47
<b>8418.69 Refrigerators / freezing equipment</b>		<b>8419.81 Machinery for making hot drinks / cooking and heating</b>	
The World	78.09	The world	35.00
<b>United States</b>	<b>64.07</b>	China	26.42
France	3.22	<b>United States</b>	<b>2.67</b>
Germany	2.18	India	1.37
Italy	1.30	Spain	1.12
Brazil	1.18	Italy	0.93
<b>8422.19 Dishwashing machines</b>		<b>84.38.50 Machinery for poultry and meat preparation</b>	
The World	2.56	The World	32.94
<b>United States</b>	<b>1.28</b>	<b>United States</b>	<b>10.28</b>
Canada	0.49	Denmark	6.91
Italy	0.38	Netherlands	6.69
Spain	0.37	Germany	3.59
New Zealand	0.01	Spain	2.38
<b>8438.60 Machine for prep. Of fruit, nuts</b>		<b>8479.82 Mixing, kneading, crushing</b>	

<b>and vegetables</b>			<b>and grinding</b>	
The world		10.14	The World	46.33
<b>United States</b>		<b>4.28</b>	<b>United States</b>	<b>24.66</b>
United Kingdom		3.08	Germany	5.25
Italy		1.30	Italy	3.82
Sweden		1.09	Canada	3.79
Canada		0.15	France	2.38
<b>8509.40</b>	<b>Electro-mechanical</b>	<b>food</b>	<b>8514.30</b>	<b>Other furnace, industrial ovens</b>
<b>grinder</b>			The World	19.68
The world		49.50	<b>United States</b>	<b>15.41</b>
<b>United States</b>		<b>27.17</b>	Japan	1.11
Venezuela		6.85	Canada	0.72
China		6.46	Germany	0.66
Spain		4.44	United Kingdom	0.46
Brazil		1.78		

**Major Foreign Competitors Share of the Import Market  
Million US Dollars**

USA	US\$1,100.00	48.33 %
China	US\$ 580.00	25.45 %
Spain	US\$ 280.00	03.09 %
Italy	US\$ 34.00	2.72 %
UK	US\$ 30.00	2.09 %
S. Korea	US\$ 23.00	2.00 %
Germany	US\$ 22.00	1.45 %
Others	US\$115.00	10.45%

#### 4. COMPETITION

Even though the United States has been the second largest trade partner for Mexico, The U.S. is facing competition from other countries. Some restaurant owners prefer U.S made equipment for their kitchens because its durability and long-life. They also have access to other markets such as Italy however their equipment is considered "fancy but not very durable".

Mexican local production consists of meat grinders, slicers, refrigerators, freezers, coffee makers, ovens, kitchen furniture and utensils among others.

The leading manufacturing in this sector is Tor Rey, a group of different companies located in Monterrey producing industrial and commercial electronic scales, food processing equipment, refrigeration and display coolers, aluminum foundry services, parts and accessories. They have five manufacturing companies based in Monterrey and employ over 900 people. Today Tor Rey also exports to other markets such as United States, Canada, South and Central America, Southeast Asia, Hungary and the Czech Republic.

United States brands with presence in the Mexican market include:

Curtis	Vogt	Univex	
Ultrafryer systems	Royal	Rankin Delux	NSF
Kelvinator	Merco	Garland	US Range
Star	Beverage Air	Dough Pro	Hobart

Baker's Pride	Schmidt	Pizza Press	American Range
True	Vulcan	Crathco	Power Electric
Montague	Kold-Draft	Manitowoc	Toledo

## 5. END USERS

End users prefer brands that can be serviced. Normally in Mexico, restaurants do not import directly, due to the expenses that this process would generate them and import license to be considered. Therefore, US Companies should consider getting distributor for their equipment in Mexico. It is very important for Mexican restaurants to get quality, price, time delivery, technical support, service and customer service as well.

## 6. SALES PROSPECTS

Best prospects for restaurant equipment are: restaurant pagers, stainless steel kitchenware, food preparation units, food warmers, refrigerated display counters, furniture like restaurant seating, fancy tableware, shakers, table linens, accessories like tongs, catering equipment, drink ware, steak knives, serving platters, tabletop centerpieces and beer glassware.

## 7. UPCOMING TRADE SHOWS

### **Expo Restaurantes 2005 - 29<sup>th</sup>, 30<sup>th</sup> June and 1<sup>st</sup> July**

Annual show at World Trade Center in Mexico City

Last year, this show was organized by Servicios y Soluciones para Exposiciones y Eventos S.A. de C.V. and the show is on its fourth year with more than 150 exhibitors of equipment & furniture manufacturers and agro producers offering a wide variety of raw materials, fresh food, frozen food, food service, wines and liqueurs, non-alcoholic beverages, furniture, decoration, equipment for restaurants and bars among others. Latest statistics showed that around 14,000 potential buyers visited this fair. <http://www.exporestaurantes.com.mx/>

### **Exphotel 2005 – 15<sup>th</sup> to 17<sup>th</sup> June**

INTERNATIONAL SHOW OF SUPPLIERS TO THE HOTEL – RESTAURANT – BAR AND DISCOTEQUE INDUSTRIES

Annual show at Convention Center in Cancun, Quintana Roo - Mexico.

It received around 6,000 visitors during its 8<sup>th</sup> edition and the Agricultural Trade Office (ATO) Mexico City participated with a US Pavilion with around forty different U.S. companies in the prepared food industry. <http://www.exphotel.com/>

### **Abastur 2005 – 28<sup>th</sup> to 30<sup>th</sup> September**

This fair is normally held in Centro Banamex in Mexico City and the most expensive in the world. It gathers the whole industry including equipment, furniture manufacturers, agro producers and also suppliers of fresh food, frozen food, food service, wines and special chef competition for best dishes and ice decorators. Chef's participants are commonly from big hotel resorts and well-known prestigious restaurants. <http://remexexpos.com/abasturresthotel.com/>

For more information on export opportunities in this sector, please contact:

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