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Mexico

Retail Food Sector

The Mexican Market for the Retail Food Sector

2000

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Report Highlights: FUNDING FOR THIS RESEARCH WAS PROVIDED THROUGH THE EMRGIN MARKETS PROGRAM. Over the next five - ten years, large retailers and convenience stores will continue to represent the best sales options for U.S. exporters. Traditional retail stores ("mom and pop" stores) are a large market segment, but are not yet a viable option for imported products.

Includes PSD changes: No
Includes Trade Matrix: No
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RETAIL FOOD SECTOR REPORT

This report is for informational purposes only to assist exporters of U.S. produced food and agricultural products in their sales and promotional efforts in Mexico. The data in this report were collected from local trade and government sources and are not necessarily official U.S. Department of Agriculture (USDA) data. While every effort has been made to provide an accurate list of contacts, telephone and fax numbers change frequently in Mexico. Also, there may be other qualified firms in Mexico and the United States, and their exclusion from any lists or directories is unintentional. Neither the U.S. Agricultural Trade Office nor the USDA endorses any firm contained herein. U.S. exporters should take normal commercial cautions when dealing with any potential importer, including checking credit references.

SECTION 1. MARKET SUMMARY

- The Mexican retail market was characterized by limited sales growth and strong competition during 1999.
- Sales growth in 1999 is expected to reach 5.4 percent, as compared to 9.7 percent in 1998. This increase in sales growth was due mainly to sales generated by new stores; as compared to "same stores" sales which are expected to register 1.5 percent.
- There are approximately 2,590 retail outlets in Mexico, including 690 retail chains and 1,900 convenience stores.
- The sector's retailers announced investments of $1.8 billion for 2000 as compared to $1.5 million in 1999. Some of the objectives of these investment programs are to establish new outlets and to increase floor space.
- Although the Mexican food processing industry is competitive, in general, it does not produce some consumer ready products which are consequently imported, mainly from the United States.
- Mexican consumption figures are beginning to indicate improvement. For 1999 it is expected to be approximately three percent, slightly below the 3.5 percent for Mexico's GDP. Consumers' increased access to credit has been an important factor in this trend. It is expected that consumption will continue at the same growth rate during 2000.
- Large retailers and convenience stores continue to represent the best sales options for U.S. exporters. Traditional retail stores ("mom and pop stores") are a large market segment, but are not yet a viable option for imported products.

<u>Advantages</u>: Sector Strengths and Market Opportunities
<u>Challenges</u>: Sector Weakness and Competitive Threats

Advantages	Challenges

Of the approximately 98.5 million Mexicans, about 21.7 million or 22 percent of the total population can afford imported food products.	Imported products are subject to Mexican quality standards (NOMs) and labeling requirements.
The retail sector continues to expand as companies in the industry position themselves in a very competitive market.	Prices for imported products are from 15 to 40 percent more expensive for consumers.
Mexican consumers like American products; they recognize most U.S. brands and associate U.S. made products with high quality and value.	Importers and distributors/wholesalers continue to control the market, especially at the convenience and "mom & pop" store levels. Some large retailers are importing directly.
Geographical proximity is a plus for American suppliers.	Mexican consumers are very price oriented, and U.S. suppliers should consider marketing the less expensive presentations of their products as a first option.
Because of NAFTA, U.S. suppliers have preferential import duties.	Limited knowledge of imported products and organization skills among convenience and small independent grocery stores restrict their potential.
Mexican consumers, especially the younger generation, are rapidly adapting to more international ways-of-life and are purchasing more imported items.	The traditional retail outlets represented by "mom and pop" stores are still far from being a relevant market segment for imported items.
Multinational firms established locally are taking advantage of their market position. In addition to sourcing locally produced items, they are also very active in importing product lines which they do not produce in Mexico, as well as products that have market potential from other companies	Products from the European Union will be competing in the market place in the near future, perhaps as early as July 2000.
	The growth of exports to Mexico, in general, will depend on the parity of the Mexican peso to the U.S. dollar, and of the performance of the economy as a whole.

SECTION II. ROAD MAP FOR MARKET ENTRY

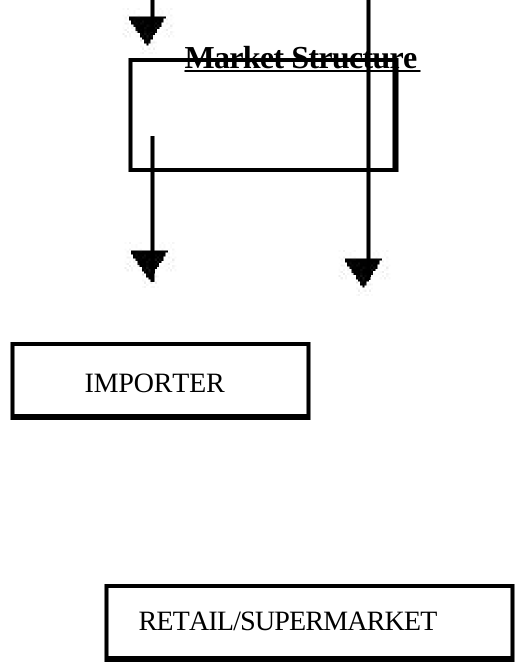
A. SUPER STORES, SUPERMARKETS, HYPER MARKETS OR

SUPER CENTERS, CLUB AND WAREHOUSE OUTLETS

Entry Strategy

- Identify and select a local sales agent/distributor to promote sales and make sure that the imported products are available at points of sale.
- Participate in or attend Mexican trade shows as a way to contact local distributors/sales agents, buyers and businessmen, and to also become familiarized with local competition.
- In the case of new to market companies, be prepared to provide support for in-store and media promotions to familiarize consumers with your products. If possible, develop promotional pamphlets in Spanish.

Market Structure



U.S. exporters ship their products to Mexico directly or through brokers. In Mexico, sales agents/distributors/importers complete the necessary paperwork at customs and then maintain the imported products at their warehouses or refrigeration facilities. These distribution companies make contact with local retailers in order to sell the items at retail outlets. Some retail organizations (Cifra, Gigante, Soriana, Carrefour, Casa Ley) have implemented direct purchasing for some of their departments and deal directly with foreign suppliers. It is likely that some of the other major retail chains will adopt the same strategy in the next five years.

Company Profiles

Retailer Name and Outlet Type	Ownership	Sales (US$1998)	Number of Outlets	Location city/region	Purchasing Agent Type

Cifra: megamarkets, hyper markets, supermarket, clubs, warehouses	Wal-Mart 51% Local 49%	US$ 5.6 billion	206	All major cities	Direct purchasing
Gigante: Hyper markets, warehouses & supermarket	Local	US$ 2.1 Billion	188	All major cities	Direct purchasing And local distributors
Comercial Mexicana: hyper markets, club stores, warehouses	Local	US$ 2.6 billion	165	All major cities	Importer, wholesaler and direct purchasing
Soriana: Supermarket	Local	US$ 1.8 billion	87	Major cities in Northern and Central Mexico	Direct purchasing
Chedraui: Supermarket	Local		47	Principal cities in the states of:Tabasco, Chiapas,Campeche, Oaxaca,Puebla,Mexico,Tamaulipas, San Luis Potosi,Yucatan Michoacan,Guanajuato.	Importers and wholesale
Carrefour: megamarkets	French		17	All major cities	Importers, wholesalers and direct purchasing
Casa Ley: supermarkets	Local		78	State of Sinaloa	Direct from manufacturer and local distributors

HEB will be opening 35 additional stores in Mexico during the next five years. This large retailer from San Antonio, Texas currently has five outlets in the northern part of Mexico.

Retail outlets are usually located in most major cities across Mexico, as well as some of the smaller cities. Within the cities, they can be found downtown or on the outskirts of the city. There is no specific location pattern. The principal factors driving the market are the large number of products and services at one location, better prices, discounts, convenience of services and the new food products consumers can find. The quantity of imported products is relatively small, but increasing rapidly.

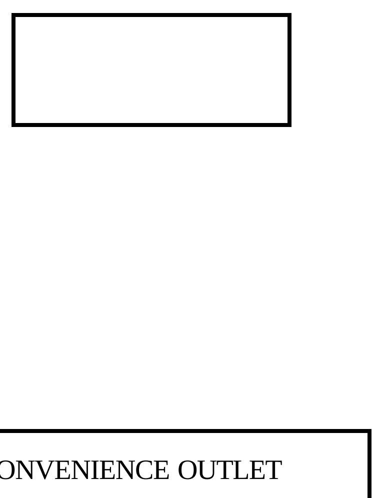
The customer profile is composed of clients from all socioeconomic levels. Only in the case of membership clubs do consumers tend to be a more homogenous representation of the upper income population, including the category of foreign residents. In order to cater to lower-income consumer groups, retailers have developed the concept of bodegas (warehouses), which are "nofrills" outlets that offer the lowest prices.

B. CONVENIENCE STORES, GAS MARTS, KIOSKS

Entry Strategy

- Identify and select a local sales agent/distributor to promote sales and presence of exporter's products at stores.
- Participate in or attend Mexican trade shows as a way to contact local distributors/sales agents, buyers and businessmen, and to also become familiarized with local competition.
- In the case of the new-to-market companies, be prepared to provide support for in-store and media promotions to familiarize consumers with your products. If possible, develop promotional pamphlets in Spanish.

Market Structure



Sales agents/distributors import food products and mainatin them at their storage facilities. After agreeing to the sales terms with their clients, they deliver the requested products to convenience stores. In general, convenience stores depend more on sales agents/distributors for their products, although some chains like 7-Eleven do some direct purchasing.

Company Profiles

Retailer Name and Outlet Type	Ownership	Sales ($Mil)	Number of Outlets	Locations city/region	Purchasing Agent Type
Cadena Comercial Oxxo, Convenient	Amoco Oil Co/FEMSA Comercio	NA	1,027	Major cities.	Importers and wholesalers
7-Eleven, convenient	NA	NA	237	Mexico City, Guadalajara, Reynosa, Monterrey and Merida	Direct purchasing
Tiendas de Conveniencia (12 +12), convenient	NA	NA	60	Mexico City and Torreon	Importers

Typical outlets in this sector are convenience stores and, to a lesser degree, gas marts. These stores are located in major and medium sized cities and usually in middle class neighborhoods and business districts. One of the principal characteristics of these stores is that they are geographically close to a relatively large number of buyers. It is believed that this is the fastest growing segment in the retail sector. For their available shelf space, these outlets offer a wide variety of products; they also have longer business hours and good service, in general. The volume of imported products is still relatively small, but has great potential for increased sales.

C. TRADITIONAL MARKETS -"MOM AND POP" SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

Entry Strategy

- Contact large local wholesalers who cover this market segment.

Market Structure

U.S. Exporter–> Importer–> Wholesaler –> Mom & Pop

The small volumes of imported products that reach the "abarrotes and ultramarinos," Mexico's equivalent to "mom and pop stores," get there by wholesalers and by their purchases at large retail stores. Usually, small grocery stores are visited on a regular basis by wholesalers, who may recommend new product lines, among which some imported products might be included. Similarly, some grocery store retailers purchase their products at the city's central markets (Central de Abasto). Depending on the store size, product price, the city in which the retailer is located, type of clientele it services, and the willingness to experiment with new products/brands, these grocery stores may include imported items in their stocks.

Sub-Sector Profile

The "abarrotes and ultramarinos" in Mexico are usually very small, and only a few have refrigerators. There are at least 400,000 of these stores throughout the country. The market forces driving these stores are proximity to buyers and the customers' personal relationship with the store attendant. The consumer profile is mainly composed of neighborhood residents. The abarrotes will continue to serve as the traditional retail outlet, particularly in the provinces, for at least several more years.

Currently, only a few basic and inexpensive imported products are being sold through this segment. These products include candy, alcoholic beverages and some canned items. In general, consumer ready foods have very limited sales potential in this sector.

SECTION III. COMPETITION

Mexico has a relatively strong food processing industry which supplies most of the country's needs. For example, of the top 500 companies in the country, the largest sector is composed of food processing companies (55), with 37 companies in the beverage group. Some of these companies include Grupo Industrial Bimbo (bread products), Nestle (food products in general), Herdez (food products in general), Grupo Industrial Lala (dairy products), Bachoco (eggs and poultry products), Grupo Bafar (red meats), Coca-Cola (soft drinks), Pepsi-Cola (soft drinks), Grupo Modelo (beer), and Cerveceria Cuauhtemoc Moctezuma (beer), among others. There are several American and multinational producers/importers in Mexico such as: Sabritas (Frito Lay-Pepsico), Procter & Gamble, Kellog's, General Mills, Fud, Tyson, Pilgrim's Pride, Kraft Foods, Bacardi, Gerber, Purina, etc. Local producers are the main suppliers of consumer ready products.

Most leading Mexican brands have national coverage, are well positioned in the market and are recognized by consumers. On the other hand, imported products from the United States are perceived as being of the highest quality, are widely accepted by local consumers and have strong sales potential for the near future. However, imported products are sold mainly in leading retail chains and are usually priced from 15 to 40 percent higher than similar domestic products. Although the United States tends to be the leader in supplying imported consumer-ready products to the Mexican market, the recently negotiated EU-Mexican free trade agreement could result in an increased number of European consumer ready products on retail shelves by mid year 2000.

SECTION IV. BEST PRODUCTS PROSPECTS

A. Products Present in the Market Which have Good Sales Potential

Snacks, corn chips, potato chips,
Frozen french fries and potato products
Bakery products
Frozen turkey parts
Frozen chicken parts

Smoked turkey
Further processed dark meat poultry products (precooked and fully cooked)
Raw dark meat cuts of poultry and turkey
Frozen desserts
Apples
Pears
Seafood
Frozen dinners
Pizzas
Ice cream
Frozen pastries and breakfast products
Kosher food
Smoked sausage
Cheddarwurst
Jumbo frankfurters
Mesquite smoked turkey breasts

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Peanuts with and without shell
Popcorn
Mixed nut assortments, beer nuts
Wine and beer

C. Products Not Present Because They Face Significant Barriers

Fresh Shell table eggs
Raw chicken parts, dark meats
Poultry in brine

SECTION V. POST CONTACTS AND FURTHER INFORMATION

Organization	Section	Address	Telephone/fax Internet
Embassy of the United States Of America	U.S. Agricultural Trade Office	Jaime Balmes 8-201 Col. Los Morales Polanco 11510 Mexico City; Mexico	Tels:(011)(525) 280-5277 Fax. (011)525 281-6093 ATOMexico@fas.usda.gov
Nueva Walmart de Mexico, S.A. de C.V.	Purchasing	Av. Nextengo 78 Santa Cruz Acayucan Mexico, D.F. 02770; Mexico	Tel: (011)(525)327-9311 Fax. (011)(525)371-9901 Aurrera.com ó Walmart.com

Gigante, S.A.de C.V.	Purchasing	Av. Ejercito Nacional 769-A Nueva Granada 11520 Mexico D.F.; Mexico	Tel: (011)(525)255-9998 Fax. (011)(525)724-8381 Http:www.telbip.com.mex
Operadora de Comercial Mexicana	Purchasing	Fdo. de Alva Ixtixochitl 27 Col. Obrera 06800 Mexico D.F.; Mexico	Tel: (011)(525)723-7111 Fax. (011(525) 723-7495 Http://www.comercialmexicana.com.mex
Organization	**Section**	**Address**	**Telephone/fax Internet**
Seven-Eleven Mexico, S.A. de C.V.	Lic. Francisco Mendoza, Purchasing Director	Av. Munich 195-B Col. Cuauhtemoc 66450 San. Nicolas de los Garza, Monterrey, N.L.; Mexico	Tel: (011)(528)372-1572 Fax: (011)(528)376-2171
Cadena Comercial OXXO, S.A.de C.V.	Sergio Estrada, Purchasing Director	Edison 1253 Norte. Col. Talleres 64480 Monterrey, N.L.; Mexico	Tel: (011)(528)389-2121 Fax: (011)(528)333-7030
Tiendas de Coveniencia Primher 12+12 Serviplus	Purchasing	Roma 1 Col. Juarez 06600 Mexico, D.F.; Mexico	Tel: (011)(525)566-0053 Fax: (011)(525)566-0164
Tiendas Chedraui, S.A. de C.V.	Sr. Primo Alavarez, Purchasing Director	Priv. Antonio Chedraui Caram S/N Encinal 91180 Xalapa, Veracruz; Mexico	Tel: (011)(528)14-4700 Fax: (011)(528)14-4806
Organización Soriana, S.A. de C.V.	Sr. Mario Garcia	Alejandro de Rodas 3102-A Cumbres Sector 8 64610 Monterrey, N.L. ; Mexico	Tel: (011)(528)329-9000 Fax: (011)(528)329-9180 Jcortezasoriana.com.mex
Casa Ley, S.A. de C.V.	Alvaro Ley, Director	Carr. Int. Nte. Deportiva Km. 1434 Humaya 80020 Culiacan, Sinaloa; Mexico	Tel: (011)(567)59-1000 Fax: (011)(567)50-5010
Jetro	Purchasing	Galileo 55 Col. Chapultepec Polanco 11560, Mexico, D.F.Mexico	Tel: (011)(525)281-0006 & (525)282-1578 Fax: (011)(525)281-0798

Carrefour-Grandes Superficies de Mexico, S.A. de C.V.	Sr. Xavier Lannes	Av. Pte. Mazarik 216-2 Col. Polanco Mexico D.F. 11579 Mexico	Tel: (011)(525)283-2900 Fax:(011)(525)283-2926 Martfdeza@hotmail.com
Asociacion Nacional de Tiendas de Autoservicio y Departamentales-ANTAD (National Association of Retail and Department Stores)	Efren Casas	Horacio 1855-6 Col. Polanco Mexico D.F. 11560 Mexico	Tel: (011)(525)580-1772 (525) 580-0641 Fax (011)(525)395-2610 www.antad.org.mex