



Agriculture and
Agri-Food Canada

Agriculture et
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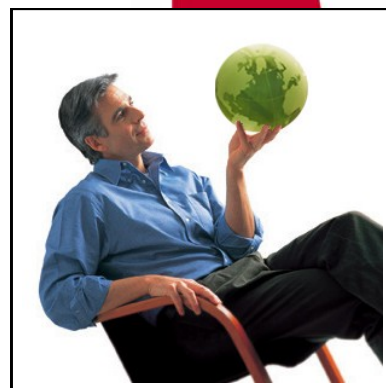
Foodservice Profile Mexico



Source: Mintel.



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► EXECUTIVE SUMMARY

Mexico is home to 113 million inhabitants (INEGI, 2011) and is Latin America's second-largest economy, behind Brazil. The country's proximity to the United States (U.S.), has allowed it to experience significant trade with this global superpower, accelerating Mexico's development. Since the implementation of the North American Free Trade Agreement (NAFTA), Mexico has seen consistent growth and a steady increase in purchasing power. Growing levels of education have led to higher-paying jobs for Mexican consumers, which has contributed to a growing consumer market.

However, as a result of the global recession, the country's dependence on trade with the U.S., together with the depreciation of the peso, have harmed the Mexican economy and hampered its growth. This has caused the country to suffer its deepest recession since the mid-1990s. In fact, the economic downturn has affected Mexico's economy so strongly that it is said to have suffered more than almost any other Latin American country.

Despite Mexico regaining a positive gross domestic product (GDP) in 2010, the consumer foodservice (CFS) industry continues to struggle. Lingering effects of the global recession and growing insecurity in the country have harmed the potential growth in Mexico's CFS industry. Consumers continue to be cautious with their spending, and while the industry is expected to return to pre-crisis levels, only certain channels, such as the fast food category, will see significant positive growth in the near future.

The tourism industry represents 15% of Mexico's GDP (Datamonitor), and in 2010, 22.4 million tourists from around the world visited Mexico, making it the world's 10th-largest tourist destination (World Tourism Organization). While this is a strong position, it is lower than in previous years, when Mexico ranked as high as 7th (2007). The recession and drug-related crime have contributed to a negative perception of Mexico, impacting tourist gains. The Mexican government has implemented the "Programa Mundo Maya" in an effort to strengthen and attract more tourists. The program aims to position Mexico as a top tourist destination by promoting cultural and ecological tourism in the country (Secretaria de Turismo). However, the economic climate and safety measures will decide the fate of many of Mexico's travel and tourism companies and thus, the foodservice operators that depend on them.

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► COUNTRY PROFILE

Mexico has the 11th-largest economy in the world and the 2nd-biggest economy in Latin America. However, the world economic recession took a severe toll on Mexico's economy, registering a 6.1% GDP decrease in 2009 and a modest 5.5% GDP growth in 2010. Despite the negative attention in the media due to drug-related crime, Mexico has seen opportunities to grow in various sectors, as socioeconomic influences encourage the market to evolve.

Economic Indicators in Mexico

Indicator	2008	2009	2010	2011	2012
Inhabitants	106,683,000	107,551,000	108,627,000	109,713,000	110,810,000
GDP USD millions	1,077,890.88	879,764.09	1,033,556.37	1,086,462.54	1,153,142.93
GDP per capita (US\$)	10,103.68	8,179.97	9,514.73	9,902.77	10,406.49
GDP Real Growth (%)	1.19	-6.16	5.42	3.79	3.61
Consumer price inflation (%)	5.13	5.30	4.15	3.37	3.13
Total consumer spending (US\$ millions)	710,740.28	589,812.88	688,695.39	718,897.59	765,416.66
Total consumer spending per capita (US\$)	6,662.17	5,484.03	6,340.00	6,552.53	6,907.47

Source: Planet Retail.

Demographics

► The Mexican population has increased rapidly at an average and steady growth of 1.3% per year between 1990 and 2010. Fertility rates are stagnating, but are still high in rural areas and among the native population (Central Intelligence Agency [CIA] World Factbook). Migration to the United States and Canada has also become significant, with the number of Mexican citizens residing abroad reaching as high as nine million (Planet Retail).

► As of mid-2011, 65.2% of the Mexican population was between 15 and 64 years of age. The country has a large working population, with a low median age of around 26 years (CIA World Factbook).

► Mexico's large youth population has led to an increasingly urbanized country, with the majority of inhabitants living in urban centers. Mexico City is by far the largest city in the country, with a population of 8.7 million in its federal district, and roughly 20 million inhabitants when including the surrounding metropolitan area (Planet Retail). Guadalajara and Monterrey are other major metropolitan cities. According to Planet Retail, Mexico has an urban population of around 75%, which is as high a proportion as France and higher than Italy. This undoubtedly favours further modernization and has caused Mexican cities to expand dramatically in recent years.

Education

► According to Datamonitor, Mexico has made an increased investment in education in the past 15 years, due largely to the growing population which has produced more students than in the past.

► The literacy rate for Mexico's total population aged 15 years or older is 93.8% (Euromonitor, 2010). As more Mexicans attain higher education levels, opportunities for higher-paying jobs will increase.



Source: Shutterstock.



► COUNTRY PROFILE (continued)

Income Levels

- Disposable incomes in Mexico have nearly doubled in the last decade and continue to increase on a yearly basis. However, per capita income is still one-fourth that of the United States.
- Income distribution remains highly unequal in Mexico; wealth tends to be concentrated in large metropolitan zones and amongst a minority of the population. For example, people residing in the northern states within areas that border the U.S. have enjoyed a higher standard of living than their counterparts in the rural southern regions, where subsistence agriculture remains the dominant sector.
- Mexico's middle class is larger and has more purchasing power than ever before (Euromonitor).

Eating Habits

- Mexicans tend to eat three times a day, with a light breakfast and light dinner, and a heavy lunch in the middle of the day. Consumers frequently eat at their places of work and meet in restaurants.
- Mexicans eat a combination of local foods and foreign imports. The population is becoming increasingly accepting of foreign foods, such as American fast food, as well as European and Asian cuisines. However, it remains important to most Mexicans to eat in keeping with their culture by including tortillas, lime, avocado, peppers and other local ingredients.

Health and Wellness

- According to the Organisation for Economic Co-operation and Development (OECD), Mexico became the most overweight and obese nation in the world in 2010, surpassing the United States. The Mexican Ministry of Health has reported that 69.5% of Mexico's adult population is either overweight or obese. Moreover, child obesity is of great concern. Statistics from Mexico's National Institute for Public Health show an increase in the child obesity rate from 18.4% in 1999, to 26.2% in 2006, a yearly growth of 1.1%.
- Many low-income Mexican consumers are not familiar with the benefits of healthier foods or broader nutritional information and, for the most part, cannot afford to pay premiums on products in this sector. Packaged food or fast food, which are generally cheaper and more convenient, frequently replace whole meals. However, the Mexican diet is gradually evolving towards healthier options.
- According to Euromonitor, health concerns related to excess weight, obesity, and diabetes in Mexico are forcing companies to reformulate or adapt their food products. Some items, for example, are now being offered with reduced fat and sugar or increased fibre. Although there is still a strong correlation between income levels and nutrition, larger players in the market are further expanding their presence in the healthy foods sector.
- The Mexican government has been taking a step-by-step approach to changing eating habits in Mexico by educating the population and broadening the availability of inexpensive, healthy foods. The main challenge lies not only in educating young consumers but also in making healthy foods affordable to all.
- In 2009, a law came into effect regulating the advertising of junk food in the mass media. The law is also expected to regulate the amount of advertising directed towards children. Along the same lines, in April 2010, a new law to prohibit the sale of junk food in elementary and secondary schools was implemented, along with a mandatory 30 minutes of daily exercise on school grounds.
- While many restaurants are taking steps towards offering healthier low-calorie options, many in the CFS industry have not taken this approach, as recovering from the financial crisis over the past two years has taken priority (Euromonitor).



Source: Shutterstock.



► COUNTRY PROFILE (continued)

Rising Food Prices

► According to Datamonitor, Mexico saw price increases in 2008 for commodities such as wheat, corn and rice, along with increases in prices from domestic producers for other items such as fruit, vegetables, meat and milk. Cereal prices grew by up to 63% in 2008, vegetables grew by 66-157%, poultry prices increased by 23% and pork increased by 37% (Datamonitor).

► In April 2011, the World Bank reported the price of maize, a basic staple for Mexican food, had increased by 37% over the previous three months.

Smoking Ban

► In 2009, a smoking ban was introduced in Mexico, effective in all public places. The law bans smoking in enclosed public establishments, which includes restaurants and bars. There are few exceptions to this law, however it is not always strictly followed, with restaurants, clubs and bars being the worst offenders in terms of still allowing customers to smoke on the premises (Euromonitor).

► As early as the first quarter of 2009, consumer foodservice operators reported having fewer customers at lunch and in the evening but more at breakfast time, which may be linked to the smoking ban. Fewer desserts and coffees were sold, and a notable increase was seen in sales of ready meals and meal solutions through supermarkets, hypermarkets and convenience stores. This has been attributed to an increased number of workers opting to take their own meals to work after the ban, instead of going out.



► IMPLICATIONS OF THE FINANCIAL CRISIS

► The Mexican economy is closely integrated with that of the U.S., with exports to the U.S. representing one fifth of the Mexico's GDP. In 2008, plunging demand in the American market due to the recession caused considerable damage to Mexican exports, causing them to fall by 36% (Datamonitor). The impact of the recession was also felt in the form of a weak currency, restricted access to business and consumer credit, falling industrial output, negative real wage growth and, lastly, rising unemployment. Although Mexico's unemployment rate will remain lower than that of most Latin American countries, half a million Mexicans lost their jobs from October 2008 to February 2009. The decline in Mexico's economy was almost four times that of Latin America as a whole.

► The consumer foodservice industry saw its lowest positive growth in 2008, and the following year was even more difficult as the national economy suffered from the global recession. The CFS industry registered weak sales gains of just 3% during 2009 (Euromonitor). It was expected that 2010 would see more substantial growth rates as the economy recovered. Those expectations have now been pushed to 2011, as GDP growth for the country is forecast at 3.8% for 2011 (Euromonitor).

► The economic crisis also shaped consumer spending patterns, causing Mexico's consumer confidence to fall by 21% in January 2009, the lowest level ever registered (Datamonitor). During the same month, credit granted by commercial banks to the population for basic consumption also fell by 34% compared to the same month in 2008, resulting in a fall in spending (Datamonitor).

► Consumer spending on food and foodservice is expected to return to pre-crisis levels by the end of 2011. Foodservice sales per capita are expected to increase to US\$379.81, an increase of 22% from 2009. Total food spending per capita is expected to reach US\$1,682.92 in 2011, a 16% increase from 2009.



► FOODSERVICE SECTOR OVERVIEW

► The consumer foodservice sector in Mexico was a US\$41 billion industry in 2010. While the size of the industry diminished significantly from previous years due to the global recession, it is expected to grow at a compound annual growth rate (CAGR) of 3.8% over the next five years (Euromonitor).

► The main category in the CFS industry is full-service restaurants, with a 52% value share, followed by the street stalls/kiosks and fast food categories. While the fast food category only represents 14% of total CFS, it is expected to have the largest growth rate in the near future. Euromonitor estimates it will record a CAGR of 4.7% between 2011 and 2015.

Market Sizes - Mexico Foodservice Value in \$US Millions - Constant 2010 Prices

Category	2005	2006	2007	2008	2009	2010
Consumer Foodservice	47,333.9	46,905.1	47,523.3	46,486.5	41,365.3	41,076.7
100% Home Delivery/Takeaway	716.3	746.5	782.9	789.2	733.1	721.5
Cafés/Bars	4,499.0	4,726.3	4,853.7	4,949.2	4,618.3	4,589.3
Full-Service Restaurants	25,400.3	25,474.5	25,548.9	24,997.7	21,647.3	21,384.6
Fast Food	5,797.5	6,068.7	6,370.5	6,352.9	5,928.1	6,074.5
Self-Service Cafeterias	-	-	-	-	-	-
Street Stalls/Kiosks	10,920.9	9,889.2	9,967.3	9,397.5	8,438.5	8,306.8
Pizza Consumer Foodservice*	1,350.0	1,335.1	1,365.4	1,358.3	1,237.2	1,215.0

Source: Euromonitor, 2011.

*Pizza Consumer Foodservice includes three sub-sectors: pizza fast food, pizza from full-service restaurants, and pizza from 100% home delivery/takeaway. These sub-sectors are also already included in the fast food, full-service restaurants and 100% home delivery/takeaway totals.

Forecast Market Sizes - Mexico Foodservice Value in \$US Millions - Constant 2010 Prices

Category	2011	2012	2013	2014	2015
Consumer Foodservice	42,603.4	44,361.9	46,338.3	48,635.5	51,351.6
100% Home Delivery/Takeaway	743.4	770.8	803.8	842.6	886.9
Cafés/Bars	4,763.3	4,960.6	5,184.2	5,447.8	5,763.8
Full-Service Restaurants	22,273.1	23,284.3	24,387.1	25,667.6	27,164.9
Fast Food	6,325.6	6,622.1	6,978.6	7,401.0	7,905.3
Self-Service Cafeterias	-	-	-	-	-
Street Stalls/Kiosks	8,498.1	8,724.2	8,984.6	9,276.5	9,630.7
Pizza Consumer Foodservice*	1,254.1	1,299.9	1,354.1	1,416.4	1,489.5

Source: Euromonitor, 2011.

*Pizza Consumer Foodservice includes three sub-sectors: pizza fast food, pizza from full-service restaurants, and pizza from 100% home delivery/takeaway. These sub-sectors are also already included in the fast food, full-service restaurants and 100% home delivery/takeaway totals.



► FOODSERVICE SECTOR OVERVIEW (continued)

► Expenditures on food and foodservices in Mexico are returning to pre-recession levels. Total food spending per capita was US\$1,645.77 in 2010, and foodservice sales per capita reached US\$365.14. It is expected that as the economy continues to improve, consumers will have more disposable income to eat out and spend on foodservices.

Mexican Consumer Spending on Food and Foodservices

Category	2006	2007	2008	2009	2010	2011*
Foodservice sales (US\$ millions)	34,258.38	37,515.47	40,221.50	33,393.71	39,663.56	41,670.18
Foodservice sales per capita (US\$)	326.72	354.62	377.02	310.49	365.14	379.81
Total food spending (US\$ millions)	166,196.12	178,227.76	187,219.52	154,834.27	178,775.02	184,638.62
Total food spending per capita (US\$)	1,584.98	1,684.72	1,754.91	1,439.64	1,645.77	1,682.92

Source: Euromonitor, 2011. *2011 figures are estimates based on part-year data.



► FOODSERVICE PERFORMANCE BY CHANNEL

Full-Service Restaurants

► Of the entire foodservice sector, the full-service restaurant (FSR) channel was the most severely affected by the global economic recession. In 2009, the industry reported a 9% sales loss and the closure of 9,000 restaurants (Euromonitor). While 2010 presented a more positive view, value sales rose by only 3% and concerns of economic weakness and uncertainty were dominant amongst business owners.

► The largest brands in the FSR channel in terms of outlet volume, are supported by large commercial conglomerates such as Wal-Mart. These retailers and commercial holdings are generally strong in terms of financial resources and have effective management practices, using their business knowledge to develop the largest FSR chains in the country. To increase the effectiveness of promotional activities and encourage consumption, large conglomerates in Mexico amalgamated promotions for various businesses under their ownership.

► In addition to a decrease in consumer spending, compressed schedules in large- and mid-sized urban areas increasingly forced workers to take a working lunch, or a shorter lunch break. This led to an increasing share of takeaway expenditures. Nonetheless, eat-in sales still dominate, accounting for 94% of total FSR value sales in 2010 (Euromonitor). It is interesting to note that side takeaway operations for chained businesses such as Chili's Grill & Bar, Sushi Roll or Taco Inn are becoming increasingly popular.



► FOODSERVICE PERFORMANCE BY CHANNEL (continued)

Channel Synopsis

► Chili's Grill & Bar, Applebee's Neighborhood Grill & Bar and La Mansion were the strongest performers in the business, allowing North American FSRs to see a strong increase in sales of 15%, as well as 20 new outlet openings during 2010 (Euromonitor). The average transaction price at these chains is high, therefore, expansion helped boost overall sales. Consumers seemed to appreciate the ambience of these outlets, resulting in growth. According to Euromonitor, this achievement is particularly notable given that chained European FSRs saw only a 3.2% increase in current value sales in 2010, while all remaining chained channels saw current value sales growth of 7% over the previous year.

► Independent FSRs accounted for 98% of outlets in the country and 80% of total value sales in 2010 (Euromonitor). Most of these restaurants primarily focus on traditional Mexican dishes, such as tacos, tortas, quesadillas and pozole, and are less expensive to launch. Most FSR brands are domestic in Mexico, even those identified with a foreign cuisine such as Sushi-itto, Italianni's or Ginos. In terms of outlet volume, around three quarters of total outlets are operated by domestic owners, leaving only one quarter to international players.

Channel Prospects

► Many official and private sources expect the foodservice industry to regain pre-crisis value sales by 2012. However, ongoing increases in food prices will continue to put pressure on the consumer foodservice sector as a whole, allowing FSRs to grow very little between 2008 and 2013 (Euromonitor). According to Euromonitor, FSR operators are expected to increasingly offer home delivery or takeaway services as they seek to gain more consumers. They are also expected to launch customer loyalty programs, encouraging repeat visits.

► The main focus for FSRs in the short term will be to control costs. Leading players will seek less expensive supply contracts and will introduce more affordable menus. Companies with foreign suppliers will suffer, as these contracts became more expensive following the currency depreciation seen at the end of 2008 and beginning of 2009. FSR operators will try to keep prices as low as possible in the short term, passing price increases on to consumers only when there is no other choice. During times of economic crisis, consumers become more sensitive to prices and thus, price increases can harm transaction volume levels. Promotional initiatives are expected to continue until the economy begins to recover.



Source: Mintel.



Source: Shutterstock.



► FOODSERVICE PERFORMANCE BY CHANNEL (continued)

Cafés/Bars

► Although the cafés/bars channel has grown in popularity in Mexico in recent years, growth has slowed as a result of the global economic crisis. Nonetheless, the cafés/bars channel was less severely harmed than other foodservice channels. In 2008, this channel experienced a reasonable 8% growth rate in value sales, down from a double-digit growth rate seen in the previous year. However, cafés/bars registered a positive growth of just 4% in 2010, and the addition of 430 new outlets, reaching a total of 29,133 in the country (Euromonitor).

► Mexico's demographics have helped cafés/bars post-recession, with a large percentage of the population being under 30 years of age. These younger consumers generally have more disposable income and choose to indulge by visiting cafés/bars to socialize (Euromonitor).

Channel Synopsis

► In 2010, independent cafés/bars accounted for 92% of total outlets, most of which are family owned. Many of these outlets serve consumers in a particular neighbourhood and act as a social meeting place, which creates strong customer loyalty. Chained bars grew by 13% in 2010, making it the fastest-growing category in the foodservice industry.



Source: Planet Retail.

► Specialist coffee chains, notably Starbucks, have become more popular among Mexican consumers who increasingly opt for specialized coffee blends at premium prices. Starbucks de Mexico was the leader in terms of value share in chained cafés/bars in 2010; however, Italian Coffee, another chain, has quickly gained ground by expanding across the country. This has resulted in a strong rivalry between the two companies, with Italian Coffee posed to challenge for the leading position in value terms. Instead of competing with Starbucks' storefront approach, the Italian company has taken a different strategy by opening outlets within forecourt retailing, such as kiosks in shopping malls, and other non-conventional sites for specialist coffee.

► Premium and imported coffees are drawing interest from wealthier Mexican residents, as a few niche Italian coffee shops, such as Lavazza, increase their presence with outlets in the most affluent areas of Mexico City.

► McCafé and Café Punta Del Cielo are other chained coffee specialists that have reached the Mexican market. Café Punta Del Cielo offers high-quality coffee products at high prices, with similar positioning to Starbucks, but a strong emphasis on its products' domestic origin.

► Cielito Querido Café, a new chained coffee company, now offers high-quality coffee in outlets with Mexican décor and style. The company bring a new twist to the market, offering traditional style food and drinks not found in other specialist coffee shops, such as café de olla, agua de horchata, rompo and cajeta flavoured coffee. The company is owned by Autobuses del Oriente (Euromonitor).

Channel Prospects

► While there has been growing interest in coffee consumption leading to dynamic growth in specialist coffee shops, there are divergent opinions on how soon this market will reach saturation. Some analysts believe that the double-digit sales growth over the past few years will soon lead to market saturation, as Mexicans consume low levels of coffee. Other analysts believe that this low consumption leaves room for continued growth in sales. Euromonitor predicts that there will still be room for expansion of specialist coffee shops, especially since Starbucks opened 300 outlets in Mexico at the beginning of 2011 and expects to double this figure within five years.

► The price increase of raw materials such as milk, coffee beans and wheat flour will be the biggest threat for this channel. Companies have absorbed much of the increases in commodity prices, keeping retail price increases to a minimum. However, persistent increases in these commodities may force players to pass on price increases to the consumer.



► FOODSERVICE PERFORMANCE BY CHANNEL (continued)

Fast Food Restaurants

- The economic crisis had a strong impact on fast food sales through the last quarter of 2008 and early 2009. However, most fast food outlets saw good recovery during 2010, with sales in the channel as a whole increasing by 7%. As Mexico continues to recover from the economic downturn, the fast food sector will work to regain the profits lost over the recessionary period. Euromonitor expects this sector to outperform other CFS sectors.
- Chained outlets accounted for 50% of the industry's total sales, and 55% of total foodservice sales in 2010. The launch of price promotions is common in fast food; however, the economic climate allowed for promotions to accelerate dramatically in the sector, with individual meal deals and family packs.
- The growth of convenience store OXXO in 2010 contributed significantly to the convenience fast food category which reported an impressive 23% increase in sales. OXXO convenience stores currently have over 8,000 outlets.
- Fast-casual fast food has progressed slowly in the country and remains an underdeveloped concept. It is only represented by franchises such as Spoleto, offering high-quality fast food on plates and beverages in real glasses. Development of this sub-channel will still take some time.
- The popular Mexican torta, a variation of the sandwich made with any two types of special bread called bolillo or telera, is one of the most popular sandwiches.
- No significant change was reflected between eat-in and takeaway ratios, with 18% of total sales represented by eat-in orders and the rest by takeaway. It's important to note that all food consumed in food courts is counted as takeaway.

Channel Synopsis

- The taco, a Mexican favorite and popular option within the Latin American fast food category, saw notable growth. Latin American cuisine is the most significant form of fast food in Mexico, with a large number of independent taquerias, torterias and other small establishments across the nation. While large fast food chains are constrained by standardized production, independent outlets are free to offer more creative promotions.
- Chained outlets accounted for almost half of value sales in the fast food category in 2010, which allowed the fast food sector to grow rapidly in recent years. Nonetheless, within chained fast food in Mexico, convenience store chains are the largest players in terms of outlet volume.
- The split between domestic and international companies varies across different fast food channels. International companies dominate in a few areas, including burger fast food (Burger King and McDonald's), bakery product fast food (Subway), and chicken fast food (Kentucky Fried Chicken). Meanwhile, all other fast food channels are dominated by domestic brands. This includes channels with a foreign positioning, such as Asian fast food and Middle-Eastern fast food, which are also controlled by domestic players (Euromonitor).

Channel Prospects

- Franchising will be the best tool in terms of achieving growth and influence in this sector. Fast food players are expected to boost sales through product expansion in the medium term, as leading fast food companies try new products and replace or improve existing offers to better adapt to changing consumer demands.
- As in other sectors, companies will continue to control the increasing cost of food due to the increasing price of raw materials. Companies are expected to maintain price promotions and discounts, while chained businesses are expected to continue establishing themselves in mid-sized urban areas.



► FOODSERVICE PERFORMANCE BY CHANNEL (continued)

Street Stalls and Kiosks

► In contrast to the FSR sector, street stalls and kiosks saw strong outlet volume growth despite the economic crisis. Street stalls and kiosks are fairly easy to manage, require a small investment and offer low entrance barriers, with fewer stringent, official regulations. Therefore, for unemployed and underemployed Mexicans, launching a business in street stalls and kiosks is a popular option. Moreover, prices within this channel are very low, thereby attracting more consumers during the downturn. There is minimal opportunity in this segment for international businesses, as most outlets are independently owned and domestically supplied.

Channel Synopsis

► Street stalls and kiosks generally offer menus based on traditional Mexican food such as tacos, quesadillas, tostadas, tortas and tamales. North American fast food dishes, such as burgers and hot dogs, are also important. Other popular menu items include ice cream, pizza, fruit/vegetable juice, peeled fruit (mangoes, oranges and apples, for example) and peeled vegetables (jicamas, or carrots and cucumbers sprinkled with chili powder and salt).

► There are two formats in the street stalls and kiosk channel. The first consists of permanent metal structures that are firmly attached to the pavement, and most often grouped together in particular sites. The second format consists of mobile kiosks, which typically arise in areas with a low presence of permanent street stalls, such as shopping malls.

► The large majority of street stalls and kiosks were independent in 2010, with chains accounting for just 1% or 817 outlets. Both chained and independent street stalls and kiosks are dominated by domestic brands. The leading company in this sub-sector, in terms of outlet volume, was Grupo Empresor SA de CV in 2010 (Euromonitor).

Channel Prospects

► The street stalls and kiosks channel saw sales growth of 3% in 2010, with total outlet numbers reaching 353,000. This positive expansion is predicted to continue in the future, with outlet numbers reaching 398,000 and sales expected to be up 16% in 2015.

Home Delivery and Takeaway Services

► Although home delivery and takeaway services in Mexico only accounted for 1% of total sales in the foodservice sector in 2010, the sub-sector has seen strong growth between 2003 and 2008 (Euromonitor). The economic crisis had a less damaging effect on this sub-sector than others, registering a growth of almost 6% in 2008. However, in 2010, this sub-sector registered limited growth in outlets of 1%, and an increase in value sales of just 3%. Outlets are expected to grow by 17% and value sales by 23% for 2011.

► Several elements have impacted value growth levels, including an increasing number of foodservice outlets in Mexico and a growing trend toward convenience among consumers. The rising costs of ingredients and subsequent price increases also led to value growth. The smoking ban and recessionary conditions also boosted sales of home delivery and takeaway service, as more Mexicans were deterred from the more expensive option of eating out.



Source: Planet Retail.



Source: Planet Retail.



► FOODSERVICE PERFORMANCE BY CHANNEL (continued)

Channel Synopsis

► In 2010, 48% of value sales in the home delivery and takeaway service came from chained establishments, due largely to greater average transaction prices. Pizza was the preferred food delivery channel. While other channels increasingly offer home delivery, notably Latin American fast food, players in these channels are on a much lower level in terms of sophistication, national coverage and points of sale in comparison to pizza companies. While there is room for growth in various home delivery and takeaway services, these opportunities have not yet materialized, and the offering of foods other than pizza is still a small portion of the total.

► Domino's Pizza is by far the strongest brand in home delivery and takeaway services. Alsea, the largest franchisor of Domino's Pizza in Mexico, saw strong growth by expanding the brand throughout the country. Mexico is listed as the second-most significant country in the world, after the U.S., in terms of sales for Domino's Pizza. Another player in this sector is Italianni's Pizza takeaway, a successful FSR chain in Mexico that ventured into home delivery and takeaway in order to diversify its offering. While home delivery and takeaway services are expected to grow, particularly within Latin American fast food, pizza will remain the favourite in this sub-sector. Pizza companies are also expected to expand their food menus to counteract the increased availability of home delivery by other fast food chains.

► Large retailers will continue to pose a strong threat to established businesses in home delivery and takeaway services by offering prepared food by the kilo. These outlets benefit from a large network of retail stores, unmatched by any chains in this sub-sector.

Channel Prospects

► According to Euromonitor, this sub-sector is expected to see outlet numbers grow from now until 2013, as operators benefit from the after-effects of the recession and consumers' increased price sensitivity. The offerings in this sector are expected to grow, as operators see opportunities in Latin American-style takeout.

► BRAND SHARES

**Top 10 Brand Shares Ranking in Mexico
by Global Brand Name—2010**

Rank	Brand	Company Name (Global Brand Owner)
1	OXXO	FEMSA (Fomento Economico Mexicano SA de CV)
2	Restaurante Sanborns	Carso SA de CV, Grupo
3	VIPs	Wal-Mart Stores Inc
4	Burger King	Burger King Holdings Inc
5	McDonald's	McDonald's Corp
6	Domino's Pizza	Domino's Pizza Inc
7	KFC	Yum! Brands Inc
8	Subway	Doctor's Associates Inc
9	Starbucks	Starbucks Corp
10	Toks	Gigante SA de CV, Grupo

Source: Euromonitor, 2011.



► BRAND SHARES (continued)

Top 10 Brand Shares Ranking in Mexico by Global Brand Name and Number of Outlets–2010

Rank	Brand	Company Name (Global Brand Owner)	Units/Outlets
1	OXXO	FEMSA (Fomento Economico Mexicano SA de CV)	8,275
2	7-Eleven	Seven & I Holdings Co, Ltd	1,070
3	Extra	Modelo SA de CV, Grupo	950
4	Hawaiian Paradise	Franquiciadora Hawaiian Paradise SA de CV	747
5	Heladerias Holanda	Unilever Group	600
6	Domino's Pizza	Domino's Pizza Inc	584
7	Subway	Doctor's Associates Inc	495
8	Burger King	Burger King Holdings Inc	494
9	The Italian Coffee Company	Italian Coffee SA de CV	397
10	McDonald's	McDonald's Corp	390

Source: Euromonitor, 2011.



Source: Planet Retail.



Source: Planet Retail.

► CONCLUSION

The global economic recession took a severe toll on Mexico's economy, which greatly affected the consumer foodservice sector. Falling consumer expenditures hit the industry dramatically, affecting mostly full-service and fast food restaurants. Price promotions and low-priced meals became prominent, as players tried to revitalize sales and attract customers. However, a slow recovery was seen in 2010, and it is expected that Mexico's economy will continue to improve throughout 2011 and onward.

As Mexican consumers engage in accelerated lifestyles, with busier work schedules and more demands on their time, the convenience factor has grown in popularity amongst consumers. Options such as home delivery and takeout services, as well as more affordable meals sold through street stalls and kiosks, will continue to see growth. With local foods remaining important to the Mexican population, it is expected that Latin American foods through takeout foodservice will continue to be popular in the medium term. Meanwhile, other channels will slowly make their way into the market, as Mexicans become more accepting of foreign foods. Growing rates of obesity and type-two diabetes have led consumers to demand healthier food products from service establishments. The government will continue to focus more and more attention on combating the rising obesity-related health concerns.

A combination of healthy ingredients, convenience, and competitive price points will give Canadian suppliers and manufacturers a strong competitive advantage in the Mexican marketplace. As Mexico's middle-class becomes increasingly influential, the country will regain its status as an important emerging purchasing power. However, patience will be required throughout the slow progression toward economic stability.



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The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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