

Wal-Mart expanding throughout Mexico

By Amanda Lee Myers

Special for The Arizona Republic

Feb. 17, 2005 12:00 AM

When Wal-Mart began construction last year on a store near some of Mexico's most famous Aztec ruins, protesters showed up by the thousands.

They said the store, about 25 miles outside of Mexico City, would be a desecration of the pyramids - and of Mexico's culture.

The store was built anyway, and on opening day, the parking lot was filled with Mexican shoppers in search of bargains.

The battle over the Teotihuacan Bodega Aurrera, a Mexican subsidiary of Wal-Mart, made headlines around the world, but Wal-Mart won the real fight for Mexico long ago.

The world's largest retailer has so changed the economic landscape in Mexico that many Mexicans can no longer remember when they started to prefer local products to mass-produced ones - or why.

Growing fast

Wal-Mart has become Mexico's largest retailer with 671 stores and annual sales of \$10.6 billion in U.S. dollars. The sales include \$6 billion in food, more than any other retailer in Mexico.

All that growth happened in a scant 13 years.

Wal-Mart came to Mexico in 1991 when it entered into a joint venture with Cifra, a large Mexican retailer. In 1997, Wal-Mart bought out Cifra and changed its name to Wal-Mart de México.

The company employs more than 105,000 people at Sam's Club, Supercenter, Superama, Suburbia and Bodega stores, as well as 262 restaurants, including 16 franchises, across Mexico.

Its sales represent almost 2 percent of Mexico's gross domestic product, about the same as in the United States, according to a 2003 report in The New York Times. It controls almost 30 percent of all supermarket food sales in Mexico and about 6 percent of all retail sales, also about the same as in the United States.

In the northwest state of Nuevo Leon, whose capital is Monterrey, there are 12 Vips restaurants, four Wal-mart Supercenters, four Sam's Clubs and eight other large Bodega discount stores - all owned by Wal-Mart.

Hard to compete

The magic formula for Wal-Mart in Mexico is the same as in the United States: Sell everything under the sun at a lower price than anyone else.

That, of course, has hurt the guy next door.

"Sales have sure gone down," said 58-year-old Hilda Garcia, who owns a business in one of Monterrey's outdoor markets.

Even in Monterrey - arguably the most Americanized city in the country both culturally and commercially - the market feels like real Mexico.

About 30 minutes outside the city, it is alive with smells of barbecued chicken, tacos and cornbread. Hand-crafted furniture, clothing, shoes, jewelry and food stands line the streets, which bustle with hoards of customers on weekends.

Garcia's shop is nestled between a sweets shop and another food stand. She stands and watches customers rifle through necklaces and bracelets, offering advice or haggling over prices.

Like many other Regios, as Monterrey residents refer to themselves, Garcia never planned to work at the market. The short and regal dark-haired woman used to make better money as the owner of a small grocery store in the city.

That was before Wal-Mart and H-E-B came to town.

Texas-based H-E-B, named for its founder Howard Edward Butt, is another Wal-Mart-like superstore whose mission is to provide the freshest and highest-quality products to consumers, although that often means higher prices.

Garcia said her grocery store was no match for the two retail giants, which is why she now works in the market. She said she barely breaks even.

"A lot of people don't come here," she said. "It's not that I want those companies to leave, but I wish they would just let up a little so we can make some money."

Alejandro Gomez, the director of foreign investment for Nuevo Leon, the state in which Monterrey is located, said some locals may resent American business, but that's just a consequence of globalization.

"In the end, we have more jobs {ellipsis} It gives us more choices and makes Neuvo Leon more cosmopolitan," Gomez said.

A flock of shoppers

Outside of one of Monterrey's Wal-Marts on a hot October day, the parking lot is packed with cars and shoppers coming and going.

As 25-year-old Cristina Días loads a cartful of groceries into her trunk, her mother starts the car to get the air conditioning flowing.

"It's cheap. It's very cheap, and it's open 24 hours," Días said of why she chooses Wal-Mart over other local businesses, including Mexican supercenters such as Soriana and Gigante.

A 2004 study done by TGI Mexico confirms what Dias said. Mexican shoppers reported that the most important reason they shop at Wal-Mart is price.

Twenty-nine-year-old Jorge Chavez Acosta said he chooses Wal-Mart for the prices, location and myriad products.

"There's a Soriana closer to me, but they don't have as many vegetables as I like," he said. "And there are better prices here than anywhere else."

A couple of miles up the street, Mexican-owned Soriana looms over one of the busiest streets in the city. The sprawling building is eerily reminiscent of a Wal-Mart, although with one glaring difference: the crowds.

"Wal-mart is very aggressive," said Soriana manager Ofir Ruiz Núñez. Wal-Mart, for example, places giant signs throughout its Mexican stores comparing its prices

to Soriana's.

"They don't have a heart. They're like cannibals," Núñez said. "Mexican businesses negotiate, but with Wal-Mart and H-E-B, it's war."

To compete, Soriana paired up with two other large Mexican food retailers - Sinergia and Gigante - to pool their resources.

"Soriana learned what it had to learn, and it learned it fast," Núñez said. "It's the only way we could compete."

Still, Núñez said the three Mexican companies are like David to Wal-Mart's Goliath. He said while Wal-Mart dominates Monterrey, accounting for about 56 percent of retail business there, Soriana and its partners get about 17 or 18 percent.

Javier Bolanos Cacho Martinez, who works with Gomez in the Nuevo Leon Office of Economic Development, sees nothing wrong with what's happened to Soriana and other Mexican retailers.

"When Wal-Mart first came, (Soriana) started losing market share, then it started investing more and now it's very competitive," he said. "Competition has made it better."

Martinez and Gomez acknowledged that big U.S. chains like H-E-B and Wal-Mart have shut down Mexican businesses, but in the end, Mexico is better off because there are more jobs, they said.

"We are concerned, but if we did not have this, there would be more people on the street stealing," Gomez said.

Wal-Mart would not comment for this story. H-E-B spokeswoman Norma Treviño defended her company against those who would "demonize" it.

She spoke of the way business founder Howard Butt built the company from scratch and how H-E-B uses aggressive methods to provide Mexicans with the best service in town. In 2004 alone, 20 new chains opened nationwide.

"H-E-B is popular because of its consistency in service and fresh food," she said. "If you don't give people what they want, they won't stay with you."

The U.S. retailers have also done a good job making their stores appeal to Mexicans, offering a variety of Mexican products and adjusting its advertising to the Mexican market.

Overall, Mexicans have been more accepting of the giant retailer than their American small business counterparts who have fought - often bitterly - to keep Wal-Mart out of their communities.

Except, of course, in Teotihuacan, where the new world confronted the old head-on.

But in Mexico's new world, where jobs trump almost everything else, Mexicans like Martinez don't understand why there was such a fuss about building a Wal-Mart so close to the famous Mexican pyramids.

"I would say, yeah, sure. Come on in," he said. "As long as you don't open it inside the pyramid."

Tec de Monterrey student Suzette Pallares contributed to this report.

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