



Department for  
International Trade

# Export Europe: Food & Drink Portugal Overview





## WHY PORTUGAL ?

- Stable and democratic partner; long-standing, close connection with the UK;
- Open economy, used to imports, early adopter of new trends
- English widely spoken & accepted as business language
- Same time zone as UK
- Low-cost flights from UK to Lisbon, Oporto, Faro, Funchal
- 20% of tourists are from the UK - 3 million UK visitors p.a. ; c. 100,000 living in Portugal;
- Portuguese community in the United Kingdom (estimated at around 400,000)
- Entry route to other Portuguese speaking markets (Angola, Brazil, Mozambique)

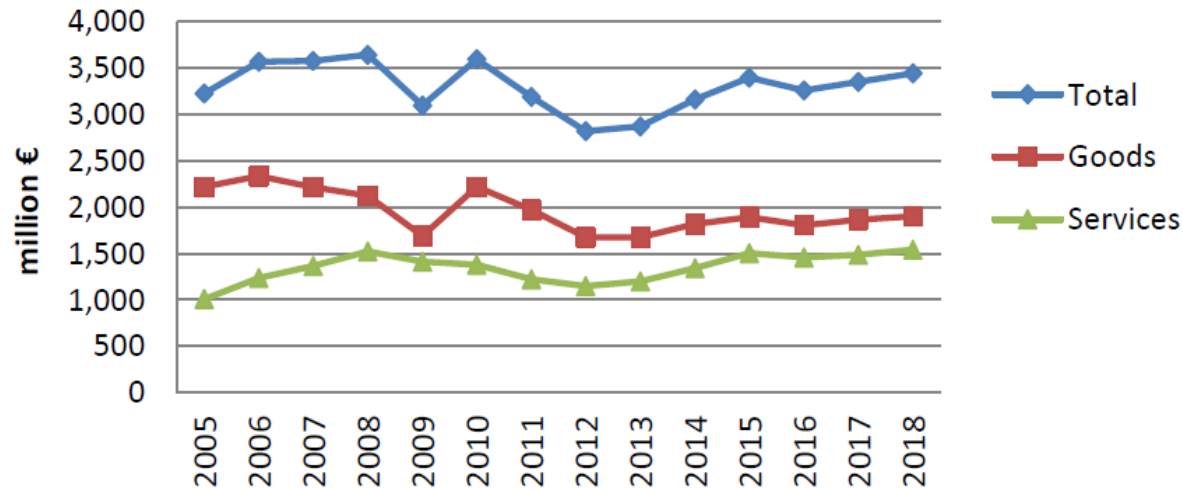




# COMMERCIAL LINKS WITH THE UK

UK Exports to Portugal

Source: BP, INE



- ✓ Total trade between the UK and Portugal was worth €12.3bn in 2018
- ✓ UK exports to Portugal reached €3.4bn in 2018. F&D exports to Portugal totalled €151,57M.
- ✓ The UK is Portugal's fourth largest overseas export destination
- ✓ The UK remains the fourth largest investor in Portugal.

The EU, taken as a whole is the UK's largest trading partner. In 2019, UK exports to the EU were £300 billion (43% of all UK exports). UK imports from the EU were £372 billion (51% of all UK imports).



# F&D Sector in Portugal

- ❖ Market Overview
- ❖ Largest Retail Channels
- ❖ Challenges for UK F&D Suppliers
- ❖ Main Opportunities in Food & Drink
- ❖ Route to Market







# PORTUGAL - MARKET OVERVIEW



- Food & grocery is the largest sector in Portuguese retail industry accounting for 54.5% of total retail sales. Food & grocery sector grew 2.9% in 2019 to reach €28.8 billion and it's expected to reach €30.6 billion by 2022.
- Positive economic growth & rising consumer disposable incomes drove growth in 2019, but Covid 19 pandemics' impact is still to be evaluated at long-term.
- Hypermarkets, supermarkets and hard discounters dominate and held more than 50% share in 2019.
- Sector is dominated by two main local players: [Sonae](#) (Continente) and [Jerónimo Martins](#) (Pingo Doce), both focusing not only in grocery retailing, but also in specialized retail.



# LARGEST RETAIL CHANNELS

## HYPER/SUPERMARKETS

**HYper/Supermarkets** are still the largest channel within grocery retailing in Portugal and two local stakeholders dominate the market: SONAE GROUP and GRUPO JERÓNIMO MARTINS.

Continente is the chain of hypermarkets and supermarkets of Sonae.

Jerónimo Martins has the ownership of the brands Pingo Doce - (supermarkets) and Recheio (cash & carry and food service platforms). Pingo Doce dominates but share is under pressure despite new stores openings.

Other important players are Auchan, El Corte Inglés, Intermarché, Minipreço....

## CONVENIENCE STORES

Convenience stores had a positive performance throughout 2019, with a high demand for greater convenience and a more personalized service from customers. Amanhecer (Jerónimo Martins group) and Meu Super (Sonae group) in 2019 were the leaders on convenience stores in the Portuguese market. Nevertheless both have lost value share during 2019 with the entrance of My Auchan (Auchan group) in this channel and with the closure of some shops. Pingo Doce & Go Lab Store (Jerónimo Martins group) is a new convenience store concept focused on serving the student community by testing the latest technologies in grocery shopping with younger generations.

## DISCOUNTERS

Discounters in Portugal had an improved performance in terms of sales in 2018, mainly due to the expansion efforts of brands such as Aldi and Lidl. These outlets were the first ones to implement the proximity concept to local consumers in the market, which was then adapted by convenience stores and supermarkets.

Discounters also led grocery retailers and hypermarkets to developing further the concept of private label in Portugal.

In 2019 the Spanish discounter Mercadona entered the Portuguese market with 10 outlets, mainly in the north of Portugal.



# CHALLENGES FOR UK F&D SUPPLIERS

## Market Constraints

- Portugal is still a price-sensitive market. At the same time is already a mature market for some products or there is already a big domestic or international competition.

## Pandemics Impact:

- The Bank of Portugal released its revised economic projections for the 2020-22 period and forecasts GDP growth of -9.5% this year (or -13.1% should there be a second pandemic wave later in the year). Tourism and hospitality will be the most impacted sectors.
- Private consumption is expected to drop by an unprecedented 8.9% in 2020, reflecting the difficulty of consuming some goods and services during the state of emergency and the high prevailing uncertainty.

## UK-EU Negotiation

- There are currently no tariffs on goods traded between the UK and EU – the UK is scheduled to continue to use the EU's Common External Tariff until 31 December 2020, when it will be replaced by the UK Global Tariff if the EU and Britain fail to reach a deal on their post-Brexit relationship.



# MAIN OPPORTUNITIES: HEALTHY PRODUCTS



Rising health concerns and an ageing population lead to greater number of consumers adopting flexitarian lifestyles and grocery retailers investing more in alternative products for its consumers such as: sustainable and organic products, sports nutrition, healthier products containing less sugar, preservatives or colourings, or free-from products.

- ✓ Demand for free from products, with reduced sugar, reduced fat, reduced salt, and reduced caffeine; along with added fortifications, such as fibre, protein and probiotics;
- ✓ Stronger growth predicted for packaged food driven by demand for healthy high quality meal solutions;
- ✓ Healthier baby food demand: Portuguese parents look for organic or reduced sugar variants with rising health trend;
- ✓ Rapid adoption of the “Snackification” lifestyle – demand for innovative and healthy snacks.;
- ✓ Recent consumer trend to move to natural non-alcoholic drinks;
- ✓ As a result of the pandemics - greater demand for Immune-Boosting Foods;





## MAIN OPPORTUNITIES: TRENDY/PREMIUM SEGMENT

Portuguese consumers becoming more sophisticated, demanding increasing quality and added-value experiences, which leads to a growing offer in terms of the premium segment.



- ✓ Greater sophistication of the internal market and the inflow of tourists leads to a greater demand for top-quality food, delicacies and high-end brands.
- ✓ Portuguese people choosing increasingly new flavours and exotic cuisine for weekly takeaway.
- ✓ Growing demand for chilled and frozen premium products such as smoked fish, sausages, creams, fish & seafood, ice-cream and desserts.
- ✓ Mixing Cocktails/Cider/Perry - This is one of the most dynamic categories in terms of beverages in the Portuguese market. It has mainly attracted younger adults and females that are more willing to try new trendy products or are trying to move away from other traditional alcoholic drinks.



## MAIN OPPORTUNITIES: ECOMMERCE



The implementation of online retail in Food & Drink in Portugal has been lagging for two decades. However, since early March, with the coronavirus crisis, online retail sales in Food & Drink has finally taken off, becoming the fastest-growing product category in **eCommerce**.

- This opens the market to new technologies and products that can enhance this trend and combat the two main barriers that still exist, which are the difficulties with fast delivery of perishable goods and the high cost of flexible, same-day delivery.
- During the Pandemics confinement, Portuguese consumers increased the online buying of comfort food such as frozen food products and frozen pre-prepared meals. Another trend was the increase in the acquisition of appetisers/snacks and products to prepare desserts at home – this as a result of people entertaining more instead of going out to eat.



Most of the big retailers in Portugal do not buy directly from international suppliers so in the majority of the cases doing business in Portugal requires local representation in the form of an **agent or distributor**.

The appointment of a local partner is only the first step. Portugal is a market in which family structures predominate in the business environment, and personal relationships are therefore important. This requires an investment primarily of time and personal presence.

Regular visits to the market to monitor and improve performance and to provide support for new market strategies, publicity campaigns and trade exhibitions are also vital.

**Please contact DIT Team in Lisbon to get advice and facilitate introductions to potential distributors, agents and/or retailers.**

