The Cement Market

The cement market is a good illustration of the importance of the informal construction sector in Mexico. In most industrialized nations, cement is a commodity delivered mainly in bulk premixed form. In Mexico, it is a consumer product, and about 80 percent of all cement is sold in 50 kilogram paper sacks.

The use of brand names is very important in developing customer loyalty. *Cemex*, the industry leader, markets its cement throughout Mexico under five different brand names.

The Emergence of Chain Stores

In late 1993, the Monterrey steel and petrochemical giant *Grupo Alfa* signed a joint venture with Payless Cashways, the Kansas City-based home improvement chain, to open 25 stores in Mexico over the next five years. The project was described as the first opportunity for Mexican consumers to buy a wide assortment of hardware, kitchen and building supplies under one roof. The first *Payless/Alfa* store is scheduled to open in Monterrey in late 1994.

Typically, when such a home is first occupied it does not include interior doors, kitchen cabinetry, floor coverings or windows. These items are purchased by the home owner, generally through retail outlets, and the home is completed over a period of time.

The consumer market for home improvement products for the middle and upper-income consumers is only beginning to emerge. The concept of "do-it-yourself" is not widely accepted at these income levels because of the availability of low-cost labour.

Selling to the Consumer Market

The consumer market for construction products is difficult for a foreign company to get into because the distribution system is highly fragmented.

In most major cities there are a large number of outlets, each carrying a very narrow range of stock. For the most part, building materials, hardware and fixtures are sold by separate specialized retailers. Painting products are sold in paint stores. Separate specialized outlets sell flooring, kitchen, bathroom and lighting products. Plumbing products are sold in hardware stores. Rough products such as cement, lime, gypsum, gravel, cardboard sheet, and steel rods are all sold separately.

Recently, large chain stores specializing in construction products have begun to enter the Mexican market. The Mexican-owned Home Mart recently opened its first retail outlet outside of Mexico City. It offers a department store environment similar to the U.S. retailer Home Depot. Many Mexican construction products suppliers are skeptical about the viability of this concept because of the transportation problem especially in Mexico City. Large construction products outlets are more common in Monterrey where more affluent consumers can access these stores with cars.

For the time being, Canadian companies aiming at the retail sector will have to contend with a fragmented distribution channel. Firms should be prepared to develop a network of distributors that is adequate to call upon the numerous individual outlets. As the number of large chain retailers increases, exporters will be able to make direct contact. Canadian retail suppliers should not neglect the opportunity to build upon sales made to foreign retail chains, primarily those in the U.S., that are planning to penetrate the Mexican market.