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Electronic Commerce a Growing Rapidly in Mexico

by Carlos Navarro

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Mexican consumers are increasingly using their computers and smartphones to buy merchandise, spending about 162 billion pesos (US\$10.2 billion) on online purchases during 2014, an increase of 34% relative to 2013. A study by the Asociación Mexicana de Ventas Online (AMVO) said total online sales in Mexico have increased almost sevenfold from 2009, when commerce on the Internet amounted to about 24.5 billion pesos (US\$1.5 billion).

"This industry has registered growth rates in the double digits in the past five years," said AMVO president Eric Pérez. "We can say with confidence that there are few industries that grow at this rate."

A survey by the Internet analytics company Comscore provided further evidence that e-commerce is growing rapidly in Mexico. Three-quarters of the people surveyed said they purchased at least one item online during the first quarter of the year. A few years ago, the percentage was a much lower 15%, Comscore analyst Iván Marchant told the daily business newspaper *El Financiero*.

The survey also showed that the majority of the e-commerce was conducted with the use of a computer, although Mexican consumers also indicated an affinity for smartphones and tablets to make their purchases.

The report said the most popular purchases were clothing and accessories, followed by digital downloads and tickets for concerts and other events.

Weak economy hurt traditional retailers in 2014

The growth in consumer activity online came despite a slowdown in the Mexican economy, which forced the government to reduce spending for this year ([SourceMex, Feb. 4, 2015](#)).

In contrast, the slowdown was hard on traditional retailers, which failed to meet their sales goals last year. The Asociación Nacional de Tiendas de Autoservicios y Departamentales (ANTAD) had targeted a growth of 1.7% in sales in 2014, but the increase was a disappointing 0.9%

ANTAD president Vicente Yáñez said the organization expects sales to pick up in 2015, given projections that the Mexican economy will recover in 2015. Some economists are projecting GDP growth of 3.5% in Mexico this year, compared with about 2.2% in 2014.

"The good news is that this is going to be a better year than last year and perhaps better than in 2013," Yáñez told reporters. "Economic activity is going to improve, and as a result Mexicans will have more money in their pockets."

The retailers' group has projected an increase in sales of 2.3% this year. Some of the improvement was already evident at the beginning of the year. ANTAD members reported an increase of 5.2% in sales in the first quarter of 2015, compared with January-March 2014.

Other specific factors helped stimulate growth during the first quarter of the year, including a 6.5% increase in formal employment, a rise of 7% in remittances sent by expatriates to Mexico, and an expansion of almost 6% in the amount of credit available from banks.

"We anticipate this trend to continue," said Javier Salas, ANTAD's director of economic studies. "The sales in the first half will probably be seasonally high, and we expect a drop in the second six months. On average, we expected an increase of 2.5% for the year, which would be a positive development."

Some individual ANTAD members such as Wal-Mart de México (Walmex) reported strong sales during the first quarter of the year. The retailer reported an increase of 9.3% in sales in its Mexican and Central American stores during January-March.

The improvement in the economy is also expected to stimulate e-commerce. ANTAD members Walmex and Home Depot are among the Mexican retailers that have ventured into online sales. Even though e-commerce accounts for only 1.6% of Walmex's total sales at the global level, the company has made a major investment in Mexico.

Mexico catching up to Brazil in e-commerce

As many as 140 companies conduct online commerce in Mexico, including online fashion retailer Privalia; online marketplace MercadoLibre; Inditex, holder of Zara and Bershka; and Walmex.

Some analysts noted that Mexico could soon catch up to Brazil in the popularity of e-commerce. "Mexico has been overshadowed by the larger Brazil e-commerce market in the past," analyst Zia Daniell Wigder of Forrester Research said in a recent blog post. "However, as Brazil's economy slows and Mexico's continues to grow, major US and European brands have been directing their attention at Mexico."

The companies that have carved out a share of the e-commerce market in Mexico are now facing competition from the US-based retailer Amazon, which launched an expanded service in Mexico on June 30. Amazon has had a presence in Mexico since 2013, but its sales were limited to e-books. The online retailer will now offer a product line similar to the one available in the US and other countries, including consumer electronics, sporting goods, DVDs, books, baby items, tools, appliances, beauty and grooming products, and many other categories.

"Hoping to capture some of Mexico's growth, Amazon said it opened its physical goods store there in a bigger way than it had with at any other international Amazon website at launch," said the online news site CNET.

"We are launching in Mexico with more categories, more items and more features than any previous release we have made in other parts of the world," Amazon CEO Jeff Bezos said in a letter to customers on Amazon.com.mx.

Mexico is the newest market for Amazon, which also operates in Great Britain, Ireland, Germany, Spain, France, Canada, Italy, China, India, the Netherlands, Australia, Brazil, Russia, and Japan. Still, more than 60% of the company's sales come from North America, and most of those from the US.

"The biggest competition for Amazon will be retailers like Liverpool and Walmart and online sites like Linio," said Guillermo Pérezbolde, CEO of the Internet marketing company Mente Digital. "Because a consumer can buy the same product in two or more Internet sites, e-commerce providers

will have to offer exclusive products, guarantees, fast shipping, easy forms of payment, and greater customer service in order to remain competitive."

Amazon plans to offer free shipping on orders of 599 pesos (US\$38.00) or more and next-day delivery for Mexico City, Monterrey, and Guadalajara. However, this might not be a major advantage for the company. "In Mexico, Amazon faces the risk that customers with high expectations of US-style delivery will be disappointed," said the online technology site Quartz. [Peso-dollar conversions in this article are based on the Interbank rate in effect on July 8, 2015, reported at 15.85 pesos per US\$1.00.]

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