



parent's home, even after they are married. There is a severe housing shortage, estimated at 7 million units in 1996. For all of these reasons, fewer families are able to move into new homes. This is driving an expanding demand for home repair, remodelling and renovation.

At the same time, householders are beginning to learn that many small contractors do not deliver good quality for the money. It is difficult to find workers who are both skilled and honest. A massive crime wave, fuelled by the economic crisis, is also making many families reluctant to let strangers into their homes. And finally, cultural changes are now beginning to create a sense of pride in well-done home projects.

These changes in demand are matched by important developments on the supply side. Major DIY retailers such as Home Mart have moved into the Mexican market. Television programs are educating people about DIY methods. Even supermarkets and department stores are running seminars showing the latest techniques and products. Consumers have come to understand that with little training and fairly inexpensive tools they can undertake their own home projects.

In response to the devaluation, *Secretaría de Desarrollo Social (Sedesol)*, Secretariat for Social Development, has initiated a new program for home improvements. It combines technical advice from universities with subsidized construction materials in an effort to promote DIY remodelling. In early 1996, President Zedillo announced that 115,000 home renovation loans would be made through public lending agencies during the year.

AMERICAN-STYLE RETAILERS

The tool and hardware market has been the target of aggressive marketing by American retail chains, some of them operating in association with

large Mexican firms. A good example is the partnership between *Grupo Alfa*, one of Mexico's top-ten industrial groups, and Payless Cashways, a US-based firm with 1994 sales of US \$2.7 billion. *Alfa* has a 51 percent stake in the joint venture, known as Total Home. The first store was opened in Monterrey in 1994, which was quickly followed in early 1995 with a second outlet in Mexico City. There are plans for 25 outlets throughout Mexico over the next few years. Sales are projected at up to US \$600 million, and employment at 3,000 employees, once all of the stores are in operation.

The Monterrey store illustrates the Total Home marketing style. It has 33,000 square metres, of which 6,000 is in sales area, 2,000 in storage, 12,000 in patio space and 13,000 in parking. The store features 17 product centres, and the product mix is about half-and-half domestic and imported. The company claims to offer "everything from nails to computer-designed kitchens."

Total Home's nearest competitor is Builder's Mart, which is associated with Grossman, another American company. Home Mart is a new entrant into this market, but by March 1996 it had five stores in operation, with a total sales area of 46,000 square metres. These specialized do-it-yourself (DIY) specialists will face stiff competition from more broadly-based US retailers who have entered the market in association with Mexican partners. *Wal-Mart de México* had 19 megamarkets operating in 1996, with 277,000 square metres. *K-Mart de México* had 4 stores averaging about 10,000 square metres each.

REGULATORY ENVIRONMENT

All products offered for retail sale, including tools and hardware, are subject to Mexico's labelling regula-

tions. Some products, including paint, are also subject to mandatory quality standards. In addition, basic hand tools are covered by regulations setting minimum prices, and some have been subjected to countervailing duties.

LABELLING REGULATIONS

A new labelling decree was proclaimed in 1996 and became effective in March 1997. There are two levels of regulation. One set of rules applies to generic products. This is the minimum level of Spanish labelling that must be affixed to every retail product before it can cross the border. Briefly, the regulation requires that the label bear the name of the product, the name and address of the importer, the net contents, precautionary warnings and use and/or handling instructions.

The required information can be printed on a label affixed to the product, on a hanging tag, or for small products, on the container or package.

Products which are subject to special regulation under Mexico's system of *Normas Oficiales Mexicanas (NOMs)*, official standards, may also have special labelling requirements that are set out in the *NOMs*. If so, they are exempted from the generic regulations. Paints and varnishes are the only significant product covered in this summary which are subject to such special labelling regulations. *NOM-003-SSA1-1993* sets out very detailed labelling requirements for those products. The regulations for generic products are established in *NOM-050-SCFI-1994*.

Mexico's labelling regulations have been in a constant state of revision since 1994, when the government first announced that it would no longer accept stick-on Spanish labels applied by the retailer. Since March, 1994, labelling regulations have been enforced at the border, effectively