

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Mexico

Retail Foods

Mexico trends towards E Commerce

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Report Highlights:

During CY 2018, Mexico remained the second largest consumer market in Latin America (after Brazil). Consumer expenditure per capita totaled USD \$6,461, in 2018, and this expenditure is expected to grow by 1.6 percent in 2019. The retail sector had single-digit sales value growth in 2018 (five percent on “same stores” and 8.5 percent on total stores), and part of that growth came from inflationary pressures rather than solely sales volume. Major multinationals and local companies will continue to expand throughout Mexico, launching their online platforms to capture new consumers via e-commerce and m-commerce (mobile purchases).

Post:

Mexico City ATO

Market Fact Sheet Mexico

Executive Summary

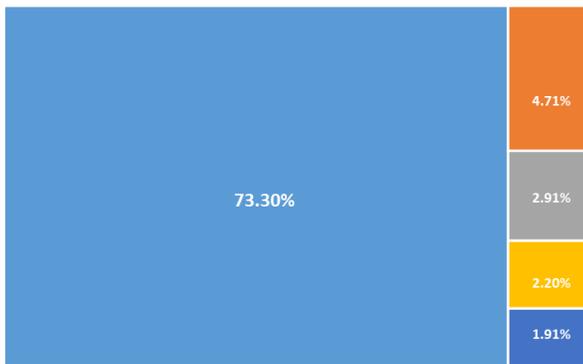
Mexico’s total GDP for 2017 was \$1.15 trillion (World Bank). In the course of the year, the Mexican Peso gained 7 percent of its value against the U.S. Dollar, starting out 2017 at \$20.73 MXN per USD and ending the year at \$19.19.

Mexico imported from the U.S. \$12.26 billion USD worth of consumer-oriented products in 2018, representing an increase of 3.7 percent growth from 2017. Mexico exported \$26.75 billion of agricultural consumer products, with nearly \$22 billion directed to the United States. The biggest categories included beer, tequila, and baked goods. The key companies in the retail sector in Mexico are Walmart (with several retail formats, including the biggest player in food retail, Bodega Aurrera, and the high-end Superama stores), Soriana, Chedraui, and Comercial Mexicana (directed to high end market since 2016 with its brands “Fresko” and “City Market”). OXXO (owned by Femsa, the second biggest Coca Cola distributor in the world) is the main player in the convenience store category, having over 13,000 points of sale throughout the country.

Imports of Consumer-Oriented Agricultural Products

Mexico's imports consumer oriented products

■ United States ■ Canada ■ Chile ■ Brazil ■ Spain



Food Retail Industry

According to the Mexican Association of Nationwide Retailers (ANTAD), there are 33 supermarket chains, with 58,777 stores throughout the country. Still, nearly 50 percent of the retail market is covered by informal establishments, such as mobile street vendors and open public markets. These points of sale traditionally distribute local, domestic products. Retail sales maintain steady growth of around 7.4 percent per year.

Quick Facts

Imports of U.S. Consumer-Oriented Ag. Products 2018:

US \$12.26 Billion

Top 10 Retail Players

1. Bodega Aurrera (owned by Walmart)
2. Walmart
3. Soriana
4. Chedraui
5. Comercial Mexicana
6. HEB
7. Casa Ley
8. OXXO (convenience store owned by FEMSA/Coca-Cola)
9. Superama (owned by Walmart)
10. La Comer

Food and Beverage Trends in Mexico for 2018:

Foods across all age groups; organic foods and natural products (there’s a big trend of healthy foods); prepared and ready to eat meals due to more time being spent away from home and more women entering the work force, gourmet products as consumers demand higher quality and variety of foods and drinks.

GDP/Population

Population: 129.16 (2017, latest available data)
 GDP: \$1.15 Trillion (2017 latest available data)
 GDP Real Growth: 2.0% (2017 latest available data)

Sources: Global Trade Atlas, Euromonitor, World Bank.

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I. Market Summary

Mexico has over 129 million consumers, making it the second largest market in Latin America after Brazil, while also offering key logistic advantages for U.S. exporters. Despite GDP growth of just 2 percent (latest available information, 2017), relatively high inflation rates, and exchange rate fluctuations between the U.S. dollar versus the Mexican peso, the internal macroeconomic situation remains steady with a slow growth. Thus, despite the combined impact of inflation and exchange rate fluctuations causing a 4.72 percent increase in consumer prices in 2018 (lower than 2017), consumption levels remained relatively constant, as reflected in positive performance across the retail industry.

Uncertainty regarding the new administration under President Lopez Obrador, as well as prolonged United States-Mexico-Canada Agreement (USMCA) ratification¹, are likely to discourage investment inflows from the United States, but growth rates are expected to gradually rise (about 2.0 percent per year in the medium term), depending on the outcome of these two factors. Any significant devaluation of the peso might have a negative influence on inflation rates in the country. It could also have an adverse impact on consumption levels, as consumers would be more cautious when it comes to non-essential purchases. Expensive imported items would be more difficult to buy for a high percentage of families. However, the current macroeconomic environment in Mexico supports a positive performance for the retail industry.

Many in-country retailers are set to continue expansion, targeting smaller cities with potential to grow, due to a lower presence of retail outlets per inhabitant targeting low income and rural areas for example Walmart is expanding its “Mi Bodega Aurrerá” format in which points of sale are smaller than a regular “Bodega Aurrerá”.

Mexico: Advantages and Challenges for U.S. Exporters

ADVANTAGES	CHALLENGES
Constant retail consumption flow by Mexican population in all socioeconomic levels	Security issues are real and extreme in some states of the country, but businesses continue operating.
Mexican retailers are very familiar with U.S. retail best practices.	New job creation in Mexico is not keeping pace with the population growth, keeping unemployment rates practically unchanged.
Western style supermarkets are gaining wider acceptance in every segment of the retail environment.	Local manufacturers are adapting quickly to meet retailers needs and specifications bringing new competition to U.S. products.
Mexican consumers are becoming more knowledgeable about what they buy, looking for quality and price with retailers reacting by opening high-end supermarkets.	Local retailers demand products to be delivered local servicing and attention.
Industry practices are becoming more sophisticated insuring:	While U.S. products are of very high quality, many times they come at a higher cost than those sourced

¹ Mexico ratified USMCA in June 2019.

<ul style="list-style-type: none"> - Cold chain distribution for wider penetration nationwide. - Increased use of technology at the POS. 	locally, limiting the stores where they can be sold.
Greater knowledge about organic products is opening new product opportunities at the retail level. The USDA brand is trusted.	While cold chain distribution is now available nationwide, it has not been implemented throughout lower levels of the distribution chain, such as wet markets. Regional distribution in southern Mexico is still being developed.
Industry-wide investments are continuously being made, insuring the better infrastructure and logistics.	Mexico exports large volumes of organic produce, offering direct competition to American organic producers.
Growth in retail is driven by new store openings both at the supermarket and convenience store levels, expanding opportunities for U.S. products nationwide.	Lower-end, smaller supermarkets and convenience stores are the fastest growing segments in retail, which are not the primary locations for more expensive U.S. products.
Local producers are rising to the challenge of producing quality goods with an increase in variety, learning, and adapting to growing demands.	Mexico is the country with the most free trade agreements in Latin America, opening the door to many competitors delivering products into the market with few to no tariff barriers.
Increased awareness in obesity issues is creating greater demands for healthy products, positioning U.S. produce and its huge array of products at an advantage.	Mexico is looking to diversify its imports away from the United States. Mexico has been looking to sign more free trade agreements with different countries.

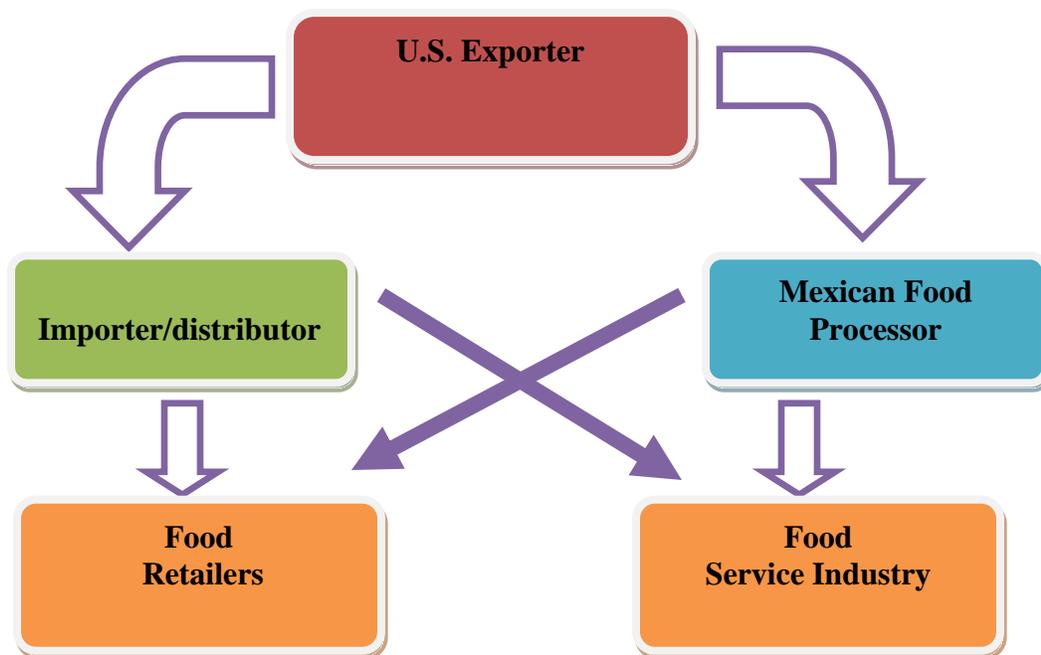
II. Road map for Market Entry

Many U.S. companies seeking to export to Mexico attend [ANTAD](#) (the biggest retail shows in Mexico) to get insight on the Mexican market, establish new contacts, and get to know buyers, potential business partners, importers, and distributors. In addition to recognizing the differences between Mexican and U.S. [business culture](#), it is important for U.S. exporters to consider regional purchasing patterns. Some products might fit perfectly in a particular region, but not in the whole country. For example, turkey is widely consumed in the south of Mexico and Yucatan peninsula in traditional dishes year-round, while in other regions, consumption is lower.

It is important for U.S. companies to find an experienced and professional importer or distributor as local partner. Distributors or importers will help with issues related to regulations, procedures, labeling, and customs clearance. Big hotel and restaurant chains have their own purchasing and importing departments. Companies attempting to approach large chains should have enough production capacity to meet the large product volumes they typically require. We encourage you to check our [FAIRS Report](#), [Food Processed Ingredients](#), [HRI Report](#), and [Exporter Guide](#), for a more detailed view.

Additional information on product requirements, labeling issues, and other topics is available via the [FAS GAIN](#) system.

Diagram I: Distribution Channels for Processed Food/Fresh Products in Mexico



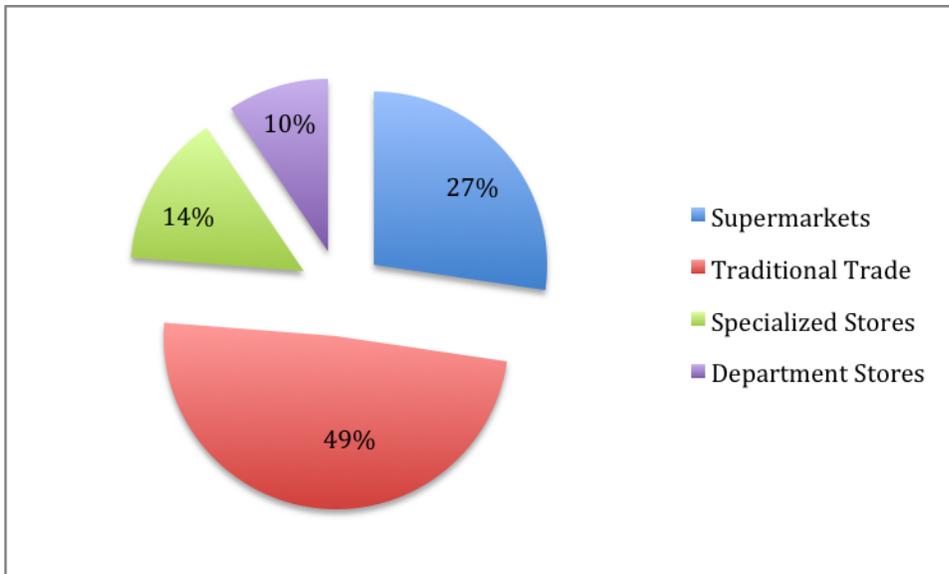
National Retail Market

During 2018, the retail market grew 8.5 percent in sales for all stores (including new stores) and 5 percent for same (i.e., pre-existing) stores compared to 2017. Supermarkets led this growth, representing 51.7 percent of total retail sales (mainly groceries), followed by general merchandise stores with a sales share of 30.2 percent, with shoes and clothing stores representing 18.1 percent. Importantly these numbers represent only “formal” retail, informal retail has a large presence in Mexico.

As in 2017, in 2018, grocery sales represented more than two-thirds of overall retail sales. Grocery retailers and non-grocery retailers are expected to grow slightly over the next five years. Lead retailers such as El Puerto de Liverpool SAC de CV, Coppel SA de CV, and Walmart de Mexico SAB de CV, among others, are expected to continue their dynamism, pushing the retailing industry to grow via new outlets and e-commerce around the country.

Internet retailing continued to be the most dynamic retailing channel in Mexico in 2018, generating strong double-digit value growth being convenience the main driver for this market. New players entered the e-commerce competitive landscape, including City Market, Chedraui, as well as some new app-based services (now considered *m-commerce* or buying directly from your mobile device) such as “Corner Shop” and “Rappi.” Mobile internet retailing is expected to continue to see double-digit current value growth in the next years.

Table 1. Retail Sales by Type and Percentage



Source: National Association of Retail and Department Stores “ANTAD” 2017 (latest available info.)

The retail environment in Mexico is increasingly competitive due to the number of retail options, fast expansion plans, emerging trends such as implementation of multichannel strategies and more demanding consumers, as well as new value-added services offering an interactive and unique shopping experience. Leading retailers will need to improve their customer service in order to maintain their competitive edge. The competitive environment encourages retailers to have different schedules and remain open for longer periods, large retailers are expected to be open on Sundays and holidays, as well as in larger cities where the standard working hours for most retailers are from 8:00 to 21:00 hours.

Mexico’s large informal sector continues to have a significant impact on the Mexican economy, including the retail market. According to data from the National Survey of Occupation and Employment (ENOE) by INEGI (National Institute of Statistics and Geography), during the second quarter of 2017 (latest available information), around 56 percent of the country’s workforce was in the informal sector.

A large proportion of the total Mexican population (79.8 percent) lives in large urban localities or cities with more than 100,000 inhabitants where informality is prevalent.

Top National Retailers

Walmart de Mexico y Centroamerica

Walmart de Mexico y Centroamerica leads the retail market in Mexico and has for several years. Walmart continued expanding, opening new stores in several different formats and betting on its strength as it moves into e-commerce.

Walmart’s main store formats include Superama (a medium size supermarket), Walmart Supercenters (hypermarkets), and Sam’s Club (warehouse clubs). As of 2018, all three business formats had internet retailing as well. Sam’s Club and Superama are known to target the high and middle-high income segments, while Walmart Supercenter targets the middle-income segment. Usually lower-income

consumers are not familiar with e-commerce and do not have internet access; therefore, Bodega Aurrera, the Walmart outlet that targets lower-income consumers, has no plans to enter the e-commerce subsector.

Launched in 2012, Superama Movil (retail application for mobile devices) was very successful, reaching 60,000 downloads by the end of the same year and accounting for 20 percent of all Superama internet sales. By mid-2013 Walmart Supercenter launched its e-commerce site, mainly focused on electronics, leisure, and personal accessories and other general merchandise. In 2016, Walmart renovated its internet sites, added in-store e-commerce kiosks on the sales floor, and began offering free wireless internet service in some stores. Wal-Mart also launched “Click & Pick,” which allows customers to buy their products online with the option of picking up directly at the store.

Walmart tends to prefer sourcing locally and avoiding too much dependence on imported products, in part to avoid issues with exchange rate fluctuations. Walmart has very strong negotiating power, and suppliers usually must comply with the company’s demands (payment terms, delivery conditions, special packaging, sustainability, field practices, and more).

In the future, Wal-Mart plans are to continue expanding throughout the country, with a particular focus on its discount Bodega Aurrera stores in small urban areas with fewer than 100,000 residents, seeking to capture a market that has remained under the radar of chain grocery retailers in the past.

More detailed information can be found [here](#)

Organización Soriana

Soriana has several different formats to meet the demands of different population segments. With the acquisition of the 160 stores from Comercial Mexicana in 2015, Soriana became the second largest retail company in Mexico after Wal-Mart, with 824 outlets across Mexico. Soriana manages five store-based retailing formats: Hypermarkets (Hipermercado Soriana/MEGA), supermarkets (Supermercado Soriana/Comercial Mexicana), discounters (Mercado Soriana and Soriana Express/Bodega Comercial Mexicana and Al Precio), convenience stores (Super City) and warehouse stores (City Club). In 2017, Soriana developed its e-commerce strategy and worked on its mobile applications and website, but in 2018 focused its strategy on the actual outlets trying to source more locally.

More detailed information can be found [here](#)

Controladora Comercial Mexicana

After selling 160 stores to Organización Soriana, Comercial Mexicana started to prioritize the development of high-end grocery sector through its formats Fresko and City Market, which have wide variety of imported and health-focused international products especially sourced from Europe.

More detailed information can be found [here](#).

OXXO

The FEMSA-operated chain OXXO has sustained relentless growth in Mexico since 2011. The concept competes with both convenience stores and fast food, by pairing a product mix of daily essentials with foodservice (for example: laundry detergent and ready-to-eat hot dogs). These offerings drive frequent traffic while maintaining high margins. OXXO’s success is the result of many factors, including access to vast resources and strategic products.

Like many modern convenience stores, OXXO trades on a positioning of proximity, flexible hours, and a wide range of products and services that serve their customers’ daily needs. OXXO has taken one step further, layering foodservice over the standard convenience store mix, following in the footsteps of leading global convenience store chain 7-Eleven.

More detailed information can be found [here](#)

III. Competition

Main Competitors 2018

The United States remains the main supplier of imported retail products to Mexico. The U.S. industry has a good reputation in the Mexican market for its consistent quality, stable supply, and proximity. However, recent expansion of Free Trade Agreements by Mexico (including an agreement in principle with the European Union to include agricultural goods, the Trans-Pacific Partnership, and the Pacific Alliance) foreshadows increased competition. Brazil, Chile, and the European Union in particular made inroads in various sectors (poultry, dairy). Competition is differentiated between niche/high-end products such as specialized cookies, cheeses, and olives which face high competition from countries like the European Union but are targeted to the higher-income levels, versus products for mass consumption (cereal, horticultural products) where the United States generally dominates the market.

The U.S. maintains distinct advantages. For example, a U.S. exporter may be able to ship one truckload or train car per urgent order, while such a small shipment would not be economically viable via a third country. Domestic products maintain certain competitive advantages, such as a better understanding of the local market, but may face issues of quality or lack the ability to meet large orders.

Mexico Import Statistics		
Commodity: Consumer-Oriented Agricultural Total		
Calendar Year: 2017 - 2018		
Partner Country	2017*	2018*
World	\$11,811,569,983	\$12,259,711,948
United States	\$8,664,361,392	\$8,986,527,328
Canada	\$485,545,556	\$577,311,270
Chile	\$354,704,702	\$356,732,919
Brazil	\$271,304,202	\$269,597,196
Spain	\$278,631,893	\$234,438,302

New Zealand	\$297,752,024	\$231,138,848
Netherlands	\$153,964,821	\$167,386,448
China	\$92,313,926	\$137,210,472
Italy	\$97,520,785	\$118,785,121
France	\$84,133,889	\$93,751,423

Source: INEGI (Instituto Nacional de Estadística Geografía e Informática) through Global Trade Atlas *U.S. Dollars

Competitive situation for selected Food Products

Product Category	Imports in Millions of USD	Main suppliers
Milk Powder HS 040210	\$697.22	<ul style="list-style-type: none"> • USA 96% • Canada 1% • Poland 1%
Cheese HS 0802	\$515.38	<ul style="list-style-type: none"> • USA 77% • Netherlands 9% • Uruguay 5%
Chocolate & Cocoa HS 1806	\$288.80	<ul style="list-style-type: none"> • USA 69% • Canada 12% • Germany 4%
Spices HS 0910	\$4.05	<ul style="list-style-type: none"> • India 32% • Spain 24% • USA 19%
Chicken HS 020713,020714, 160232, 020711, 020712	\$807.93	<ul style="list-style-type: none"> • USA 74% • Brazil 22% • Chile 4%
Cereals & Prep Food HS 1904	\$70.63	<ul style="list-style-type: none"> • USA 84% • Canada 5% • Italy 2%
Sauces, Flours & Condiments HS 2103	\$286.31	<ul style="list-style-type: none"> • USA 88% • Italy 3% • Spain 2%
Peanuts HS 1202	\$175.14	<ul style="list-style-type: none"> • USA 69% • Nicaragua 14% • China 8%

Source: INEGI through Global Trade Atlas.

IV. Best Products Prospects

A more educated population, expansion of urban lifestyle in small cities, credit availability, and the booming number of Double Income No Kids (DINK) couples in urban areas, all open several possibilities for imported products of high quality and value.

As mentioned above, retailers are expanding their high-end formats, where imported products are a major draw for consumers. Given the rapid expansion of stores in this niche, in order to maintain customers and expand the market, retailers need to offer products in the following categories:

- Healthy/environment friendly processed foods (low sodium, low-fat, reduced sugar, “green” packing)
- Premium products- claiming better quality and product innovation.
- Gourmet Food – sauces, condiments, artisanal cheeses.
- Ethnic Foods such as Asian type items, Mediterranean food, European food.
- Dairy products- distinctive formulation of yogurts (Greek, etc.), segmentation of milk products.
- Plant-based beverages and products – soy, almond, coconut, rice, oat beverages/yogurt/other products.
- Convenience Foods such as ready-to-eat, meal helpers, frozen foods.
- Craft Beer – there is a growing demand for differentiated premium beers.

It is important to note that while consumers often use rhetoric to describe their diet as “healthy,” the top products sold in retail outlets are principally processed snack foods and beverages. Also, given the trend towards e- and m-commerce, products which are transported easily, or include proper packaging may find heightened popularity.

V. Key Contacts and Further Information

For further information and to learn more about the services provided by the Agricultural Trade Offices (ATO) in Mexico, please contact us at:

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