

Undressing the Mexican Spanish Fashion Retail Market.



Undressing the Mexican Spanish fashion retail market

Despite being neighbours, historically US retailers have been tentative about crossing the border and expanding into Mexico, both in terms of opening bricks-and-mortar stores and launching consumer websites.

While, until recently, the US has reigned supreme as the largest e-commerce market on Earth¹, Mexico has trailed far behind with a comparatively tiny slice of the global e-commerce pie². Online expansion for US companies in Mexico has been stunted by the country's inadequate digital infrastructure, concerns over security and the low adoption of credit cards amongst the Mexican population.

The tide is turning, however. Increasingly US retailers are looking south as the e-commerce market in Mexico booms. The Mexican online shopping landscape is one of the fastest-growing markets for B2C e-commerce. According to Euromonitor, it has expanded over 400% in the last five years, and online shopping sales are predicted to increase 150% by 2018 when compared to stats from 2013³. Major US retail players such as Wal-Mart, Lowe's and Home Depot have all recently invested in Mexican websites and many more brands are set to follow suit.

Growing internet usage: expanding e-commerce opportunities

Historically one of the major factors which inhibited e-commerce growth in Mexico has been low internet adoption, but this is changing. Mexico currently has a population of 122.3 million with internet penetration standing at 49.2%.⁴

This has grown in excess of a staggering 2000% since the year 2000. The percentage of people who own devices for internet browsing has reached its highest level yet with 89% of people owning a PC or laptop, 81% owning a smartphone and 55% owning a tablet.⁵ This rapid increase in internet access and usage in Mexico has inevitably resulted in more users shopping online. 75% of internet users now say they buy online⁶.

While devices such as smartphones and tablets are

Mexico currently has a population of 122.3 million with internet penetration standing at 49.2%.

becoming more popular, online shopping behaviour shows that, though people are happy to browse across all devices, most favour actually making their purchase through a desktop PC or laptop⁷. 84% of all purchases are made via a traditional computer. Lack of experience and concerns over security are the main explanations cited: smartphone and tablet conversions are expected to increase as people become more confident using other devices for transactions. Between 2007 and 2012 online was the fastest growing non-store retailing sector⁸ and e-commerce opportunities in Mexico are set to continue growing. Online sales are predicted to grow between 20% and 35% annually over the next three years to reach \$5.5 billion by 2018.⁹

US and Mexico - a unique central and commercial relationship

Cultural influence between the US and Mexico has a significant impact on online shopping behaviours in both countries.

The 54 million strong Hispanic population of the United States influences everything from cuisine to popular culture. Similarly, trends and fashions from the US tend to trickle through to Mexico, defining what people are shopping for online and from where they choose to buy it. The familiarity of US brands for Mexican

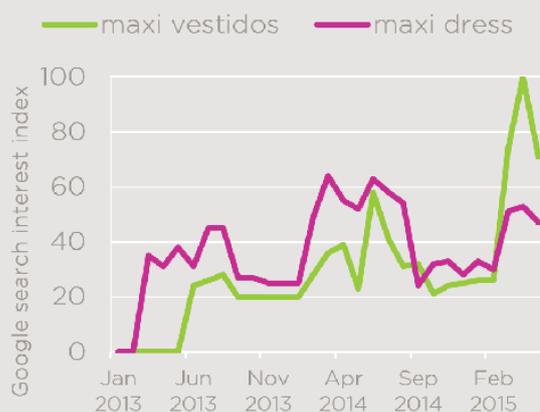
online shoppers makes them more attractive. This is in part because consumers want to keep up to date with the latest trends when it comes to purchasing items such as fashion and technology, but equally because users who are less familiar with shopping online feel more comfortable ordering from well-established brands.

Shopping behaviour in Mexico is not only influenced by the US in terms of the shops which people choose to buy from online, but also how they search for the products they buy. 'Spanglish', the combining and switching between English and Spanish languages is a well-established cultural idiosyncrasy which predates the internet. Modern Mexican users searching online use a blend of the two languages. Even in a country, where only 12.9% of the population speak English, English terms hold a great deal of search influence for Mexicans.

The power of local search knowledge

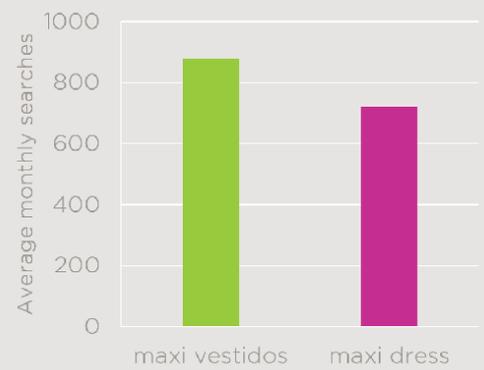
In terms of planning e-commerce marketing activity, understanding these local nuances is extremely valuable for increasing online brand visibility and ensuring products can be found by Mexican users.

Taking an example 'Spanglish' term relating to a clothing item, the maxi dress, we can now see how terminology trends combining English and Spanish can rapidly gain popularity. The fashion term 'maxi-dress' was first coined in the US in the 1960's to describe full-length skirts which were the opposite of the popular mini-skirt. The graph below shows how Mexican searches relating to English 'maxi dress' were overtaken in volume by searches for the 'Spanglish' term 'maxi vestidos', which uses the Spanish word for 'dress' instead.



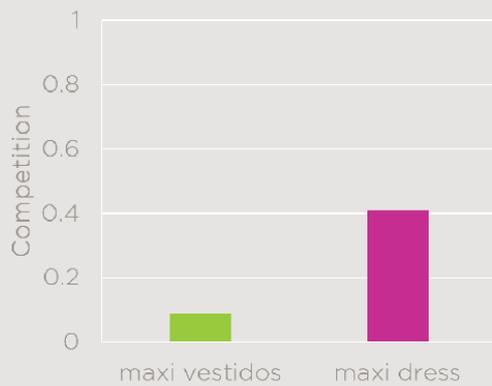
'Spanglish', is a well-established cultural idiosyncrasy which predates the internet

The search demand for 'maxi vestidos', despite becoming popular relatively recently, now has a higher average monthly search volume than 'maxi dress' on Google.mx.



Keeping up to date with such search, terminology and conversation trends aids successful expansion into Mexican e-retail in several ways - from optimising onsite product labelling to using the most searched for terms and planning an effective paid media strategy. In terms of paid media competition for example, (which is a score given based on the number of advertisers worldwide bidding on each keyword relative to all keywords across Google), there is often a huge difference for 'Spanglish' terms compared to pure Spanish or English, with Spanglish being considerably less competitive, and therefore less expensive to advertise for.

A significant percentage of the population don't own a credit or debit card.



The fact that 'Spanglish' terms - which have higher search volumes - can actually demand a lower cost-per-click cost than less-widely used English or Spanish equivalents, means there is an exciting opportunity for brands engaged in Mexico to capitalise.



Mexican user experience expectations and payment methods

Optimising search visibility so Mexican consumers find relevant products and land onsite is by no means the final consideration for US e-commerce retailers looking to expand.

Ensuring Mexican users receive a localised site experience which encourages them to stay and purchase is just as important. Onsite

localisation needs to ensure that sizes and measurements are all correctly converted (Mexico for example use the same dress sizes as the US, but different shoe sizes. It also uses the metric system instead of yards to measure fabric, and so on.) Businesses need to ensure that labelling, language and terminology has been tailored to the Mexican audience and that all expected payment methods and delivery options are provided.

Less experienced Mexican online consumers have secure payment concerns and may be discouraged from buying online. Payment options which don't require the user to input their credit card details are therefore important to offer. Alongside globally popular options such as PayPal, local methods such as COD (Cash on Delivery) are popular in Mexico. This service is offered through merchants such as Oxxo.com, and enables customers to have their purchase delivered to a local convenience store where they pay cash for it.

This is particularly relevant in Mexico as a significant percentage of the population don't own a credit or debit card. COD payments make up a notable share of the market accounting for 32% of all online purchases made in Mexico. Popular Mexican e-commerce sites such as Linio.com.mx, Suburbia.com.mx and Dafiti.com.mx all offer COD as a payment option.

There is 50 million active Facebook users in Mexico



E-wallets, as offered by providers such as DinroMail, are also a favourite in Mexico. These online accounts allow users to add money to an electronic wallet by paying cash through a physical outlet offered at thousands of locations across the country.

The growth of social media

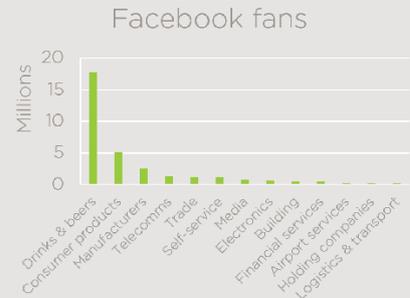
Mexican internet users are extremely active on social media: Mexico has the second largest proportion of social media account holders in Latin America (Brazil is first).

There are over 50 million active Facebook users in Mexico and with an average of 3 hours and 46 minutes spent on social platforms per user each day, social media is an important marketing channel to consider as an online retailer entering the market. By far the most popular social platform is Facebook, followed by Google+, Twitter, YouTube, Instagram and LinkedIn¹⁰.

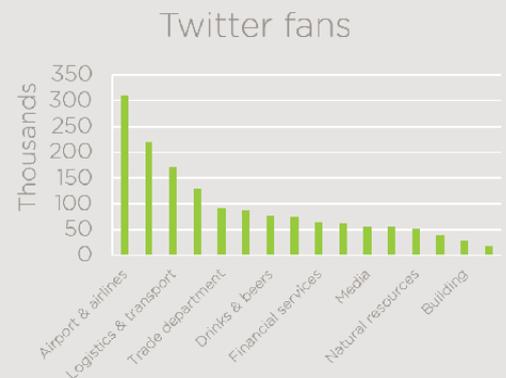
For communication between brands and consumers, Facebook is the platform of choice, with Mexican users in general using Twitter more regularly for following celebrities and reading lifestyle content than connecting with retail brands. Looking at social media fan and follower numbers for some of the dominant retail brands in Mexico, the skew in favour of Facebook is easy to see.

A study conducted by AMIPXI, the Mexican internet association, analysed the top 100 most influential brands on social media in Mexico for 2014. The study found that

across all industries retail brands were the second most-followed, behind beverage brands on Facebook.



Comparatively on Twitter, for the brands reviewed, retail had significantly fewer followers and instead users were more likely to follow accounts relating to travel such as airlines or telecommunications companies.



So, research suggests that for retail brands looking to engage with their Mexican customers, Facebook should be considered as the primary social channel. However, as more and more Mexican consumers get personal access to the internet through smartphone and tablet devices, it is inevitable that other platforms such as Twitter will gain more traction when it comes to customer-retail communication. Therefore, a multi-channel strategy is still important.

Three key Mexican dates for your campaign diary

1. Hot Sale event: 29 May to 1 June

A recent invention, Mexico's 'hot sale' internet shopping event¹¹ sees participation from the majority of Mexico's major e-retailers who run promotions selling heavily discounted goods and other deals. The event was created by the Mexican Association of Online Sales (AMVO), and was aimed at promoting the use of electronic commerce in Mexico and to highlight the benefits of shopping online.

2. El Buen Fin sales: 13 November to 16 November

El Buen Fin 'the good end' is an annual nationwide shopping event in Mexico¹², introduced in 2011. It falls on the same weekend as Mexico's Revolution Day holiday and attracts shoppers enjoying the long weekend with the Monday off work. Bricks and mortar retailers extend their opening hours, while e-retailers run special offers, discounts and offer free delivery to boost sales.

3. Day of the Dead: October 31 to 2 November

31 October, the Day of the Dead (Día de los Muertos) is associated with a wider holiday in Mexico that lasts until 2 November and celebrated the memory of loved-one departed. In 2012, the Mexican Confederation of National Chambers of Commerce and Tourism Services, reported sales of approximately \$1,500 million during the celebration¹³.

Mexican e-commerce: opportunities, culture, local

As the data shows us, the Mexican e-commerce market is going through massive changes and exponential growth; a trend which is expected to continue over the next five years.

There is a huge opportunity for online retailers to seize, if they are bold enough to take the leap, however thorough research and

careful consideration is essential in order to succeed.

There are significant differences in online shopping behaviour to that of consumers in the U.S. The comparative aversion to purchasing via mobile devices and lower adoption of credit cards for example, are characteristics which need to be factored into any Mexican expansion plans. Local payment preferences also differ with additional payment options such as cash on delivery and e-wallets expected as alternatives to credit or debit card payments. These, alongside cultural nuances like the wary attitude to e-purchasing, mean Mexico needs to be treated as the distinct market it is; translating an English e-commerce website into Spanish and hoping for the best just won't cut it.

The importance of conducting detailed research and working closely with in-market experts to gain local knowledge is evident in the search-interest bias witnessed in favour of 'Spanglish' terms.

Understanding how Mexican users actually search for the products they want to buy is vital to planning effective local online marketing strategies. Phraseology and interest trends can gain popularity quickly (and indeed fall out of favour just as rapidly), so keeping your finger on the pulse of the Mexican market is the only way to ensure you stay relevant, and visible, in an increasingly competitive online retail landscape.



About Oban Digital

Oban Digital is one of the UK's leading international digital marketing agencies. We've been thinking global, acting local since 2002. Our ethos is to improve the performance of global websites and online platforms using local market knowledge and real cultural influence.

The most successful online marketing strategies always put local insight first. That's why you'll find us in more than 30 countries worldwide, optimising campaigns to markets and people – not just languages. Our unique combination of cultural search and cultural conversion optimisation delivers a consistent consumer experience wherever the click happens.

Clients trust us to deliver better digital campaigns globally. We work wherever business needs to be. Go online to www.obandigital.com and discover how we use local insights to get the best campaign results in-market.

Global knowledge, local insight.
That's Oban Digital.
International search and conversion.



The information contained within this document is the property of Oban Digital Limited. The contents of the document must not be reproduced or disclosed wholly or in part used for purposes other than that for which it is supplied without the prior written permission of Oban Digital Limited.

Sources:

1. <https://www.techinasia.com/2013-china-surpasses-america-to-become-worlds-top-ecommerce-market/>
2. <http://www.emarketer.com/Article/Despite-Double-Digit-Growth-Ecommerce-Grabs-Small-Share-of-Mexico-Retail-Sales/1011924>
3. <http://www.emarketer.com/Article/Despite-Double-Digit-Growth-Ecommerce-Grabs-Small-Share-of-Mexico-Retail-Sales/1011924>
4. <http://www.internetworldstats.com/stats12.htm#central>
5. <https://www.globalwebindex.net/>
6. https://amipci.org.mx/estudios/comercio_electronico/Estudio_de_Comercio_Electronico_AMIPCI_2015_version_publica.pdf
7. <http://www.the-ciu.net/>
8. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/352119/Mexico__A_Destination_for_Growth__Retail_Report_.pdf
9. <https://www.forrester.com/Latin+America+eCommerce+Forecast+2014+To+2019/fulltext/-/E-RES118923>
10. <https://www.globalwebindex.net/>
11. <http://www.obandigital.com/gb/blog/2015/01/08/download-your-global-e-commerce-calendar-2015-now/>
12. <http://www.obandigital.com/gb/blog/2015/01/08/download-your-global-e-commerce-calendar-2015-now/>
13. <http://www.obandigital.com/gb/blog/2014/01/21/its-not-all-cyber-monday-global-e-commerce-dates-for-your-diary/>