

Competitive analysis: coffees and restaurant sector in Uruguay

The research has the purpose of studying the market and making a recommendation about the opportunity to open a cafe in Montevideo. The analysis will be structured as follows:

1. Uruguay economy overview
2. Main cities characterization
3. Business opportunities in Montevideo and its neighborhoods

1. Uruguay economy overview

[Is Uruguay a good country to invest?](#)

We have different sources of information to evaluate a country. In this case, I will use World Bank to understand the situation of Uruguay. The World Bank public in its web the following overview of Uruguay, these are the main ideas summarized:

Uruguay stands out in Latin America for being an egalitarian society and for its high income per capita, low level of inequality and poverty and the almost complete absence of extreme poverty. In relative terms, its middle class is the largest in America, and represents more than 60% of its population. **Uruguay is positioned among the first places in the region in relation to various well-being indices, such as the Human Development Index, the Human Opportunity Index and the Economic Freedom Index.** Institutional stability and low levels of corruption are reflected in the high level of public trust in government. According to the Human Opportunity Index constructed by the World Bank, Uruguay has managed to attain a high level of equal opportunities in terms of access to basic services such as education, running water, electricity and sanitation. **In July 2013, the World Bank classified Uruguay as a high-income country. By 2017, the Gross National Income per capita at purchasing power parity (PPP) amounted to US\$21,870.**

Since 2003, the Uruguayan economy has had positive economic growth rates, averaging 4,1% from 2003 to 2018. Uruguay's economic growth has remained positive even in 2017 and 2018, in spite of recessions experienced by Argentina and Brazil, thus departing from previous patterns when growth was synchronized with that of its main neighbors. Prudent macroeconomic policies and a commitment to diversify its markets and products within the dominant agriculture and forestry sectors have increased the country's ability to withstand regional shocks.

In order to reduce the dependency on its main trading partners, **Uruguay diversified its export markets. In 2018, Brazil and Argentina, Uruguay's traditional trading**

partners, only represented 12% and 5% respectively of the total merchandise exports. Nowadays, its main trading partners are China (26%) and the European Union (18%). Two main characteristics —a solid social contract and economic openness— paved the way to poverty reduction and the promotion of shared prosperity that Uruguay successfully followed in the last decade. According to official measures, moderate poverty went from 32.5% in 2006 to 8.1% in 2018, while extreme poverty has practically disappeared: it went down from 2.5% to 0.1% in the same period. In terms of equity, income levels among the poorest 40% of the Uruguayan population increased much faster than the average growth rate of income levels of the entire population. Nonetheless, there are significant differences: the proportion of the population below the (national) poverty line is still significantly higher in the North of the country; among children and youth (17.2% among children younger than 6, and 15% and 13.9% among the age groups 6 to 12 and 13 to 17, respectively); and, among the afro descendant population (17.4%).

Inclusive social policies have focused on expanding program coverage; according to the World Bank, **around 87% of the population aged 65 or more is covered by the pension system. This is one of the highest coefficients in Latin America and the Caribbean alongside Argentina and Brazil.**

The strong macroeconomic performance was also reflected in the labor market, with a historically low unemployment rate recorded in 2011 (6.3%). However, given the noticeable slowdown in economic growth, the unemployment rate increased to 7.9% in 2018.

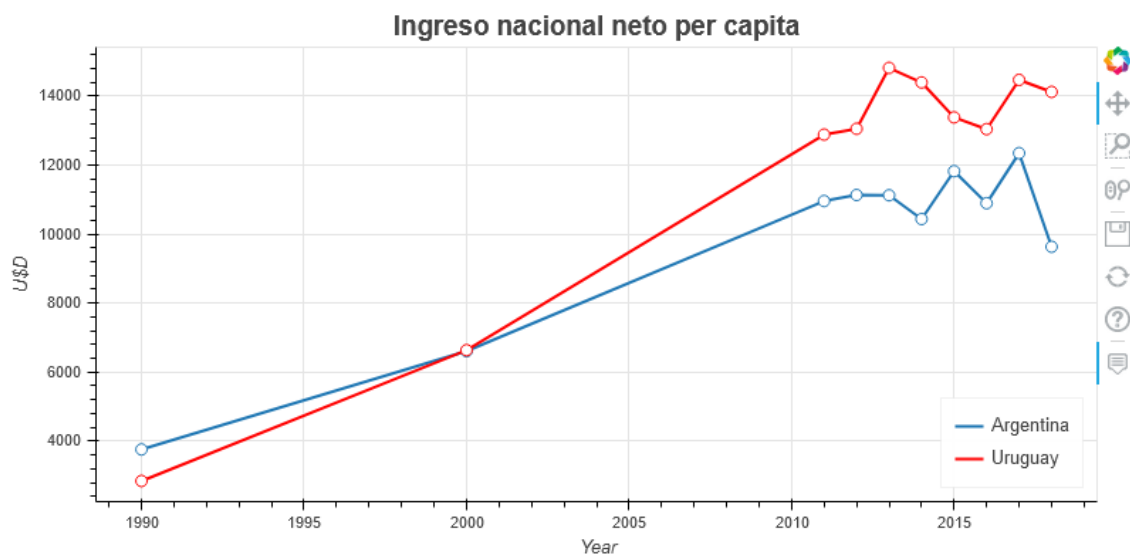
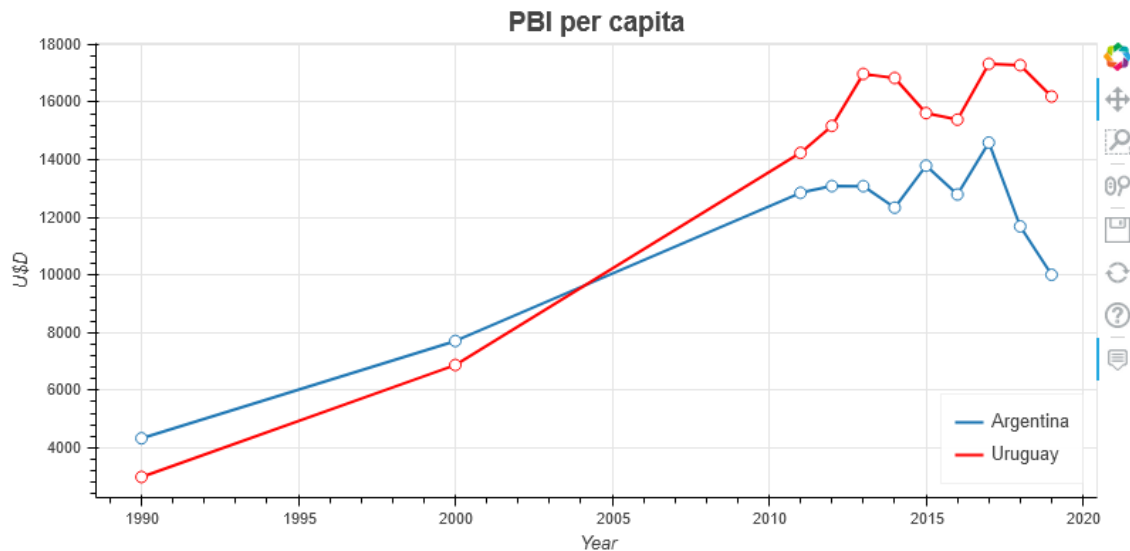
Despite recent progress in Uruguay, several structural constraints to growth remain, in particular in the areas of infrastructure investment, integration into global value chains and education/skills performance, which may obstruct the progress towards sustainable development outcomes. **The strong institutional performance in other areas, such as public trust in government, low corruption and a consensus-based political approach, together with a deep commitment to strengthening its institutional set-up, give the country a solid basis from which to continue renewing its social contract and put in place policies to address such constraints.** Uruguay maintains an adequate macroeconomic framework but in a much more complicated external environment.

Source : (<https://www.worldbank.org/en/country/uruguay/overview#1>)

What are the trends if we compare Uruguay vs. Argentina in terms of GDP?

Uruguay and Argentina have strong cultural bonds. The societies have the same passions for soccer, and Tango, and good meat, but the economies have taken a different path. These charts show the progress of the Uruguay economy against Argentina. I use The World Bank information to graph the evolution of the GDP per capita and the Adjusted Net National Income per capita. These graphs show the actual value of the economy and the constant growth that Uruguay has achieved.

Source: (<https://data.worldbank.org/country/uruguay>)



2. Main cities characterization

Population

In the 2011 census, 3.3 million inhabitants were registered in Uruguay. If you compare Uruguay with its neighbor countries is a small country. Uruguay has 19 districts, 616

main cities. Each district has an average of 32 cities and a population of 112 mil inhabitants.

Demographics from Wikipedia:

Uruguay's rate of population growth is much lower than in other Latin American countries.[22] Its median age is 35.3 years, is higher than the global average[24] due to its low birth rate, high life expectancy, and relatively high rate of emigration among younger people. A quarter of the population is less than 15 years old and about a sixth are aged 60 and older.[22] In 2017 the average total fertility rate (TFR) across Uruguay was 1.70 children born per woman, below the replacement rate of 2.1, it remains considerably below the high of 5.76 children born per woman in 1882.[108]

Metropolitan Montevideo is the only large city, with around 1.9 million inhabitants, or more than half the country's total population. The rest of the urban population lives in about 30 towns.[24]

Source (<https://ine.gub.uy/inicio>)

Source (<https://en.wikipedia.org/wiki/Uruguay#Demographics>)

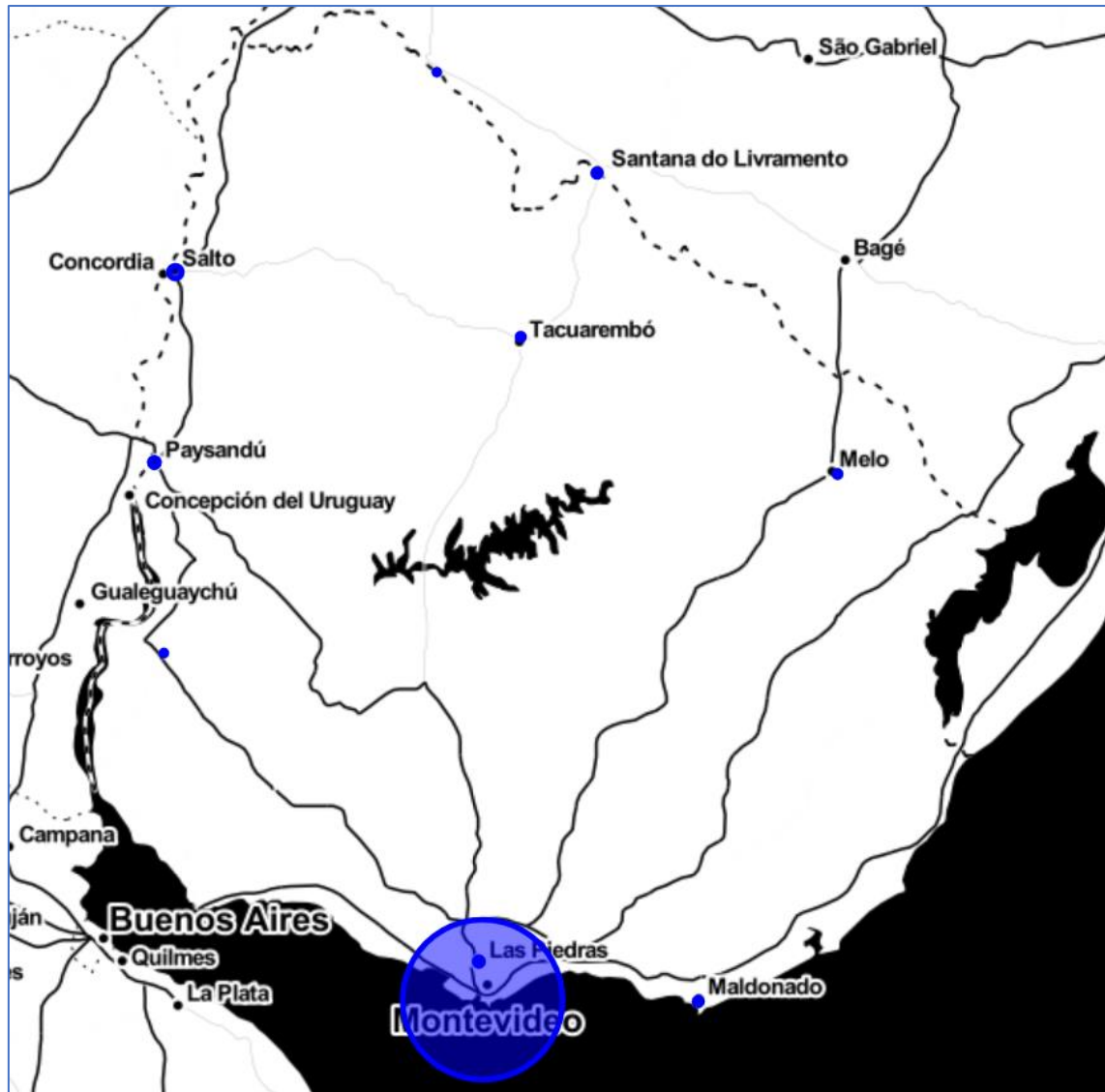
Main 10 cities

The ten most populated cities in Uruguay account for 61% of the total population. Montevideo, the capital, is 42% of the population, but if you add the nearby cities the percentage increases to 54%. If you want to do business in Uruguay, **Montevideo is the most important city to have a commercial presence.**

DEPARTAMEN	NOMBRE_LOC	CODLOC	POBL	PROP	DENS_HB_KM	latitude	longitude
MONTEVIDEO	MONTEVIDEO	1020	1304729	42%	5440	-34.9058916	-56.1913095
SALTO	SALTO	15120	104011	3%	2812	-31.38889	-57.9608876
PAYSANDU	PAYSANDU	11120	76412	2%	3539	-32.3217257	-58.0892136
CANELONES	LAS PIEDRAS	3221	71258	2%	3150	-34.7274904	-56.2164982
RIVERA	RIVERA	13220	64465	2%	2221	-30.900058	-55.5408151
MALDONADO	MALDONADO	10320	62590	2%	4916	-34.9087162	-54.9582718
TACUAREMBO	TACUAREMBO	18220	54755	2%	1721	-31.7110183	-55.9788762
CERRO LARGO	MELO	4220	51830	2%	3131	-32.3772767	-54.1494304
SORIANO	MERCEDES	17220	41974	1%	3757	-33.2484204	-58.0298671
ARTIGAS	ARTIGAS	2220	40657	1%	2740	-30.3984136	-56.4638078

Map with the top 10 cities

The radius of the circle is equal to $100 \times \%$ of the population of each city. The idea is to show the size of the potential demand in each city. For reference, Montevideo is ten times larger than Salto, the second city in terms of population.



3. Business opportunities in Montevideo and its neighborhoods

Montevideo is the main economic market in Uruguay. The main industries and a large part of the population are concentrated there. The focus of the project is to know the

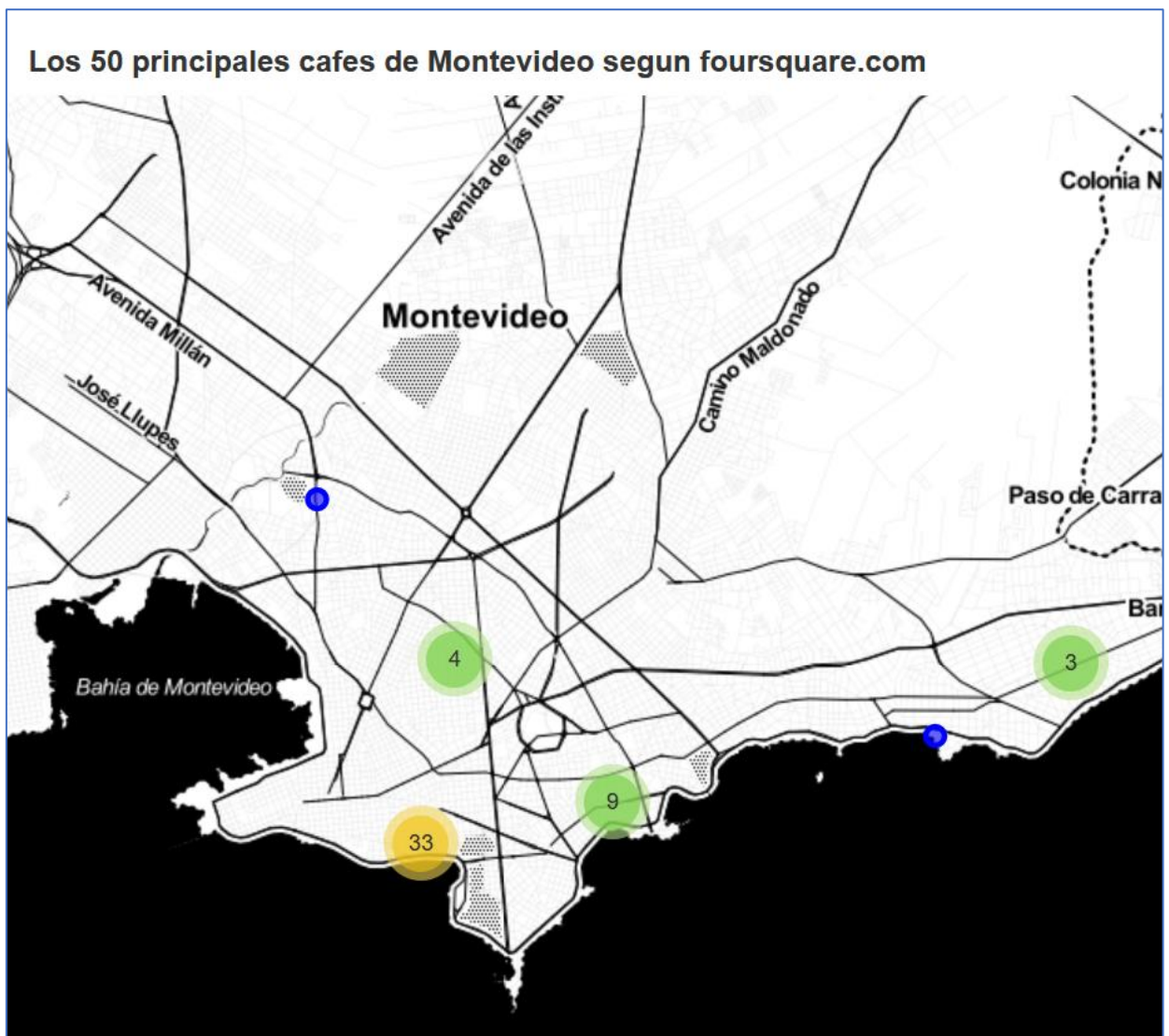
coffee shop business and characterize the neighborhoods of the city. First, a search for the best coffee shops on Montevideo using the Foursquare API.

The best 50 coffee shops in Montevideo. Example of use /explore API to find the best coffee shops near the city center

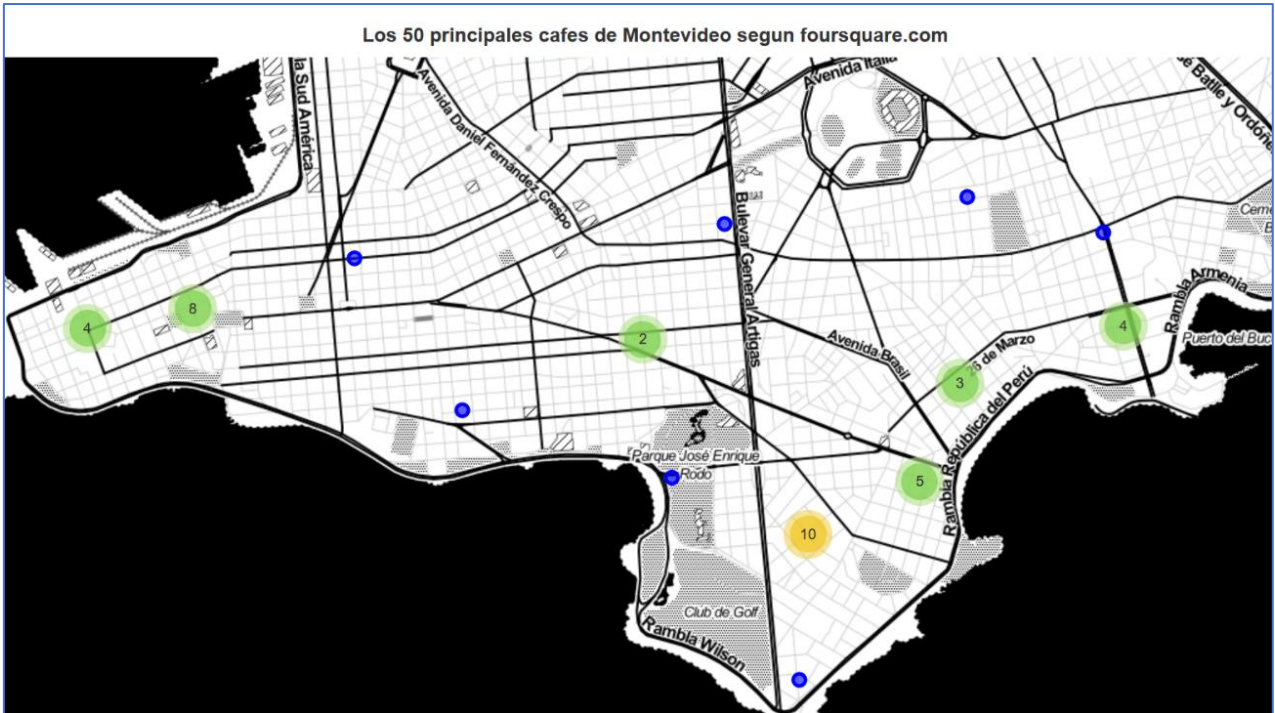
name	latitude	longitude	Rating
Lavender	-34.88100812	-56.06239899	9.3
La Madriguera Cafe	-34.88884187	-56.05777006	9.0
The Lab Coffee Roasters	-34.90849254	-56.13597532	8.8
Dona Ines	-34.90978957	-56.14601498	8.8
La Greca Cafe	-34.91176597	-56.18342757	8.7
Cafe del Mercado	-34.88705622	-56.18349498	8.5
The Lab Coffee Roasters	-34.90889126	-56.20913445	8.5
Diego s Coffee Food	-34.90153986	-56.13851451	8.3
Che.co.ffe	-34.908427	-56.206793	8.2
Adolfo Cafe	-34.91737563	-56.15964042	8.2
Philomène	-34.92227147	-56.16029917	8.2
Agosto	-34.90827325	-56.17309195	8.2
La Esquina del Mundo	-34.89952421	-56.14802164	8.1
Coffee Shop	-34.91244936	-56.15875845	8.1
Sinestesia	-34.90562574	-56.21116899	8.1
Cafetto Prado - cafeteria boutique	-34.861214	-56.196146	8.0
Culto	-34.907161	-56.168398	8.0
Mojana (CCE)	-34.90591456	-56.20276156	8.0
Starbucks	-34.90104709	-56.16503365	8.0
Danna Tea Experience	-34.887243	-56.054741	8.0
Sante - Cafe Cocina	-34.90488	-56.205471	8.0
La Dulceria	-34.91677886	-56.15105942	7.9
Hoy te quiero	-34.91607351	-56.15604292	7.9
La Dulceria	-34.922689	-56.159275	7.9
Starbucks	-34.923808	-56.15934081	7.8
The Lab Coffee Roasters	-34.92725	-56.159788	7.8
Cafe Brasileiro	-34.905741	-56.204651	7.8
The Lab Coffee Roasters	-34.91396663	-56.16507004	7.8
La Farmacia Cafe	-34.90479323	-56.20510676	7.8
Cafe Contento	-34.910598	-56.14693	7.7
Cafe Berro	-34.91399109	-56.1523431	7.6
Credo Cafe	-34.89664843	-56.0832123	7.6
Cafe Ramona	-34.905617	-56.13664	7.6
Punta Ballena Cafe	-34.90534559	-56.21155374	7.6
Deli	-34.910047	-56.138611	7.5
Fragolina	-34.91351944	-56.15040309	7.4
Starbucks	-34.906657	-56.202074	7.4
Casa Dulce	-34.92025619	-56.15926724	7.4
Rio Cafe Club	-34.91561311	-56.16870061	7.4
Cafe Martinez	-34.9194484	-56.15410513	7.3

Chesterhouse	-34.905136	-56.20012	7.3
McCafe	-34.86910047	-56.16943318	7.2
La Latina Cafe	-34.910305	-56.152765	8.1
Palacio del Cafe	-34.90305266	-56.19090841	7.2
Ramona	-34.90730694	-56.19688901	7.2
PV Restaurant Lounge	-34.906684	-56.201397	7.1
Starbucks	-34.90353953	-56.13718934	7.1
Oro Del Rhin	-34.91548635	-56.14888591	7.1
Coco Petit Cafe	-34.9153559	-56.15591943	7.0
Oro del Rhin	-34.9242136	-56.15834159	7.0

The 50 best coffee shops in Montevideo on the map



The 50 best coffee shops in Montevideo on the map (zoom in example)



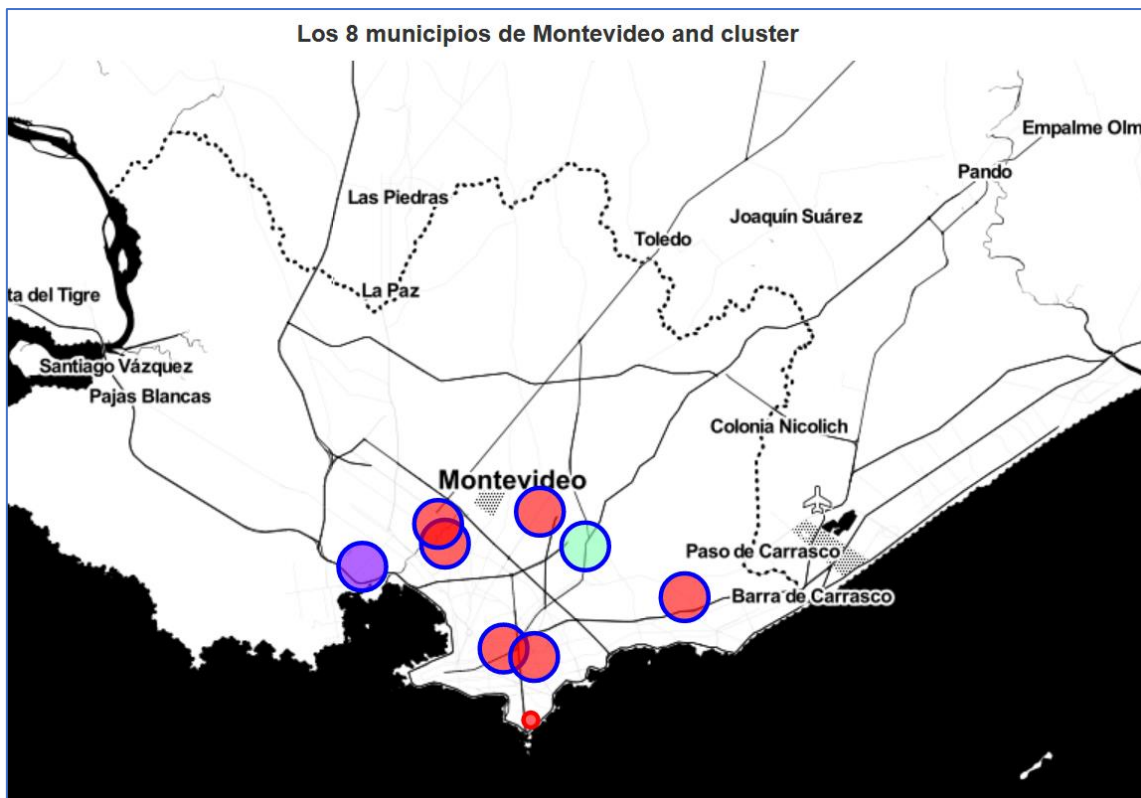
Municipalities in Montevideo

Montevideo is organized in 8 municipalities. Each one of them are used to generate the characterization clusters.

Municipio	Direccion	Latitude	Longitude
Municipio A	Av. Carlos María Ramírez esq. Rivera Indarte	-34.866	-56.236
Municipio B	Joaquín Requena 1701	-34.897	-56.171
Municipio C	L. A. de Herrera 4547	-34.858	-56.198
Municipio CH	Brito del Pino 1590	-34.900	-56.157
Municipio D	Av. Gral. Flores 4694. Anexo	-34.846	-56.154
Municipio E	Av. Bolivia S/Nº - Estadio Charrúa	-34.878	-56.088
Municipio F	Av. 8 de Octubre 4700	-34.859	-56.134
Municipio G	Cno. Castro 730 esq. Ma. Orticochea	-34.850	-56.201

To characterize each municipality, it is look for all the venues near them. The idea is to find a pattern that detects business opportunities. The type of places and the number of each are used to run a k-means algorithm.

Municipalities in Montevideo



Conclusions and next steps

- Uruguay is working hard to be a country model for the rest of Latin America. It has all that needs to be a great place to live and do business.
- Montevideo concentrates more than 50% of the population of Uruguay, which makes it the first city to analyze. A correct business strategy in this city is determinant to the success of any business in Uruguay.
- You can use different technics to analyze the coffee shop business market in Montevideo. In this case, I did two simple analysis: 1) plot in a map the best coffee shops, 2) characterized de municipalities using k-means.
- Georeferenced the best coffees, and group them geographically could be the best start point to deep in the analysis. It is easy to differentiate three concentrate points and use them to add new information around them in the next project phase.