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Mexico’s "Black Friday" Campaign Boosts Consumption Ahead of Holiday Season

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In what some observers have described as a "government-supported Black Friday," retailers in Mexico sponsored the third annual El Buen Fin sales-promotion weekend, offering deep discounts and favorable interest terms on consumer goods and services. The campaign, started in 2011 under President Felipe Calderón’s administration, was intended to revive the economy by encouraging consumption. The federal government supports the effort by providing some funding for promotional activities and giving government workers their Christmas bonus in advance. Any retailer can participate in the effort by simply registering on a Web site created by several business organizations and the Secretaría de Economía (SE). The program has its share of critics, which point out that the campaign causes many families to incur unnecessary debts.

Despite the concerns, the campaign, held Nov. 15-18, by all accounts appears to have been a great success, at least from the standpoint of the Confederación de Cámaras Nacionales de Comercio, Servicios y Turismo (CONCANACO), one of the main sponsors of the campaign. The organization reported sales totaling 160 billion pesos (US$12.2 billion) during the four-day period, an increase of about 20% from the El Buen Fin campaign in 2012. Other sponsors include the Asociación Nacional de Tiendas de Autoservicio y Departamentales (ANTAD), the Asociación de Bancos de México (ABM), the Consejo Coordinador Empresarial (CCE), and Iniciativa es México (iMX).

The average value of goods and services acquired during El Buen Fin was higher this year than last. In the first two days of the sale, the value of the products was about 30% above the same period last year, said CONCANACO president Jorge Dávila.

Preliminary information from chambers of commerce around the country indicated that the most popular goods and services acquired during the period were tourism services, education-related items, clothing, household utensils and decor, electronics, home appliances, furniture, personal care and hygiene products, cars and transport, photography, computers, and footwear.

The El Buen Fin campaign is expected to boost overall retail sales in Mexico in 2013 beyond the US $211 billion recorded in 2012. While small establishments still account for a relatively large share of retail sales in Mexico, the large chains—including Walmart, Soriana, Chedraui, and OXXO—account for an increasingly larger share of business. These stores have traditionally operated in the large metropolitan areas but are now expanding to medium-sized cities.

Increased consumer debt a concern

Still, critics argue that the four-day campaign hurts consumers in the long term. Even though many products are offered at low interest rates for the short term, many consumers overuse their credit cards during the four days of El Buen Fin, forcing them to incur greater cumulative debts. Estimates from the consumer financial services watchdog agency (Comisión Nacional para la Defensa de los Usuarios de las Instituciones Financieras, CONDUSEF) indicated that about 40 billion pesos (US
$3.1 billion) of goods and services, or roughly one-fourth of the total, were acquired with credit cards during El Buen Fin.

"The risk is that consumers will spend more than what they can pay," independent personal finance expert Esteban Kockovic said in an interview with El Semanario Sin Límites. "But we should not lose sight that this is a problem that occurs not only during the four days of El Buen Fin but during the 365 days of the year."

"Some families participated in the sale with a high level of plastic debt," said José Yuste, a columnist for the Mexico City daily newspaper Excélsior. "The Banco México [central bank] says credit-card holders are responsible for 46% of the unpaid debts in Mexico. The level of noncompliance has increased by 17% thus far this year."

Yuste pointed out that El Buen Fin also provides an opportunity for some businesses to cheat consumers, which has prompted strong intervention from the federal consumer protection agency (Procuraduría Federal del Consumidor, PROFECO). "Of course, El Buen Fin campaign is considered a success, with businesses offering discounts of more than 50%," said Yuste. "Nevertheless, PROFECO has kept a close eye to ensure that this consumer orgy does not become a tragedy."

"We know that there are many businesses that are honest and keep their word regarding their sales," columnist Luis Walter Juárez wrote in the Mexico City daily newspaper Milenio. "But there are many others that manipulate prices. They say one thing, and when the consumer reaches the cash register, the discount is strangely no longer applicable."

Beyond the implications for consumers, some observers see broader consequences for the economy. Critics suggest the effort to promote consumption only provides short-term benefits. "Where are the programs that promote retail purchases outside the Christmas season?" asked independent analyst Ricardo Alemán in his online news site La Otra Opinión. "The bottom line is that this is an effort to inject credit and cash into the economy that lasts only a few days."

While there are parallels to the Black Friday sales that occur in the US on the day after Thanksgiving, some analysts see differences. "There is a huge difference. The discounts offered in the US are part of an effort by private retailers to promote their products at the start of the Christmas season," said syndicated columnist Sergio Sarmiento. "In Mexico, the program is supported by the government, which uses resources from taxpayers for promotion and advertising efforts and also distributes Christmas bonuses early."

Sarmiento said the government’s efforts to promote consumption are paired with a monetary policy that tends to discourage savings. "Because of the slowdown in our national economy, the Banco de México has reduced interest rates from 4% to 3.5%, said the columnist. "With a consumer-inflation rate of 3.36% annually, this makes the interest rate just barely positive. As a consequence, banks are paying interest rates of 2% or less per year on deposits, which is lower than consumer inflation."

"The government itself is exhibiting the same type of behavior that it is promoting among the citizens," said Sarmiento, in reference to the budget recently approved in Congress for next year. "In 2014, it will incur a budget deficit of 4.1 of GDP, or the equivalent of 721 billion pesos (US$55 billion). This is equivalent of about 16% of the total expenditures of 4.4 trillion pesos (US$341 billion) allocated for next year."
Teachers union stages protests during El Buen Fin

El Buen Fin campaign also provided an opportunity for social protest. In Oaxaca and Mexico City, members of the regional teachers union (Coordinadora Nacional de Trabajadores de la Educación (CNTE) used El Buen Fin campaign to bring attention to their opposition to President Enrique Peña Nieto’s public-education reform plan, approved by Congress at the end of 2012 (SourceMex, Dec. 12, 2012).

The CNTE’s main demonstrations have been taken place in Mexico City in the past several weeks (SourceMex, Sept. 11, 2013), with the union expressing displeasure with changes that impose new standards for evaluating, promoting, and training teachers (SourceMex, April 17, 2013).

While the protests continued in the Mexican capital, CNTE members in Oaxaca staged demonstrations in front of many of the businesses and commercial centers participating in El Buen Fin in Oaxaca City on Nov. 15-18. CNTE members in Oaxaca had a specific grievance aside from the overall opposition to the education reform. They were protesting a decision by parents and some municipal authorities to remove teachers from the schools after they refused to return to the classroom following weeks of CNTE protests. The striking teachers were replaced with educators affiliated with the larger teachers union (Sindicato Nacional de Trabajadores de la Educación, SNTE) or by recent university graduates. "We are going to continue these blockades on the next several weekends until they return our schools to us," said CNTE leader Norma Cruz.

CNTE protestors in Mexico City also attempted to block businesses during El Buen Fin weekend, but they were removed by police from the entrances to businesses. In Oaxaca, police did not attempt to remove the protestors, so sales in that city probably fell below expectations. [Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov. 20, 2013, reported at 13.09 pesos per US$1.00.]