



Summary

The direct selling industry in Mexico constitutes an important distribution channel. International companies have successfully entered the Mexican market in industries such as apparel, jewelry, shoes, home cleaning supplies, decorative products, home and housewares, and beauty products. It is a successful sales channel especially for cosmetics and toiletries as the organizations that choose this business model sell products with prices ranging from economical to very expensive.

Market Data

Direct selling is the sale of a consumer product or service, person-to-person, away from a fixed retail location, marketed through independent sales representatives who are sometimes also referred to as consultants or independent distributors, among other titles. These representatives are not direct employees of the companies, but independent contractors who sell the products in return for a commission on those sales.

According to the Mexican Direct Selling Association, Mexico has a direct selling force of 2.2 million, 96 percent of which is comprised by female direct representatives. Although male representatives are slowly increasing their participation in this sales channel, Mexican women have traditionally seen direct selling as an opportunity to earn an income without having a job that could interfere with their family activities. Flexibility is one of the most appealing aspects of direct selling, making product sales seem like a natural consequence from normal social interaction. Additionally, starting a direct selling business only requires only a small initial investment which serves to easily attract a large volume of new independent sales representatives every year.

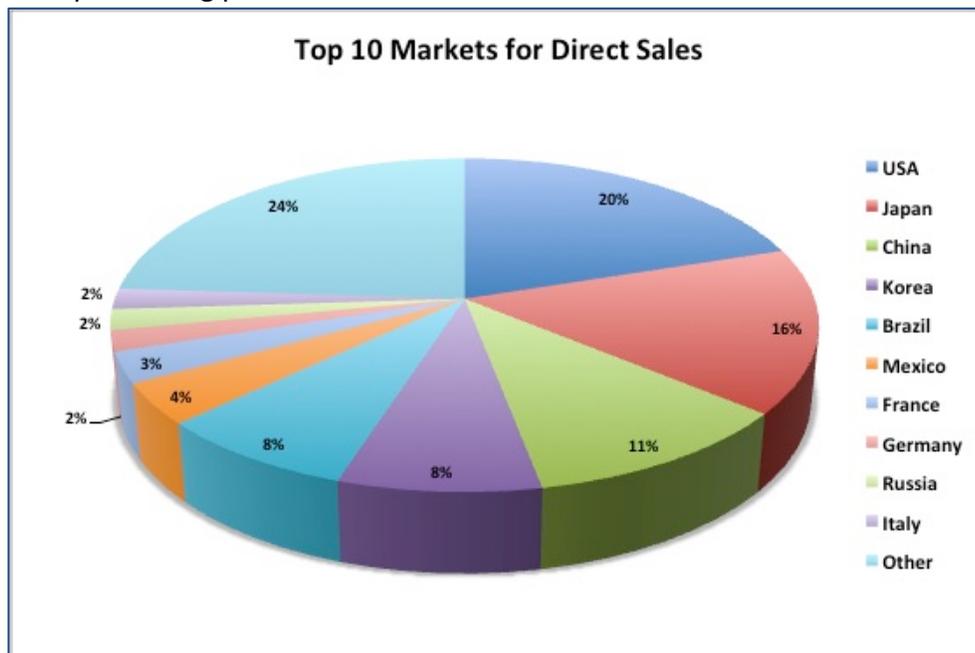
What is the profile of the Mexican direct sales representative? The following chart describes it:

Total number of sales representatives	2,200,000
Female	96%
Male	4%
Income Level	Low and middle income
Age:	
18-34	23%
35-49	47%
50-65	26%
>65	4%
Marital Status:	

Single	11%
Married	77%
Divorced	12%
Population Area:	
Urban and suburban	89%
Rural	11%
Education level:	
Elementary	31%
High school	54%
College degree	14%
Post-graduate	1%

Source: Mexican Direct Selling Association

Mexico is an important market for direct sales not only in Latin America, but worldwide. In 2012, it was ranked number six in the top 10 markets and it continues to grow as consumers see an improvement in their purchasing power.

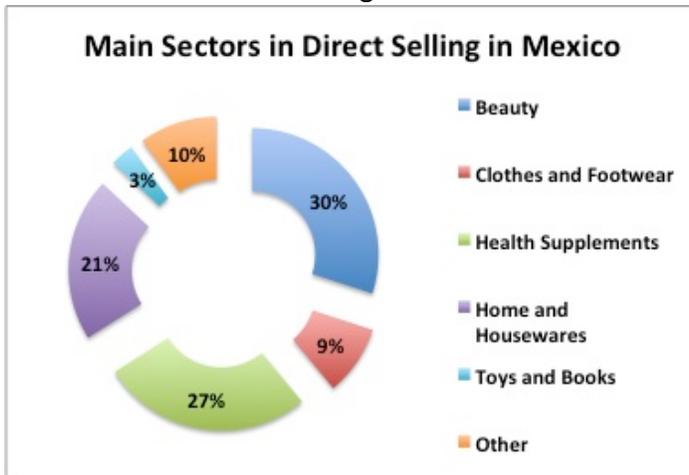


Source: Mexican Direct Selling Association

Mexico is the second largest market in North America as well as the second in Latin America for direct sales. In 2012, Mexico generated sales of USD\$6.3 billion and the World Federation of Direct Selling Associations (WFDSA) expects it to grow at least eight percent in 2013. This translates into ample opportunities for U.S. companies that use this sales channel to enter the Mexican market.

Best Prospects

Companies in a wide variety of sectors use direct selling in Mexico, but beauty and personal care products remain the largest segment followed closely by health supplements. It is important to mention that in the Mexican market, several brands that started exclusively in one sector have now diversified, for example a health supplements brand that is now offering a cosmetics line, or a beauty brand that also sells clothing.



Source: Mexican Direct Selling Association

Specifically in the beauty and personal care products, the Mexican Chamber of Cosmetic Products (CANIPEC) identifies very particular sub-segments that consumers will be demanding in the coming years. Some of these best prospects include: organic make-up and personal care products, body lotions and facial preparations that have sunscreen, all products related to anti-aging, and hair care products, especially those that contain natural and organic ingredients. With an increased awareness about the dangers of harsh chemicals in beauty products preparations, the

Mexican consumer is slowly demanding more

natural products that not only are safe for the environment, but to the user as well. In that respect, European and Brazilian brands have been pioneers in the Mexican direct selling market introducing complimentary product lines that highlight the benefits of natural ingredients and stress the dangers of harsh chemicals in skin care products.

Key Suppliers

Mexico is a well-developed market when it comes to beauty products. American brands in the direct selling segment have been present for over 40 years in the market and most of them manufacture some, if not all, of their product in Mexico. According to CANIPEC, the most popular U.S. brands that are sold through this sales channel are: Avon, Jafra, Fuller, Mary Kay, and Amway. Nevertheless, competition is tough and increasing every day.

European brands are highly positioned in the mind of the Mexican consumer and are regarded as higher quality products even though they are also sold through catalogs. In this regard, the consumer's perception is changing as they are willing to spend more money in products that are considered to be of a better quality and with more benefits and results, especially when it comes to skin care. These are just some of the companies that are competing in the Mexican direct selling beauty market:



Market Entry

U. S. exporters of beauty and personal care products seeking to enter the Mexican market through direct selling should be prepared to face competition from well established brands. As recognized and established as a company might be in the United States, it will be hard to convince the Mexican consumer to try a new brand if it markets the same products that are already being offered.

Exporters are encouraged to identify their value added contribution to the current beauty products already on offer in Mexico; this will also help the company plan the marketing strategy that should be tailored to the Mexican segment that is targeted.

It is recommended to have a Mexican partner that is preferably experienced in direct selling. A good start might be to look for potential partners in direct selling companies that have not yet diversified into beauty and personal care products. Apparel, jewelry, and nutritional supplements could be a good fit to add a complimentary beauty line.

There are several resources available through the Mexican associations of cosmetics, beauty, and direct selling, nevertheless, all of them require the brand to be registered as a Mexican company in order to

grant access as a member and enjoy their benefits. This association is a great resource to look for partnering opportunities, have access to counseling and market insight specifically tailored to direct selling companies.

Market Issues & Obstacles

U.S. exporters of beauty products benefit from NAFTA's advantage of sending products into Mexico duty-free. Nevertheless it is important to note that all products imported into Mexico regardless of their origin have to pay a 16% Value Added Tax. This is not a tariff, so the NAFTA Certificate of Origin document does not apply.

Sanitary registration is not a requirement for beauty products, but compliance with a labeling standard is. All cosmetics and beauty products must comply with standards described in NOM-141-SSA1-1995. For all technical details it is necessary to work closely with your Mexican importer and a specialized customs broker. Requirements and further information are available through the Mexican Ministry of Economy.

It is important to note that the Mexican Customs Agency has increased its requirements for the import of liquids, gels and powders even if they enter the country as samples. A use of a customs broker is required for any import of these products that are seen as difficult to classify. Before shipping any samples to potential customers, be sure to ask if they are working with a customs broker in Mexico. If not, the U.S. Commercial Service can provide guidance on how to obtain one.

Be aware that even though a company might be successfully selling through this modality, the same rules might not apply. The Mexican consumer is different from the American consumer, and most likely the strategy must be modified to this market.

Important considerations should be made regarding:

- **Language:** Not only do Mexican standards for beauty products require all product information and ingredients to be in Spanish, the material that the U.S. company has for training and advertising should also be in Spanish. Special attention should be paid to cultural nuances and it is very important to hire a good translation service. Poorly translated packaging and instructions leave an impression in the consumer that the product might be low quality or counterfeit.
- **Consumer identity:** A U.S. company trying to enter the Mexican market should perform extensive research on the target consumer. This not only means that they should be aware of the clients' purchasing power or socioeconomic level, but their physical characteristics. A common mistake foreign companies make is to generalize the physical traits of all Latin American clients under the term "Latino". Products tailored for Latino skin tones or hair types might be an advantage in the U.S. market, but in Mexico this is not a used term or a desirable classification. Be ready to adapt to

a wide array of skin tones and hair types when offering products to the Mexican market and invest time and resources researching the different ethnic groups that make up modern Mexico.

- Marketing in magazines: As an unknown brand, U.S. companies entering Mexico for the first time should be prepared to invest in marketing. Although the investment will not compare to brands that are sold through other channels, even a potential partner already in direct selling will require assistance marketing a new line and training their current representatives. Several direct selling companies advertise through fashion magazines and TV commercials.
- Strong social media presence: Even though the development of internet and smartphones is not at the same level as Europe or the United States, the Mexican consumer is increasingly drawn to social media. With 47 million Mexican subscribers, Facebook is one of the preferred social media platforms and beauty companies must have an active presence there. This is a great marketing tool that can help the U.S. exporter gain brand recognition and loyalty through tutorials, Q&As, videos and occasional giveaways.
- Strong product differentiation: An advantage in the U.S. market might be just a regular characteristic in Mexico. Especially in beauty products, Mexican consumers have been exposed to international brands for a long time. In order to be successful, a company thinking about entering this market should have a well-identified competitive advantage. Price should not be the most important parameter as it will be nearly impossible to compete, at least in the initial phases, with established competitors who manufacture in Mexico. As explained earlier, cultural nuances and differences have to be carefully considered in order to gain acceptance.

The U. S. Commercial Service offices located in Mexico City, Guadalajara, and Monterrey offer services that can help the U.S. exporter identify the correct partners in the Mexican direct selling segment as well as facilitate contact with key associations and players in the market. Interested companies may contact their local U.S. Export Assistance Center for more information on how to expand their business in the Mexican market.

Resources & Contacts

- Ministry of Economy (Trade Agreements, Statistics)
<http://www.economia.gob.mx/comunidad-negocios/comercio-exterior>
- Mexican Chamber of Cosmetic Products <http://www.canipec.org.mx/>
- Mexican Direct Selling Association <http://www.amvd.org.mx/>
- World Federation of Direct Selling Associations <http://www.wfdsa.org/>

For More Information

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Phone: +52-81-8047-3450; or visit our website: <http://export.gov/mexico/>

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