



Etail giant Amazon has entered Mexico's burgeoning ecommerce space

MEXICO

Amazon makes its move on the Mexican market

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Amazon is pushing into Mexico's small yet blossoming ecommerce market, which Planet Retail estimates will grow 189% over the next five years.

The news will undoubtedly be welcomed by some local SMEs, which can leverage Amazon's online capabilities and take advantage of new selling opportunities. However, the move could well fragment the market as more established local players, which continue to go it alone, are forced to compete with the global giant.

Although Amazon already has a presence in Mexico through its Kindle products, it will still have its work cut out to boost brand awareness. With ecommerce penetration still relatively low, Amazon will need to build a powerful image of trust to help consumers overcome fears surrounding online security.

Low credit card penetration in the region means the retailer must also provide flexible online payment options, such as cash on delivery.

Mexico is relatively virgin territory when it comes to online, with Walmart Mexico the only serious challenger to Amazon at present. Walmart has a comparatively long-standing presence and has been expanding its ecommerce offering in pursuit of nationwide coverage. Importantly, the retailer has a vast store network that it is able to leverage for click-and-collect.

Fulfilment will be a key challenge for Amazon, particularly outside of big cities where infrastructure is often weak. No doubt lessons learned from operating in India, where Amazon offers same-day delivery in selected cities, will be transferred to this latest venture.

Looking forward, we would expect to see tie-ups with local retailers to make collection services available. Collaboration with OXXO, Latin America's largest convenience store operator, for example, would help Amazon grow its presence more quickly and better compete with Walmart Mexico's offering.

Another factor to consider is growing consumer power among US Hispanic shoppers. In US states with large Hispanic populations, Mexican retailers have respectably performing operations, such as Chedraui's El Super banner. Amazon may feel it can gain more traction among US Hispanic shoppers by offering a Mexican version of its site.

Given Amazon's front-running global credentials, the push into Mexico is testament to the potential the market holds and there will likely be a further influx of overseas players in the future – after all, where Amazon goes, others tend to follow.

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