



Mexico:

Digital commerce trends and landscape



NEW ZEALAND
TRADE & ENTERPRISE
Te Taurapa Tūhono

July, 2020

About this report

This report was developed by NZTE in Latin America. Its objective is to provide a practical overview of digital commerce in Mexico.

The report starts with an introduction to the digital landscape in the region, with relevant macro figures and comparison with global averages.

The second section focusses on the Mexican digital consumer, and the B2C marketplace, with slides on purchasing drivers, demographics, payment methods, and preferences.

Following on, the last section centres on topics that exporters usually consider in their go-to-market strategies, including

target cities, legislation, payment methods, and purchase drivers.

Contents

1: Digital commerce landscape	3	2: Mexican digital consumer	10	3: Digital strategy considerations	19
Key figures.....	5	Consumer demographics.....	12	Metropolitan areas of Mexico.....	21
Market size.....	6	Purchase frequency and preferences.....	14	Purchase drivers.....	22
Attitude towards eCommerce.....	8	Ecommerce development stage.....	17	Payment methods.....	24
				Legislation.....	25

1.

Mexico has the fastest growing ecommerce market in Latin America and already is the second largest one

2.

Brazil has the largest eCommerce market, by revenue, in Latin America

3.

Chile has the highest average purchase ticket and ecommerce user share

4.

Colombia and Argentina are home to companies that shape the continent's digital space, like Rappi and Mercado Libre

Intro to Latin American digital markets. Photo: Mexico City

SECTION 1

Latin America digital commerce landscape

Introduction to digital
markets in Latin America

A fast-growing digital market

Using a strict definition (not considering online procurements, for example), the digital commerce market in Latin America is estimated to be around USD 237 billion in size.

The region is forecast to be the second fastest growing, after IMEA. There already is extensive 3G coverage, growing smartphone and broadband penetration, and consumers that integrate digital to their purchasing journey.

Attitudes towards online shopping

Most Latin Americans don't miss the "offline" shopping experience, neither do they have an urge to receive the products in the same day.

Online vs. Offline shopping

Electronics is the only category in which the majority of buyers prefer to buy online rather than offline. At the same time, the majority of Latin Americans

research online before making a purchase decision.

In fact, Latin Americans research products online more often than consumers from anywhere else in the world. Thus, this idea of online vs. offline is quickly becoming obsolete, and companies that think online+offline are more likely to succeed in both.

Key figures of digital market in Latin America

72%

of Latin Americans always research online before a major purchase (more than any other region)

94%

of the population have 3G coverage and 87% has 4G coverage (85% in Mexico)

90%

is the market penetration of instant messaging apps; Whatsapp is almost ubiquitous in the region

61%

of Latin Americans prefer to buy electronics online rather than offline



Photo: Manacar Tower on the left, where some of Clip's offices are located. The fintech is among Mexico's largest startups, valued at around USD 400 million

The whole value of New Zealand (GDP) was traded online in Latin America



eCommerce is just one part of digital trading, and online purchases are growing fast in Latin America

eCommerce revenue in Latin America is about 18 times the size of eCommerce revenue in New Zealand

Around USD 237 billion was traded online in 2018, this includes ecommerce and services that are offered online, as transportation (e.g. uber), lodging, tickets purchase, among others

The sheer size of the digital economy is an indicator of the importance of being online, for both B2C and B2B companies

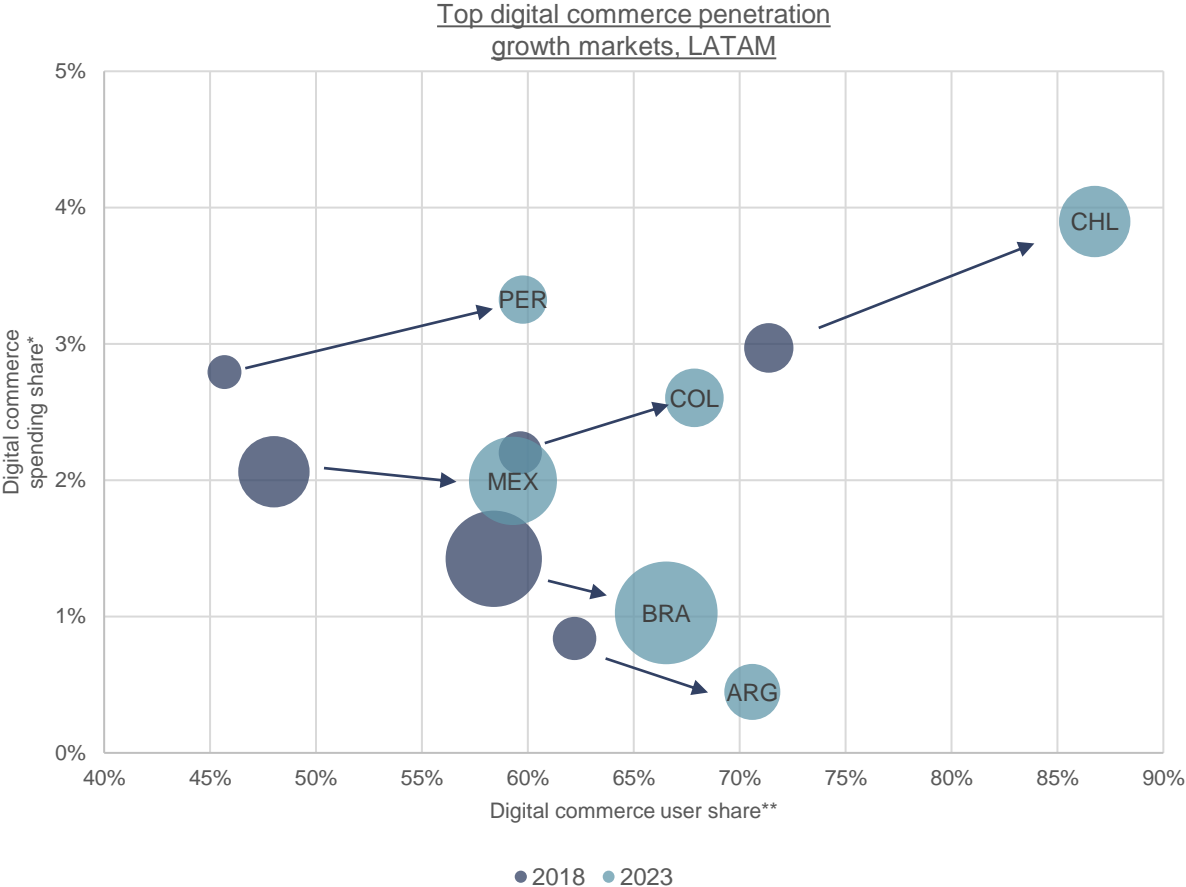
SECTION 1

395 million internet users in the region

Brazil and Mexico are the two largest ecommerce markets in Latin America. Chile has a relatively high revenue per user

Mexico has the fastest growing digital market in the region, with a digital commerce revenue CAGR of 10% between 2018 and 2023

Around 52% of Latin Americans access the internet daily, many through smartphones (62% of households have a smartphone)



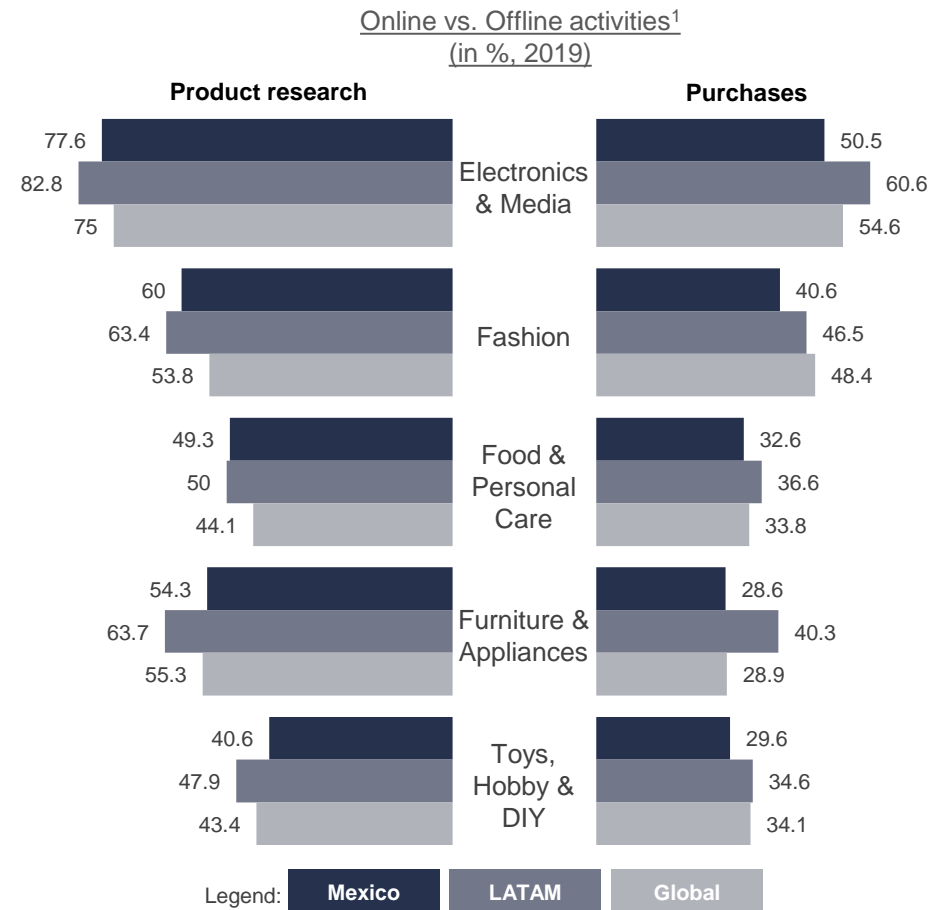
Source: Statista Digital Market Outlook
 Digital commerce refers to online commerce with physical goods; Size of bubble represents digital commerce market size
 * digital commerce spend as share of total consumer spending; ** digital commerce users as share of total population

Latin Americans often research online before buying

Latin Americans research products online more often than the average global consumer. Latins research habits are particularly relevant for bigger ticket items, as electronics

Online research is part of the decision making of Mexican consumers, including for products that they buy offline. Brands without an online presence have a lower chance of being even considered

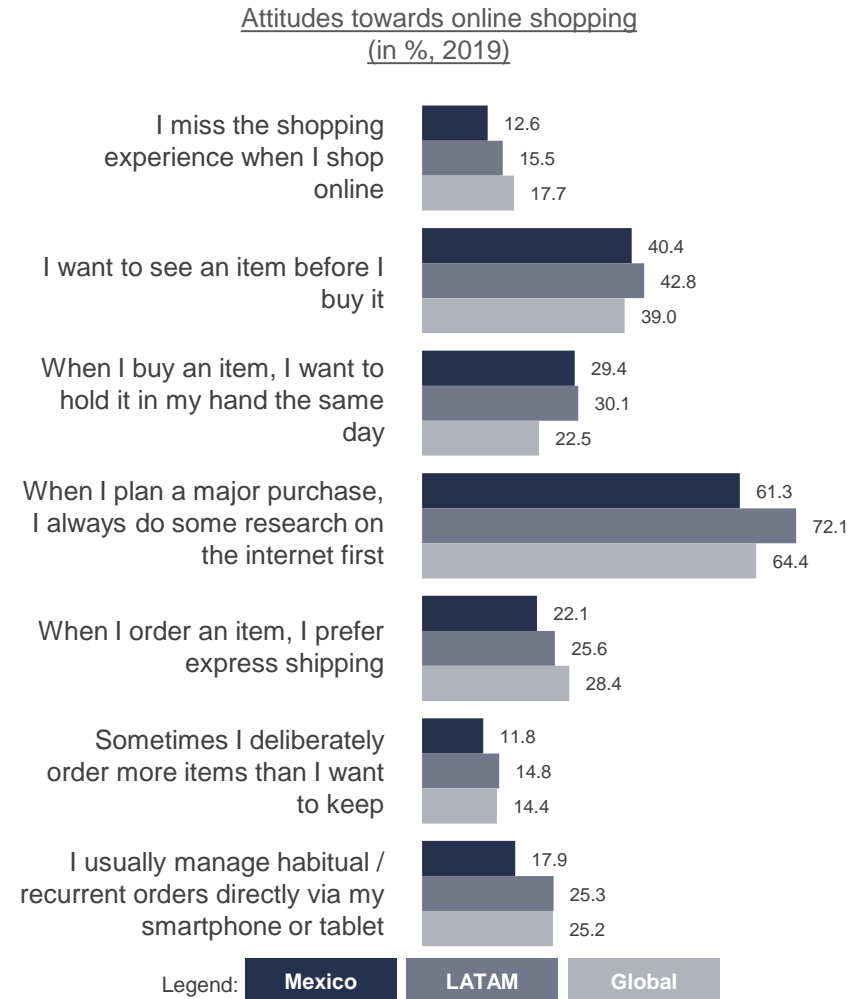
When it comes to online vs. offline purchases, electronics is the only category in which the majority of the consumers prefer to buy online rather than offline



Attitudes towards online shopping

Mexicans, when compared to the global average, are less attached to the brick and mortar shopping experience. This certainly contributes to the fast growth rate that ecommerce had in recent years

Express shipping is a less relevant feature in Mexico, than in other Latin American countries. Mexicans are also less used to managing orders through their smartphones



1.

Mexicans get 2 more hours of screen time than Kiwis. However, they buy online less often.

2.

Smartphones are the most used device to buy online. It is important to adapt your offering to the mobile experience.

3.

The country is on the “3rd stage” of digital commerce development, two before China. Given its fast growth pace, it will soon join Brazil in the 4th stage.

4.

There is a strong presence of foreign players, mostly from USA, in most online sales channels.

4 takeaways from section 2. Photo: Guadalajara



SECTION 2

Mexican digital consumer

Demographics, marketplace, payment, purchase drivers, and cross border trade

Demographics

Mexican digital commerce buyers are relatively young. In New Zealand, 44% of online buyers are more than 44 years old; in Mexico, buyers older than 44 account for only 27% of the online buyers.

Mexicans buy online less often than Kiwis, but they spend more time online. Compared to Kiwis, an average Mexican gets 2 more hours of screen time per day, which highlights the importance of being present online, even if you do not sell via eCommerce.

Devices and online preferences

28% of online purchases are done using a smartphone, making it the most used device to buy online. It is important for eCommerce stores to have a good mobile user interface.

More than 50% of Mexicans prefer to buy electronics, fashion items, and order food, online rather than offline. Those are also the categories that have the most advanced, and relevant, online players.

Stage of eCommerce development

Mexico is in the third stage of eCommerce development, with high quality websites and significant sales for services (as food delivery and tickets) and durable items (as electronics).

There is a strong presence of foreign companies, mostly from the USA, in most e-commerce categories. Amazon has a stronger presence in Mexico than in any other Latin American country.

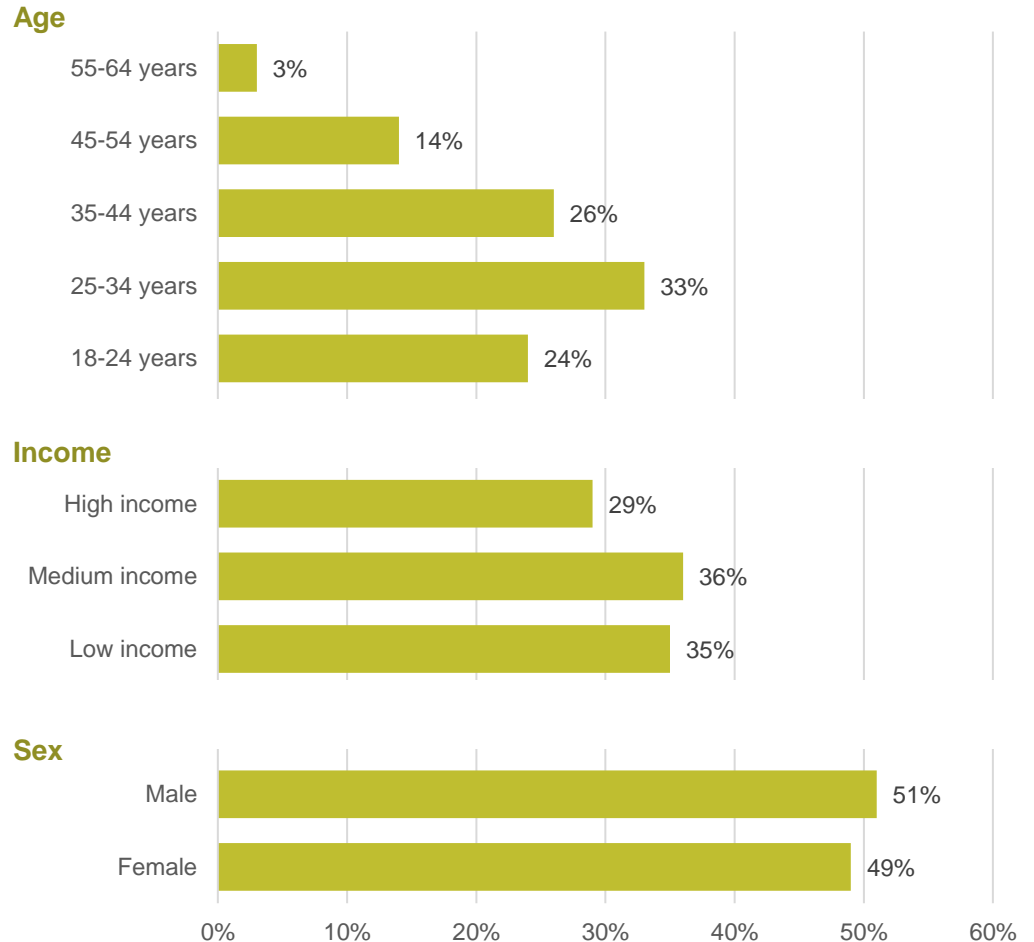
Cross-border trade between USA, Mexico, and Canada, is a common practice. Because of USMECA (North America free trade agreement), goods can move almost freely between those borders and Mexicans often buy online from American websites.

Digital consumer demographics

Compared with New Zealand, Mexico's digital commerce users are younger, with 83% of users below 44 years old (66% in New Zealand)

In terms of income, the proportion is similar, with high income users accounting for around 30% of the digital market in both countries

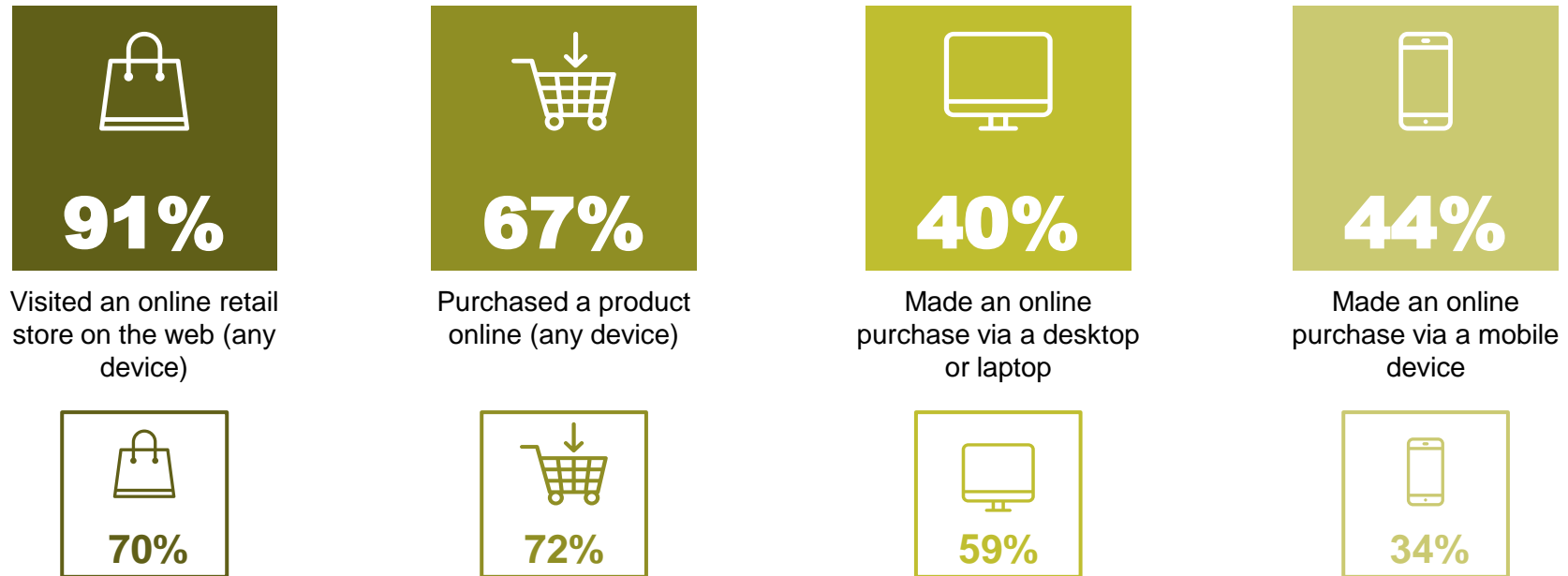
Digital commerce user demographics, Brazil



Sources: Statista Global Consumer Survey, survey conducted among Internet users

Mexicans use digital commerce more often than Kiwis

Percentage of internet users (age 16-64) who report performing each activity in the past month (2020, in %):



Legend:

Mexico

New Zealand

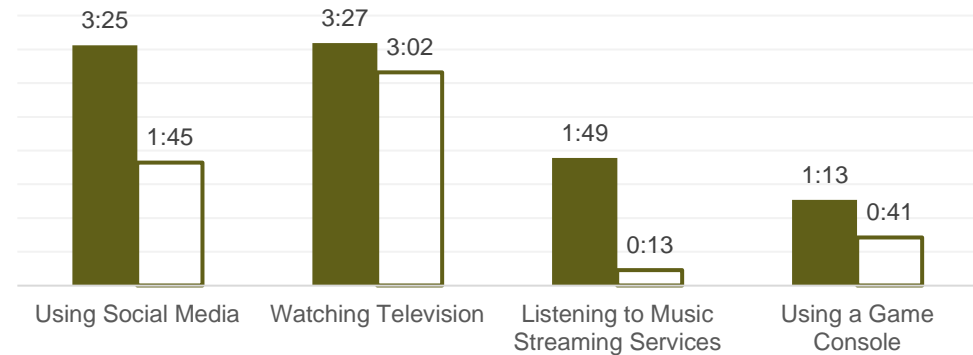
Sources: Datareportal Digital Report 2020

2 more hours using online media, when compared to Kiwis

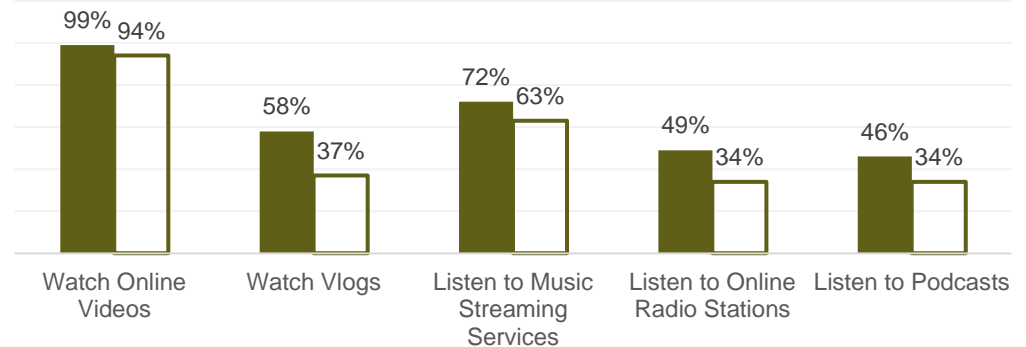
An average Mexican spends two more hours on screens, than Kiwis. Mexicans dedicate more time to pretty much every type of online media usage, from social media to videogames

Music, video, and podcast streaming are also more popular in Mexico than in New Zealand

Daily time spent with media (in hours, 2020)



Internet activities (2020)



Legend:

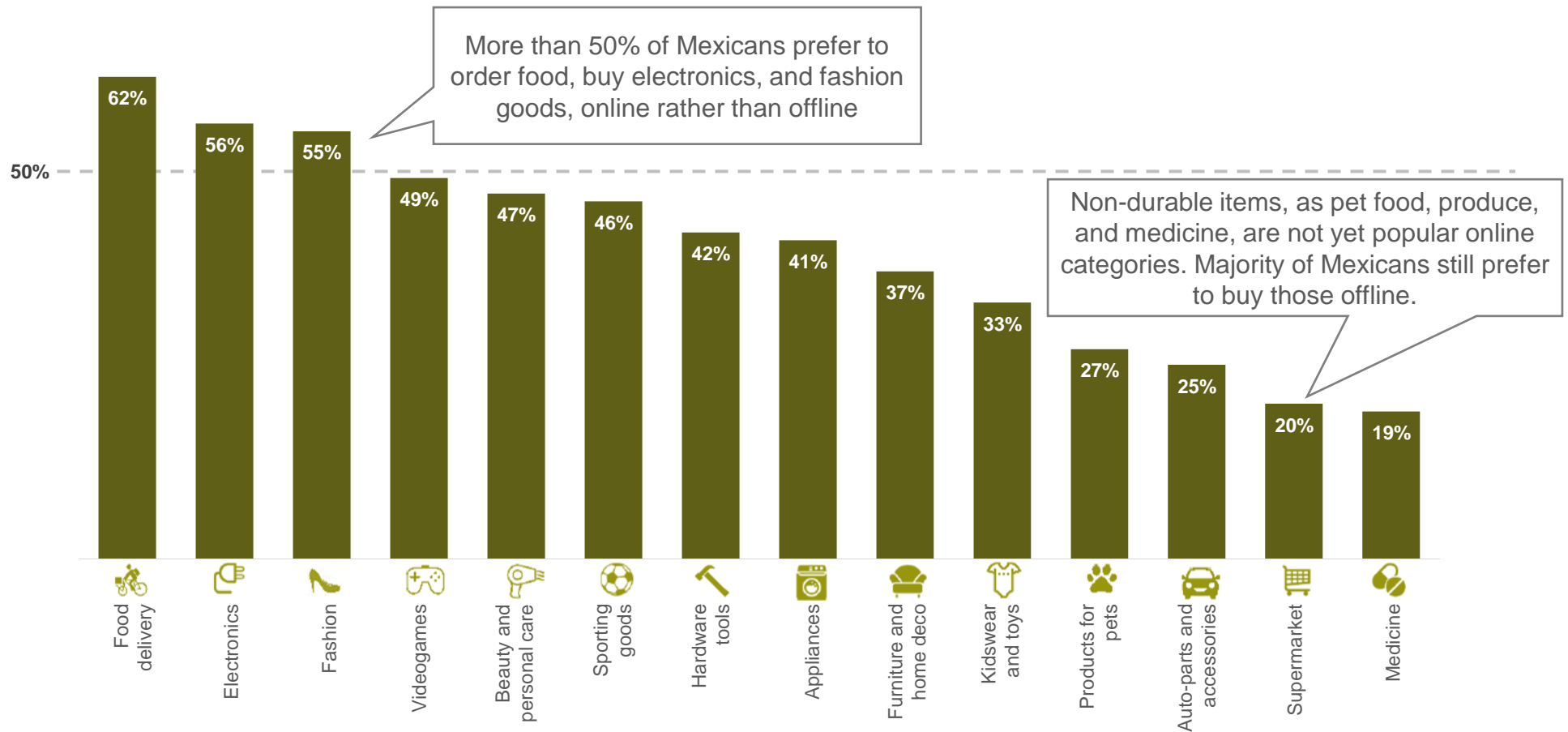
Mexico

New Zealand

SECTION 2

MEXICAN DIGITAL CONSUMER

Ecommerce is more popular for durable goods, such as electronics and fashion

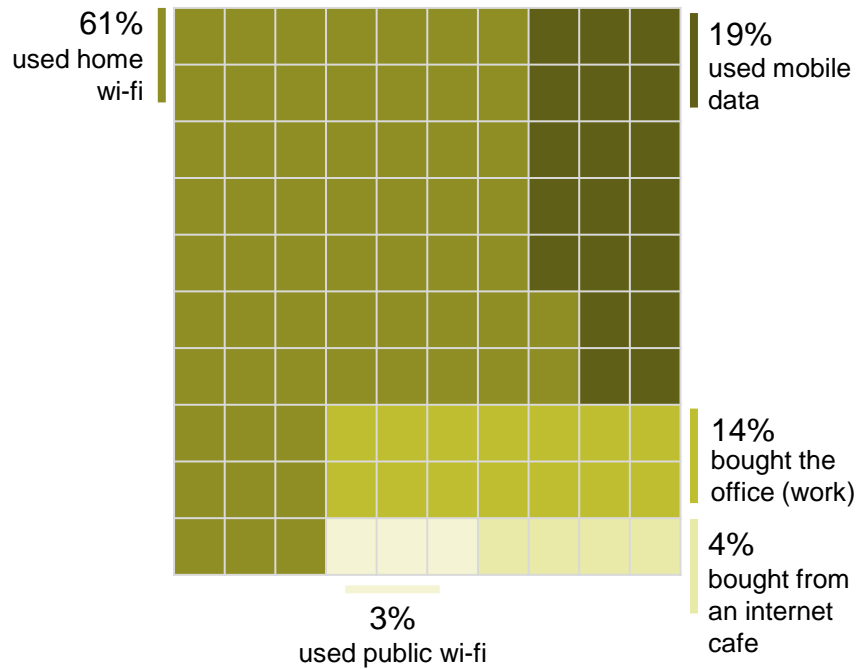


SECTION 2

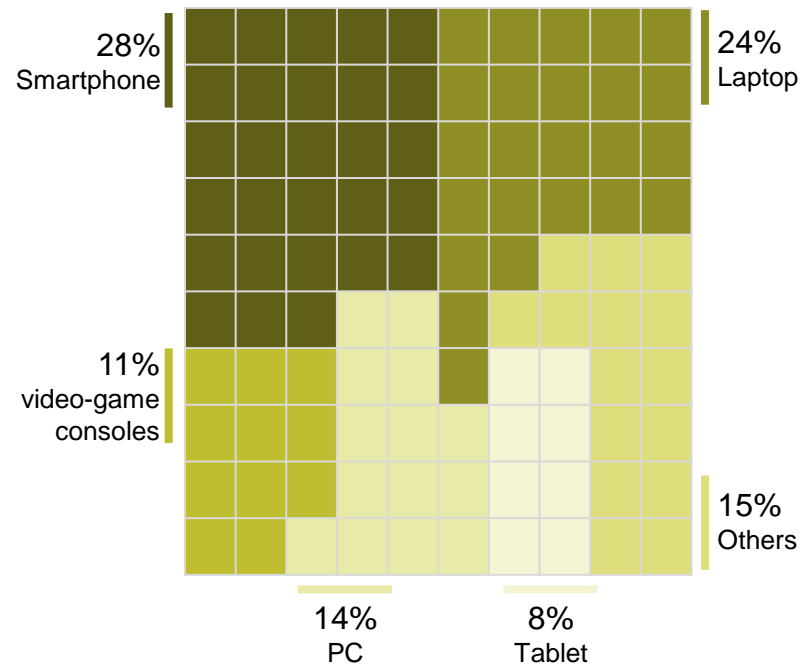
MEXICAN DIGITAL CONSUMER

28% of orders are done using a smartphone

Type of internet connection used to buy



Devices used to buy online



Sources: AMVO | Netquest Estudio de Venta Online 2020,

Mexico is in the 3rd stage of ecommerce development

There is a strong presence of North-American eCommerce companies in most categories

Top 3 websites, ranked by # of orders, Sept/19

Tickets:

1st **ticketmaster**

2nd **Cinépolis**

3rd **Cinemex**
la magia del cine

Entertainment (tickets, shows, cinema)

Travel (w/o airlines):

1st **Booking.com**

2nd **airbnb**

3rd **despegar**

Tourism and services (food delivery, airplane tickets, hotels)

Food delivery:

1st **SinDelantal**

2nd **Rappi**

3rd **Domino's Pizza**

Pharmacies:

1st **San Pablo FARMACIA**

2nd **Farmacias del Ahorro**

3rd **Super Farmacia**

Durable goods (electronics, appliances, books, furniture)

Multicategory:

1st **mercado libre**

2nd **amazon**

3rd **Walmart**

Non-durable goods (FMCG, Cosmetics, fashion, decoration)

Overall revenue:

1st **amazon**

2nd **Liverpool**

3rd **Walmart**

Perishables (Fruits, vegetables...)

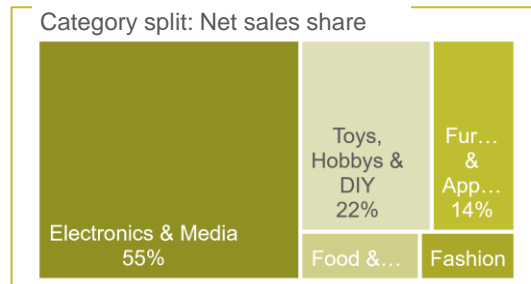
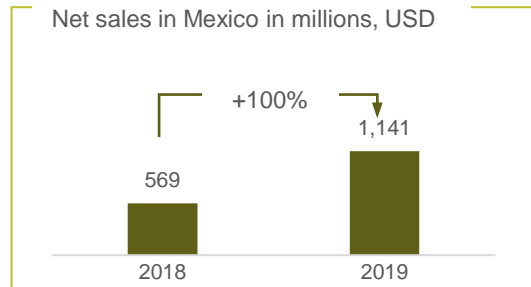
Mexico is in this stage: Digital sales are relevant, and there are state of the art players in all categories up until here.

SECTION 2

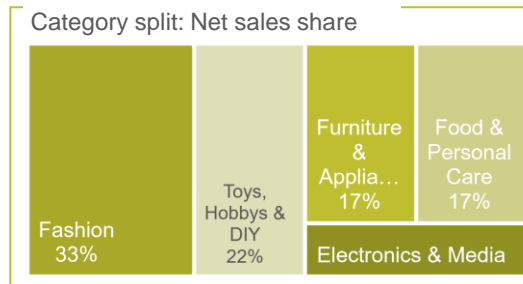
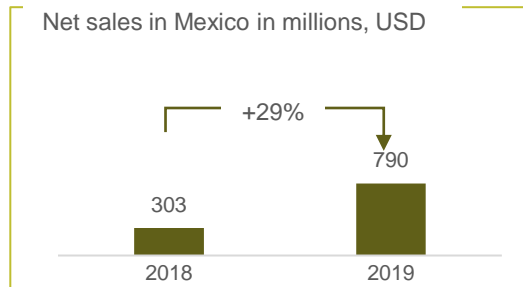
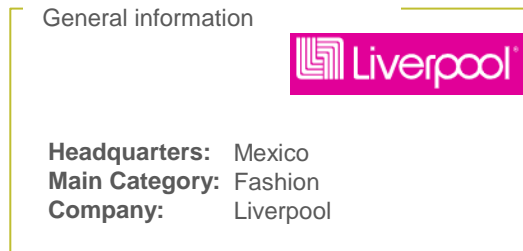
MEXICAN DIGITAL CONSUMER

Profile of top three ecommerce marketplaces, by B2C revenue

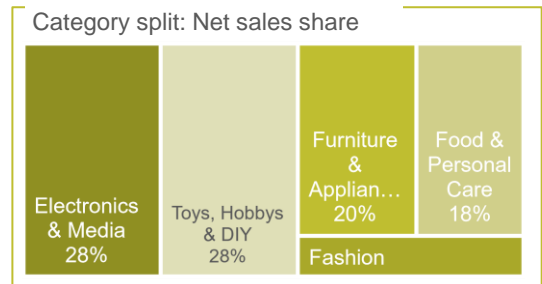
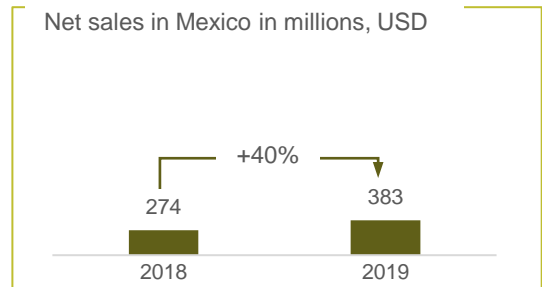
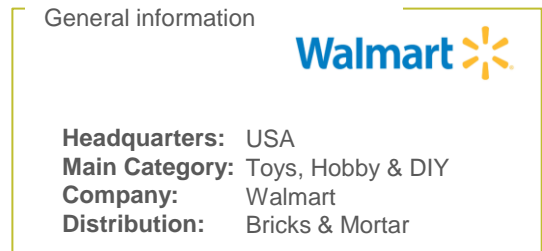
#1: amazon.com.mx



#2: liverpool.com.mx



#3: walmart.com.mx



Sources: Statista eCommerce DB
 * CNOVA Comércio Eletrônico S.A.

1.

There is a relevant concentration of wealth in Mexico's large metropolitan areas. Strategies that think "cities" instead of "country" can be more effective

2.

Quantity and quality of product information, including photos and return policies, are among the most important sales drivers

3.

Mexico is the world's largest Spanish-speaking country, but content must be localized to Mexican Spanish

4.

There is a legislation piece for all key areas of digital commerce. Those laws are not particularly onerous, but companies need to treat Mexico as a regulated market.

4 takeaways from section 3. Photo: Monterrey

SECTION 4

Digital strategy considerations:

Digital customer journey, metrics, legislation, taxes, and regional differences

Metropolitan areas:

Mexico's three largest metropolitan areas (Mexico City, Monterrey, and Guadalajara), concentrate almost a third of the country's GDP.

Companies targeting high income consumers, for example, would do well to develop strategies centered around "cities" instead of a "country" strategy. Those areas not only concentrate much of Mexico's purchase power, but they also have better infrastructure, services, and more straightforward local legislation.

Purchase drivers:

Search engines (in Mexico this means Google) are the main source of information for Mexicans that buy online. An average buyer consults around five information sources before making a purchase decision.

The second most important source are the marketplaces, where the products are listed. That's why it is so important to have good quality information (and photos) for the listed products; quantity and quality of information are among the top purchase drivers.

Payment:

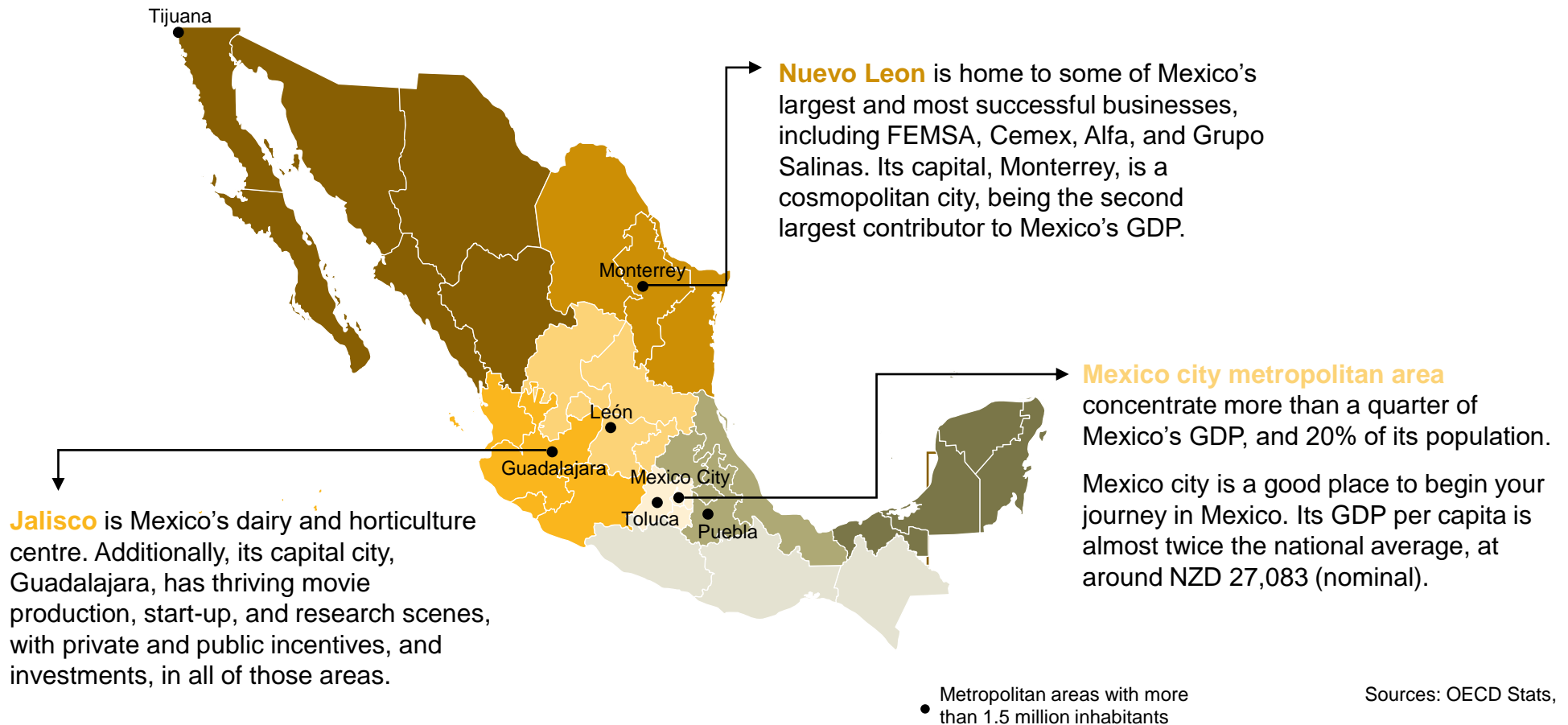
It is important for eCommerce sellers to offer different payment options, including cash options. Products can either be paid by cash on delivery, or through one of the many convenience stores that are spread across the country.

Legislation:

Mexico has a piece of legislation to address each of the four main areas of digital commerce: E-Transaction, Data Protection, Cybercrime, and Consumer Protection laws.

The digital commerce legislation is not particularly onerous and companies operating in other regulated markets, like the European Union, will not have trouble complying. At the same time, it is important to treat Mexico as a regulated market.

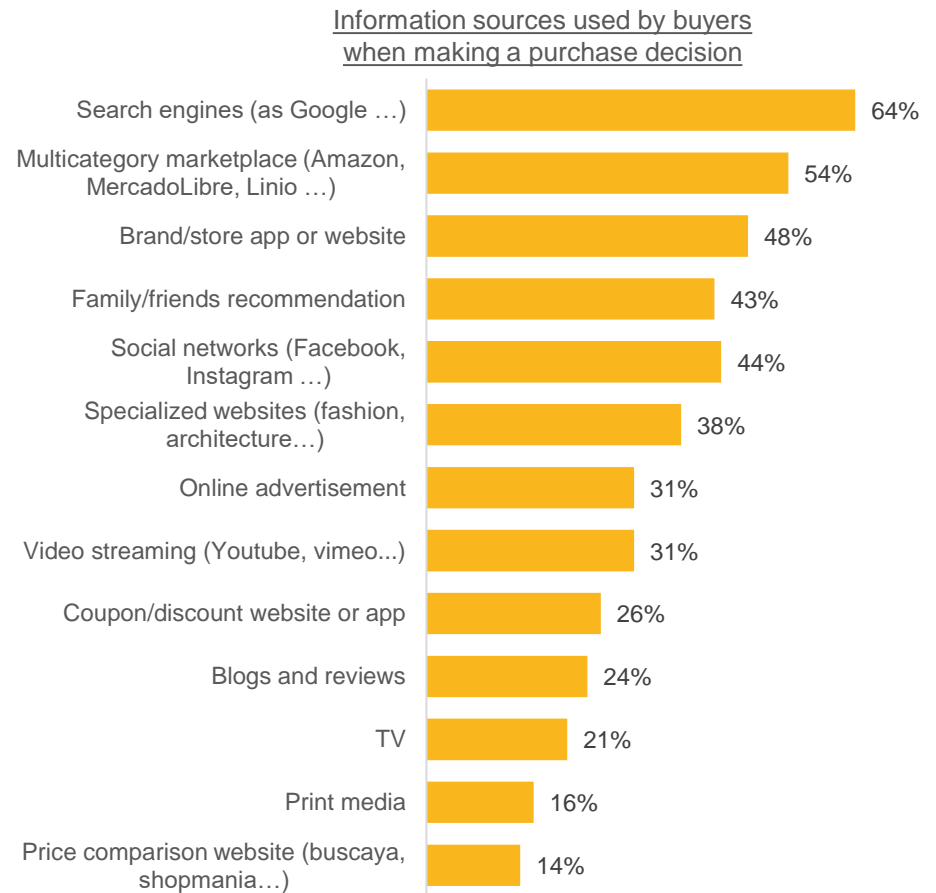
Mexico's three largest metropolitan areas concentrate almost a third of its GDP



Buyers use google and the marketplaces to inform their purchase decision

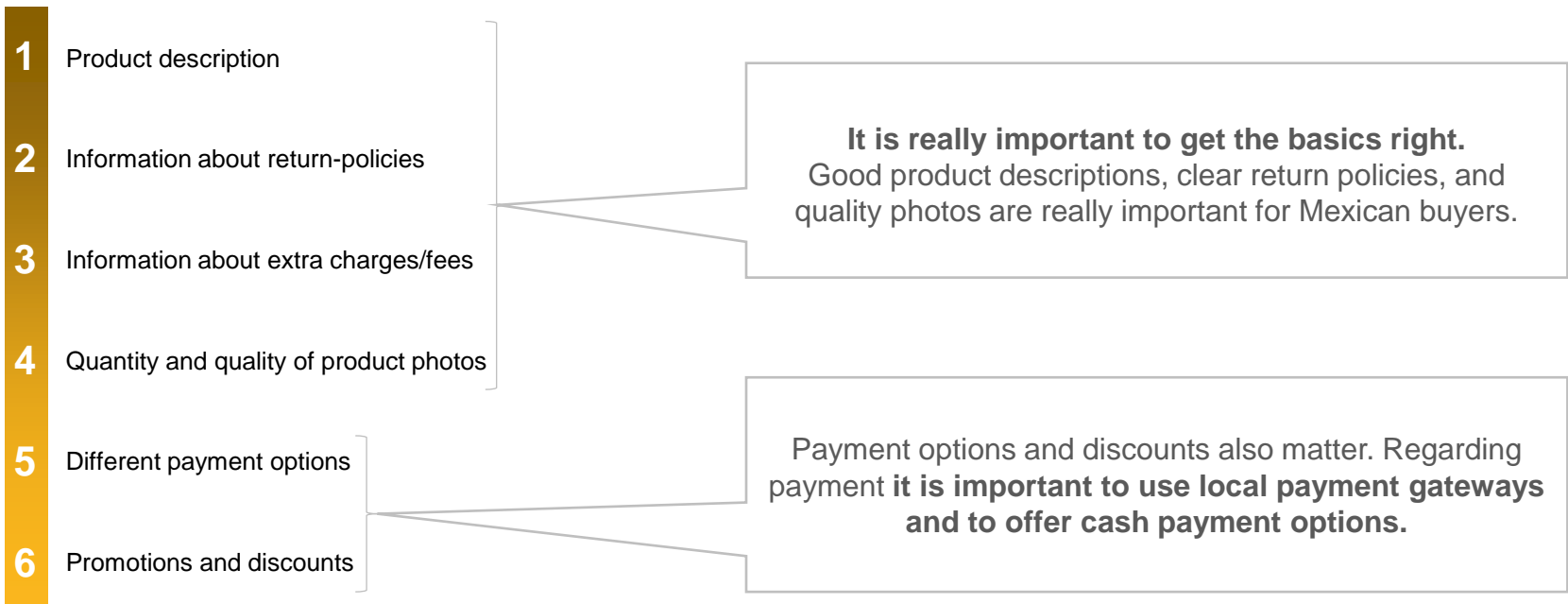
The average buyer consults 5 information sources before deciding which product or service to buy. Google and the marketplaces are the most used sources

Social networks are the fifth most important source of information for the purchase decision. Besides being a source of information, social media channels in Mexico are also used for direct sales, lead generation, and branding.



Buyers care about the quantity and the quality of information provided

Six most important attributes in an ecommerce

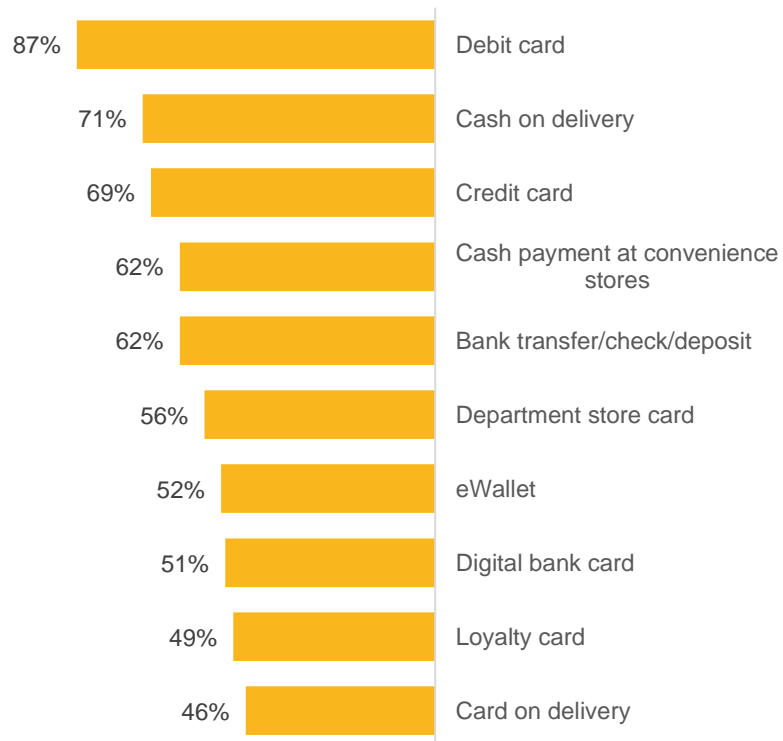


SECTION 4

DIGITAL STRATEGY CONSIDERATIONS

It is important to offer cash payment options

Which payment methods do you use when buying a product (online+offline):



Payments in cash are common in Mexico. This can be done on delivery or using one of the, almost ubiquitous, convenience stores.

Oxxo, the leading convenience store chain, has 16,124 stores in the country. Customers can use those stores to make bank deposits, money transfers, and pay bills, including online purchases.

Recently, [Amazon started to use Oxxo](#) as a pick-up center

SECTION 4

DIGITAL STRATEGY CONSIDERATIONS

Mexico has legislation in all key areas of digital commerce

Type of legislation:	Does Mexico have it?	% of the countries in the world, with this legislation
E-Transaction Laws		80%
Data Protection Privacy Laws		64%
Cybercrime Laws		73%
Consumer Protection Laws		52%

Sources: [United Nations Conference on Trade and Development; Regulations](#)

Mexico is the world's largest Spanish speaking country. However, content written in other country's Spanish will not necessarily read well in Mexico. Even though the language is the same, it is important to localize your content.

The country also has legislation in all key areas of digital commerce. The legislation may not have the same scope or force as EU's GDPR, but it is important to treat it as a regulated market.

Full commerce solutions

Full commerce companies offer end-to-end solutions for companies that are looking to move into digital markets. Those companies offer solutions that range from marketplace listing/building, to order fulfilment and data analysis

Those companies usually do not excel in every aspect of eCommerce, but they can be used as a shortcut to access digital markets without the need to hire developers or set up a whole new infrastructure

Full-commerce providers include:

- ❑ [Infracommerce](#)
- ❑ [Synapcom](#)

The list above is based on [Scope Report](#): A complete stakeholder mapping of the e-commerce servicing companies in Brazil. Most of the companies listed have either regional or global presence.



New Zealand Trade and Enterprise (NZTE) is the Government agency charged with a single purpose: growing companies internationally, bigger, better and faster, for the good of New Zealand.

We employ 600 people, have over 200 private sector partners and draw on a global network of thousands more.

We have people based in 50 offices, working across 24 time zones and 40 languages to support New Zealand businesses in over 100 countries.

Our global presence lets us deliver value to the businesses we support, through our unique know-how (knowledge and experience) and know-who (networks and connections).

Our know-how and know-who is expressed in our Māori name: Te Taurapa Tūhono.

Disclaimer: This document only contains general information and is not formal advice. The New Zealand Government and its associated agencies ("the New Zealand Government") do not endorse or warrant the accuracy, reliability or fitness for any purpose of any information provided. It is recommended that you seek independent advice on any matter related to the use of the information. In no event will the New Zealand Government be liable for any loss or damage whatsoever arising from the use of the information. While every effort is made to ensure the accuracy of the information contained herein, the New Zealand Government, its officers, employees and agents accept no liability for any errors or omissions or any opinion expressed, and no responsibility is accepted with respect to the standing of any firms, companies or individuals mentioned.

Te Taurapa is the stern post of a traditional Māori waka, which records valuable knowledge, and stabilises and guides the craft forward. Tūhono represents connections to people and an ability to build relationships.

We provide customised services and support to ambitious businesses looking to go global. We help them build their capability, boost their global reach, connect to other businesses and invest in their growth. We also connect international investors with opportunities in New Zealand through a global network of investment advisors.

We call on our Government network and work closely with our NZ Inc partners and the business community, to grow our national brand and help businesses to open doors in global markets.

nzte.govt.nz