TRENDS AND OPPORTUNITIES

Convenience foods have not traditionally been a big part of the Mexican diet, but consumption patterns are beginning to change. One American observer compares the market to that of the United States in the 1950s: it is mostly untapped and has immense potential.

Several trends underlie the new interest in processed food products. The population is young and rapidly growing. Younger Mexicans are exposed to a wide variety of American media and have developed tastes for foreign products. Women are playing a greater role in the labour force and have less time for meal preparation. Until recently, supermarkets were rapidly displacing "mom-and-pop" convenience stores as the main distributor of food products. Because of the devaluation, local stores are expected to gain some strength this year, as the cost of transportation is seen as an obstacle to supermarket shopping.

According to Mexican government statistics, in 1995, about two-thirds of the population are under the age of 30 and 44 percent are under 20. These young people are exposed daily to television and print advertising from the United States. They are impressed with foreign food trends and are eager to try new products.

The rising role of women in the Mexican workforce is another factor behind the increased demand for convenience foods. There has been a sharp growth in two-income families with the disposable income to buy processed food and little time for meal preparation. About 25 percent of women between the ages of 25 and 30 now work outside the home.

Few Mexican families have a freezer or microwave oven. These appliances are much more expensive than in Canada or the United States. Nonetheless, prices for freezers and microwave ovens will fall as North American Free Trade Agreement (NAFTA) tariff reductions are phased in and they become commodities in the market. Greater demand for frozen and microwaveable foods will follow.

Abarrotes, small corner stores, are being replaced by convenience store chains, supermarkets, hypermarkets and even discount stores, offering a wide variety of domestic and imported products. The large discount clubs offer mini-wholesale packages, ideal for typically large Mexican families. Modern stores include deli-counters and sophisticated displays of foreign products.

The main constraint on this potential demand is the economic crisis which was precipitated by the sharp devaluation of the peso in December 1994. Real income has been reduced substantially. According to the *Instituto Nacional de Estadística, Geografía e Informática (INEGI)*, National Institute for Statistics, Geography and Informatics, retail sales in Mexico's three largest metropolitan areas during the first five months of 1995 declined by 23 percent compared with the same period in 1994. The *INEGI* statistics showed retail sales declined in real terms by 26.5 percent in Guadalajara, 23.5 percent in Mexico City, and 19.5 percent in Monterrey. This has choked off sales of both imported food products and the appliances that are needed to make them more attractive.

The devaluation is also making it more difficult for stores to upgrade their refrigeration and storage facilities.

In spite of these difficulties, some products are gaining from the devaluation, as hard-pressed consumers switch from more to less expensive products. In the processed food area, medium-priced Canadian products may gain at the expense of higher-end European goods, such as Norwegian smoked salmon, Italian pasta and Swiss chocolate.

MARKET ENTRY STRATEGIES

Any strategy for introducing Canadian processed food into the Mexican market must be based on the understanding that only about 20 percent of the Mexican population can even potentially afford the product. Therefore, niche marketing is the key to success.

Mexicans like to do business with familiar companies, with a demonstrated commitment to the local market. For this reason, potential rivals should be seen as possible joint-venture partners or distributors. Many Mexican food processors are interested in filling out their lines either with imports or through some form of coproduction. Typically, these processors have their own distribution mechanisms.

Direct imports are almost entirely handled by intermediaries, including distributors, importers, agents and brokers. Most Canadian companies that sell processed food products in Mexico do so through exclusive distributors. Some Canadian exporters have been able to sell privately branded products directly to supermarkets. This is difficult for small volumes, however, because Mexican supermarkets typically have no central warehouses and they expect separate shipments to each store. The supermarkets are also very demanding in terms of in-store support from their suppliers.

Successful Canadian exporters to Mexico invariably stress the need for personal contact in Mexican business dealings. They note that multiple visits and extended negotiations are usually needed before agreement is reached with distributors. Selecting the right distributor is critical. The distributor must have a good knowledge of food products, access to the facilities needed to handle refrigerated products, and strong financial backing. It is also important to find a distributor who sells complementary product lines and has a good distribution system for both retail stores and food-service establishments.

Canadian companies are advised to take special care to check out potential distributors, but they must also sell themselves and their product. There are only a few very good distributors in Mexico, and they are very selective about taking on new lines.

According to a recent Agriculture and Agri-Food Canada study, Mexican distributors are looking for high-