



UK Trade
& Investment



Mexico: A Destination for Growth

Market opportunities for UK retailers



Foreword

Mexico is a country full of opportunities - and there has never been a better time to consider it as a business destination. The British perception of Mexico is often inaccurate. In fact, Mexico is a modern country with a dynamic economy. It has a young population of 112 million, with a growing middle class and strong macroeconomic fundamentals. Mexico has an impressive network of Free Trade Agreements (including with North America and the EU), and a strategic location between the US and Latin America. But at the same time, the Mexican Government and local businesses have said they wish to reduce their dependency on trade with the US. So for UK companies, Mexico has the potential to act as a springboard into the Americas, as well as being an attractive market in its own right.

British products have a significant presence in the country; our products are generally recognised for their quality, and have performed well in the local market. Yet, while Mexico regularly ranks in the top three emerging markets in which to do business, the UK exports much less to Mexico than many of our major competitors. So, while the opportunity clearly exists, other countries are taking greater advantage of it.

For this reason, UK Trade and Investment (UKTI) has produced this report with the help of global research agency Millward Brown. It aims to identify opportunities for UK retailers through a simple yet insightful document, to help British companies make more informed decisions. The report has various sections that outline a range of sectors and industries in Mexico.

This report is designed as a useful reference guide for readers to dip in and out of. It should be used in conjunction with the UK Trade & Investment website (www.ukti.gov.uk/mexico), and our other services. The report will guide you through the retail sector in Mexico, while the website will give you regularly updated market and sector information, business opportunities, and details of relevant events.

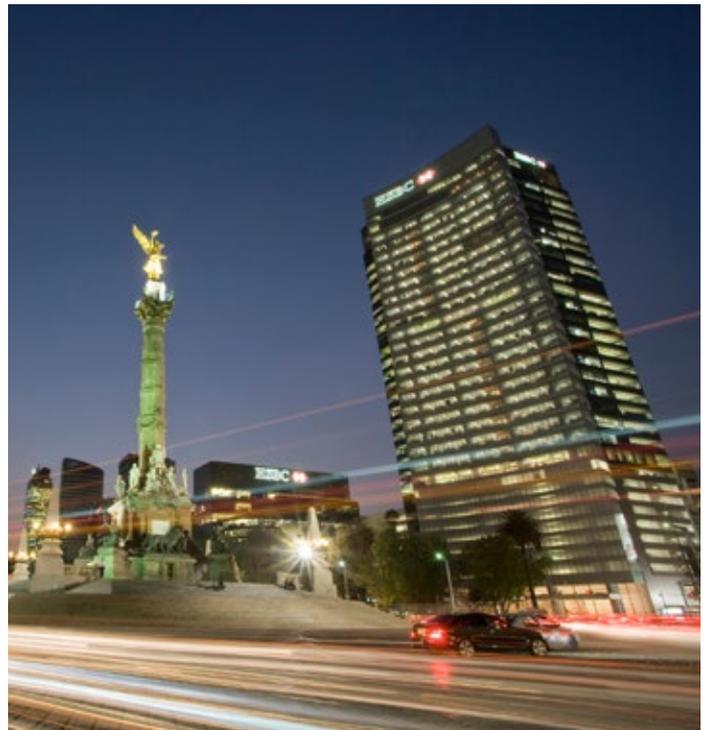
From luxury goods and shopping centres, to food and drink, this report intends to give the UK retailer a real picture of what is happening in Mexico, and why Mexico is an exciting destination for growth.

JOHN PEARSON
First Secretary, Trade & Investment
British Embassy, Mexico City

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This guide was produced for the UK Trade & Investment team in Mexico by Millward Brown Optimor Mexico. This project was developed through consulting primary sources developed by Millward Brown and its Knowledge Bank, as well as secondary sources relevant to the project.



Overview

Meet MEXICO!

You've heard of Mexico, but have you heard it's a country with a fast growing international presence?

“

With Europe's economies stagnating, China worrying about sustaining growth and property bubbles and India faltering, Latin America remains one of the few regions exhibiting continued growth and healthy long-term prospects.

The Futures Company

“

Retailing in Mexico remains strong. Despite the state of the international economy, Mexico managed to continue growing in GDP terms and kept inflation rates under control. Retailing grew at above GDP levels, outperforming in categories such as department stores and specialised retailing.

Euromonitor International

Mexico is the 14th largest economy in the world, according to the International Monetary Fund (2013):

US \$1,162 billion (Real GDP)

Following a significant decline in the recent economic downturn, the Mexican economy is already showing strong signs of recovery.



A HUGE COUNTRY

Mexico's 2 million sq km are rich in natural resources and its 9,330km border with the US gives the country access to even more.

CULTURAL RICHNESS

A country rich in art, music, languages and tradition, Mexico blends the best of European and Amerindian cultures.

A HINGE STATE

Mexico is a bridge between North America and the vast cultural area of Latin America, uniting the distinctive characteristics of both.

FOREIGN TRADE

Mexico has 14 Free Trade Agreements with countries including the US and Canada, Japan and the EU. This makes it one of the countries most open to foreign trade in the world.

LEADING PLAYER IN A GROWING REGION

Mexico is a leading country in Latin America, with sound economic indicators that show a strong performance.

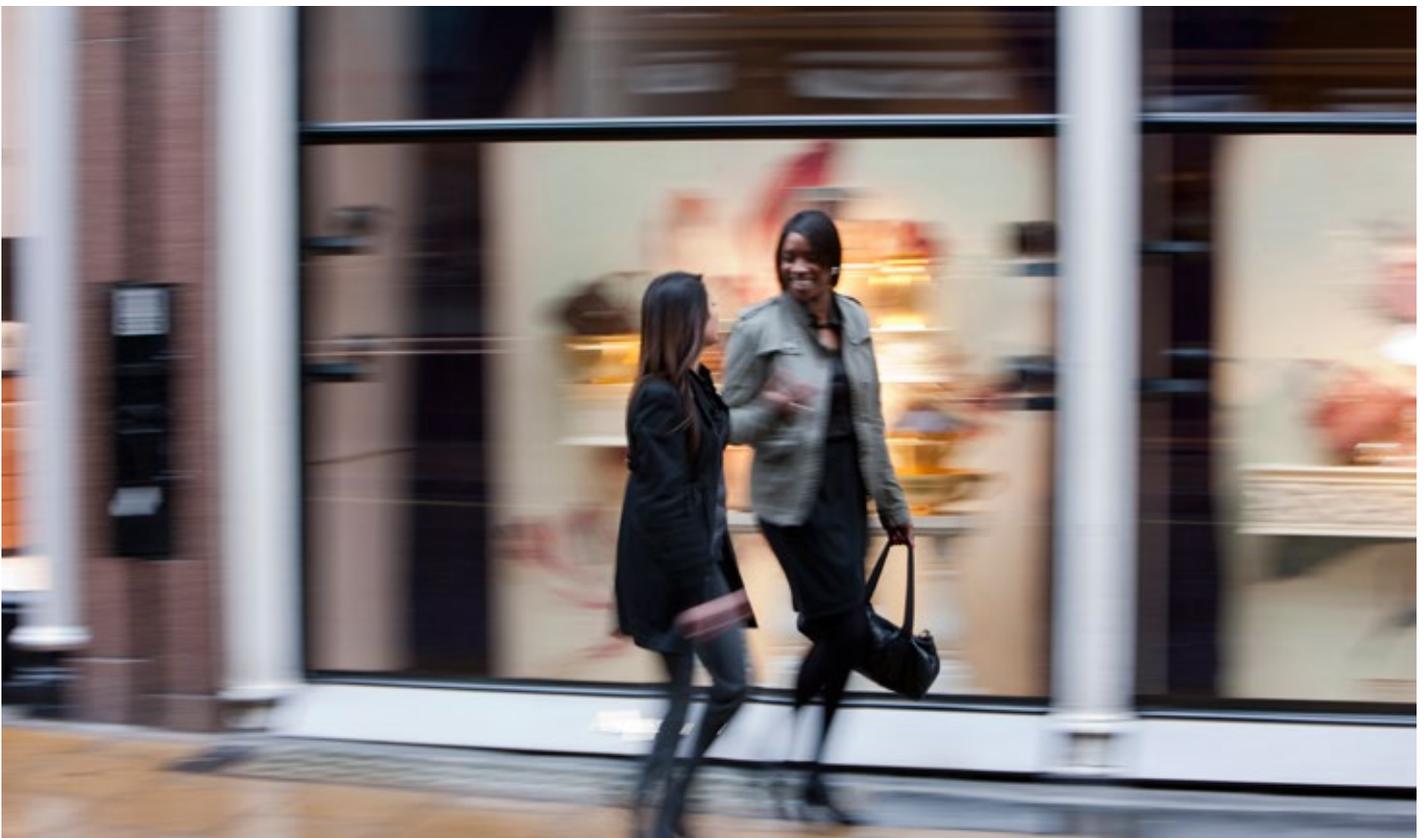
A BIG POOL OF POTENTIAL BUYERS

A market driven by a huge middle class (48.3% of population), yet with important figures for higher and lower socioeconomic groups.

HAPPY CONSUMERS WILLING & ABLE TO SPEND

Despite a complex social situation in which criminal undertones colour everyday life, Mexico's recent economic upturn has generated a sense of optimism in consumers.

Mexico's modern retail infrastructure is concentrated in its three largest cities



You just need to push the right buttons...

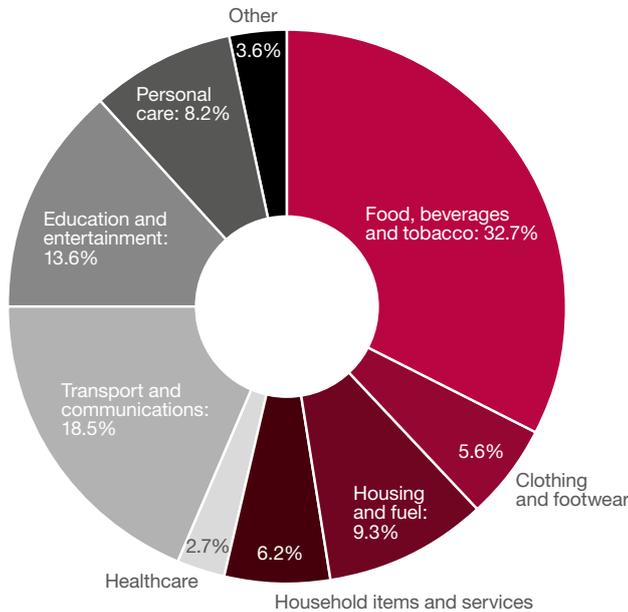


Understanding Consumers

Mexican consumers are spending their money across a smaller number of categories

Average household wealth in Mexico:
£6,273.89
(2012)

WHAT ARE MEXICANS SPENDING THEIR MONEY ON?



Increase in expenditure in the beauty and personal care categories, from 2006 to 2011.

FACE OF SUCCESS

Mexican people are looking to turn their aspirations of success into reality by spending more on beauty and personal care products.

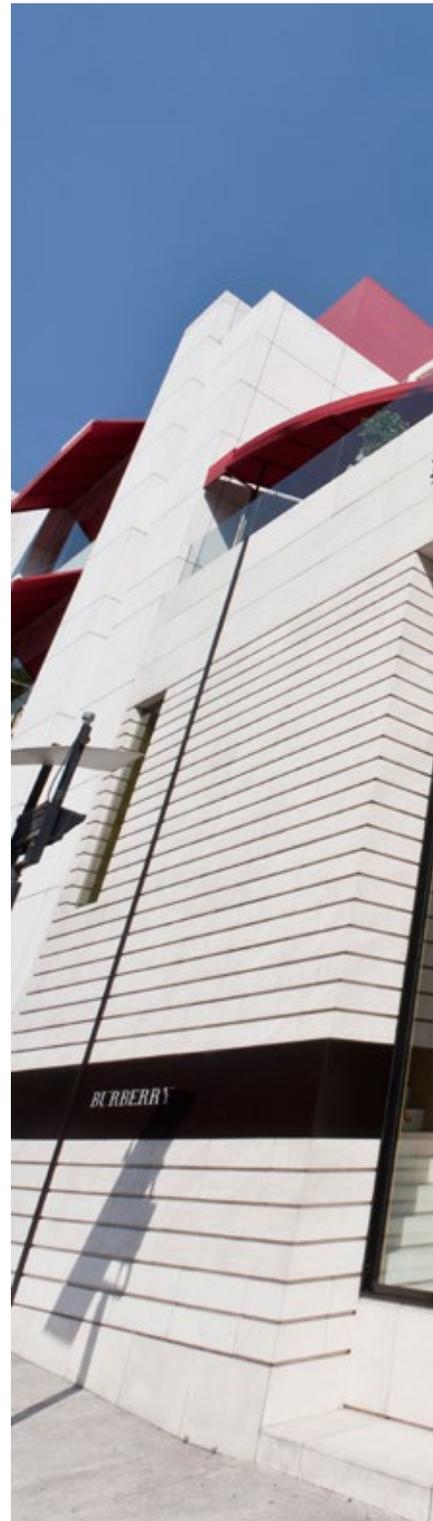
BEAUTY OF SUCCESS

Importance is increasingly being placed on the link between looks and success.

BIG BRAND TRUST

In Mexican culture, well-known, established brands are seen as reliable and trustworthy.

With disposable incomes rising, Mexicans are more willing (and able) to invest in themselves, be it on clothing, health or beauty products.



 Understanding Consumers


INTRODUCING...



Brands with the highest level of consumer engagement in Mexico according to BrandZ. **Their recipe for success?** Taking into account four basic principles that apply to the Mexican marketplace:

WELL KNOWN

Brands that command trust and loyalty.

Consumers know exactly what to expect from these brands.

FOR EVERYONE

Accessible brands for the majority.

Brands that create pricing strategies to match consumer spending power.

EMOTION

Brands that create a strong emotional bond.

Brands that understand Mexico's emotional and social landscape.

LEADERS

Brands that inspire.

They are highly regarded as category leaders, as innovators, as the brands that everyone else follows.

Understanding Retailers

With a growing population, and a positive economic outlook, Mexican consumption (and thus retailing) is experiencing positive growth

SOLID PERFORMANCE

12% INCREASE IN THE NUMBER OF HOUSEHOLDS
32,891,810 BY 2018

3.9% GDP GROWTH
IN MEXICO 2012

8.7% INCREASE IN RETAIL UNITS
MORE THAN 1900 OUTLETS OPENED IN 2012

Solid economic performance has driven retail growth across the country.

GROWTH ON BOTH FRONTS

£119.84
BILLION
INSTORE

VS

£7.33
BILLION
NON-STORE

2012 RETAIL SALES **£127.18** BILLION

Mexico's retail environment is growing and evolving due to the country's dynamic economic and demographic outlook.



Understanding Retailers



Nagel Photography / Shutterstock.com



Modern retailers in the country have focused their strategies on expansion through smaller stores and in smaller cities

Reflecting social complexity

Mexico's retail landscape is made up of brands that serve the country's social reality, where the richest and poorest live side by side.

Leading retailers show that they cater for various socioeconomic groups by offering contrasting channels and store formats.

Smaller populations

Mexico's economic development has reached smaller populations across the country (in tier 2 and 3 cities). But this has also happened in big cities: urban dwellers that were once ignored by retailers are now demanding more attention as their disposable income rises.

Retailers' answer?

Expansion through the construction and opening of new, smaller stores near to these populations.

The new trend? To get closer to customers.

Consumers change too: Practical consumers

Retailers have altered their approach to meet the needs of increasingly practical consumers:

1. Grocery retailers are opening small discount stores to reach new urban dwellers.

2. An increased focus on the importance of time and price has driven two main formats: Convenience Stores (which have grown by CAGR+9%), and Discount Stores (which have grown at CAGR + 21%).

(Where CAGR is Compound Annual Growth Rate)

3. Stores aim to create one-stop shops.
4. Complementary services are becoming increasingly important.

Consumers are increasingly searching for practical options when buying and retailers are responding accordingly.

Mobility on the go

In many ways, Mexican society is centralised. As a result, retailers have historically concentrated their efforts in large cities and central locations. As these locations have become saturated, they have been forced to change their expansion strategies.

As saturation has been reached, most retailers have moved to mid-sized destinations or developed new formats to reach previously inaccessible audiences.

Challenges

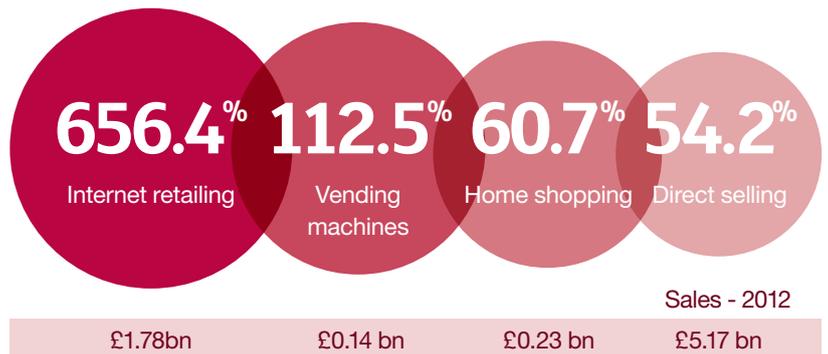
The search for practicality and more accessible options has pushed non-store retailing formats

PRACTICALITY PUSHES NON-STORE OPTIONS

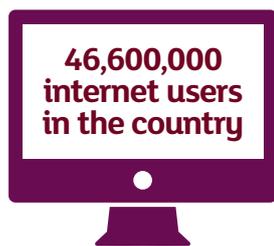
£7.33
BILLION (2012)

Traditional stores and other formats have also grown.

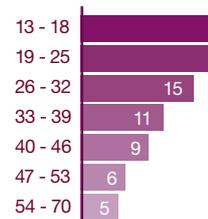
Growth figures (% growth between 2007 and 2012)



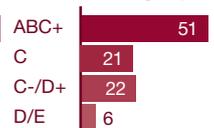
INTERNET DOMINATES



User distribution by age



User distribution by socioeconomic group



Internauts are currently concentrated in specific age groups, but this will change in the future.

With a growing young workforce, belonging to all social sectors, Mexico will soon have a population that is proficient in technology and has increased disposable income.

By 2030, this workforce - aged between 15 and 64 years old - will account for 65.7% of the population of the country.

MEXICO'S INTERNET CHALLENGES:

- Perceived as unsafe
- Low credit card penetration
- A high figure of technological illiteracy (55%) in adults

The internet is not a primary channel for leading retailers. MercadoLibre.com is the only retailer to appear on Mexico's Most Visited Websites.

e-Retailers in the country still have some work to do.

IMPORTANCE

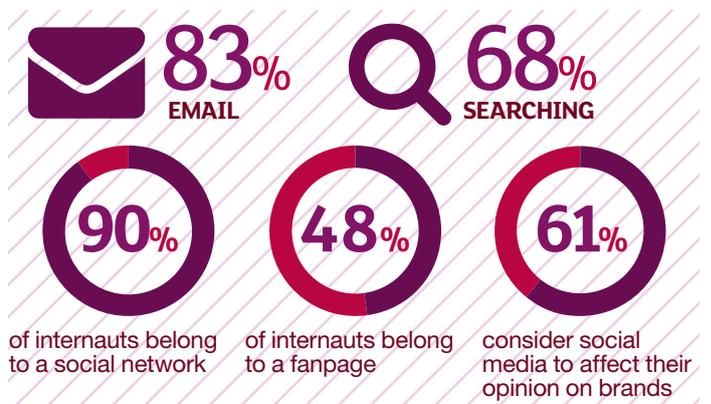
People are spending more time on the internet (4 hours 3 minutes per person daily). And there is increasing usage at home: **87% (2011) VS. 93% (2012)**

Informal retailing still plays a big part in the Mexican mindset. Consumers from every socioeconomic group are willing to consider buying through the internet if it offers clear benefits. However, when deciding how to purchase, the in-store retail experience is also an important factor.



MEANS OF COMMUNICATION

Recurring behaviour online



The internet is a trusted media channel for Mexicans. It is generally seen as a good way to communicate with similar groups.

MOBILITY IS KEY



This is understandable given that most Mexican internauts are young and from higher social groups.

Mobile devices should be considered as a way to boost retail strategies.

AN UNDERDEVELOPED SALES CHANNEL



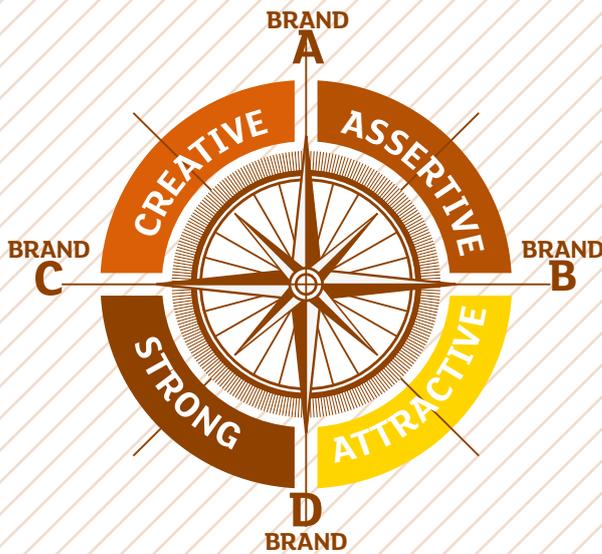
Despite being an important way to stay in touch with brands, this sales channel remains under-developed.

Mexico's Retail Sector

Retail success in Mexico is built on strong attractive brands across all sectors, from groceries to luxury goods. Retail is dominated by a number of major players and the development of shopping malls continues to grow. Increasing competition has seen retailers develop innovative ways to differentiate the in-store experience for consumers.

The secret to success is building strong attractive brands

MEXICANS ARE BRAND-ORIENTATED CUSTOMERS



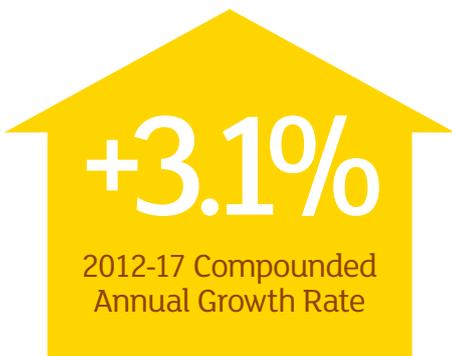
There is no place for uncertainty in Mexican culture – brands must be creative and assertive.

Consumers may consider new brands but they always need a compelling reason to make a purchase.

44.9% of Mexico's population are in lower income groups. They may try new brands but only at the right price.

The size of the lower and middle classes makes them the natural target market for brands looking to increase their customer base.

THE RETAIL SALES FORECAST



STORE-BASED RETAILING SALES	£287 bn
NON-STORE RETAILING SALES	£144 bn

We make it for you

We're local to you

We know your area

RETAILERS - KNOW YOUR CUSTOMER!



BRAND LANDSCAPE & CLASSIFICATION

1ST TIER

Upscale, high fashion with exclusive designer merchandise and excellent customer service.

Saks Fifth Avenue,
El Palacio de Hierro

2ND TIER

Reasonably priced merchandise with less of a focus on customer service.

Sears, Liverpool, Fábricas de Francia, Sanborns

3RD TIER

Value-orientated retailers that target price-conscious customers.

Electra, Famsa,
Woolworth

Mexico's Retail Sector

The general merchandise retailing outlook mainly comprises local powerhouses

	Outlets	Performance	Strategic focus
 <p>The leading department store in Mexico, serving middle-high and high-income consumers through affordable prices</p>	 <p>93 in 56 cities across the country (2012)</p>	<p>£577.27m net profit in 2012</p>	<p>Aggressive growth – targeting mid-sized cities</p>
 <p>Targeting upper-middle and high-income segments, this is Mexico's upscale department store par excellence</p>	 <p>12 8 of them in the Greater Mexico City Area (2012)</p>	<p>£842.73m net sales in 2012</p>	<p>Discrete expansion</p>
 <p>The leading variety store in Mexico, focusing on offering low-income consumers the chance to acquire at low-prices</p>	 <p>980 (55 new stores in 2012)</p>	<p>£2.978bn net sales in 2012</p>	<p>Full-on accessibility: Increasing geographical presence in mid-sized cities across the country, while empowering their financial department, thereby granting people access to credit options.</p>
 <p>A leading variety retailer and financial services provider, specialising in furniture and home appliances</p>	 <p>967 (2012)</p>	<p>£1.014bn net sales in 2012</p>	<p>Full-on accessibility: Increasing geographical presence in mid-sized cities across the country, while empowering their financial department, to give lower classes access to credit options.</p>
 <p>An interesting department store mixing characteristics of department and convenience formats</p>	 <p>165 (2011)</p>	<p>£1.844bn Group profit in 2012</p>	<p>A 'one-stop' department store From a restaurant to toiletries, drugstore to jewellery, candy, gifts, electronics and magazines, Sanborns is a unique store that brings together a wide assortment of products in 'small' store formats in central locations.</p>

Mexico's Retail Sector – Apparel



The market in Mexico is fragmented and complex for specialist apparel retailers

HIGHLY FRAGMENTED

MORE THAN

50

retail chains (both national and international) make up the market.

A complex market in which both chains and independent retailers are fighting for business.

PRICE HOLDS SWAY

ZARA affordable fashion

Suburbia not trendy, but affordable

Mexican consumers have wide access to brands, designs and styles, yet price is generally still considered very important in this category.

Brand promises

Price is seen as an easy way to counteract counterfeit and pirated goods.

RETAIL-TAINMENT

Increasingly, specialist apparel retailers are focusing on creating more sophisticated store experiences.

Visual merchandising is becoming more important, led by more fashion-driven competitors such as Grupo Axo, a trading company for brands such as Thomas Pink, Benetton, Brooks Brothers and Armani.

Retailers have increased investment in store ambience: they are increasingly investing in-store ambience, intent on creating 'experience' destinations.

Despite its complexity, the Mexican grocery sector is dominated by five main retail brand owners

Walmart de México, Soriana, Chedraui, Comercial Mexicana and Oxxo are Mexico's five key retailers...

BRAND LANDSCAPE & CLASSIFICATION

HYPERMARKETS

- WALMART
- SORIANA HIPER
- CHEDRAUI
- MEGA

SUPERMARKETS

- WALMART
- COMERCIAL MEXICANA
- SUPER CHEDRAUI
- SORIANA SUPER

UPSCALE/ SPECIALISED SUPERMARKETS

- SUPERAMA
- CITY MARKET
- FRESKO
- SUMESA
- SELECTO CHEDRAUI

DISCOUNTERS

- BODEGA AURRERA
- MERCADO SORIANA
- SUPER CHE
- BODEGA COMERCIAL MEXICANA
- MERCADO EXPRESS

CONVENIENCE

- OXXO
- 7 ELEVEN
- EXTRA
- SUPER CITY
- GO MART

WAREHOUSE CLUBS

- COSTCO
- SAM'S CLUB
- CITY CLUB

OTHER REGIONAL PLAYERS

- LEY
- H-E-B



Mexico's Retail Sector – The Big Players



Walmart de México is the largest Walmart operation in the world after that of the US and is, by far, the most influential grocery retailer in Mexico.

Having acquired one of their leading competitors, Soriana has become a powerhouse in the country, with its aggressive growth strategies.

Chedraui, the third largest retailer in the country, has followed trends set by larger competitors.

Strategic focus

An aggressive expansion driven by lower income groups.

- Aggressive pricing strategies adopted by the rest of the retailers in the country.

Strategic focus

An aggressive expansion through complementary formats.

- Mercado Express was recently created to compete directly with Walmart's Bodega Aurrerá.

Strategic focus

Focus on the development of smaller formats.

- Pushing investment in its discount format to compete with Walmart's Bodega Aurrerá.

NUMBER OF OUTLETS **2,275** (2012)
+340 outlets in 2012

NET SALES **£17,458.13**
billion

Walmart has focused on discounters since 2008. Over three quarters of store openings are in this format. Bodega Aurrerá surpassed 1,200 stores in 2012.

NUMBER OF OUTLETS **606** (2012)
The second largest retail chain

NET SALES **£5,005.31**
billion

Soriana has been traded publicly on the Mexican Stock Exchange since 1987 and employs more than 80,000 people.

NUMBER OF OUTLETS **243** (2012)
mainly focused in the southwest

NET SALES **£2,578.33**
billion

Chedraui stores are mainly hypermarkets, accounting for an 8% share in this format - only surpassed by Walmart.



Having recovered from near bankruptcy in 2008, Comercial Mexicana has focused on growth and expansion, though this has been modest when compared to competitors.

Oxxo is the leading convenience store in Mexico, having responded to the consumer need for practicality.

Once one of the main grocery players in the country, Grupo Gigante is a company known for having no financial debts and plenty of resources.

Strategic focus

Decreasing the company's financial debt, focus on growth.

- One of its latest moves was to sell Costco (its warehouse club format) to its American partner (Costco Wholesale Corp.)

Strategic focus

Rampant expansion, full-city focus, excellent locations

- Oxxo continues to focus aggressively on securing the best locations across Mexico.

Historically an important grocery retailer

In the process of leaving modern grocery retailing

Increasingly focusing on other businesses

NUMBER OF OUTLETS 199 (2011)

NET SALES £2,074.64 billion

Other than grocery retailing, the company owns two consumer foodservice brands: California and Beer Factory.

AGGRESSIVE+ EXPANSION 1000 (2012) NEW STORES

NUMBER OF OUTLETS +10,500 STORES (2012)

Parent company FEMSA reports more than 8 million transactions a day, which represents 77% of total retail sales.

Grupo Gigante's last transaction was selling their 50% share in Radioshack's Mexican operations to their American partner.

Mexico's Retail Sector – Centres of Activity

The development of shopping centres in Mexico continues to grow as retail activity increases

18 New shopping centres opened in 2012, covering more than 10,000 sq km

At least **40** new projects are currently in development

CONFIGURATION OF MALLS IN MEXICO

Mall configuration in Mexico fits into three classification groups. Because of a rising need for practicality, these configurations have merged to some degree (for example, malls with both grocery retailers and department stores) or even promoted the existence of stand-alone small format grocers (especially true for discounters).



Because of the security they represent for investors, franchises have proven to be a dynamic set-up in the country

£478
million sold annually.

6.2%
Mexican GDP

12%
growth in 2012

TWO IMPORTANT FIGURES

AMF

Mexican Franchising Association

The most important franchising association in the country, including a number of important members. In charge of the most important trade fair for the sector.

PNF

National Franchising Program

Founded in 2007, the PNF gives support to Mexican franchisers (loans, coaching) with figures over £330,144 GBP

Key Markets in Mexico

The key retail markets in Mexico are healthcare, groceries, food and drink and luxury goods. Each sector is driven by a different set of consumer priorities and values. As the economy grows, the lifestyles of Mexico's consumers are changing and they are becoming increasingly westernised in their tastes and aspirations.

Increasing competition has led this retail category to try and differentiate based on in-store experience

DEVELOPING EXPERIENCES



Large chains have stopped competing on price or portfolio expansion alone. Instead, they are increasingly investing in sophisticated store formats to create a refined customer experience.

	Patent	Generics	Own-brand generics	Doctor's office in-store	Home-delivery	24-hour service	Private/public services payment (telephone, electricity, mobile bills)
MEDICINES	▶	▶	▶	▶	▶	▶	▶
SERVICES	▶	▶	▶	▶	▶	▶	▶

	Farmacias del Ahorro	Farmacias Benavides	Farmacia San Pablo	Farmacias Guadalajara
Patent	●	●	●	●
Generics	●	●	●	●
Own-brand generics	●	●	●	●
Doctor's office in-store	●	●	Limited	●
Home-delivery	●	●	●	●
24-hour service	●	●	●	●
Private/public services payment (telephone, electricity, mobile bills)	●	●	●	●

Despite the increasing focus on store sophistication, layout and experience, convenience and price are still the main drivers in this category.

A BATTLE ON MULTIPLE FRONTS

Specialist retailers have been experiencing eroding growth because of the expansion of other retailing formats.

Grocery retailers in the country not only have in-store pharmacies, but they have also started to develop or plan independent, stand-alone stores that tackle both the health and beauty markets.

Expansion of portfolios and the geographic expansion of other 'generalist' retail formats pose a significant risk to specialist health retailers in the country.



The specialist health retail segment is particularly interesting. This dynamic segment is currently enjoying increased consumer expenditure.

2.7%

OF HOUSEHOLD EXPENDITURE IS SPENT ON MEDICINE



This translates into growth for specialist health retailers

+6%

VALUE GROWTH (2012) REACHING A VALUE OF £8.97 BILLION

Health represents an important part of consumer expenditure.

A FRAGMENTED MARKET (YET DECREASINGLY SO)

Not surprisingly, pharmacies are the main channel for this category.

- **Highly fragmented and regional.**
- **Corporativo Fragua (Farmacias Guadalajara) and Farmacias Similares are the strongest players overall.**
- **No international players.**

GENERIC MEDICINES: IT'S ABOUT RESOURCE ALLOCATION

Mexico's price-sensitive population has created a boom in generic medicines on the market.

Generics are thought to be a viable option that responds to two main concerns in the population: price and resource allocation.

For each patent medicine



4.26 generics are sold

EIGHT KEY POINTS IN MARKET TRANSITION

With the development of retail chains in the specialist health sector, the Mexican market will experience an increase in the following phenomena:

- 1** Capital will be accumulated by just a few players
- 2** Bargaining power will increasingly be concentrated in a few players
- 3** Small, independent players will tend to disappear
- 4** There will be more barriers to entry
- 5** Price wars will probably characterise early market development
- 6** Companies will react more quickly to their competitors
- 7** Expenditure on marketing will increase
- 8** A dynamic of 'leaders and followers' will be established

Transition to an imperfect oligopoly.

Retail chains are increasingly gaining importance over independent stores in this sector. A market transition is taking place.

Drinks

The alcohol and soft drinks market is one of the country's fastest growing categories



Alcohol and soft drinks account for an important part of Mexican expenditure. Almost 2% of it goes on alcohol alone.

Expenditure is increasing...
(year-on-year growth 2010-2011)

+28.4%
soft drinks

+41.5%
alcoholic drinks

And so is consumption...
(volume litres per capita 2006-2011 growth)

+6.0%
soft drinks

+16.7%
alcoholic drinks

On-trade and off-trade:

On-trade value sales
(GBP million – 2011)

£6,874.69
soft drinks

£8,997.66
alcoholic drinks

Off-trade value sales
(GBP million – 2011)

£14,981.82
soft drinks

£8,922.90
alcoholic drinks

Sales of soft drinks in Mexico look likely to remain among the highest in the world in volume terms. They are set to reach more than 48 billion litres by 2016, with bottled water and carbonated soft drinks set to account for more than 88% of this total.

A MARKET TO KEEP AN EYE ON

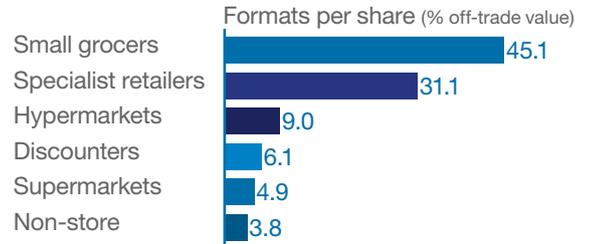


ALCOHOLIC DRINKS:

For both categories, off-trade consumption is the single most important figure to understand.

A MARKET OF SPECIALISTS

Despite the size of their gigantic grocery counterparts, specialist retailers still hold an interesting position in the market.



ALCOHOL SPECIALISTS:
FRAGMENTED YET IDENTIFIABLE

Despite a fragmented landscape, a series of specialist retailers still remain identifiable in the market.

The specialist landscape in Mexico is made up of independent stores that sell alcohol and mixers and a handful of chain stores.

- Example specialist chains:
- La Europea
 - Alianza
 - La Castellana
 - Vinoteca
 - Vinos América

SOFT DRINKS: FRAGMENTED DISTRIBUTION

68.5% of soft drinks sales are off-trade (value)

Bottled Water

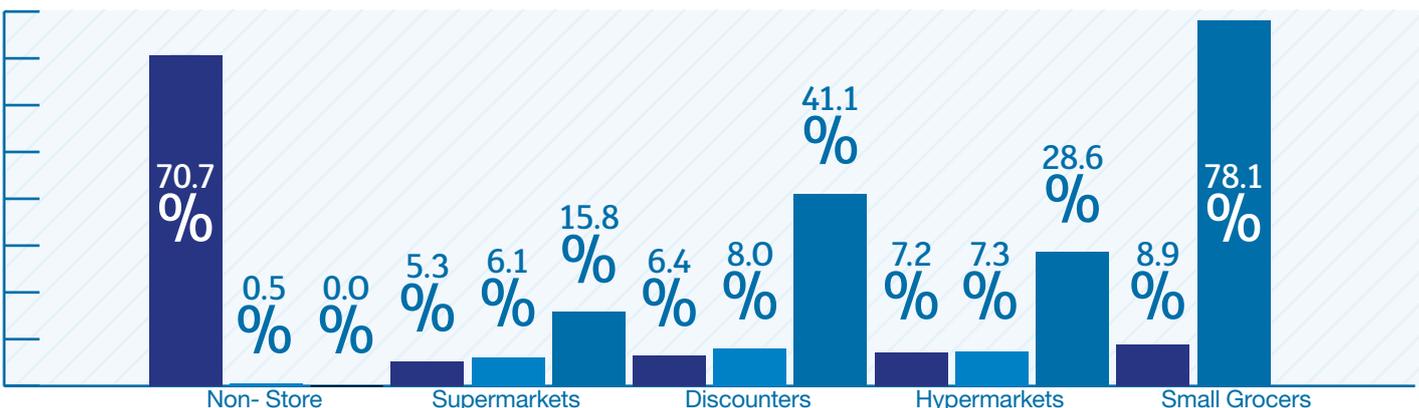
Mainly Non-Store Retailing **70.7%**

Soft Drinks

Mainly Store-Based Retailing **99.5%**

Concentrates

Store-Based Retailing **100.0%**



Drinks

BUT WHAT DO MEXICANS DRINK?

Strong figures already exist for both the alcohol and soft drinks markets, but the evolution is such that there continues to be opportunities for new products to enter and be successful.



Market share by volume off-trade (%-2011) Volume growth 2006-11

93.9	Beer	11.1%
3.0	Spirits	7.1%
2.0	RTDs/High Strength	21.7%
0.9	Wine	43.9%
0.2	Cider/Perry	-6.1%

Market share by volume off-trade (%-2011) Volume growth 2006-11

53.7	Bottled water	28.2%
37.4	Carbonates	0.9%
6.6	Fruit/Vegetable juices	42.2%
0.9	Sports & energy drinks	6.9%
0.6	Concentrates	2.1%

Company shares by total volume (%-2011)

52.7	Modelo SA de CV
39.1	Heineken NV
1.2	Pernod Ricard Groupe
0.9	Anheuser-Busch InBev
0.9	Brown-Forman Corp

Company shares by total volume (%-2011)

16.2	Coca-Cola
10.9	Bonafont (bottled water)
9.8	Pernod Ricard Groupe
6.2	Ciel (bottled water)
3.5	Pureza Aga (bottled water)

The most popular beverages in Mexico according to Millward Brown's BrandZ:

1. Coca-Cola (soft drink)
2. Corona (beer)
3. Heineken (beer)
4. Indio (beer)
5. Tecate (beer)

Research shows that consumers have their favourites. It also shows that they are looking for more sophisticated options.

The perceived health benefits of soft drinks and sophistication of alcohol are driving growth in each category.

VINAGRES
PASTAS PARA SO

\$2.29



Conoce la nueva
Línea de Productos

Extra Special
Loving food



Food

AN EXCEPTION IN LATIN AMERICA

+2.8 % increase in purchase frequency & ticket expenditure
KWP (2013)

Mexico is one of the few markets in Latin America to be experiencing an increase in purchase frequency and expenditure.

MODEST GROWTH

+1.8 % increase in food bundle volume growth
Nielsen (2013)

Modest growth, explained by rising prices. A 4.4% registered price growth for the period.

A MARKET BEST UNDERSTOOD THROUGH ITS COMPONENTS

Natural phenomena, and disease in poultry and livestock, have hit the country and affected the prices of staple foods.



FRESH FOOD

The staple segment in the country when talking about food. It sets the standard, as it is associated with health and a natural, 'homely' taste.

CANNED FOOD

A growing sector associated with practicality. Growth of 2% in volume and 4% in value (Euromonitor 2012). Overall a fairly developed category, except where fresh options are cheaper.

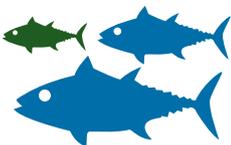
FROZEN FOOD

There is a negative perception of frozen food; that it is less nutritious, unnatural, not convenient and more expensive.

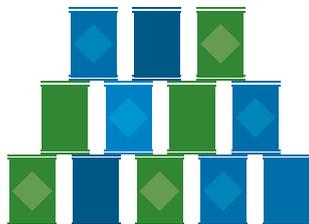
KEY COMPETITORS

- Herdez
- La Costeña
- Lala
- Bimbo
- Kellogg's
- PepsiCo
- Nestlé
- Mondelēz (Kraft Foods)
- Sigma Alimentos

PREFERRED



PRACTICALITY



UNDERDEVELOPED



When looking at the food industry, the first course must be the country’s culinary habits.

Breakfast

“The most important meal of the day”

Staples such as cereal, yogurts, fruit or flour-based products.

(Lunch)

Seen as compensation for a poor breakfast. The more ‘filling’ the better.

Foods such as fruit and yoghurt, or more indulgent options such as biscuits and cereal bars.

(Afternoon lunch)

Not a formal meal, but a response to cravings.

Here there is a preference for crisps, salty snacks and other indulgent options.

Dinner

The focus here is on taste and satisfaction.

Anything goes, but the preference is for home cooking and convenience.

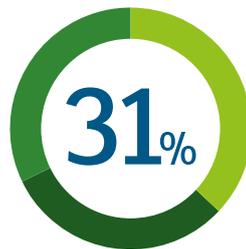
Supper

Enjoyed with family or friends.

OPTIONS TO BUY



Mexicans mix traditional and modern ways of cooking and eating based on their associations. Freshness is directly associated with traditional food, while modern food equals practicality.



GROWING MODERNISATION

With the rise in small, convenient and specialist stores (such as Comercial Mexicana’s Fresko, which is focused heavily on fresh food), modern retailing is increasingly trying to outpace the traditional.



Food

With a rich gastronomic heritage, Mexican consumers are very particular about their food choices

INFORMED DECISIONS?  **NO**

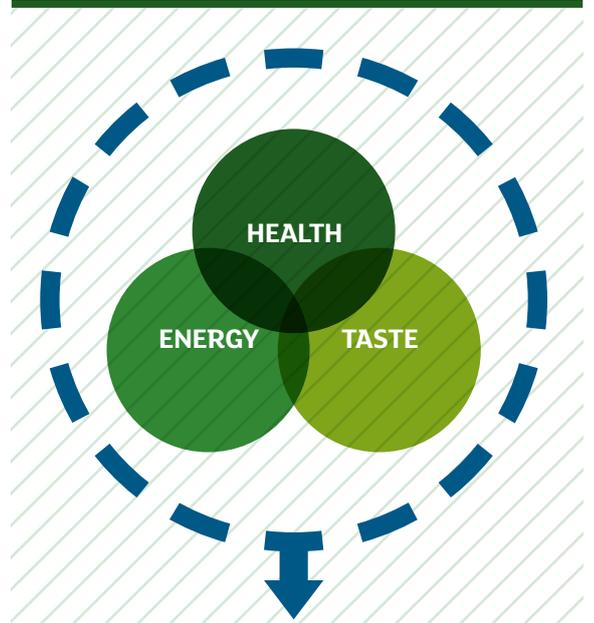
As a result of rising obesity, the Government, civil organisations and even brands have been taking on the role of educator about 'healthy eating'. Consumers have found themselves bombarded by contrasting messages and a lack of consistent, accurate health and nutrition education.

PICKY DOESN'T MEAN MORE INFORMED

-DESIRE-



3 KEY ELEMENTS IN FOOD CHOICE



A FOURTH DIMENSION: PRICE

Thanks to socioeconomic conditions and a fragmented market, Mexicans remain price sensitive in most food categories.

BLINDFOLDED APPROACH

Most developed categories 2012:

- Iced tea
- Chilled desserts
- Chocolate bars

Indulgent categories, but not particularly healthy.

Decisions are based upon nostalgia. Most consumers define home-cooked as the better tasting food.

Great taste is defined by familiarity.

These characteristics have pushed two main trends: food practicality and wellbeing.

A major trend in Mexico is the shift towards a more practical approach to life

WHAT IS PRACTICALITY?



TRANSLATED IN THE MARKET AS:

SMALL
Growth in categories such as canned food, especially small portions.

ENRICHED
Products that do more than one thing. For example, yoghurt is filling, rich in calcium, small and readily available.

CLOSE
Convenience stores and small discounters are the fastest growing markets.

With a growing economy comes a busy lifestyle. The lifestyle of Mexicans, particularly in big cities, has changed. People have acquired more 'westernised' traits - there's less time but more things to do.

People crave opportunities that allow them more time for themselves and their loved ones.

NEED MORE TIME FOR ME



For older age groups more practical means 'less love' but younger working consumers, have a different attitude. They're open to more options, but still see cooking as a way to pamper loved ones.

Suppliers have developed ready-to-eat options designed to be combined with fresh food. This combines the desire for practicality and convenience with the taste of home cooking that Mexicans love.

MORE PRACTICAL = LESS LOVE (?)



WELLBEING

The second trend is seeing food not just as a means to get energy but as a step towards personal wellbeing



ALL ABOUT BALANCE



With a culture that is not keen on making sacrifices that are seen as unnecessary, Mexicans prefer searching for food or habits they considered 'balanced'.

FOOD THE EASY WAY



In the Mexican consumers' mind a good diet is heavily associated with social success, beauty and health.

Following global trends on beauty and wellbeing, Mexican consumers aspire to a better, healthier, more natural lifestyle.



OBESITY
THE BIG ISSUE

+ 14% HIGHER
THAN THE WORLD AVERAGE

20 MILLION
OVERWEIGHT ADULTS

Luxury

Latin America, including Mexico, is the most imbalanced region in the world

BUT IT'S NOT JUST ABOUT THE SUPER-RICH

Mexico's economic and social landscape has created a wide spectrum of consumers with enough money to afford luxury goods.

SOCIO ECONOMIC GROUPS	Approx no. of households	Approx no. of individuals	Estimation of total monthly income
A/B	1,945,315	7,586,727	+ £1,997
C	4,062,276	15,842,871	£1,249-1,996

AND WEALTH IS SPREADING

Mexico's middle and upper socioeconomic groups are spreading into traditionally poorer regions. These new inhabitants are characterised by their youth, income and hunger for the products and services they had in the largest cities.



BILLIONAIRES & UHNW*: ON THE RISE

11 Number of billionaires in Mexico (Forbes, via ECLAC)

3,240
2013

2,900
2012

Mexico's number of billionaires may seem small compared to those in developed countries, but its population of UHNW* continues to rise.

RETAILERS ARE FOLLOWING THE GOLD RUSH

Luxury goods retailers have been expanding to smaller cities.

Their objective? To offer high income consumers the opportunity to buy luxury goods without having to travel to other cities or even abroad.

*"For historic and cultural reasons, in Mexico, there has always been a small but powerful class of Ultra High Net Worth individuals (UHNW)."





Consumer confidence in these segments is what drives consumption of luxury goods

51% Of people view their personal financial situation positively or fairly positively.

19.9% Increase in consumer credit granted by commercial banks.

Strong consumer confidence and a strong performance in the credit market have given the population the ability to buy luxury goods.

£2,448.4 MILLION
Sales of luxury goods

23.1% of all luxury goods sold in Latin America, by value. Euromonitor (2013)

WHAT'S LUXURY? IF YOU'VE GOT IT, FLAUNT IT

- QUALITY
- DISTINCTION
- NOVELTY
- SUPERIOR SERVICE

Luxury is not only a sign of social status or trendiness. In the Mexican mindset, luxury is related to a sense of personal fulfillment, of distinction.

TWO TOP TRENDS

YOUNG AND ASPIRATIONAL

Consumption is being driven by young professionals. For them it's not about price, but about the exclusivity and way of life that the brand projects.

PERSONALISATION

It's not about having an all-luxury wardrobe but choosing the right garments to suggest distinction.

Luxury



Some luxury British brands in Mexico

Aquascutum

Alexander McQueen

Burberry

Chivas Brothers

(Brand Owner: Pernod Ricard)

Hackett London

Jimmy Choo

(limited assortment, fragrances)

Myla London

Neil Barrett

Paul Smith

Stella McCartney

Technology UK Ltd.

The Rug Company

Thomas Pink

William Grant and Sons

(through brands such as Glenfiddich, Hendrick's and Tullamore Dew).

Limited number = Less corporatised

The limited number of British brands in the country may be a reflection on the wildly different development the British Luxury industry has followed compared to its French or Italian counterparts, who have experienced a more aggressive process of corporatisation.

From Smythson's leather goods, to Holland & Holland's sporting rifles or Clothier's trunks, British Luxury brands have taken a less corporatised and much more local, traditional and even familiar approach to commercialisation, something which has had a positive impact on their international growth.

To keep in mind...

In and out

Mexico is a culture where individualism is sometimes collectiveness. You can call it 'being a tribe': my group has certain conditions that make it unique and better than the rest. This highlights a strong difference between 'us' and 'them': we are not them.

To be considered "in" means to be close, relevant and to

insert your brand into the group. Sounds complex? It is.

Mexicans are loyal, even fanatically so, but you've got to be assertive and creative. Your offering has to help the consumer to communicate something about his persona, and about individual or in-group progress.

Mexican adolescence

Mexico is a developing nation and in many ways it can be understood as an "adolescent" society. Mexicans depend heavily on mother or father figures (being either the family or the Government, in many ways) or the opinion of others to take decisions. They won't take risks. Mexicans are open to trying new things, as long as they are sufficiently "strong" to be considered. This strength comes from references such as brands, price or even its position amongst a given social clique to which they aspire.

Mexicans rarely save money and are keen to consume. They try to live life, to live the now and enjoy it as much as they can. The challenge is to enter these dynamics, to create a strong offering that helps them on both fronts: to help them be who they want to be and who they should be in the eyes of everyone else.



**“Meet Mexico:
complex, traditional,
yet changing and
increasingly savvy;
a country willing
to spend.”**



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