

Rx for Entering Mexico's Vigorous Health Food Market

By Lourdes Guzman

The Mexican market for health foods has been growing steadily over the past 10 years, fueled by consumers' increasing awareness of the benefits of a healthier diet and their rising per capita incomes.

Hot Products

The products considered in this story are:

Power bars: These products include breakfast, snack or lunch bars, and meal supplements for athletes. Most are imported; however, breakfast and lunch type bars are produced locally by multinational companies such as Kellogg's, Nestlé and Quaker Foods.

Diet/fiber supplements and meal replacements: These products were popular in the early 1990s, and though demand dipped in the late 1990s, it is recovering. They are high-fiber, vitamin-rich products that provide a feeling of satiation. They generally come in the form of powder for shakes and are mostly imported.

Diet meals: These items are balanced, ready-to-eat whole meals for people interested in weight loss. Brands such as Weight Watchers, Lean Cuisine and Healthy Choice are present, but popularity is still limited. They are available only in major supermarkets, must remain frozen until used and are relatively expensive.

Soy products: These products include dry flavored meals, tofu, cereals and beverages. Some of these products are



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locally manufactured, but basic ingredients are imported.

Whole grain bakery products, breakfast cereals, pastas and nut/grain mixes: Demand for these products has grown in the last five years and will likely continue to do so. They are mainly locally manufactured.

General specialty grocery products: These products include low-fat, low-carbohydrate, low-calorie, sugar-free (without artificial sweeteners) products, such as mayonnaise, salad dressings, sauces, jams, jellies, soups, canned meats, cookies, crackers and many other bottled and canned products. They are primarily imported, though domestic production is growing.

Natural muscle builder and fat burner powdered supplements: Pop-

ularity of these items has climbed with the growth of health clubs in major metropolitan areas. These products are imported.

Survey Said . . .

Mexico is estimated to have a health food market of about \$500 million per year. Consumers in this market make up 5 percent of Mexico's 100.4 million residents. They range from 20 to 50 years of age, live in major metropolitan areas and have the disposable income to spend on health food products. They spend on average \$100 per year on such items.

To obtain a good overview of the market, FAS had a contractor conduct a survey in Mexico City with a group of 200 adults of medium- to high-income levels between 20 and 50 years old. The

survey yielded several findings that may be useful for current and potential exporters:

- 98 percent tend to diet by themselves, not under doctor's supervision
- 95 percent prefer to buy fresh fruits, vegetables and meats rather than processed meals
- 5 percent said they buy or have bought frozen meals; 90 percent of them did not like the taste
- 60 percent will choose a light product over a regular one
- 60 percent mentioned that light products taste bad and are more expensive
- 50 percent have tried diet shakes; only 10 percent would continue to drink them
- 45 percent take food supplements daily
- 80 percent have no preference for a U.S. product over a Mexican one, as long as it has the same quality
- 80 percent feel that light products are less healthy than regular products
- 15 percent have had a bad experience with an imported light product
- 50 percent are willing to buy natural innovative diet products, groceries, shakes and power bars
- 20 percent tend to compare prices between light and regular items
- 40 percent prefer fresh over processed health products

When asked what the market needs, people replied more naturally derived health foods, better flavors and more variety. Many frozen diet meals do not suit Mexican tastes; consumers are more willing to prepare an easy meal at home than to consume a frozen meal that they consider to be less flavorful. The survey responses indicate that growth will be strongest in power bars, food supplements and diet pills.

Sales Channels for Health Foods

Channel	% Total Sales	% Total Imports
Specialty health food stores	35	70
Large supermarket chains, health clubs and pharmacies	15	20
Informal markets	50	10

Health Foods by Market Share

Product	% Sales
Bakery products, cereals, etc.	30
Food supplements	24
Power bars	16
Soy products	11
Specialty groceries	10
Diabetic products	6
Frozen meals	3

Measuring the Competition

Mexico meets about 70 percent of its health food demand. Domestic production has increased rapidly in the past five years and is estimated at around \$350 million. It will likely continue to grow at an average of 12-15 percent over the next five years. It is focused primarily on bakery products, power bars, cereals, nut/grain mixes, soy milk and juices, low-fat ice cream and other low-fat dairy products. The fastest growing sector is soy products. Soy is used extensively in processing meat products, cheeses and juices.

About \$150 million or 30 percent of the market is covered by imported health foods. The United States accounts for 65 percent of imports, followed by Canada with 8 percent, Spain with 7 percent and other European and South American countries with the remainder. The main imports are soy products and ingredients, food and fiber supplements, power bars and ready-to-eat meals.

Mexico's health food market will continue to grow and offer good opportuni-

ties for U.S. exporters, though as popularity grows, so will the volume and variety of domestic production. In fact, domestic production will remain the primary competitor for U.S. products.

Market Structure

The Mexican health food market has developed rapidly in the past 10 years. There are 2,000 health food specialty stores nationwide, 70 percent of them in Mexico City, Guadalajara and Monterrey. Offerings of food supplements, power bars, soy products, diet meals and other health foods have increased in general supermarkets, drugstores, department stores, health clubs and, most recently, less formal retail outlets such as mom-'n'-pop stores and street markets.

Finding the right importer or distributor combination is the single most important factor to success in this market. Here are the main types of distributors:

Specialized importers, which sell to specialty stores and supermarkets, but do not have their own stores

Major health food chains like GNC or Nutrisa with their own stores located in strategic areas

Major processors carrying a health food product line that have nationwide distribution and access to supermarkets and smaller corner stores

Informal markets, such as traders located in street markets, small stores inside municipal markets and street vendors, sell mainly domestically produced



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goods and are not considered feasible venues for imports

Health food demand has also reached the Mexican hotel and restaurant sector. In the past five years, the number of restaurants that offer healthier or diet menu items has increased dramatically. However, this sector is not yet importing processed health foods, except for a few desserts and some ingredients such as soy paste. The sector prefers to buy fresh raw ingredients and prepare them, and lacks familiarity with innovative health food products.

The Personal Touch

The best way to understand the market and prepare an effective entry strategy is to visit Mexico and talk to buyers, retailers, distributors and other players. To seize market opportunities and overcome market challenges, U.S. exporters must not only conduct routine market research, but also thoroughly review Mexican import regulations and find appropriate business contacts.

An affordable way to investigate the market is to participate in and/or attend trade shows, particularly U.S. Pavilions organized by the FAS offices in Mexico. A show can serve as a way to contact local distributors, sales agents, buyers and other business people, and to become familiar with local competition.

Personal relationships are the bedrock of Mexican business ties. Mexicans attach great importance to courtesy in all business endeavors. Many persons will not want to do business with someone who does not practice general courtesy and is considered rude or disrespectful.

For example, the concept that "time is money" should be left at the border. Although Mexican business people are quite conscious of the bottom line, courtesy and diplomacy are more important to most of them than immediately getting "down to business." Mexicans tend to be skilled at diplomacy and prefer to avoid confrontation and loss of dignity. In a potential confrontation, they strive to reach a consensus without having clearly defined winners and losers. Business is generally conducted in Spanish.

A fax or an e-mail is not considered reliable or appropriate for initial communication with a contact, and will often be completely ignored. Follow-up by e-mail or fax is appropriate, but having an in-country representative or making periodic personal visits is important.

Finding a good importer or distributor is critical. A good distributor should promote sales and make sure that the imported products are available at points of sale. Importers or distributors serve as links to buyers and in-country representatives, have the expertise to handle complicated regulations and can troubleshoot problems. Trying to save money by cutting

Key Contacts

Information on the Mexican Market and Available Services:

FAS Agricultural Trade Office
Mexico City, Mexico
Tel.: (011-5255) 5281-6586
Fax: (011-5255) 5281-6093
E-mail: atomexico@usda.gov
Web site: www.fas-la.com/mexico

FAS Agricultural Trade Office
Monterrey, Mexico
Tel.: (011-5281) 8333-5289
Fax: (011-5281) 8333-1248
E-mail: atomonterrey@usda.gov

List of USDA-Endorsed Trade Shows and Trade Missions in 2004-2005:

www.fas.usda.gov/agexport/exporter.html

these corners almost always proves to be a costly mistake in the long run.

U.S. firms should consider using a variety of marketing tools to effectively promote their products in Mexico. Be ready to provide support for in-store and media promotions to acquaint consumers with your products. Prepare brochures and other promotional materials in Spanish. Host technical seminars to inform end users, distributors and retailers of new technologies, innovations and product advantages. ■

The author is an agricultural marketing specialist in the FAS Agricultural Trade Office in Mexico City, Mexico.

For details, see FAS Report MX4304. To find it on the Web, start at www.fas.usda.gov, select **Attaché Reports** and follow the prompts.

