DEVELOPING BRANDS IN MEXICO

Emerging markets constitute 80% of the world's population, 30% global GDP and it is estimated that around 70 million new consumers will join the global middle class each year, mainly from these markets. >>

Mexico is now considered one of the 'big' emerging economies and analysts now often refer to the familiar BRIC group as BRIC + M. Despite its internal drug-crime problems, which are reported daily around the world, Mexico's economy grew by 5% last year and it is expected to maintain this growth this year.

Nigel Wright's Andrew Openshaw caught up with Philippe Delagliere of Fortuna.biz (a company that provides import/export consultancy services for FMCG brands in Europe and North America) who gave his insight into the Mexican consumer sector.

Which global companies have you worked alongside in Mexico?

As CEO of Fortuna.biz I have worked with both Carrefour and Wal-Mart to introduce French products into big 'Hyper-market' stores in Mexico. Wal-Mart is the number one retailer in Mexico. I was asked by both retailers to analyse which French products could succeed in the Mexican market.

Making products relevant for each territory is increasingly important for global brands seeking to have an impact in emerging markets. What examples of 'cultural awareness' have you seen in brand market entry strategies?

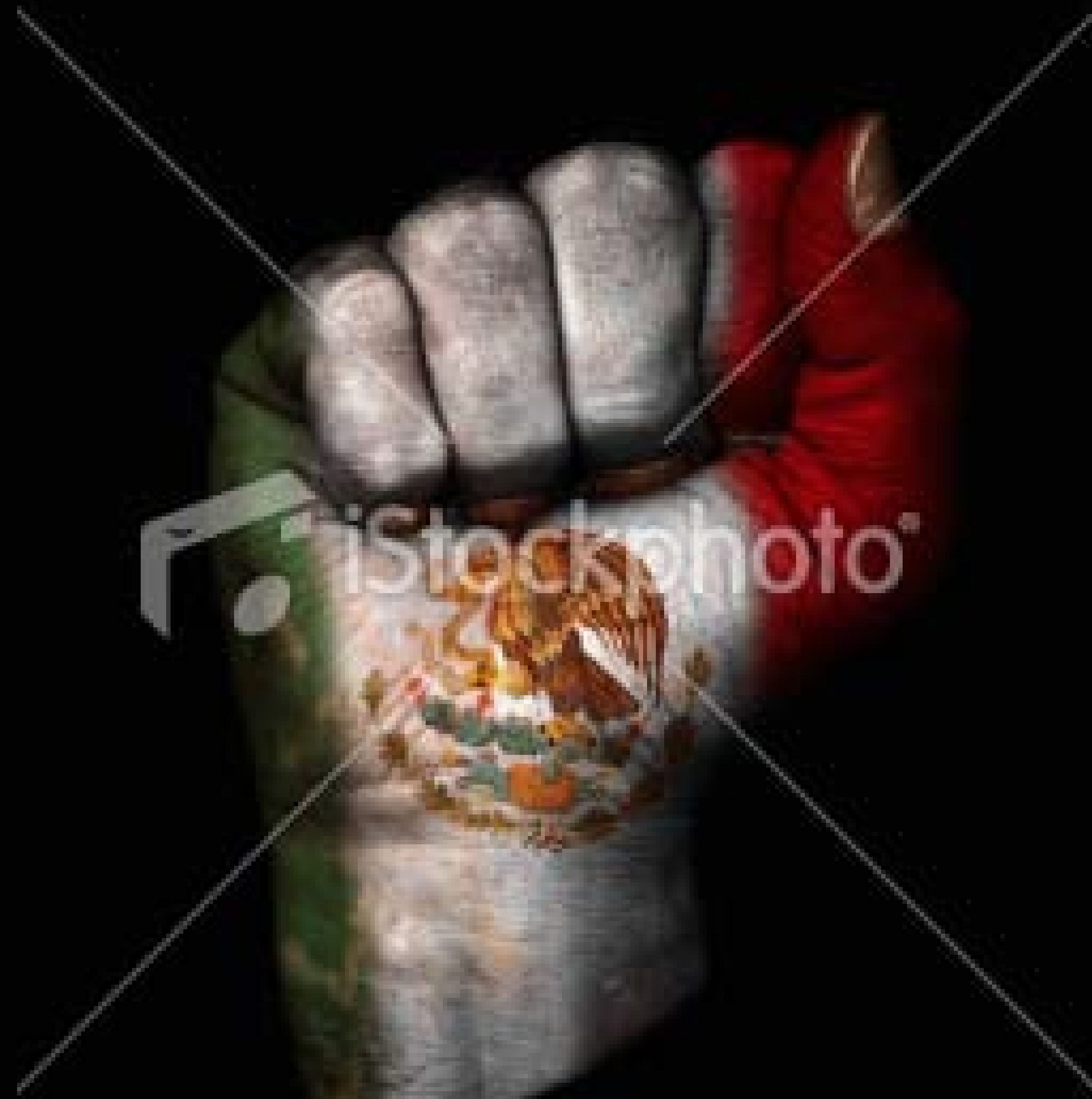
One very tasty and funny example is when I had to present the oldest French mustard 'Maille' to the Wal-Mart purchasing department. After a few weeks of in-store taste testing Wal-Mart approached the Maille Group to begin supplying its products in Mexico. The hook, if you like, which resulted in the success of Maille Mustard in Mexico, was the emphasis that was placed on its spiciness – Mexicans, as you know, are renowned for their spicy salsa and therefore were suitably intrigued in a product that the French consider to be hot!

Rising inflation will inevitably impact the way consumers in emerging markets spend their money? How will this affect consumer brands?

Inflation in Mexico has been high since the tequila crisis in December 1994.

To reduce the impact of this, the country decided to devaluate the Mexican Peso in 1995 and now you get 1 USD for 12 Pesos, more or less. For consumer brands, the high rates of inflation and the devaluation of the Peso means that innovative direct marketing campaigns are usually needed to really persuade consumers to spend in-store. A key factor in all of this is 'consumer credit', which is a well developed concept in Mexican retail. You can buy a dish washer, a television or a computer on 12, 18, 24 months credit, without interest. So Wal-Mart can introduce international brands very cheaply on monthly based credit deals.

What's competition like between local and international brands?



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Competition between local brands and international brands is strong due to the currency conversion. Since the 1994 crisis we now find more local brands than international brands. For example Grupo Bimbo, the leading Mexican bread manufacturer, has been able to expand its operations significantly since 1994 and is now regarded as the world's largest bakery, after buying George Weston Ltd. in 2008. Alternatively, international brands in the Mexican market have begun actively pursuing minority take-over deals with Mexican companies. For example in 2008, Anheuser-Busch InBev took a minority stake in Grupo Modelo (maker of Corona) which now imports Anheuser's products in the Mexican market, such as Budweiser. So, in all small shops and big supermarkets, you can now find Budweiser beers. The competition is tough but like in most developed countries selling power is often dictated by the big companies like Carrefour and Wal-Mart.

An outsider's view of Mexico is of a country plagued with drug crime and gang related problems. How is the country battling against this to ensure that it remains high on the investment agenda for international businesses?

Since Felipe Calderon (PAN party) was elected President of Mexico in 2006, the government has taken a more firm and proactive stance against the drug cartels.

The cartels generate 15% GDP - around 40 billion USD per year. The battle is to cut down distribution to the US market from Mexico, reclaim assets and restore security to the country as a whole. He has experienced incremental success in these areas so far. To facilitate economic growth the government decided to protect foreign investment from drug and gang related crime by incentivising companies to invest in Mexican States with good education systems and peaceful environments.

It is perhaps the case that those in the tourism sector tend to be more worried about the potential negative impact of the 'drug war' on business, while other industries have not really been affected by it so far.

What are the 'top five' priorities for consumer brands seeking to get established in Mexico?

1. To enter the Mexican market as an international brand it is important to estimate the turnover volumes the business will make in the first two years. This information is easy to access from the custom statistics of similar products in the Mexican market.

2. Businesses should export products through a licensed importer for the first 24 months. They have all of the relevant connections with distribution networks.

3. After two years companies should consider setting up production facilities in Mexico. Businesses wishing to do this receive a lot of helpful advice at federal and state government level.

4. When setting up a 100% subsidiary factory, a distribution company or joint venture, businesses should always look to work with the local workforce which is very cheap and hard working.

5. Sucessful companies should take advantage of the NAFTA agreements and look to export into the US and Canada at a lower risk.

Customers say YES to Nigel Wright... >> **Nigel Wright News**

This year, Nigel Wright Consumer Group has enjoyed continued growth, expanding its operations in many major European economies. It has also been increasingly called upon by its global clients to assist their growth in developing markets.

Even during this period of rapid expansion our customers – both clients and candidates – have consistently given us excellent feedback for our services.

In 2011 our International Consumer Business NetPromoter Score is currently 92%. That means that 92% of our customers this year would recommend our services to others. This is a particularly high score for a growing business and places us above and beyond our competitors.

As Group Head of Marketing Ian Scott Bell notes: "Human Capital Companies often find it difficult to maintain high standards of customer service during periods of rapid growth. That doesn't appear to have happened to us and it proves that we are living up to our values."

Nigel Wright is committed to offering outstanding customer service across all of its markets and part of that is seeking feedback from customers so that we can continually improve the service we provide.

NORTH AFRICA & MIDDLE EAST

Following the **revolutionary wave** of demonstrations and protests that have taken place in the Arab world over the last nine months, we thought we would investigate what the future holds for the world's leading consumer companies in the Arab regions. >>

Based on conversations with consumer leaders in these regions, we offer four trends that we anticipate will factor in the strategies of companies seeking to gain advantage in this turbulent and changing environment.

1. INVESTMENT ON TRACK

It will be important for companies to stay on message following the upheaval in the region. Ultimately, investment strategies will not change. The region, like other emerging economies, still offers high potential growth channels for consumer brands.

Although Instability in the market has undermined sales for many companies in the short term, the events that took place in Egypt, Tunisia, and Algeria etc. should be viewed as wholly positive for the future.

Security issues associated with political and social instability have obviously made it difficult for people to live normal lives in recent times. In the long term, however, the move towards democracy will hopefully be a catalyst for a new era of dialogue with these regions, which will in turn help to accelerate economic and social progress. This can only be a positive thing for consumer businesses operating there.

2. LOCAL THINKING

Over the last few months there has been a gradual return to more normal levels of consumer spending in these regions and competition remains tight for international brands as well as local businesses, seeking to bolster sales. Consumer brands looking to further develop these markets will continue to benefit from deep knowledge of local tastes, cultures, customs and histories.

A category or brand which is relevant in one country may not be successful in another. In each market consumer companies will continue to manufacture local products designed to be relevant to the local consumer. At the same time, the emerging middle class in the region will increase demand for global premium brands. Companies, therefore, must be ready to offer a diverse range of products to a growing number of sophisticated consumers in the region.

3. SUPPORTING THE EMPOWERED CONSUMER

Many consumer companies have production facilities in the region. Although they have always enjoyed relatively low costs, since the Arab Spring, this has already begun to change.

Local workers are feeling more empowered and more confident to bargain for greater protection and benefits at work. Consumer companies looking for long terms gains will be wise to enter into this dialogue, as it supports the wider changes taking place in the region.

Although in the short term this won't help to facilitate growth, all companies - local and international - are in the same position so the same pressures will be experienced across the different consumer industries.

4. DEVELOPING LOCAL TALENT

Finding and retaining highly skilled staff is a big challenge in the region. Businesses with long term commitments in these markets will continue to follow a policy of developing leadership capability. This includes developing talent on the ground and also training local talent to be effective in other regions as well. Leadership development programs for the A&ME region will help to accelerate the growth of local leaders.

It will also show a belief in the potential of the region and its promising future.

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