Development Policy Review, 2002, 20 (4): 503-513

The Transformation of Mexican Retailing with NAFTA

*Manuel Chavez**

With the signing of the North American Free Trade Agreement, NAFTA, in 1994, the opening up of Mexican commercial sectors was completed. Thereafter, the growth of multinational supermarket chains accelerated and Mexican food distributors and retailers were forced into redefinition and regrouping, not only at company level but also at the regional-location level. The central and northern regions are witnessing increased efforts on the part of supermarket chains to capture local market segments, a process which imposes new demands on producers, wholesalers, and consumers. This article addresses the strategies of competition and collaboration of Mexican and US supermarket chains in the new regional context, and highlights the lack of Mexican public policy to help domestic retailers to compete effectively.

The 1994 NAFTA agreement accelerated the liberalisation, privatisation, and deregulation of the agrifood sector that had been under way in Mexico since 1982. While these were part of the requirements and conditions negotiated with Canada and the United States, the creation of safety nets and the protection of vulnerable sectors were not considered by the Mexican government. However, just before NAFTA came into force, Mexican analysts voiced expectations that it would lead to the end of the domestic food retailing sector (Gonzalez, 1992; Perez, 1992).

The liberalisation and deregulation policies were, as we argue here, important for the creation of a context for the acceleration of the entry of multinational supermarket chains into Mexico. In their original design these policies assumed that market forces would help domestic retailers step up their capacity to compete, and that open competition negotiated in NAFTA would in general be positive. The reality was, however, that the Mexican domestic supermarket chains confronted a series of challenges greater than their resources. Nevertheless some of them undertook successful strategies to survive in the face of the foreign competition. Moreover, the predatory practices (discussed below) used by multinational retailers such as Carrefour, K-mart, Auchan, and Price Club, to access and control the Mexican market forced them to reorganise and to consider alliances that five years before were unthinkable.

The existing literature is limited with respect to the analysis of competition among multinational and domestic supermarket chains in developing countries. It tends to focus on the study of formats used by the global retailers in their positioning in these countries. The issues of how international retailers initiate the processes of market entry, internal decision-making to determine the format used, and the structural

*Manuel Chavez (chavezm1@pilot.msu.edu) is at Michigan State University, East Lansing, USA. He thanks Kendra Sredzinski and Meghan Frith for their research assistance.

Published by Blackwell Publishers, Oxford OX4 1JF, UK and 350 Main Street, Malden, MA 02148, USA.

conditions required are noted but not analysed (Findlay et al., 1990). The role of the government as regulator, promoter, and facilitator of the entry of foreign retailers is ignored, as are its impacts on domestic retailers.

Moreover, the literature tends to focus on global patterns rather than country specifics; rather, the literature tends to view patterns of change in the food industry within the context of globalisation from the perspective of three blocs – the European Union, North America and the potential consolidation of the Americas bloc, and Asia (Craig and Douglas, 2000). The main argument is that global retailers' sophisticated technologies of food processing and packaging, knowledge of the food trade and economies of scale, access to information technology, and the liberalised context of little governmental intervention, permit them easy penetration of domestic retail markets. The interest is 'macro' and neglects to dig deeper into the specific strategies of multinational retailers, the particularities of countries and regions and how they condition the effects of entry on local retailers and suppliers.

To remedy the gap, this article focuses on the entry of multinational supermarket chains into Mexico over the past two decades, highlighting the situation within the context of the regional trade integration implemented in 1994. It stresses the effects on the domestic retail sector, in particular its response to the multinationals' entry, both in collaboration and in competition, considered within the context of the government policy that conditioned the process.

Data and methods

While data on the manufacturing, industrial, energy, and agricultural sectors are amply available, data on the Mexican food retail sector are severely limited, and access to the chains' headquarters is not always easy. The method used for this article was mainly qualitative, using direct interviews and a grounded-theory approach based on the continuing interaction of data collection and concepts (Strauss and Corbin, 1990). The use of grounded theory is particularly useful in research with corporate and management-level informants dealing with internal company policies (Locke, 2001).

We interviewed representatives of commercial associations, public officials of the Secretariat of Commerce and Industrial Development (SECOFI), and mid-level executives of supermarket and convenience store chains (including HEB, Soriana, Comercial Mexicana, Oxxo, and Wal-Mart). The interviews were supplemented by official data from SECOFI, the National Statistics Institute (INEGI), reports from the Mexican Association of Supermarkets and Commercial Retailers (ANTAD), and published corporate information.

Development of supermarkets in Mexico

The first phase of supermarket development in Mexico, from the mid-1940s through the mid-1980s, was based purely on national capital. Most of the main domestic retailers were established at that time.

The second phase started when Mexico joined the GATT in 1986 and opened up its economy. This led to the entry of international retailers searching for opportunities for foreign direct investment (FDI). Retailers operating across the Mexico–US border (such as HEB, discussed below) had been observing economic and demographic changes in Mexico. It became apparent that domestic retailers had been responding to the commercial opening with an increase in imports of US products: when the commercial code was reformed to allow more imports of consumer products, Mexican supermarket chains offered imported as well as domestic products on their shelves. These imports came mainly from the US in a format with which Mexican consumers were familiar from stores across the border.

In the late 1980s, not many US companies knew the Mexican market and perceived its potential. During these years, however, corporate executives from Comercial Mexicana, Aurrera and Gigante started talks with retailers in California and Texas not only to buy US products but also to explore potential alliances. No one knew the depth of the potential relationship but they were preparing for the coming structural change in the commercial sector (Canales, 2000).

In the early 1990s companies with access to information on the NAFTA negotiations[1] started to look for strategic alliances (such as those that eventually resulted: Wal-Mart - CIFRA and Price-Costco - Comercial Mexicana) in preparation for the actual implementation of the free trade agreement. The initial talks sent a signal to multinational supermarket chains based in the US that the Mexican market was about to become of much easier access from the point of view of FDI and product trade. The potential market was attractive because of its proximity, its size (100 million customers), its purchasing power (significant numbers of poor but also a large middle class, and rising overall average income), and its rapid urbanisation (urban share tripled in only three decades, up to 74% of the country in 2000 (INEGI, 2001), which in other countries has historically led to supermarket growth).

New commercial and trade regulations in the mid-late 1980s had an impact on how Mexican retailers responded during the NAFTA negotiations; they divided into two groups, one supporting the opening of borders and the other favouring protectionist restrictive policies. Before NAFTA, Mexican supermarkets served a national market with products that were mostly national. Faced with the prospect of import liberalisation, retailers harboured two contradictory assumptions: that Mexican consumers would prefer domestic, familiar products, and that they would seek variety and therefore foreign products. Each scenario represented risks for the domestic retailer's survival. Before NAFTA the average tariff on imports was 17.5% and it was not advantageous for the Mexican supermarkets to offer foreign products in competition with their national products. The cost was simply too high. On the one hand, some companies wanting to offer imported products stated publicly and in official fora their preference for a reduction of import duties. These companies sought to influence policy to reduce the prices of the foreign products they sold – a strategy that did not consider the presence of foreign retailers with a global network of sourcing, capital, and logistics.

1. Note that retailers gained access to privileged information on both sides of the border. Members of the chambers and associations of retailers were invited by their governments to take part in the negotiating commissions representing their sector and members, and those who were not members presented their views during the open sessions (Canales, 2000). Many retailers thus had access to the official tri-national agendas, proposals, and negotiating frameworks. Many of them represented corporations that would be affected by the new regulations, so they had an opportunity during the period of negotiations to look for the best accommodation of their company's interests. Among the options was forming joint ventures, as discussed in the text.

On the other hand, small retailers aiming at local/regional markets believed (on the basis of some experience) that liberalisation would lead to their elimination or absorption. For its part, the government did not pre-empt the anxieties of potential losers: it failed to formulate any mechanisms to protect firms exposed to strong competition. This represents one of the fundamental flaws of the Mexican policies of restructuring. The speed of the process did not allow local companies to protect themselves from competition, and mechanisms to ease the transition were not available.

A third phase is taking place in the current era (since NAFTA was signed); foreign companies (such as HEB and Carrefour) using their own corporate names and their own capital are investing heavily in Mexico to expand their retail market share. This investment is occurring within the context of general heavy foreign investment: for example, US FDI in the commercial sector in Mexico in 2000 was nearly US$8 billion (INEGI, 2001).

Although NAFTA widened the opportunities for international companies to compete in Mexico, the small domestic retailers remained slow in reacting. They operated on the assumption of loyal consumers buying only local products in familiar places. The large Mexican retailers, on the other hand, looked for the best strategies to survive. They feared the presence of US retailers which knew the food business and used modern methods of sourcing, logistics, and management. Competition was a variable that was understood by Mexican retailers based on their own perception of the future market.

Most (but not all) of the supermarket development discussed above is focused on middle to high-income areas, in large and intermediate cities, in the central region (where Mexico City is located) and the northern states where population is growing significantly. Since the mid-1980s there has been a marked tendency of migration from the rural areas to cities and from Mexico City to other metropolitan areas like Monterrey, Guadalajara, Puebla, Merida, and Queretaro, and competitive food retailers are following this pattern. For details see Schwentesius and Gomez (this volume) for an analysis of regional growth patterns of retailing in Mexico.

However, despite some geographical overlap, there was considerable differentiation in the location of foreign supermarkets, with European retailers investing in the mid-1990s focusing on areas where there was not already a heavy US presence. Moreover, foreign food retailers have entered with multiple formats to differentiate themselves from domestic competition, namely, convenience stores, supermarkets, discount warehouses, wholesale supermarkets, and hypermarkets. They have mainly entered using joint ventures with domestic firms, but some have 'gone it alone'.

The above development – with a sharp increase in the 1990s – of the supermarket sector in Mexico has given rise to a large, rapidly growing, and concentrated sector. Official ANTAD figures for 2000 indicate that the annual growth of supermarket sales is 7.3% and that the consistent growth observed in the previous two years is in the food and produce areas. If the ANTAD information is correct and current growth is maintained, the association expects that by 2005 supermarkets will have increased their share of the food market to almost 60% (ANTAD, 2000). The number of supermarkets, hypermarkets and wholesale discount stores has more than doubled since 1993.

In 1994 the power of the Mexican supermarkets was concentrated in national companies such as CIFRA-Wal-Mart (majority-owned by Aurrera up to 1997 and then acquired by Wal-Mart),[2] Gigante, Comercial Mexicana, and Soriana. At the regional level, there was also significant concentration with important chains such as Chedraui, Casa Ley, San Francisco, and Blanco. While there is concern at SECOFI about high levels of concentration, it has to be admitted that the Mexican anti-monopoly law dating from 1930 is almost obsolete, and quite inadequate to deal with the form and speed of retail consolidation.[3] For many members of the association of retailers, this will be a difficult problem to solve within the current judicial system.

Retail concentration can be observed in Table 1, showing the size of retailers such as Wal-Mart - CIFRA (that became Wal-Mart de México in 2000) that will position themselves as major leaders in the commercial sector. In 2000, the 31 supercentres of Wal-Mart de México alone generated sales of US$1.3 billion (Ortega, 2001). Forty-five chains have 5,120 stores, 6 million m^2 of floor space, in 200 cities in Mexico (*ibid.*; ANTAD, 2001). In 2000, however, only 4 chains dominated the market: Wal-Mart de México with almost half (45.6%), Comercial Mexicana with a little over a fifth (20.6%), Gigante (15.5%) and Soriana (14%).

Table 1: Growth of major supermarkets and supermarket chains in Mexico, 1993-2001

Retailer	1993	1997	2001	% of market share	93-97 growth rate %	97-01 growth rate %
Carrefour		10	18	2		80
Comercial Mexicana	120	147	215	20	23	46
Gigante	180	192	209	19	7	9
HEB		3	18	1.5		400
Soriana	23	53	101	9	130	91
Wal-Mart de México	114	372	565[a]	49	226	38
Convenience stores						
7-Eleven			295	18		
OXXO			1300	82		
Total	317	620	2432	100		

Notes: a) This total includes all stores including clothing and restaurants.
Sources: ANTAD, various reports; United States Department of Agriculture, *Grocery News Reports*, and corporate business reports.

Competition and collaboration

Here we classify the ways supermarket chains have developed in Mexico, from domestic chains that chose to compete with multinationals and not enter joint ventures,

2. Mexican capital controlled the majority of shares of Aurrera-CIFRA until 1997.
3. Interviews with officials of the Subsecretaria de Comercio, Dirección General de Normas, Secretaria de Comercio y Fomento Industrial (SECOFI), July 1999.

to domestic and multinational joint ventures, to foreign retailers who chose to compete with domestic firms and not enter joint ventures.

Domestic chains 'going it alone'

An important supermarket chain is Soriana, which opened its first supermarket in the northern state of Coahuila in 1968. In 1987, Soriana became a public company and while several foreign chains tried to make alliances and joint ventures with it, it remained consistently independent. After NAFTA came into force, Soriana and Sorimex (a retail space developer) merged to compete more aggressively with the international penetration of the Mexican market. Soriana then developed a strategy of establishing shopping centres in affluent suburban neighbourhoods in intermediate cities in central and northern Mexico, particularly in the large metropolitan areas of central region and the Gulf of Mexico, where it leased space for a supermarket or hypermarket.

Soriana's main strategy is to offer food and produce to the middle classes who are looking for reduced prices and have a marked preference for Mexican tastes. Following a nationalistic philosophy, the company has resisted offers to join foreign chains such as Auchan (France). Soriana has maintained the highest growth rate over the past decade and remained the dominant supermarket chain in northern Mexico, with its corporate offices in Monterrey. It is a pioneer in Mexico in using the bar-code system for instant re-orders at any time in any branch of its network. It operates three major distribution centres in Monterrey, Guadalajara, and Mexico City.[4]

Joint ventures

Wal-Mart de México: domestic chain → joint venture CIFRA-Wal-Mart → Wal-Mart acquires CIFRA Grupo Aurrera, the largest Mexican company involved in food retailing, is engaged in a joint venture with the giant retailer Wal-Mart. The holding company operating Aurrera is Wal-Mart de México, S.A. de C.V., which started in 1959 with a small supermarket in Mexico City. The first store took advantage of the concept of discount prices, retailing products at 20% below manufacturers' listed prices, and Aurrera's expansion was based on supermarkets and discount warehouse centres that offered low prices in one location. During the mid-1970s and the 1980s, Aurrera increased its floor space for food and fresh produce, causing a slow but steady change in the purchasing habits of urban Mexican shoppers. The stores were located mainly in large cities such as Mexico City, Guadalajara, Monterrey, Puebla and Queretaro. Aurrera managed a vertical relationship with its suppliers, avoiding intermediaries and other wholesalers, through a purchasing department in Mexico City with the capacity to make purchasing decisions for all its stores in the country. In this way, it introduced a new method of procurement in Mexico that reduced time and costs.

In 1991, with the initial talks between Mexico and the United States to create a free trade area, Aurrera, which was part of a commercial group called CIFRA, and Wal-Mart set up a strategic alliance. After 31 years of operations, the Mexican retailer Aurrera became the partner of the US-based Wal-Mart Corporation, founded in 1962 in

4. Dawn Pysarchik and Manuel Chávez. Interviews with regional managers of Comercial Mexicana, HEB, and Soriana stores in Queretaro, Jalisco, Guanajuato and Nuevo Leon. February, 2000.

Arkansas to serve the local rural market and now the largest company in the world (in terms of yearly sales). The stores are known for their ‘everyday low prices’ and wide selection of services, but mainly for their aggressive food and produce offerings tailored to the particular store’s location. Currently Wal-Mart operates 2,985 Wal-Mart Stores, Supercentres and Sam’s Clubs all over the world. In 1997, Wal-Mart USA made an offer for the majority of Aurrera’s shares which allowed the US corporation to acquire control of the largest retailing group in Mexico.

In 2000, Wal-Mart and CIFRA changed their name to Wal-Mart de México, which, with 40% of the country’s total retail business in 2000 (Ugarte, 2001), today owns 561 stores in Mexico, 265 of them hypermarkets and supermarkets. The company operates different retail outlets such as: Wal-Mart Aurrera stores and supermarkets, Bodega Aurrera discount warehouse stores, Superama supermarkets, Sam’s Club hypermarkets, Suburbia clothing stores and Vips restaurants. In 2001, 83% of its total sales were concentrated in Sam’s Club, Wal-Mart supermarkets and Bodega Aurrera stores, and food ranged from 50% to 70% of total sales (Wal-Mart de México, 2001).

Gigante: domestic chain → in and out of joint venture with Carrefour → expansion into US Gigante is a Mexican supermarket corporation, which started in Mexico City in 1962. During the 1970s, it expanded mostly in two large cities, Mexico City and Guadalajara and, in contrast to Aurrera, began to acquire small supermarkets across the country. By the end of the 1980s, it operated 110 stores throughout Mexico, located mainly in medium-sized cities. In 1992, with the acquisition of Blanco, a clothing retailer, it set up Bodega Gigante, a discount warehouse that started selling food and produce as well. The same year, a joint venture was established with two US companies, Fleming and Radio Shack, and in 1993 they opened the first Super G targeted mainly on the upper and middle classes. They strive to offer national and international products, and the best service, together with service departments including banks, pharmacies, bakeries, and photograph laboratories. Grupo Gigante is the holding company operating Gigante stores and supermarkets, Bodegas Gigante, SuperMarts, Cafeterias Toks and Radio Shack de México.

In 1994, during the first year of NAFTA, Gigante set up two important joint ventures, one with the French giant retailer Carrefour to build hypermarkets, and the another with Office Depot. The relationship with Carrefour ended in 1998, when the French retailer decided to compete on its own in the Mexican market, after it had acquired privileged access to market operations, suppliers, and knowledge of consumer preferences and government regulations. With Gigante’s help during the joint venture, Carrefour had established a unique entry point through the second most important Mexican retailer, which, given the nature of the partnership, provided access and information for Carrefour to position itself as a competitor of its former partner. Currently, Gigante and its different divisions operate in most of the metropolitan areas, and the company has three main distribution centres in the largest Mexican cities: Mexico City, Guadalajara and Monterrey.

While NAFTA opened a flow of commercial opportunities mainly to the South, companies in the United States and Canada began to consider the potential reorganisation of retailing groups in North America. Most of the process has taken place with US companies taking up positions in the opening of the Mexican market and it was not expected that Mexican groups would be able to operate either in Canada or the US.

However, in 2001 Grupo Gigante opened three supermarkets in Los Angeles, catering primarily to the Mexican population living in the metropolitan area. It later reported that it plans to open another three stores between San Diego and Los Angeles (White, 1999; Grupo Gigante, 2002).[5]

Comercial Mexicana: domestic chain → added joint venture with Price Club-Costco: Price Club de México Comercial Mexicana began in 1930 by selling fabrics in Mexico City, and opened its first supermarket there in 1962. In 1981 it acquired the Sumesa chain of almost 50 supermarkets in Mexico City and in other intermediate cities such as Cuernavaca, Puebla and Queretaro. A joint venture was initatied in 1992 with Price-Costco Corp. to create Price Club de México, targeting middle- and upper-class shoppers in the metropolitan areas. Due to the active competition of other retailers, it launched hypermarkets in 1993 in the metropolitan area of Mexico City, the Central-Bajio region, and the Gulf of Mexico, with a smaller presence in the northern areas of the country.

A strategy used by Comercial Mexicana supermarkets is to sell meals and food products that are characteristic of the regional taste of the particular location. For instance, in central Mexico where pork is popular, its stores offer a variety of dishes based on pork. In the Pacific region where fish and seafood are plentiful and popular, its stores have more fish and fish dishes than in other regions. In addition to the regional home-cooking section, a Mexican-style bakery supplies fresh bread and pastries all day. But more importantly, the stores offer fruit and vegetables popular in the region.

By means of this strategy, Comercial Mexicana seeks to establish a product and service different from those of other supermarket chains, emphasising national and regional tastes. It operates in Mexico using different names based on the format of the store: Comercial Mexicana supermarkets, Bodegas Comercial Mexicana or low-cost discount warehouses, Mega Comercial Mexicana or hypermarkets, Sumesa upper-class supermarkets, California Restaurants and the discount warehouses Price-Costco Clubs. It has major distribution centres in Mexico City, Guadalajara and Monterrey. In the opinion of its branch managers, it is the primary competitor of Wal-Mart (Pysarchik and Chavez interviews, 2000).

Foreign chains 'going it alone'

The corporate investment of companies such as HEB and Carrefour provides the best examples of corporate decisions seeking a share of the consumer market by investing directly in Mexico's commercial sector. Since deregulation allowed direct investment in the formation of foreign companies in the country, this offered an option to international retailers reluctant to form alliances with local companies. During the consolidation of large groups of retailers by the acquisition of small regional and local supermarkets in the 1980s, foreign corporations noted the transformation of potential competitors and the strength and rationalisation of Mexican groups, until the international retailers begin

5. Gigante's is not an isolated move in the Mexican food industry. In addition, the largest pastry-bakery company of Latin America, the Mexican Bimbo Corporation, is exploring the acquisition of up to 7 supermarkets in Southern California and Southern Arizona. Ralphs and Albertsons are some of the supermarkets mentioned as potential opportunities for Bimbo. The main marketing goal is to offer their products to the large Mexican population living there.

to arrive (see Table 2 for a list of supermarkets and food retailing chains operating in Mexico).

Table 2: Mexican food retailers and supermarkets, 2001

Name	First store open year	Incorporation in Mexican Stock Exchange	Number of Supermarket Stores
Wal-Mart de México	1959	1980	265[a]
Grupo Gigante	1962	1991	186
Comercial Mexicana	1962	1991	124
Grupo Soriana	1968	1987	89
Casa Ley	1975	n.a.	84
7-Eleven México	1994[b]	n.a.	259
Cadena OXXO	1993[b]	n.a.	1,175

Notes: a) This figure does not include clothing stores and restaurants totalling 561 outlets; b) time when the company started operations as a franchise.
Source: ANTAD, Camara Nacional de Comercio de Monterrey.

H.E. Butt grocers (HEB): US regional chain expands into Mexico HEB is a Texas-based retailer that began operations in 1905 and has emerged as one the largest US independently owned food retailers. In 1928, HEB began moving its supermarkets close to the Rio Grande Valley near the US-Mexican border, where it began to tap a strong Mexican-US and northern Mexican market. In fact, during the time when Mexico was going in for the import substitution model (1950s to 1980s) and there was limited access to imported products, most of the professional middle class from northern Mexican cities shopped in US supermarkets located in the border cities (Laredo or McAllen, Texas). The 150-mile trip to the border towns and the potential penalties imposed by Mexican Customs officials on imported (prohibited) goods were no deterrent to families doing their essential weekend purchasing. This trend created a habit of purchasing food in supermarkets offering quality products at reasonable prices. Supermarket concentration in northern and central urban areas also indicates that the fastest and steadiest growth of supermarkets is in these areas (ANTAD, 2001).[6] During US recessions such as that in 1980, it was interesting to observe that border towns continued to sell at levels not observed in other parts of the country (Hansen, 1981). The explanation is simple: supermarkets in the border cities were selling not only to their small local population but also to Mexican consumers living in large cities up to 300 miles from the border.

With the initiation of Mexican liberalisation during the mid-1980s, HEB continued to offer full supermarket services to Mexican consumers in their locations across the border. But in 1991 Wal-Mart and Soriana started to sell products that were only available formerly at border supermarkets in the US. In 1997 HEB expanded its business across the border into Mexico, the strategy being to offer familiar products and

6. According to ANTAD, almost 65% of all supermarkets are located in the central region of Mexico, including Metropolitan Mexico City, 25% in the northern region, and the other 10% in the southern region.

environments to consumers who knew the reputation of HEB. Since then, HEB has become a dominant player in northern Mexico with 18 supermarkets; in the southern US, it owns more than 400 supermarkets. Its main strategy for the Mexican market is to provide full supermarket services to the most affluent segments of the urban centres. The company plans to open stores in the metropolitan area of Mexico City by 2003. It has two distribution centres, one in Laredo, Texas and the other in Monterrey, and it plans to use its Mexican suppliers as sourcing for its US operations, particularly for fresh fruit and vegetables (Pysarchik and Chavez interviews, 2000). HEB is aiming at rapid expansion in northern Mexico, and plans to open 30 stores by 2003 (Rosa, 2001; HEB, 2001).

Carrefour – Number 2 supermarket globally – invests in Mexico Carrefour, a French retailer, has over 9000 stores in 27 countries across Europe, Asia, and Latin America. It entered the Mexican market in 1994, in an alliance with Gigante, and then left that partnership to 'go it alone.' Many Mexican food retail analysts speculate that Carrefour used its relationship with Gigante to get to know the domestic market, and then shifted its strategy to operate solo after years of working with the Mexican chain. Currently, it operates 18 hypermarkets, 9 in southern, 6 in central and 2 in northern Mexico, and is undertaking another shift in strategy, with 5 megastores in 2001 and 4 more in 2002 – the rough equivalent of adding 30 supermarket-sized operations over two years, and thus rapid growth.

Conclusion

Large multinational chains have created substantial competition in the supermarket sector in Mexico, both where they have entered individually and where they have entered and then collaborated with domestic chains in joint ventures. This competition has fuelled penetration into every conceivable niche and market segment, with expansion geographically and increasingly over income groups, and with variation of formats to fulfil strategic marketing aims. At present there are many retailers but five or six key players, domestic, foreign, and joint ventures, that are competing vigorously for the rapidly growing supermarket sector.

It is clear that policy has played a role in defining the development of supermarkets in Mexico in general, and the terms and conditions of the entry of multinationals in particular. That is why both Mexican and foreign retailers paid such keen attention to, and participated in, the negotiations that led to NAFTA. The latter eased entry conditions by reducing restrictions on foreign direct investment as well as on product movement.

But policy has fallen short in a number of ways. First, there has been little provision for safety nets for small retailers and independent supermarkets that suffer from the competition. Second, a clearer delineation of the 'rules of the game' is needed, both in updating an antiquated competition law and implementation structure, and in retail standards, as they affect relations both with suppliers and among retailers. The former (relations with suppliers) is being studied as to the feasibility of enacting a type of PACA law (regulating relations between produce suppliers and retailers in the US). The latter is also under way as the government is currently adopting standards, jointly with the US and Canada, that would raise the level for clarity, predictability, and compatibility in retailing.

References

Asociación Nacional de Tiendas de Autoservicio y Departmentales (ANTAD)(2000-2001) *Indice nacional deflacionado a tiendas totales: Tiendas de autoservicio.* Asociación Civil. Mexico City, DF: ANTAD.

Canales, Gregorio (2000) President of the Chamber of Industry and Commerce of Nuevo León, interview with the author, Monterrey, August.

Craig, Samuel and Douglas, Susan (2000) 'Configural Advantages in Global Markets', *Journal of International Marketing* 8 (1): 6-26.

Findlay, Allan M., Paddison, R. and Dawson, J. (eds) (1990) *Retailing Environments in Developing Countries*. London: Routledge.

Gonzalez, Cuauhtemoc P. (ed.) (1992) *El sector agropecuario mexicano frente al tratado de libre comercio.* Mexico City, DF: UNAM and Universidad Autónoma de Chapingo, CIESTAAM.

Grupo Gigante (2002) www.gigante.com.mx

Hansen, Niels (1981) *The Border Economy: The Regional Development in the Southwest Region*. Austin, TX: University of Texas Press.

HEB (H.E.Butt Grocers) (2001) 'Prevé invertir US70 millones en México cadena estadounidense de supermercados', *El Economista*, Sección de Economía, 20 June: 4.

INEGI (2001) Instituto Nacional de Estadística, Geografía e Informática. www.inegi.gob.mx

Locke, Karen (2001) *Grounded Theory in Management Research*. London and Thousand Oaks, CA: Sage Publications.

Ortega, María Dolores (2001) 'Acelera Walmart epansión', *El Norte*, Group Reforma, Sección Negocios, 1 July: 1. Monterrey, NL, México.

Perez, H. Nelida (1992) 'Zona de libre comercio: Reflexiones sobre su posible impacto en el comercio de productos agroalimentarios en América Latina', in Gonzalez.

Rosa, Tomás de la (2001) 'HEB acelera planes de expansión en Mexico', *El Economista*, 7 February: 15.

Strauss, Anselm and Corbin, Juliet (1990) *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. Newbury Park, CA: Sage Publications.

Ugarte, Jesús (2001) 'Una ola de consolidación se ve venir en los supermercados mexicanos', *Reforma*, Business Section, 2 February: 1.

Wal-Mart de México (2001) www.walmartmexico.com.mx/framespi.html and www.walmartmexico.com.mx/framneg.html

White, George (1999) 'Gigante Plans 6 Grocery Stores in Los Angeles: Mexico City-based Chain Hopes to Capitalize on Latino Population,' *Los Angeles Times*. 13 January: 1.