

Latin America
Centre of
Asia-Pacific Excellence



The Mexican Market and New Zealand Brands

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MEXICO IS A MARKET WITH GREAT POTENTIAL FOR NEW ZEALAND EXPORTERS.

However, it is also known as a difficult market. Mexican consumers remain relatively poorly understood by many exporters. Branding and marketing strategies need to take into account the specific perceptions of New Zealand held by Mexican consumers, and the ways these images of New Zealand figure in purchase intentions and favourability ratings. This investigation first introduces the Mexican market and then presents the findings of an original survey and experiment conducted by Yuri Seo, Jae-Eun Kim and Felix Septianto using Mexican participants in 2019.

INTRODUCTION TO MEXICO

Mexico is ranked as the 10th most populous country in the world with an approximate population of 127 million people. It is the largest Spanish speaking country in the world. Classed as an 'upper middle income' economy by the World Bank, it is Latin America's second largest economy and has a strong market with macro-economic stability, low inflation and relatively steady economic growth rate. Mexico's economy grew significantly after the 1994 North American Free Trade Agreement entered into force, contributing to a rise in disposable incomes as the country's middle class continues to expand despite the country's pervasive income inequality.

Mexico City is one of the key financial centres in the Americas. Mexico has Free Trade Agreements (FTAs) with 46 countries, a measure of the importance of trade in a country where international trade is valued at 68 percent of the country's GDP. Due to Mexico's proximity to North America, it is deeply integrated into North American supply chains with a large proportion of the country's exports being medium and high-tech manufactured goods. Mexico also has a thriving food processing sector and is also a leading exporter of top-quality products to the world

Being a multicultural and diverse country, 60 percent of the country's population is of mixed backgrounds and the country is known for its thriving cultural life. Mexico is the highest-ranked country in Central and South America on the World Bank's Ease of Doing business index, having edged out Chile for the top spot in recent years. It offers opportunities for businesses wanting to access its local market or as a platform to reach other international markets through its network of free trade agreements.

Growth of Mexico market and opportunities for New Zealand brands

Mexico is New Zealand's 22nd largest export market and it is also New Zealand's largest goods trading partner in Latin America. With total exports worth NZ\$402 million in 2016, dairy led the way with 84 percent of all exports, followed by meat, tourism, commercial services, and machinery. New Zealand's first trade agreement with Mexico was established through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which will remove tariffs on most New Zealand exports into Mexico over time, with the exception of some dairy products where duty free access will still be achieved under quotas. There will be an estimated NZ\$3.1 million in annual tariff savings rising to NZ\$6.6 million once the tariff reductions are complete.

Over 75 percent of the Mexican consumers reside in urban centres, where the United States tends to have a strong influence on consumer habits. According to Euromonitor, one quarter of all Mexican households can now be considered as middle class. Mexico has between 8 and 9 million high-income earners and 15 to 25 million medium income consumers who have a high level of receptiveness to foreign goods and services, including high-quality food and beverage products as well as high propensity to travel and study abroad. On the other hand, there is considerable disparity in purchasing power across the country and approximately 20 percent of the population remain below the poverty level.

Consumer behaviour is evolving rapidly as the purchasing power of Mexican consumers grows. Many Mexican consumers value convenience

as well as good quality products that can help them save time as well as money. Mexican consumers seek for a 'relationship' with a business or brand, and customer service level has become a very powerful influencing factor behind purchasing decisions. On top of that, Mexican consumers have a high degree of brand loyalty, are aware of brand names and are focused on the cost-benefit ratio of a product or service. Wives typically tend to be in charge of a family's day to day purchasing in a typical household, with purchasing habits being strongly influenced by family and friends. According to PwC, the country's increasingly affluent middle class is driving growth in the premium food and beverage and clothing sectors as well as the personal beauty and care sector. Additionally, Mexico is considered as one of the most promising Latin American markets for e-commerce. Amazon entered the Mexican e-commerce market in 2015, and has established an extensive distribution network, which it claims covers 99% of all Mexican zip codes.

Mexico's large and strong domestic market holds potential for New Zealand businesses. In a whitepaper developed by NZ Story in collaboration with Latin America Centre for Asia Pacific Excellence (Latin America CAPE), it was highlighted that aside from an expanding middle class, projections of demand from 'emergent consumers' will continue to grow in Mexico. Emergent consumers are those aged between 15-30 years old who believe in a global and connected society and see themselves as worldly, educated, sophisticated and can often speak English. The opportunity exists to appeal to this segment of consumers who value premium niche products as well experiences.

An example of a NZ company that leveraged opportunities to target emergent consumers in Mexico is Quantec, a Hamilton-based start-up company that launched its anti-acne cream

made with a patented active ingredient derived from New Zealand cow's milk. Quantec's rationale behind entering the Mexican market was the reported large percentage of between 80 to 90 percent of the population being affected by acne before the age of 21. Additionally, Mexico was also a good entry point for Quantec to reach the remainder of the Central American markets and the rest of Latin America over time.

Some of the new market access opportunities are in the food and beverage sector and the food service sector. According to NZTE's Market Guide Mexico, demand for healthier food is growing in Mexico, with projections of growth in sales of organic and health food to grow by as much as 39 percent between 2016 and 2020. A similar rise in demand was also forecast for all categories of products that will benefit from the increase in purchasing power of Mexican households. Mexicans are discerning when it comes to country of origin and the opportunity lies with Mexican consumers' increasing global outlook and openness to new and unique imported products.

There are also opportunities for New Zealand businesses in some of Mexico's other growing sectors. Mexico is a key player for animal products such as beef, pork and poultry and the expansion of its dairy sector is being supported by government programs, private sector commitments, improved genetics and technology. This has given rise to opportunities for exporters in areas such as livestock, dairy equipment, meat processing equipment, farm management and animal feed. Mexico's thriving food processing sector on the other hand, produces dairy, preserves, canned and frozen vegetables. Its manufacturers are looking for new and innovative processes and products. However, as Mexico is an open market, New Zealand businesses may face

challenges of greater competition with other international businesses operating in Mexico as well as the United States, from where Mexico sources many products and services. Additionally, there is also a growing pride for 'Made in Mexico', especially for categories they are world famous for such as beer, tequila, jewellery and arts and crafts.

Mexicans have low awareness of New Zealand compared to other countries, according to the whitepaper and research that was conducted by NZ Story on Mexican perceptions of New Zealand. New Zealand was often viewed as a young country that produces quality food with an unspoilt nature and New Zealanders were generally seen as open, welcoming, relaxed and trustworthy. The perceived value placed on Māori culture resonates well with the Mexican culture, but their understanding of New Zealand often starts with their knowledge about Australia, establishing many similarities between New Zealand and Australia with the exception of New Zealand being a lot smaller than Australia.

Challenges for New Zealand Exporters

Does New Zealand country-of-origin (NZ-COO) yield advantages for New Zealand companies? Many national producers and service providers believe that it does. Perhaps the most prominent branding campaign that utilizes NZ-COO is the Clean, Green, and 100% Pure New Zealand campaign that has been running since 1999. Originally conceived as a promotional tagline by Tourism New Zealand and targeted at inbound tourists, 100% Pure turned into an umbrella national brand that became highly valuable for many other New Zealand industries – especially in food and agriculture, where clean and green is associated with healthiness and food safety. The main value proposition of 100% Pure

conveys a functional benefit that New Zealand is an ecologically clean place.

The major drawback of a functional campaign, such as 100% Pure New Zealand, is twofold. First, the effectiveness of COO positioning that emphasizes functional benefits (i.e., clean and green in the case of 100% Pure NZ) relies on the target consumers having specific and extensive knowledge about the source (i.e., they know a lot about New Zealand and its clean environment). Second, this effectiveness also relies on consumers making a strong connection between the source and perceived benefits of a product that comes from this source (e.g., consumers must believe that products from environmentally clean places are more desirable). These two points suggest challenges for New Zealand in many product categories and across markets with less frequent contacts, such as Mexico.

Concerning the first point, do Mexican consumers believe that New Zealand and its products are more 'clean and green' relative to other countries, such as Australia? In addition, even if they do convey such beliefs, is ecological cleanliness valuable enough a proposition for Mexican consumers to seek out New Zealand products? An empirical study (see the results of Phase 2) that we conducted with Mexican consumers showed that New Zealand was not perceived as superior to Australia (as its closest competitor) in terms of its perceived cleanness. Further, the perception of cleanness was not the most significant appeal that drove Mexican consumers to buy products. So how then should New Zealand brands position themselves in Mexico?

Repositioning New Zealand with Emotions

One alternative positioning strategy is to leverage emotional appeals. Recent research

in consumer psychology shows that beyond making us feel simply positive and negative, distinct emotions – such as pride, gratitude, awe, and envy – co-ordinate our behaviours by activating different motives. For instance, it has been shown that feeling proud heightens our desire for status and, as a result, we show more preference for luxury consumption; in contrast, feeling grateful heightens our altruistic motives and so this emotion increases our prosocial behaviours. Furthermore, specific targets – such as brands, people and countries – can elicit specific emotions. In such cases, matching these emotions (e.g., specific emotions that we associate with a given country) with congruent advertising appeals can increase the effectiveness of persuasion. This happens because such pairing feels ‘right’ – an effect that is known in psychology as ‘congruent fit’.

Importantly, the positive effect of congruent fit is implicit. It does not rely on the consumers’ deliberate decisions to choose a product based on knowledge about the source. Thus, even though Mexican consumers may not have extensive knowledge about NZ-COO specifically, they may possess some general associations about New Zealand that are likely elicit certain emotions. If this is true, then leveraging such specific emotions in brand positioning and advertising can increase the preference for New Zealand products.

This report accomplishes two objectives. First, using a national survey with 522 Mexican adult consumers, we identify the strongest distinct emotions that Mexican consumers associate with New Zealand. Second, we conduct an experiment with 352 Mexican consumers to show that leveraging the target New Zealand emotions in advertising appeals heightens the preference for New Zealand products compared to using other (non-target) emotions or functional appeals, such as eco-friendliness.

Empirical Studies and Findings

We conducted this research in two phases. For both phases, we recruited participants from a representative online national panel in Mexico using a local market research company. A brief profile of participants is presented in Table 1.

In Phase 1, we surveyed 522 Mexican consumers about emotions that they associate with New Zealand using an established set of questions that measure 15 types of known emotion (i.e., amusement, awe, challenge, contentment, gratitude, hope, joy, love, pride, relief, serenity, anger, fear, sadness, and shame) on a 7-point scales (1 = Not at all; 7 = Extremely). In order to make sure that we elicited emotions that were comparatively more associated with New Zealand than other countries, we also surveyed participants about the emotions that they associate with Australia. The findings revealed that the emotions that were associated most strongly with New Zealand in Mexico were Joy, Amusement, Awe, Challenge, Serenity and Hope. Among these six emotions, Mexican consumers felt the same level of Joy and Hope toward Australia and New Zealand, whereas Amusement, Awe, and Challenge were significantly more associated with Australia than New Zealand. Hence, the only emotion that Mexican consumers associated uniquely and distinctly as stronger with New Zealand was Serenity. Serenity describes an emotional experience of inner peace that is sustained regardless of life events. Serenity is not always being happy; rather it is being able to have an inner calm despite negative life circumstances. Common elicitors that are used to leverage this emotion in advertising practice include relaxing music, mindfulness, peace and calmness.

In Phase 2, we conducted an experiment. The purpose was to test whether positioning

New Zealand products using a unique and distinct congruent emotional appeal would increase the consumer preferences for a New Zealand product, compared to using an incongruent emotional appeal or using a functional appeal, such as eco-friendliness. We also tested whether leveraging congruent emotions increases the preference for New Zealand brands relative to the brands of other countries, such as Australia (as a close competitor). In this endeavour, we developed three comparable advertisements for a fictional brand “Cheesemaster” that was positioned as either a New Zealand or Australian brand (Figure 2). The first advertisement focused on eco-friendliness and sustainability. The second advertisement elicited the positive emotion of Amusement. In order to accomplish this, informed by previous methods of eliciting this emotion, we developed an advertisement that featured a whimsical image of ‘dancing cows’ and added a copy that read “Try our cheese products from AMUSING and WHIMSICAL New Zealand (Australia)!”. Finally, the third advertisement elicited the positive emotion of Serenity by featuring a vast and peaceful landscape and an ad copy that read “Try our cheese products from PEACEFUL and TRANQUIL New Zealand (Australia)!” Next, additional 352 participants from the same national panel that we used in Phase 1 were recruited to participate in Phase 2. They were told that the study was interested in how consumers evaluate a cheese brand CHEESEMASTER that will be launched soon. During the experiment, they were randomly assigned to view only one of the six advertisements (amusing advertisement; eco-friendly advertisement; or serene advertisement featuring either Australia or New Zealand as country-of-origin), and asked to indicate how much they would be willing to pay for such a product.

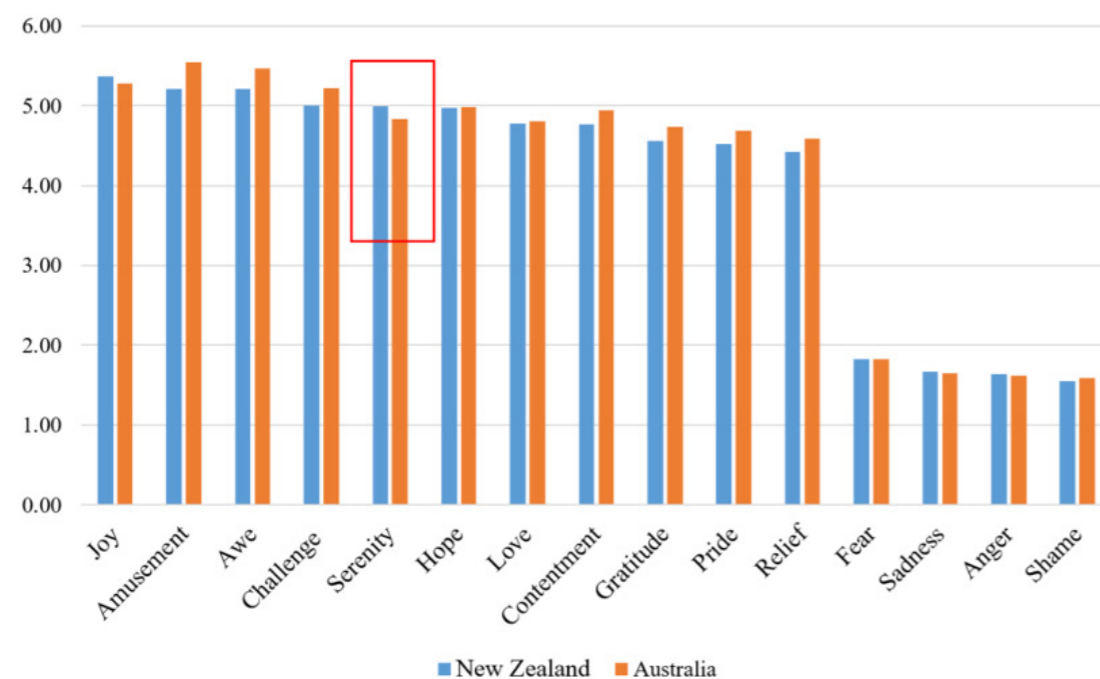
The findings of this controlled experiment revealed that participants who viewed the advertisement with an emotional appeal of serenity showed significantly higher willingness to purchase for a New Zealand brand than those who viewed an advertisement with either amusement or eco-friendliness appeal (Figure 2). Moreover, for an Australian brand, featuring serenity did not elicit significantly higher willingness to purchase than featuring either amusement or eco-friendliness appeal. Thus, our findings provide evidence that when promoting a product from New Zealand in Mexico, positioning a brand using a congruent emotional appeal, such as serenity, leads to a more effective brand positioning.

APPENDIX 1: SURVEY AND EXPERIMENT DATA

Table 1. Profile of Participants

		Phase 1 (N= 522)	Phase 2 (N = 351)
Average Age		37.29	38.15
		%	%
Gender	Male	50.00	48.43
	Female	50.00	51.57
Education	Primary	0.00	0.00
	Secondary	5.17	3.42
	Vocational or Professional Certification	18.77	19.09
	University	62.64	62.11
	Postgraduate	11.69	11.97
	Doctorate or Post-doctorate	1.73	3.42
Monthly Income	Less than 4999 MXN	12.64	10.83
	5000 - 9999 MXN	16.28	16.24
	10000 - 29999 MXN	36.40	39.32
	30000 - 49999 MXN	18.77	17.38
	50000 - 69999 MXN	8.05	6.84
	70000 - 89999 MXN	4.41	5.13
	90000 MXN or More	3.45	4.27
Current Location (Province)	North	18.20	13.68
	Northwest	17.05	17.66
	Northeast	14.75	17.38
	South	13.79	12.25
	Southeast	12.26	15.95
	Southwest	11.49	11.97
	West	7.28	7.69
	East	5.18	3.42

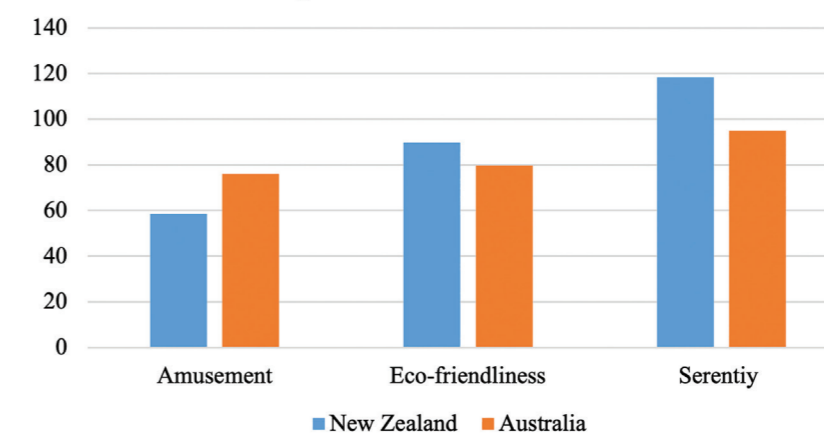
**FIGURE 1.
EMOTIONS THAT MEXICAN CONSUMERS
ASSOCIATE WITH NEW ZEALAND AND AUSTRALIA**



**FIGURE 2.
STIMULI USED IN PHASE 2**



FIGURE 4. WILLINGNESS TO PURCHASE IN MEXICO



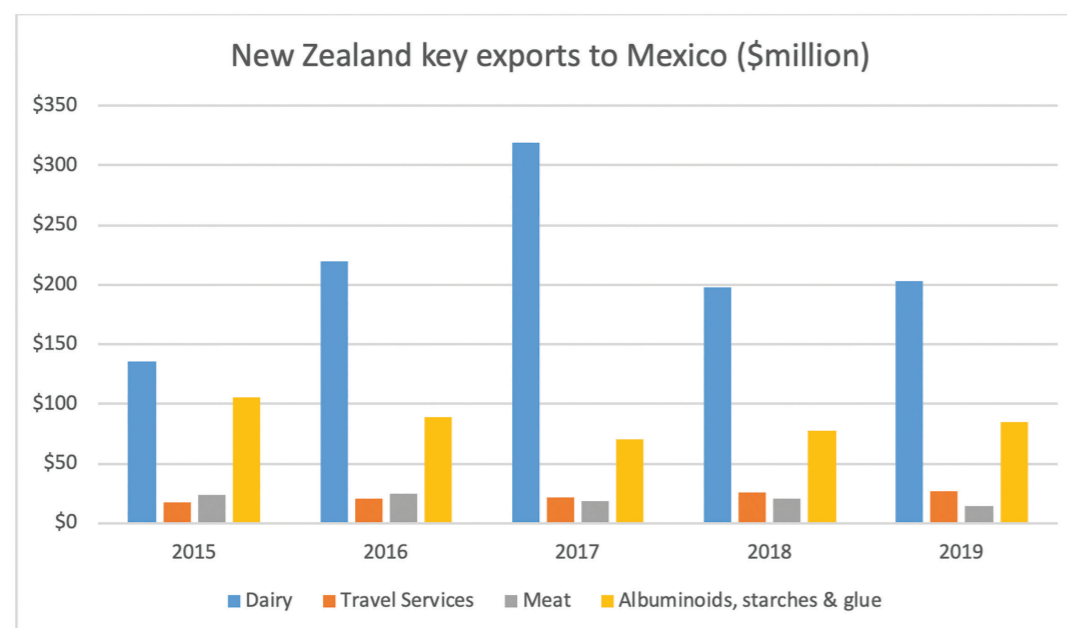
APPENDIX 2: BACKGROUND DATA ON THE MEXICAN MARKET

Figure A:
Total exports from NZ to Mexico
(\$ million, year ending June)



Source: Statistics New Zealand <https://statsnz.maps.arcgis.com/apps/MapSeries/index.html?appid=b232a223d2b84b779782dde4327de6cb>

Figure B:
NZ principal exports to Mexico



Source: NZ Trade Dashboard, https://statisticsnz.shinyapps.io/trade_dashboard/

KEY INSIGHTS

In this report, we investigated whether there could be an alternative positioning of New Zealand products in Mexico considering that Mexican consumers may not view New Zealand products to be significantly more 'clean and green' than products from other comparable countries, and that eco-friendliness might not be the most important value that drives consumer decisions. Specifically, we propose to use an emotional appeals strategy. In this endeavour, we identify that serenity is a unique and distinct emotion that Mexican consumers feel toward New Zealand (relatively more than other emotions and when compared with other countries). We also provide evidence that an emotional strategy using this emotion is more persuasive than a strategy that emphasizes the functional benefits of products, such as eco-friendliness, or using a not unique and distinct emotion, such as amusement.

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