



CREATIVE
CULTURE



THE RISE OF NATIONALISM IN MEXICO

November 2018

INTRODUCTION



WHY DO BUSINESS IN MEXICO?

There can be little doubt that Mexico is a major player on the world stage today. With 130 million inhabitants, it is currently the tenth most populous country on earth and the world's fifteenth largest economy. Mexico may still be technically classed as a developing nation, but gradual economic progress in recent decades has lifted many Mexicans out of absolute poverty and boosted the country's appeal as a target market for international brands.

Mexico also has considerable cultural cachet and is internationally recognised in spheres as diverse as music, art, film and cuisine. This may be partially linked to the sheer scale of the cultural influence it exerts over its northern neighbour: from the ubiquity of Mexican (including Tex-Mex and Mexican-inspired) food outlets such as Taco Bell and Chipotle, to the success of Disney's *Coco* in 2017, there is a clear Mexican facet to the American experience north of the border and, by extension, to the culture that the US exports to the rest of the world. For many of us, these factors mean that a set image comes to mind when we think of "Mexico"; however, our preconceived ideas often bear little resemblance to the actual reality of life and culture within the nation. In 2018, Mexican national identity is under closer scrutiny than ever before. Hostile political rhetoric from the highest echelons of the United States government has had profound ramifications within the country and prompted an uptick in nationalism, widely viewed as having been instrumental in the election of Andrés Manuel López Obrador (commonly known as AMLO) as Mexican president in July 2018.



In this White Paper, we will consider a number of important questions facing companies wishing to enter the Mexican market or expand their presence there. Firstly, we will offer a broad overview of the social, demographic and economic characteristics of the country and discuss a number of key trends shaping consumer behaviour. After this, we will delve deeper into the causes and consequences of the rise in nationalism, before considering how the current political climate has affected marketing and advertising within Mexico. Lastly, we will conclude by assessing what these developments mean for international brands.

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MEXICAN CONSUMERS



WHO ARE MEXICAN CONSUMERS?

Before entering any market, companies must first understand the nature of the economy in question and familiarise themselves with the lives of their target customers. To that end, this section offers a broad overview of key features on the Mexican consumer landscape.

Demographics

As of 2018, Mexico has a population of approximately 130 million. Data from the World Bank suggests that around 20% of the population in 2017 lived in rural areas, with approximately 80% living in large cities such as Mexico City, Guadalajara and Monterrey. Life expectancy at birth is currently 75 years; however, a report published by the Organisation for Economic Co-operation and Development (OECD) in 2015 noted a four-year difference between the states where people live longest and those where life expectancy is shortest. Widespread drug-related violence is a factor here, causing male life expectancy to fall between the years 2005 and 2010, while female life expectancy continued to rise. Brands should note that the Mexican population is quite young, with a median age of 28.

Personal finance

In its 2015 report entitled “Measuring Well-being in Mexican States”, the OECD noted that “*income disparities between and within Mexican states are among the highest in the OECD*”. Specifically, households in the Federal District (now Mexico City) have disposable income three times higher than households in the state of Chiapas. Over three quarters of Chiapas’ residents live in poverty compared to one fifth of their counterparts in the state of Nuevo Leon. The report also stated that in 2010, the average disposable income of households in urban areas was 1.7 times higher than rural households. Companies considering Mexico as a target market should note that although average household disposable income of US\$16,000 per year was approximately one third that of consumers in the USA in 2016, the actual disposable income varies significantly from one end of the spectrum to another. As a broad guideline, it is estimated that 10% of Mexicans are wealthy, 44% are classed as poor, and the remaining 46% are middle class.



MEXICAN CONSUMERS



Employment

Unemployment in Mexico was fairly low compared to the OECD average in 2014 and regional differences in unemployment were not as pronounced in Mexico as they were in other countries that year. This is partially because unemployed Mexicans are more likely to have access to informal work than their counterparts in other countries. However, workers in poorer states such as Chiapas were far more likely to be working in jobs deemed to be of poor quality (based on factors such as working hours and hourly wages) than workers in richer states.

Safety

Violence linked to drugs has contributed to a high crime rate in recent years. For example, Mexico's homicide rate in 2013 was ten times higher than the OECD average. However, it is important to stress that rates of crime vary considerably among states, and Mexico actually has the highest regional disparity in homicide rates of any OECD country. This means that people's lived experiences are vastly different. As journalists from *The Economist* once noted, "Visitors can relax in Yucatán, the safest state, which has about the same murder rate as Finland. Tlaxcala, not far from Mexico City, is about as safe as the United States. At the other end of the spectrum Chihuahua, the most violent state, has a murder rate equivalent to El Salvador, one of the most violent countries in the world."



KEY TRENDS



WHAT ARE THE KEY TRENDS SHAPING CONSUMER BEHAVIOUR?

Internet and telephone usage

Internet access is expanding rapidly at present. In 2005, just 9% of Mexican households had internet access; by 2017, this figure had leapt to 50.9%. Current estimates suggest that 65% of the population is composed of internet users, whereas the global average is 53%. As in other countries, many Mexican people access the internet from a mobile phone and 88.5% of people had a mobile phone contract in 2017.

E-commerce and m-commerce

As Mexicans enter the middle classes and find themselves with higher levels of disposable income and internet access, e-commerce is becoming a key component of the retail landscape. In 2017, payment company Worldpay predicted that e-commerce in Mexico would grow by 17% per annum until 2021, resulting in a segment worth US\$39.4 billion. Over the same period, m-commerce (shopping conducted using a mobile phone) is expected to grow by 27% per annum, resulting in an industry worth US\$21.2 billion. Companies looking to cash in on this trend should carefully consider Mexicans' payment preferences, however, as under 50% of adults had a credit card in 2017. Retailers such as Amazon.com and Walmart de Mexico have adapted to this by developing physical spaces where shoppers can pay for online purchases.

Engagement with social media

From a societal perspective, internet access offers citizens the opportunity to seek information, exchange ideas and contribute to the national conversation. According to *We Are Social*, there were 83 million active social media users in Mexico as of January 2018 and the most active social media platforms were Facebook, YouTube, WhatsApp, Facebook Messenger, Instagram and Twitter. Mexico City is also the city with the highest number of active Spotify users worldwide (as of November 2018). Brands wishing to raise their profile, engage with potential customers and gain market share can leverage this technology in an effective and cost-efficient manner.



NATIONALISM



THE RISE OF NATIONALISM

Having considered the economic and social spheres, we should now turn our attention to the political landscape in Mexico, and the rise of nationalism in particular. As mentioned in the introduction, Mexico has deep historical, cultural and economic ties to its northern neighbour. The number of Mexican immigrants arriving in the United States has slowed in recent years, but 33.7 million people still self-identified as “Mexican American” in 2012 according to the country’s most recent census data. In the 2016 US presidential campaign and later as president, Donald Trump repeatedly cast Mexico as a threat and denounced Mexican people as everything from “bad hombres” to “rapists”. His promise to build a wall along the 2,000-mile southern border and insistence that Mexico would pay for it became rallying cries to his political base on the campaign trail, despite no such agreement having been reached with the Mexican president at the time, Enrique Peña Nieto.

This strong political rhetoric was covered by the international and domestic press, and naturally had a profound impact in Mexico. Protests against President Trump and his policies were held in around 20 Mexican cities in 2017; one protest alone held in Mexico City in February of that year was attended by an estimated 20,000 people. A revealing study by Pew showed that the percentage of Mexicans who viewed the US favourably plummeted from 66% in 2015 to just 30% two years later. The study suggested that Mexicans had a more negative opinion of President Trump than inhabitants of any other country, with 93% saying that they had no confidence in him.

He also threatened to pull the US out of the North American Free Trade Agreement (NAFTA) – an agreement that, while not an unmitigated success, has fostered trade between Mexico, the USA and Canada since it was signed in 1994. In the political sphere, many commentators have suggested that these factors played a role in the election of Andrés Manuel López Obrador as Mexican president. In addition to street protests, some Mexican citizens channelled their political anger into calls to boycott brands seen as being typically American, including Starbucks, McDonald’s, Coca-Cola and Walmart. Social media played a role in spreading these campaigns, with hashtags such as #AdiosStarbucks (“goodbye, Starbucks”) and #AdiosProductosGringos (“goodbye, US products”) gaining traction in 2017.

#AdiosStarbucks #AdiosCostco#AdiosWalmart
#AdiosMcDonalds#AdiosProductosGringos
#ConsumoProductosMexicanos ¡Vamos México!

Translate from Spanish



CASE STUDIES

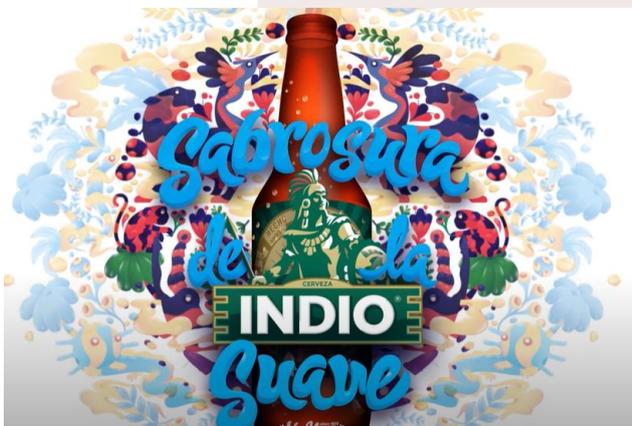


HOW NATIONALISM IS SHAPING MARKETING TRENDS IN MEXICO

Mexican brands, and brands operating in Mexico, are well-acquainted with the consumer profiles we explored previously and the trends shaping the national discourse. The challenge for such brands is knowing when and how to tap into shifts in mentality, including the rise in nationalism seen in recent years. Given the risks inherent in making open political statements and the fact that these risks are even more acute in the context of an electoral year, many brands have chosen subtler ways to tap into the uptick in national pride. In this section, we will show how several brands have responded to the rise in nationalism by creating ads that celebrate Mexican identity, culture and values.

Cerveza Indio: Sabrosura de la suave

Cerveza Indio: Sabrosura de la suave is a Mexican beer company that was founded in Yucatán state in 1893. As shown by the original name Cuahtémoc, the brand's identity has always been built around a strong sense of Mexican pride. In its "Sabrosura de la suave" campaign, published on YouTube on 10 October 2018, the brand links what it sees as the passionate, colourful nature of the Mexican psyche with the delicious and striking flavour of its beer.



Cerveza Victoria: Viaje al Mictlán

Cerveza Victoria is a Mexican beer brand owned by Grupo Modelo. In an advert posted on YouTube on 16 October 2018, the brand used a story from Mexican folklore as a celebration of Mexican identity. Specifically, the commercial presented the post-death journey a person is said to make to Mictlán (the realm of the dead in Aztec mythology). The ad used the fact that the journey was said to be perilous in order to stress the quick-wittedness, intelligence and perseverance of Mexican people. This is shown by the phrase "*en México somos chingones hasta en la muerte*", which may be roughly translated as "*in Mexico, we're badass even in death*". The company paired this ad with a Spotify playlist (in light of the high numbers of Spotify users in the country) and an interactive game challenging users to see whether they would pass the requisite nine tests to gain entry to Mictlán.

This campaign complements the brand's website, which contains interactive documentaries celebrating some of the country's most iconic urban districts and invites the public to engage with the brand by uploading their own photos, videos and comments. It also shines a spotlight on traditional Mexican culture by encouraging visitors to the website to upload their own descriptions and photos of Día de los Muertos festivities.

CASE STUDIES



Coca-Cola: Demuestra que crees

Timed to coincide with the football world cup in 2018, Coca-Cola's "*Demuestra que crees*" ("*Show you believe*") campaign tapped into national pride by advocating belief in the Mexican national team's ability to win football matches. The advert features high-profile motivational speaker Daniel Habib, imposing shots of the Azteca stadium and stirring music. The campaign was timed to perfection as Mexico beat World Champions Germany early in the tournament and a real sentiment of pride and belief that the team could win the competition spread across the country. As of November 2018, the official YouTube version had received over 20 million views.



NATIONALISM IMPACT



WHAT THIS MEANS FOR INTERNATIONAL BRANDS

As we saw previously, the rise in nationalism in Mexico has primarily been associated with anti-US sentiment, stirred up by the rhetoric and behaviour of the Trump administration. In this section, we will consider how this has affected international brands and take a look at examples of their responses. The first point to note is that the extent to which particular companies were affected by pro-Mexican and anti-US sentiment depended on their perceived status as an “American” brand. For example, Seattle-based coffee chain Starbucks, which had over 600 outlets in Mexico in 2017 and a presence in every state, was a key target of calls for a boycott. This online activism was blamed for a 9% drop in profits for the company’s Mexican operations in the first quarter of 2017, despite the fact that the Mexican iteration of the Starbucks brand is operated by a Mexican holding company called Alsea. Companies and brands from – or merely associated with – other geographical origins were therefore less at risk from this phenomenon. Jude Webber at the Financial Times noted in November 2017 that the online support for boycotts did not always translate into actual changes in consumer spending patterns.

Moreover, consumers’ perceptions of a brand are not always aligned with the reality of the company behind that brand (this was the case with the Starbucks example above). As internet penetration remains fairly low, consumers in Mexico are not always aware of the origins of the brand, often not distinguishing which are national or American, making the boycott an action directed to the largest, most well-known American brands. Commentators have also pointed out that the shift away from imported goods towards Mexican products was partially driven by the appreciation of the US dollar, which made American products more expensive relative to those made in Mexico.

For the reasons outlined above, an uptick in Mexican nationalism did not represent a serious risk for the majority of international companies. On the contrary, given that this was an issue many Mexicans felt strongly about, it primarily represented an opportunity to engage with both existing and potential customers and to raise awareness of a brand and its values.



CASE STUDIES



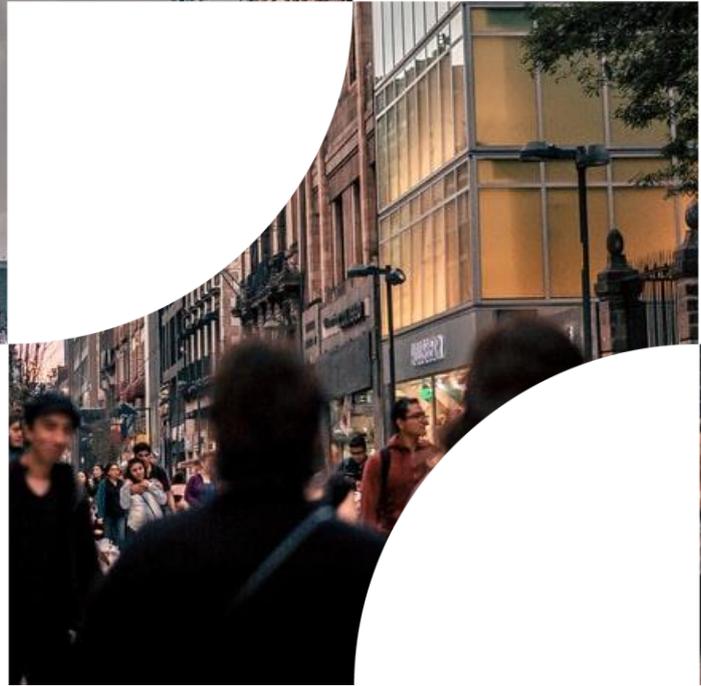
Illegal Mezcal

One example of a brand that seized this opportunity was Illegal Mezcal – a Mexican spirits brand with an international presence. In July 2015, the company launched a bold poster and projection campaign in a number of US cities featuring the words “Donald, eres un pendejo” (“Donald, you’re an asshole”). The brand later invited customers to join Illegal Mezcal for a drink at 75 participating bars around the world (including in Oaxaca state) on 19 April 2018 as part of the campaign entitled #ashotatdonald. This campaign served to raise awareness of the company and promote the intended brand image: one that is outspoken, daring, politically engaged and inherently Mexican.



Corona

One example of a very different approach was that taken by the brand Corona for its “América somos todos” campaign. Rather than attempting to play on potential customers’ sense of Latino pride, Corona created a campaign that promoted unity throughout the Americas as a whole and denounced the divisiveness embodied by the plans for a wall along the Mexican border. As of November 2018, the Hispanic version of the video on YouTube had over 8 million views, whereas versions with English subtitles had been viewed in the region of 50,000 times. The decision behind this approach may have been partially based on Corona’s profile as an international brand – while Corona has Mexican roots and is the current market leader in the country, it has a significant market share to protect in other countries in the region, including the United States.



CONCLUSION

As a populous, diverse nation with a burgeoning middle class, Mexico offers immense growth potential for domestic and international companies. Poverty and violence are still serious issues in certain states, but consumers in many other states live similar lives to those of their counterparts in North America or Europe. New technologies including internet access, e-commerce and social media are changing the ways in which Mexicans interact with brands, stay up to date with the latest news and trends, and purchase products. Brands looking to make their mark in Mexico should carefully consider these regional differences as they pitch their products and design their business activities in the country.

In the past two years, political events have fuelled an increase in Mexican national pride and anti-US sentiment. This had a noticeable impact on certain brands that were closely identified with the USA in the minds of Mexican consumers, but it also represented an opportunity for brands to connect with their consumers by engaging with an issue that elicited strong emotions. Moreover, Mexican brands were able to leverage this sentiment by creating campaigns that celebrated Mexican national identity. If approached in the right way, such campaigns can tap into the current sentiment and strengthen public awareness of a brand and its values. However, it is essential to base campaigns of this nature on a solid understanding of Mexican consumers and the reality on the ground.



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