

RETAILERS

Statistics published by the *Instituto Nacional de Estadística, Geografía e Informática (INEGI)*, National Institute for Statistics, Geography and Informatics, indicate that there are about 50,000 apparel retail stores in Mexico. Over 20 percent are located in Mexico City. Competition has increased dramatically over the past few years and retailing is undergoing dramatic transformations.

DECLINE OF FAMILY STORES

Mexico has an immense informal economy consisting of small family operations that are not registered businesses and not reflected in the official statistics. The *Instituto Nacional de Estadística, Geografía e Informática (INEGI)*, National Institute for Statistics, Geography and Informatics, estimates that the informal sector accounts for some 20 percent of the nation's GDP. Nearly half of this informal economy involves trade, worth an estimated US \$29 billion annually. The *Confederación de Cámaras Nacionales de Comercio (CONCANACO)*, Confederation of National Chambers of Commerce, estimates that total retail sales in the informal sector are equal to those in the formal sector.

Traditional "mom and pop" stores, which are part of the formal economy, are believed to be responsible for about 20 percent of all retail sales. Pharmacies account for 6 or 7 percent. The remaining sales are by chain and specialty stores, which control close to half of the formal market, or about one-quarter of all retail sales.

This market organization has begun to change. Supermarkets and department stores have increased efficiency and improved merchandising, and are now cutting into the traditional market share of the family stores.

Merchandising is becoming more sophisticated with modern point-of-sale displays and upgraded inventory control systems. The need for improved service is being recognized, and stores are beginning to offer more liberal return policies, warranties, and home delivery. Retailers are investing in new facilities as a means of maintaining and expanding market share. There has been a rapid expansion of discount operations, factory outlets and price clubs.

Increased competition has put pressure on margins, leading to the adoption of modern inventory control and distribution systems. For example, since 1990, *Grupo Cifra* has spent more than US \$200 million on information technology. Nonetheless, the company is only just beginning to link data from its bar-code scanners to suppliers.