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Carlos Navarro

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Popularity Of Wal-mart's New Monterrey Store Reflects
Strong Demand In Mexico For U.S. Consumer Goods

by Carlos Navarro
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Reflecting the strong demand from Mexican consumers for US products, the new Wal-Mart store in Monterrey opened to an overflow crowd on Nov. 30. The crowd became so large that store management was forced to restrict entry to the store for about two hours to allow crowds inside to thin out. "We were expecting a lot of people but not this many," said Miguel Zamora, an assistant manager at the store. "Sales were astronomical." The facility which includes a McDonald's fast food restaurant and a bank offered shoppers a wide variety of consumer goods, mostly imported from the US. Betsy Reithemeyer, a spokeswoman at Wal-Mart's headquarters in Bentonville, Arkansas, told El Financiero International weekly business newspaper that this was the first time ever Wal-Mart had been forced to shut down a store on opening day in order to accommodate customer flows. The opening of stores such as Wal-Mart in Monterrey is part of a growing trend for US retailers to establish operations in Mexico to take advantage of the growing demand for US products. Once the North American Free Trade Agreement (NAFTA) is enacted on Jan. 1, 1994, the retailers are expected to obtain inventory from the US at lower prices. For now, high import costs have meant that items at Wal-Mart's store in Monterrey are more expensive than those sold at the company's outlets in the US-Mexico border cities of Laredo, Texas, and Nogales, Arizona, which have reported the highest sales volume in the chain this year. Nevertheless, Wal-Mart is proceeding with plans to expand its presence in Mexico. The chain inaugurated a huge 224,000-square-foot "supercenter" store in Mexico City in September and is planning two new outlets in Monterrey and one in Guadalajara next year. Before the Mexico City location was opened, the largest Wal-Mart store was the one in Laredo. In fact, the Mexico City outlet was the first store with the Wal-Mart name in Mexico. Since 1991, Wal-Mart has operated Club Aurrera, Bodega, and Superama stores, in partnership with Mexican retailer Grupo Cifra. One of Wal-Mart's chief rivals, K-mart, recently announced plans to open two stores in Mexico City in 1994. According to economic development specialists in the US, the proliferation of new discount stores will probably not substitute entirely for a practice among Mexican consumers to travel to US border cities to do their shopping. However, the frequency of trips to the US is expected to decline. "People who used to travel five or six times to the border will cut down to maybe three trips a year," Laredo Chamber of Commerce President Miguel Conchas said. "Merchants along the border are going to have to get more competitive to stay afloat." In fact, the demand for US consumer goods is so strong in Mexico that the Finance Secretariat (Secretaria de Hacienda y Credito Publico, SHCP) which overseas the Mexican customs service temporarily raised the limit that shoppers can bring into the country duty free to US$1,000 from US$50 during the Christmas season. The US$50 limit, originally imposed in late 1992, represented an effort by the Salinas administration to encourage Mexicans to shop locally instead of traveling to US border cities to purchase consumer goods. The increase in the limit during this Christmas season is applicable to electronic toys, furniture, clothing and shoes, sports equipment, and appliances. To qualify, the items must be accompanied by clearly marked invoices, and the items declared at point of entry. A uniform duty equal to 32.8% of value will be required for all imports exceeding the US$1,000 limit. The SHCP also eliminated
its requirement that permits be obtained to import a personal computer, as long as the value does not exceed US$4,000. Meanwhile, the potential for reduced business has caused great concern for retailers in Laredo and other border cities which have depended on shoppers from the Monterrey area for a high percentage of their business. "With all the American companies going down there, it's going to slow down business on the border," Roy Ewing, manager of the K-Mart in Laredo told the Associated Press. A similar concern was voiced by Luis Lidsky, owner of a chain of 36 El Mundo department stores in 36 communities in Texas cities that border Mexico. "With everybody going into Mexico, our business is going to shrink," Lidsky told the New York Times. While concern has been raised by some Mexican retailers about the new competition, the larger Mexican chains are expected to hold their own against the US retailers. "I was worried until yesterday, but then I saw what they [Wal-Mart in Monterrey] have, and our prices are better," said Pablo Garcia, manager of a Gigante department store in Monterrey, located adjacent to the new Wal-Mart. However, Garcia suggested that small- and medium-sized stores may not be able to compete as effectively against the new wave of US retailers. (Sources: New York Times, 08/30/93; 11/19/93; La Jornada, 11/24/93; Associated Press, 11/30/93; El Financiero International, 11/29/93, 12/06/93)

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