

In Ecuador, Market Prospects Are Bright

By René A. Alarcón

With the growth of Ecuador's retail food sector, U.S. products are increasingly in demand. In 2002, Ecuador's retail food sales grew some 3 percent to nearly \$1.6 billion. Of that total, \$210 million were consumer food imports.

Ecuador is moving out of a sharp economic decline that hit the country in 1998. In March 2000, the government adopted the U.S. dollar as the main legal tender in the country, bringing stability to the economy. Since the recovery, Ecuadorians have more money to spend on high-value foods.

The Market

A country of 12.6 million people, Ecuador has 96 supermarkets and 10 hypermarkets that are gradually emerging as its primary retail food outlets. Most of them are located in three urban centers—Quito, Guayaquil and Cuenca—which have a combined population of nearly 5 million.

Approximately 34 percent of all Ecuadorians regularly buy their food in supermarkets. Out of total retail sales, supermarkets and hypermarkets hold a 40-percent share, wet markets (traditional street markets) 25 percent, convenience stores 10 percent, independent small stores 10 percent and grocery stores 15 percent.

Generally speaking, grocery stores (mainly offering fruits and vegetables) and small neighborhood stores have low sales turnover.

Most of Ecuador's \$29 million worth

of consumer-ready imports from the United States is sold in two supermarket chains—Supermaxi and Mi Comisariato. In their stores, an average of 18 percent of the shelf space is dedicated to imported products such as fresh fruits, prepared vegetables and fruits, other canned foods, cereals, confectionery items and frozen products. In addition, there has been an increased demand for foods with low fat content.

Market Entry

There are two basic ways of approaching Ecuadorian supermarkets. One is to

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employ a local importer to represent your company. Larger supermarkets, however, are interested in reducing the number of intermediaries and are moving towards dealing directly with product manufacturers. The two largest retail chains in Ecuador have their own consolidators in Miami, FL.

At the present time, new imported products are marketed with little promotional effort. In contrast to the situation in many other countries, retailers here believe that the presence of a product on their shelves creates a market.

Among Ecuador's top five retailers, only Supermaxi and Mi Comisariato offer a wide variety of imported foods. Santa

Maria, a smaller chain, handles fewer imported products, but it has indicated that it will increase shelf space for food imports in the near future. In lower income portions of the population, supermarkets are perceived as more expensive places to buy. Nevertheless, they are also recognized as offering quality, variety and cleanliness. Therefore, a middle-class family might regularly shop in a wet market, but buy certain foods such as meats and vegetables in a supermarket.

Smaller retailers, such as grocery stores, convenience stores and independent stores, obtain imports through suppliers. In this scenario, successfully introducing an import depends on the quantity and quality of contacts, as well as the promotional effort carried out by the local representative. A good importer should be able to provide advice on market intelligence, promotional strategies, product modifications, trade laws, product registration and import procedures. Larger importers usually consolidate their sea shipments in Miami, and use their own local distribution facilities to reach stores nationwide.

Smaller importers do not have their own distribution system. These companies usually own strategically located warehouses, where retailers can purchase products for their stores.

Imported foods and beverages represent approximately 20 percent of mini-marts' sales, while independent grocery stores carry an average of 10 percent of imported products.

Many convenience stores are located at gas stations owned by chains. Usually these chains are supplied by local importers and are administered by domestic owners. There are some 200 gas mini-marts in Ecuador.



Wet markets rarely have imported products for sale. They primarily sell local items from small operators, such as fresh fruits and vegetables, fresh meats and seafood.

In the last few years, pharmacy chains

have started offering products such as snacks, beverages, confectionery, baby foods and certain canned items.

Consumer-Ready Items

Ecuador's consumer-ready food imports reached \$210 million in 2002, up 75 percent from the previous year. The top five suppliers were Chile, Colombia, the United States, the Netherlands and Venezuela.

Chile currently holds 51 percent of the market. Most U.S. consumer-oriented products are assessed a 20-percent tariff to enter Ecuador, often making them more expensive than comparable products from other countries. The majority of processed food products from Chile, by contrast, enter the market duty-free. However, U.S. products are generally considered to be of

better quality than those of the competition. The institution of the Free Trade Area of the Americas, slated for 2005, would certainly offer new opportunities for U.S. producers. ■

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Best Product Prospects

- Snack foods
- Fresh and dried fruits
- Chocolate and other confectionery items
- Breakfast cereals
- Canned foods
- Condiments
- Red meats
- Dietary products
- Baby foods
- Ready-to-eat foods

For details, see FAS Report EC3005. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

