

Why Mexico: 132 Million Reasons

Many brands appear exhausted by chasing BRIC dreams in China and India. Along the way, some have missed the “miracle called Mexico.” Mexico is blessed in many ways: beautiful beaches stretching along 5,600 miles of coastline, rich mineral resources (oil) plus a convenient location just south of the USA border. Mexico’s population of 132 million ranks 10th in the world, equaling the UK and France combined. GDP per capita of \$9,600 signals a good level of purchasing power, eliminating comparisons with poor countries like Indonesia and Vietnam. Another attraction is more than 2,500 large format stores including Walmart, Costco, and HEB.

NAFTA = USA Supply Depot

The USA conducts over \$550 billion in trade with Mexico, facilitated by the North America Free Trade Agreement (NAFTA). This reflects a relatively balanced 55/45 split between imports and exports. Many multinational companies locate factories south of the 1,954 mile border to supply the USA market. This strategic location reduces long lead times and lengthy freight journeys from Asia. Monterrey, a booming metropolis of 5 million, is situated only 143 miles from the Texas border. A key issue for 2020 is implementation of USMCA, the new free trade agreement.

Consumer Habits

Thank Mexico for “Taco Tuesday” and the global popularity of their special cuisine. As you stroll the aisles, other categories are stocked with familiar global names. In fact, categories like



cereals, snacks, and carbonated beverages enjoy some of their highest category development in the world. A recent trip revealed mainstream acceptance of natural and organic food products, with broad assortments, at least in Mexico City. Club stores like Sam’s and Costco serve as showcases for most leading USA brands.

Walmart = \$24 Billion Leader

Walmart operates more than 2,500 stores across 5 formats, registering an impressive \$24 billion in sales. Some may be surprised to learn that Bodega Aurrera is their leading banner with more than 2,000 value oriented outlets. They also operate 93 upscale

supermarkets called Superama, the first destination for many overseas products. Watch out: a standard service in Mexico includes dedicated merchandisers responsible for shelf stocking. Walmart may tempt some companies with direct purchases, but your brand may not escape the back room without merchandisers.

190 Distributor Options

Export Solutions’ distributor database covers 190 distributors in Mexico. This includes a broad assortment of category specialists of all sizes. Many enjoy large portfolios of USA or European favorites. Another option is to partner with a large Mexican producer who may be willing to pioneer your brand. Note: most distributors are based in Mexico City or Monterrey, close to leading customers. Beware of border “traders” with elaborate stories and an appetite for English language packaging.

Lessons Learned

Many brands fail in Mexico. Postmortem analysis usually shifts blame directly to the manufacturer. Mexico is a large country that politely requires an amount of TLC. Cost of entry is rational, with a discount structure built in the price list.

Mexico Fast Facts

Population	132 Million
GDP per capita	\$9,600
Population under 25	45%
Supermarkets	2,500
Distributors	190

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However, manufacturers should hire a local manager or at least commit to visit four times per year. A year-round, in-store activation plan is required. It is not an extreme challenge for a good brand to gain access to the shelves of the retail giants. However, without investments in marketing and “pull” activities, your brand will soon disappear. This all sounds fundamental, but you will be shocked by the number of overseas brands that sell to a Mexican distributor at dead net price and never visit and wonder why their sales are so low.

132 Million Reasons – Next Steps

Mexico is a growth country, tied to its USA neighbor “for better or for worse.” Its 132 million consumers represent an attractive target, as they have purchasing power and familiarity with many global brands from cable television or relatives living in the USA. Export Solutions has conducted more than 10 distributor search projects in Mexico and can assist with your market entry plans. We speak Spanish and maintain good relationships with leading distributors. For more information, contact Greg Seminara at gseminara@exportsolutions.com.

Top 10 Mexican Retailers

(source: Export Solutions’ retailer database)

Retailer	Owner	Format	Stores
Bodega Aurrera	Walmart	Discount	2,000
Sams Club	Walmart	Club	163
Walmart Supercenter	Walmart	Hypermarket	277
Superama	Walmart	Supermarket	93
Soriana	Soriana	Super/Hypermarket	672
La Comer	La Comer	Supermarket	71
Oxxo	FEMSA	Convenience	18,500
Chedruai	Chedruai	Supermarket	300
Costco	Costco	Club	39
HEB	HEB	Supermarket	64