

PRODUCT CONSIDERATIONS

The characteristics and needs of the buyer are the most important factors in the selection of a distribution system. Other considerations involve the supplier's concerns, including the markups of intermediaries, the need to control proprietary information, importation logistics, and the time horizon of the market entry strategy. These factors vary greatly for different types of product.

RETAIL GOODS

A large proportion of manufactured goods imported into Mexico are destined for retail sale. For the most part, these goods occupy up-market price points. Food, textiles and apparel are among the most popular products. While the Mexican population is expected to reach 100 million by 2000, the attractiveness of the retail market is limited by the fact that average incomes are low.

Imported products appeal mainly to more affluent Mexicans, perhaps the top 20 percent of the income distribution. According to data published by the Mexico City consulting firm *SIGMA Consultores*, households with an annual income of over US \$9,680 in 1996 make up just over one-fifth of the population. These consumers reside almost entirely in the major cities. Middle- and upper-income households include almost 30 percent of the populations of Mexico City, Guadalajara and Monterrey. Those three cities include one-third of all Mexicans in those income groups, creating a market of about 7.5 million people who can afford imported products. Other relatively affluent cities with a population of one million or more include Toluca, Puebla, León and Torreón.

Many Canadian products have intrinsic appeal to Mexican consumers who can afford to pay for them, but they are often unknown in the market. The overriding requirement of the distribution system, therefore, is to ensure that the product reaches the store shelf, and that the retailer receives the necessary support to present the product in its best light. Otherwise, poor sales will quickly lead to loss of shelf space in this highly competitive market.

Large supermarkets and department stores often enter into direct purchase agreements, especially where they require private branding. These retailers have a reputation for demanding high levels of service from suppliers, including in-store marketing support and compensation for spoiled or damaged merchandise. Some of them also demand separate deliveries to multiple stores.