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HRI Sector Report

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Food Service - Hotel Restaurant Institutional

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Report Highlights:

Slovakia was one of the fastest-growing economies among the EU Member States in 2015, recording a 3 percent increase in GDP. Real salaries increased by 4 percent in 2015, which strengthened overall purchasing power and led to spending more money for foodservice in 2015. There are McDonald's, KFC, Pizza Hut and Subway chains in Slovakia. In June 2016, Starbucks opened its first store in Bratislava shopping center. Slovaks have a strong preference for Slovakian food and beverages as there has been a major Ministry of Agriculture campaign for domestic products. There is no U.S. fresh beef yet; however, there is a demand for high quality U.S. fresh beef. U.S. products available in the HRI sector include almonds, pecans, cranberries, barbecue and chili sauces, bourbon, fish, live lobster, scallops and a limited offer of wine.

General Information:

SECTION I. MARKET SUMMARY

Slovakia was one of the fastest-growing economies among the EU Member States in 2015, recording a 3percent increase in GDP. Unemployment rate fell by 2 percent in 2015 to 11 percent. Real salaries increased by 4 percent in 2015, which strengthened overall purchasing power. This allowed consumers to spend more money for foodservice in 2015.

With the growing popularity of dining out foodservice establishments focused on the quality of services, such as serving times, staff education etc. Improving the quality of service was a very necessary change, given that Slovakia lags behind neighboring countries in this regard. Hotels and restaurants in the capital city Bratislava are at very high level, while in some less developed parts of the country, they lag behind the western standard.

There are no notable franchising groups in Slovakia in 2015, with the exception of AmRest, which operates KFC, Pizza Hut and Starbucks in Slovakia. Starbucks entered Slovakia in late 2015. The initial launch featured only the introduction of a network of vending machines in selected gas stations. In June 2016 Starbucks opened its first store in Bratislava Aupark shopping center. Starbucks partnered with AmRest, the largest independent operator of restaurant chains in Central and Eastern Europe. More information on the store can be found at: <https://news.starbucks.com/news/starbucks-opens-first-store-in-slovakia>

The food voucher is a well-known concept in the region. Employers are obliged by law to pay or contribute to employees' lunch expenses, for which the company has to pay a minimum of 70 percent of the total cost. This share can be even higher as a company benefit (up to 100 percent); to facilitate this expenditure, vouchers have been introduced. The food vouchers are usually purchased from one of the four major players in Slovakia (Vasa Slovensko, Edenred, Doxx and Chéque Déjeuner, and a smaller player, Sodexo), which offer different values for the companies to choose from. These vouchers are accepted by a large number of foodservice operators and even retail stores, where consumers can spend them on packaged food and soft drinks (alcoholic drinks and non-grocery products are not eligible). As these vouchers are given as a company benefit, they are most often used to purchase lunch in restaurants or when paying for dinner.

In 2015, Slovakia recorded 4,330,249 tourists. This 16.2 percent inbound tourist trade growth ranked as the third highest within European Union and has brought additional EUR 19 million to the State's budget. Based on the National Bank of Slovakia data, tourism contributed to the country's budget with EUR 2.13 billion.

Long term ratio of domestic and foreign visitors oscillates at 60:40. In 2015, 2.6 million Slovaks (+15.6 percent compared to the previous year) and 1.72 million foreigners (+17.1 percent) mainly from the Czech Republic, Poland, Germany, Austria, Hungary and the Great Britain chose a vacation in Slovakia. The number of visitors from the USA (40,553) grew by 34.3 percent, nonetheless representing only 2.36 percent share of total visitors to Slovakia in 2014. Last year, tourists spent on average three nights in Slovakia, representing 12.35 million overnights (+13.3 percent compared to 2014).

Units, Transactions and Value Sales in Consumer Foodservice 2013-2015

	2013	2014	2015
Units	20,609	20,742	20,902

Transactions (million)	403.3	412.4	423.6
U.S.\$ million current prices	1,923	1,964	2,027

Source: Euromonitor

Advantages	Challenges
Improved economic situation, increased dining out	Higher prices of U.S. products
High quality of U.S. products and growing trend of eating healthier and better tasting food; an opportunity for U.S. specialty products	Higher competitiveness of some EU products due to elimination of tariffs between the EU and the Czech Republic
Good infrastructure, importers speak good English	Negative perception of GMO, fast food, etc.
Close distance to Vienna, Austria, that offers many U.S. food products	Relatively small volumes with high transportation costs
Willingness to try new products; innovative products and packaging increase demand	Slovak's tendency to consume local products

SECTION II. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

Hotels and restaurants purchase food from large importers or wholesalers. Chain restaurants have a central office that searches for products from local suppliers and importers or imports directly from foreign suppliers. The smaller operators buy food products at METRO Cash & Carry.

U.S. companies should search for a local partner or a Czech importer and distributor when attempting to penetrate the Slovak market. In many cases Czech distributors supply both Czech and Slovak markets. A local partner is crucial to manage the complex legal framework and navigate local business practices (especially pricing and competition).

U.S. exporters must comply with EU regulations for distribution of products on the EU market. Much information is available at the FAS office in Brussels: <http://www.usda-eu.org/>.

U.S. companies seeking to export to Slovakia should read FAS reports on the market (<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>) and contact the FAS Prague office for assistance, e.g. lists of importers and processors.

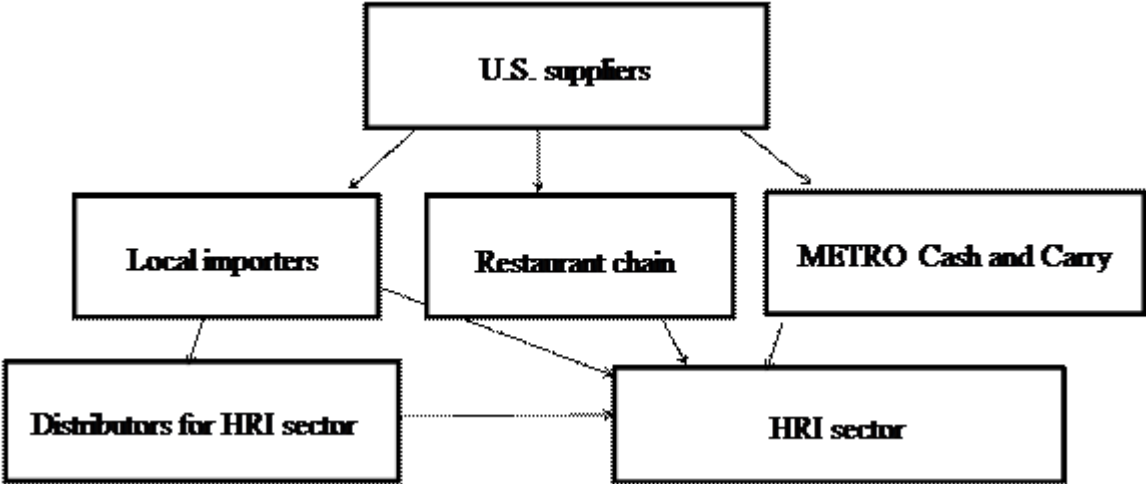
There is an annual central European tourism trade fair taking place each February in Prague www.holidayworld.cz/en.html. At the same time there is an international fair on gastronomy taking place in Prague <http://www.top-gastro.cz/en.html>. In Bratislava there are similar fairs: on tourism it is ITF Slovakiaitour taking place in January http://www.incheba.sk/vystavy/itf-slovakiatour-11266.html?page_id=11266 and on gastronomy it is Danubius Gastro fair also taking place in January http://www.incheba.sk/vystavy/danubius-gastro-11305.html?page_id=11305.

A. MARKET STRUCTURE

The majority of U.S. food ingredients and preparations are imported through European importers/distributors. Some products are imported directly by chained restaurant central offices (e.g. Medusa Group, Bencik Culinary Group). Importers, especially the large ones, are also distributors and sell directly to the HRI sector. Smaller importers sell U.S. products to wholesalers and distributors that supply restaurants and hotels.

There is METRO Cash and Carry in Slovakia that is the largest supplier to the HRI sector, especially the smaller independently operated outlets.

Besides METRO, specialized wholesalers distribute products to the hotel and restaurant sector from the Czech Republic, e. g. Bidvest (frozen products), Hortim (fresh produce), etc. Importers are highly specialized and focus on particular product groups.



A. SUB-SECTOR PROFILES

Hotels

The biggest market players are Best Hotel Properties (owned by a private financial group J&T), Association of Slovak Spas and SOREA hotel chain. Slovakia has around 152 hotels in the 4*hotel category and ten 5* hotels out of which six are located in the country's capital Bratislava (Arcadia hotel, Marrol's Boutique Hotel, Tulip House Boutique Hotel, Hotel Albrecht, Sheraton Bratislava Hotel, Grand Hotel River Park) . U.S. based hotel chains present in the local market are Sheraton, Double Tree by Hilton, Radisson Blue Carlton and Starwood Hotels & Resorts.

According to the TREND TOP Hotely 2016 survey the TOP 10 hotels are 5*[Grand Hotel Kempinski High Tatras](#), 5*[Hotel Amade Chateau](#), 5*[Grand Hotel River Park](#), 4*[Hotel Zochova chata](#), 4*[Kaskady hotel a spa resort](#), 4*[Wellness Hotel Chopok](#), 4*[Hotel Devín](#), 4*[Hotel Partizán](#), 4*[Hotel Bachledka Strachan](#), 4*[Hotel Lesna Wellness & Spa](#) and 4*[Wellness hotel Borovica](#).

Full-Service Restaurants

Many people in Slovakia still prepare their own food from scratch using basic ingredients. It is common for both women and men to cook for their families. However, younger consumers, 30-year-old-and-below, more commonly dine out or buy packaged food. In 2015 the demand for convenience and dining out was on the rise.

In the full-service restaurants segment, last year saw a 3 percent increase in value sales. Full-service restaurants benefited from stronger consumer purchasing power and an increasing interest in dining out. However, sales in full-service restaurants were negatively impacted by the global economic situation and thrifty consumer behavior.

U.S.-style food was the fastest-growing type within full-service restaurants in 2015, recording an 18 percent increase in value sales. Burger menus were a hit in 2015, enjoying substantial growth in popularity while portion size and taste were important factors. Product novelties were advertised via the printed press, billboards and online discount portals, allowing consumers to try out novelties for significantly lower prices for a short period of time.

Slovak consumers continue to look for the best value for money options in terms of portion size, taste, food quality and price. However, gourmet food and experiencing top quality food by famous chefs grew in popularity, especially in large urban areas amongst high-income consumers, who like to show off with expensive brands.

Independent restaurants continued to dominate full-service restaurant segment in Slovakia in 2015. However, chained outlets are increasing their foothold and popularity in the category. In 2015, only 1 percent of outlets were chained although chains accounted for a 7 percent share of value sales. Chained operators focus on culinary specialties and gourmet food, which are supported by advertising. Chains often offer different food in different restaurants. The concept of same menu restaurant chains is rare in Slovakia, as it would yield limited results because Slovaks tend to look for quality and variety. "Other" full-service restaurants accounted for only a 3 percent share of outlets in 2015. These outlets focused on high-quality meals or added-value cuisines, such as fresh water fish, vegetarian or fusion restaurants. Prices in such outlets were relatively high.

Draught beer remained popular in 2015. Moreover, complementary food offerings like meats and national specialties or snacks were highly sought after. Draught beer featuring tank storage technology contains no preservatives (unlike kegs) and needs to be consumed within a short period. This is appreciated by beer enthusiasts and the concept has gained support from breweries.

The full-service, chain restaurants market was dominated by Medusa Group in 2015, which held a 55 percent share of value sales. Aldente was the second-ranked player with a 31 percent value share. Both served upmarket customers with gourmet meals, as well as daily menus, while having the most developed outlet networks. The third-ranked player was Queensway Restaurants Slovakia (6 percent value share), which operates Pizza Hut outlets in Slovakia. Gastronet was ranked fourth with a 5 percent value share through its Pizza Mizza brand.

There are two major players on the Slovak chained restaurant market: Medusa Group and Bencik Culinary Group operating over one third of chained restaurants.

Medusa Group operates a joint supply center for all its restaurants and other outlets in Bratislava. This enables it to negotiate better prices and offer higher-quality products within an affordable price range. Food is purchased from local suppliers while some special ingredients are imported based on the type of the restaurant. For example, for outlets focused on Italian cuisine, some ingredients are imported from Italy. It normally purchases the ingredients and prepares food in its outlets and does not purchase ready-made, deep frozen or instant food.

Medusa Group is a leading player on the full-service restaurants market, with a 4 percent value share and self-service cafeterias, also with a 4 percent value share. Medusa operates restaurants in the middle and high-end of the market, providing a high standard of services combined with quality ingredients and well-trained chefs and staff. The company is also a major innovator in terms of new restaurant concepts, use of technology and efficient procurement processes, which provide it with competitive advantages. Bencik Culinary Group is known for its offer of high-quality and fresh food products. The company purchases ingredients from a large group of local suppliers and imports from abroad. It has a central order process for all 13 restaurants; thereby benefiting from economies of scale. The company does not purchase any ready-made, deep frozen or prepared food. Meals are prepared directly in its outlets. The company positions itself in the upper-middle and high-end of the market. Several concepts target middle-income consumers and households with above-average incomes while others focus on a high-income audience that is willing to pay premium prices for higher-quality food and a pleasant atmosphere.

Bencik Culinary Group includes two companies: Aldente and Prorestaurant, which operate a number of outlets focusing on higher-end culinary experiences, as well as cantina-style self-service restaurants.

The company plans to continue its expansion mainly in large cities within Slovakia, focusing on well-established trends with innovative menus.

Full-Service Restaurants – Number of Outlets

Outlets	2012	2013	2014	2015
Asian Full-Service Restaurants	254	255	256	259
European Full-Service Restaurants	2,680	2,689	2,711	2,736
Latin American Full-Service Restaurants	25	27	30	31
U.S. Full-Service Restaurants	29	30	31	39
Pizza Full-Service Restaurants	437	446	448	455
Other Full-Service Restaurants	119	120	121	125
Full-Service Restaurants	3,561	3,585	3,616	3,661

Source: Euromonitor

Sales in Full-Service Restaurants

U.S. \$ million	2012	2013	2014	2015
Asian Full-Service Restaurants	46.4	47.1	47.9	48.9
European Full-Service Restaurants	223.1	227.8	232.6	242.4
Latin American Full-Service Restaurants	4.4	5.1	5.4	5.5
U.S. Full-Service Restaurants	5.3	5.4	5.4	4.6
Pizza Full-Service Restaurants	4.6	5.1	5.3	6.2
Other Full-Service Restaurants	60.5	63.5	64.1	65.5
Full-Service Restaurants	15.2	15.2	15.3	15.8

Source: Euromonitor

Brand Shares in Chained Full-Service Restaurants

Restaurant Chain – % Value of Sales	Global Brand Owner	2012	2013	2014	2015
Primi	Medusa Group	12.6	9.5	8.6	8.8
Klubovna	Medusa Group	2.4	4.2	5.9	8.2
Al Trivio	Bencik Culinary Group	2.5	5.1	4.9	6.7
Pizza Hut	Yum! Brands Inc	8.4	6.6	5.9	5.6
Al dente	Bencik Culinary Group	4.1	6.3	5.8	5.2
Pizza Mizza	Gastronet	5.2	6.7	5.8	5.0
Kubu	Medusa Group	2.3	3.0	3.2	2.7
Steam & Coffee	Forest	6.0	2.8	2.4	2.1
Brit Restaurant	Brit	3.8	1.7	1.4	1.2
Others	Others	52.7	54.1	56.2	54.7
Total	Total	100.0	100.0	100.0	100.0

Source: Euromonitor

Fast Food Restaurants

Fast food recorded a 2 percent increase in current sales value in 2015, while transactions and the number of outlets rose by 3 percent and 1 percent. This led to total value sales of U.S.\$ 270 million, 62 million transactions and 1,602 outlets. Growth was driven by improved consumer purchasing power and more sophisticated menus, which included healthier options, such as gluten-free and salads.

McDonald's Slovakia dominated chained fast food in 2015, with a 68 percent value share. The company's performance benefits from a strong brand name, heavy advertising support and frequent price promotions, which are especially popular among students. OMV Slovensko (Viva convenience stores fast food) was ranked second with a 6 percent value share, followed by Shell (5 percent) and Slovnaft (5 percent). Other chains include Pizza Hut, Subway and KFC.

Drive-through was not important in Slovakia in 2015, accounting for only a 1 percent share of fast food value sales. Takeaway maintained a 30 percent value share in 2015.

Self-Service Cafeterias

Self-service cafeterias play an important role during lunchtimes. Cantinas are very popular in densely

populated work areas, such as office buildings, business centers and industrial zones, as well as universities, and they tend to offer more affordable prices than full-service restaurants. These outlets also accept a wide range of food vouchers, which employers are obliged to offer employees (equivalent to a minimum of 70 percent of lunch costs). Such vouchers are a popular choice for working Slovaks with below-average incomes. Current value sales grew by 1 percent to reach U.S. \$75 million in 2015. Ikea led chain self-service restaurants in 2015, with a 60 percent share of value sales. The company is popular for its specific Swedish-style cuisine supplemented by free refills of soft drinks, which is a very rare concept in Slovakia.

Coffee Shops/Bars

Cafés/bars saw a 4 percent increase in current value sales in 2015. Sales were driven by increasingly demanded high-quality coffee. Growing demand was facilitated by the stronger purchasing power of Slovak households and the growing popularity of eating and drinking out.

Juice/smoothie bars represent the fastest transaction and current value sales growth of 47 percent in 2015. Value sales grew from a very low base as juice/smoothie bars remained a novelty. Mostly located in large shopping malls, these bars benefit from a growing consumer base and improving health awareness.

Drinks accounted for a 97 percent share of value sales in cafés/bars in 2015. Cakes and indulgence products also gained popularity amongst coffee drinkers. This demand underlined the growing obesity rate, which reached 20 percent of adult population. Bars/pubs grew by 4 percent in terms of current sales value in 2015 to reach U.S. \$628 million.

Customers in speciality coffee shops prefer quality coffee and a quiet atmosphere. In bars/pubs, alcoholic drinks and soft drinks are more common than coffee or tea products. Quality coffee appeals to all age groups while more consumers seek quality and variety in cafés and specialist coffee shops. MOL (Espresso) was the leading chained player in 2015, with a 27 percent share of value sales, followed by McDonald’s Slovakia (McCafé), with a 20 percent share. Tizia (Coffeeshop Company), with an 18 percent share, and Panta Rhei (Café Dias), with a 14 percent share, were ranked third and fourth, respectively.

Brand Shares in Chained Cafés/Bars: Percent of Foodservice Value 2013-2015

% value	Global Brand Owner	2013	2014	2015
Espresso	MOL Group	28.0	27.5	27.4
McCafé	McDonald's Corp	15.1	17.9	19.5
Coffeeshop Company	Schärf Coffeeshop	17.7	17.9	17.9
Café Dias	Panta Rhei	12.4	12.8	13.6
Le Club	Medusa Group	7.2	7.2	7.4
People Café Bar	People Coffee	3.5	4.1	4.8
Stur Café	Stur	-	4.1	4.3
Ugo	Kofola CeskoSlovenskos	1.4	1.8	2.8
GreenTree Caffé	Lahodky Dobrotky spol	5.4	4.7	2.3
Total	Total	100.0	100.0	100.0

Source: Euromonitor

SECTION III. COMPETITION

TOP SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Slovakia Import Statistics			
Commodity: Consumer-Oriented,			
Annual Series: 2013 - 2015			
Partner Country	U.S.\$ (000)		
	2013	2014	2015
World	2445974	2368682	2015977
Czech Republic	720581	735800	606754
Germany	379258	385693	347914
Poland	318239	319468	322037
Hungary	344978	248660	182549
Netherlands	111986	99547	94967
Italy	89021	78819	76310
Austria	80515	78160	74188
Spain	95826	78486	74075
Belgium	50475	47188	44319
France	42707	40270	37476
Denmark	22729	33703	25227
United Kingdom	21003	20988	17742
China	9912	11622	9795
Greece	13003	13379	8234
Romania	15214	23998	7936
Lithuania	2588	4464	7801
Slovenia	21323	27331	7388
Iran	6275	5609	7080
Turkey	12413	14742	6826
Bulgaria	8290	8344	6649
Ireland	7596	7130	5574
United States	9455	14572	5063
Croatia	892	2520	4032
Argentina	2710	3868	3716
Ukraine	3615	5368	3540
Latvia	2850	17864	3352
Vietnam	9278	3936	2763
Canada	1966	1909	2046
Serbia	2663	3747	1887
Brazil	766	1086	1658
India	1255	1166	1466
Moldova	1008	1051	1361
Georgia	2931	4053	1282
Switzerland	4264	4497	1241

Indonesia	548	1116	1173
Cyprus	1541	238	1143
Ethiopia	962	4543	1140

Source: *Global Trade Atlas*

Slovakia Import Statistics From United States				
Commodity: Consumer-Oriented,				
Annual Series: 2013 - 2015				
Commodity	Description	U.S.\$ (000)		
		2013	2014	2015
Consumer-Oriented		9455	14572	5063
03	Fish, Crustaceans & Aquatic Invertebrates	2126	2427	3195
08	Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	4722	10617	797
13	Lac; Gums, Resins & Other Vegetable Sap & Extract	1195	970	527
12	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	1009	255	280
05	Products Of Animal Origin, Nesoi	241	253	85
01	Live Animals	0	0	69
11	Milling Products; Malt; Starch; Inulin; Wht Gluten	0	1	29
09	Coffee, Tea, Mate & Spices	8	7	28
04	Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	18	10	21
10	Cereals	32	26	18
07	Edible Vegetables & Certain Roots & Tubers	101	0	11
06	Live Trees, Plants, Bulbs Etc.; Cut Flowers Etc.	2	5	2

Source: *Global Trade Atlas*

SECTION IV. BEST PRODUCT PROSPECTS

The best product prospects include dried fruit and nuts (cranberries, almonds, pecans, and other nuts), salad dressings, pasta, barbecue and chili sauces, bourbon, frozen fish (Pollock), peanut butter and specialty products like maple syrup. Some of these products are already sold in retail (e.g. Jack Daniels, Jim Beam, tabasco etc.), others are sold in METRO Cash and Carry, which services more of the HRI sector. Slovaks prefer national products, but there is niche market for selected specialty high value U.S. products mentioned above.

SECTION V. POST CONTACT AND FURTHER INFORMATION

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