Retail Practices

Mark-ups

Mark-up percentages in Mexico have changed over the last three years. In general, mark-ups depend on the type of store and the negotiating power of the supplier.

Department stores mark up products anywhere from 90 to 110 percent. Specialty stores set mark-ups based on what the market will bear and this varies from store to store and from city to city. The hypermarkets and supermarkets depend on high volume, fast turnover and more moderately-priced goods, so their margins tend to be somewhat lower than those of department stores.

Service

Mexican manufacturers provide retailers with much more service than their counterparts in Canada. In many cases, they accept returns or exchanges of unsold merchandise. They often provide bonuses when merchandise is discounted. In addition, factory representatives or demonstrators assist the stores to display and promote the products. The presence of manufacturer's representatives in the stores amounts to a manual inventory control system, since manufacturers can quickly replenish stock. In some cases, Mexican retailers may expect this type of service from manufacturers of imported products.

Exclusivity

Mexican retailers look for exclusivity, particularly in the higher end of the market. Manufacturers can circumvent this requirement by building a strong label which appeals directly to consumers. This prompts more stores to carry the products on a non-exclusive basis.

Payment Terms

Normal payment terms are between 90 to 120 days. Payment terms can be a deal breaker for companies not willing to extend adequate financing. Mexican interest rates are high, and extended terms provide retailers with a source of low-cost inventory financing.