



# MEXICAN APPAREL INSIGHTS

Q3 2019

## Marketing Intelligence for the Mexican Retail Apparel Industry

### FEATURE ARTICLES

Mexican Apparel Forecast  
2019-2022

2018 Mexican Apparel  
Channel/Retailer Shares

2018 Women's Lingerie  
Brand Awareness

### UPDATES ON

Groupo Axo

H&M Mexico

Inditex Mexico

Liverpool

Mercado Libre

Suburbia

Tendam

### OTHER

Updated Store Counts

Luxury Apparel Market

E-commerce Apparel  
Market

### NEXT Issue

How Important Is  
Liverpool/Suburbia For  
Mexican Apparel Sales?

Q4 2019 Mexican  
Retailer Updates

Apparel Informal Market

## Mexican Apparel Market: Good And Bad News!

First the good news: The total Mexican retail apparel market grew in 2018 according to Trendex by 3.6% after increasing 3.1% in 2017. Over the period 2014-2018 the Mexican apparel market increased at a 3.6% annual rate which exceeded the 2.6% increase in Mexico's GDP over the same period as both Mexico's upper and middle class benefited disproportionately from the growth of the economy.

Now for the bad news: History has shown this decade that there is a correlation between the growth of Mexico's economy and the country's retail apparel sales. If that pattern holds, growth in the 2019 Mexican apparel market should be the poorest since 2010.

To support that contention, this publication reminds its readers that when AMLO took office mid-last year, his administration was forecasting that Mexico's GDP would increase by 2.5% in 2019. However, his administration made a number of budget decisions that have served to restrict the growth of Mexico's GDP to date. In the first quarter of 2019 Mexico's economy, according to Inegi, contracted by 0.1% which was followed by an identical contraction in the second quarter. In the third quarter the Mexican GDP fell 0.4% year over year.

The OECD in November 2019, cut its forecast for the growth of Mexico's GDP in 2019 to 0.2%. At the same time it reduced its 2020 GDP forecast to between 0.6% and 1.2% down from its previous 2.0% estimate.

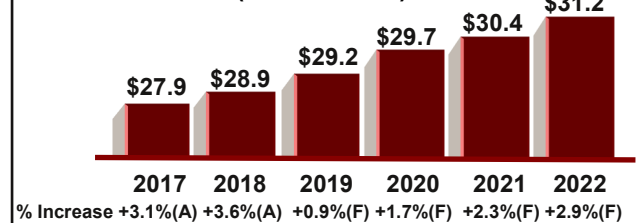
In light of the ongoing downward revision in the forecast for Mexico's GDP growth in both 2019 and 2020, Trendex has lowered its forecast for the growth of apparel sales in 2019 and 2020, Trendex is now forecasting that Mexican retail apparel sales will increase by only 0.9% in 2019 and 1.7% in 2020.

Mexican GDP/  
Apparel Sales  
% Annual Change

	GDP	Apparel Sales
2018	+2.0%	+3.6%
2017	+2.1%	+3.1%
2016	+2.9%	+4.4%
2015	+3.3%	+4.1%
2014	+2.8%	+3.0%

Source: IMF/Trendex

Mexican Retail Apparel Forecast  
(US\$ Billions)



Source: Trendex

## Welcome to the inaugural issue of Mexican Apparel Insights!

Historically, Mexican apparel suppliers and retailers have operated without the benefit of having access to an ongoing source of marketing information on the Mexican retail apparel market. I am pleased to announce that my company, Trendex North America, the recognized expert on both the Canadian and Mexican retail apparel markets, will beginning with this issue, publish a new quarterly newsletter supplemented by monthly bulletins, titled, **Mexican Apparel Insights**. This 8-10 page quarterly publication will provide unique insights and marketing intelligence on the Mexican apparel market. The quarterly newsletter will be supplemented by four—one page bulletins similar to those sent by Trendex during the first half of 2019. I am convinced that its time for Mexican apparel companies to recognize the need to have access to a cost effective objective external source of marketing intelligence.

A unique aspect of this newsletter is that it can be shared with everyone in a subscribing company. I look forward to our subscribers input, so as to make this publication of even greater value to its readers.

- Randy

Order at this link: <http://www.trendexna.com/mexican-market>

## Mexican 2018 Apparel Channels/Retailer Shares

During 2018 the largest retail channels of distribution for apparel in Mexico were department stores, apparel specialty stores (most of which are chains) and the informal market. Interestingly, discount stores for the fifth consecutive year lost share. Three Mexican department stores; Coppel, Suburbia and Liverpool, in 2018 were the country's largest retailers of apparel. Inditex Mexico accounted for 8.6% of total Mexican apparel sales, and 11.3% of Mexican women's sales.

From a segment standpoint, Coppel and Liverpool were the two largest men's apparel retailers, while Suburbia and Coppel were the two largest women's apparel retailers. Suburbia and Liverpool were the two largest retailers in Mexico City, while Coppel was the largest apparel retailer in both Monterrey and Guadalajara.

Total Mexican Apparel Market Jan-Dec (Pesos)			
Channels of Distribution	2016	2017	2018
Department Stores	36.6%	37.7%	37.5%
Apparel Specialty Stores/Boutiques	32.8%	30.4%	34.5%
Informal Markets	13.5%	15.0%	10.9%
Other	8.1%	8.6%	8.5%
Discount Stores	7.3%	6.8%	6.8%
Catalogs	1.7%	1.5%	1.8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Total Mexican Apparel Market Jan-Dec 2018 (Pesos)				
Retailers	Total	Men	Women	Children
Coppel	8.3%	9.2%	7.6%	7.5%
Suburbia	10.4%	10.3%	10.8%	9.3%
Liverpool	8.5%	9.8%	7.9%	5.3%
Zara	4.7%	2.3%	6.8%	4.0%
Sears	3.4%	4.1%	3.2%	2.2%
Walmart	2.8%	3.2%	2.1%	3.1%
C&A	2.4%	2.1%	2.8%	2.7%
Soriana	1.6%	1.5%	1.4%	2.5%
Bershka	2.1%	1.5%	3.0%	1.6%
Palacio de Hierro	1.6%	2.2%	1.2%	0.9%
H&M	0.8%	0.6%	0.9%	0.8%

Source: Trendex North America



Total Mexican Apparel Market Jan-Dec 2018 (Pesos)					
	Mexico City	Monterrey	Guadalajara	Puebla	Leon
Coppel	3.4%	19.9%	7.2%	6.0%	11.6%
Suburbia	12.5%	7.7%	8.3%	17.5%	6.1%
Liverpool	9.0%	7.8%	6.2%	7.2%	8.3%
Zara	6.2%	0.8%	3.6%	5.9%	3.7%
Sears	2.9%	5.2%	2.8%	2.7%	3.1%
Walmart	2.8%	2.4%	1.1%	5.8%	2.8%
C&A	1.5%	3.6%	5.6%	2.8%	3.7%
Soriana	0.8%	3.8%	0.9%	1.4%	0.5%
Bershka	2.9%	0.5%	3.6%	0.8%	1.2%
Palacio de Hierro	3.1%	—	—	2.0%	—
Del Sol	0.1%	7.3%	2.0%	—	1.4%
H&M	0.9%	0.5%	1.0%	1.0%	1.7%

## AVAILABLE NOW! 2019 Mexican Apparel E-commerce Report



Trendex is proud to announce that during August 2019 it published the first detailed report on the apparel e-commerce market in Mexico. The report includes information on the size of the market, along with insights as to the retail channels of distribution, individual retailers shares and apparel e-commerce merchandise category sales. Profiles of some of the major Mexican e-commerce apparel retailer's are included in the report, along with a forecast of the 2019-2022 Mexican apparel e-commerce market.

The cost of the Mexican Apparel E-commerce report (Which can be distributed to all interested parties within a company purchasing the report ) is only US\$95.00.

**Order from Trendex's secure site:**

<http://www.trendexna.com/order-form-mexican-ecommerce-report>



**It Should Be Noted:**

**Lululemon**, the Vancouver based company, synonymous with yoga-wear, is moving slowly out to conquer Mexico. After opening a showroom in Polanco in 2017, it opened its first store in Mexico in May 2018 in the Artz Pedregall Mall. Simultaneously it opened a 900 sq. ft. shop in shop in El Palacio de Hierro, Santa Fe. In the summer of 2019, the retailer opened its second store in the Landmark Mall in Guadalajara. The retailer has 462 stores worldwide, with 294 in the U.S. and 64 in Canada.

**Forever 21's** decision at the outset of October 2019 to file for bankruptcy protection will have no effect on Forever 21 Mexico as the parent company while closing all of its 44 Canadian stores, will not be closing any of its Latin America stores. In Mexico, Forever 21 operates, according to its website, 32 stores, with 9 being in the Federal District. The retailer also operates a Mexican website. Since entering Mexico in 2012, its fast-fashion offering, has competed with H&M Mexico.

**Gildan Activewear** announced, at the beginning of November 2019, that it would be closing its two Mexican production facilities, which it inherited when it acquired Alstyle Apparel in 2016. One of the factories is a textile facility in Aqua Prieta and the other is a sewing facility in Hermosillo. The company noted that the production facilities employs 1,700 people and accounts for 8%-9% of Gildan's worldwide production.

**Authentic Brands** opened in Polanco its first Latin American headquarters during October 2019. The apparel conglomerate markets a number of well-known apparel brands including Juicy Couture, Jones New York, Aeropostale, Nautica, Greg Normand and Adrienne Vittadini. The company indicated that Latin America accounts for 10% of its corporate sales.

**David's Bridal**, who entered Mexico in 2016 via a joint partnership with Mexico based Diltex, opened its third store in Mexico in September 2019. The store in Guadalajara joins two other locations in Mexico City. David's Bridal is planning on adding an additional six franchise stores in Mexico over the next two years.

**7 For All Mankind** will be opening its first two Mexican stores in 2020.

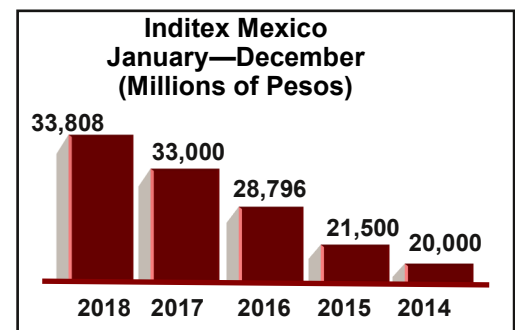
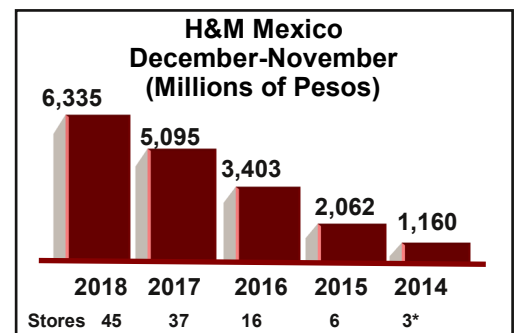
**Inditex And H&M Mexico**

Two foreign apparel retailing organizations in 2018 continued to carve out larger shares of the Mexican apparel market. The first is Inditex, the world's largest apparel retailing organization and owner of Zara, Bershka, Pull & Bear, etc. Its 2018 sales in Mexico in pesos increased by 17.6%. The growth of the conglomerates sales was partially attributable to its addition of six stores in Mexico during 2018. The other organization is Sweden based, H&M, which operates both H&M and COS stores in Mexico. In 2018, its sales increased 24.2% partially due to the addition of 8 stores in Mexico.

Four things contributed to both foreign retailing organizations success in Mexico:

- Providing recognizable value (i.e. price/quality)
- Offering the latest styles as a result of operating a worldwide sourcing network
- Targeting the 15-34-year-old segment
- Increasing their store count in affluent Mexican cities/locations

Future issues will detail the growing dominance of foreign apparel retailers in the Mexican retail apparel market.



Source: Company Reports

## Mexican Apparel E-commerce Market: A Standout Segment

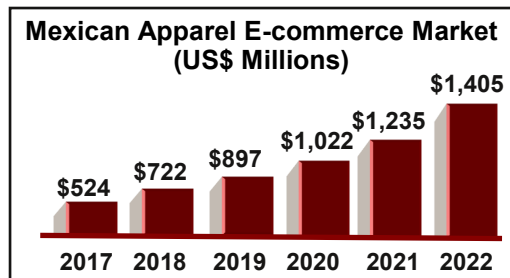
The Mexican apparel e-commerce market increased by 37.8% in 2018 to US\$722 million. According to Trendex's 2019 Mexican Apparel E-commerce Report, e-commerce accounted for 2.5% of the total US\$28.9% Mexican Apparel Market. Per Capita apparel e-commerce spending in Mexico during 2018 was only US\$6 vs. US\$223 in the U.S. market.

Although apparel e-commerce in Mexico is underdeveloped with compared to the United States its growth rate has for some-time been greater than in the U.S. It has also been growing at a significantly faster rate than the total Mexico apparel market.

Growth in the 2018 Mexican apparel e-commerce market was driven by a number of factors including but not limited to:

- Large sales increases of Amazon and Mercado Libre
- H&M Mexico and Suburbia launching their first e-commerce sites
- Retailers including Liverpool and Walmart implementing omni-channel retailing
- Increase in the number of secure payment options (e.g. At Oxxo)
- Growth of mobile e-commerce (i.e. m-commerce)

Trendex is forecasting that Mexican e-commerce apparel sales will increase by 24.2% in 2019, and by 18.2% per year over the period 2019-2022. The only possible negative development that could affect the forecast would be a significant slowdown in the growth of Mexico's GDP.



Source: Trendex

## El Puerto de Liverpool: Both Banners Growth Slows In Q3 2019

A slowdown in the growth of El Puerto de Liverpool was expected for the conglomerates Q3 2019 quarter as a result of the slowing Mexican economy. Nevertheless, the disappointing results for both of the conglomerates retail banners came as an unwelcome surprise given both of their performances in the first half of 2019.

Liverpool whose total sales increased 8.0% in the first half of 2019 reported a miniscule 1.2% increase in its third quarter sales. The retailers comp store growth was a disappointing 0.4%. A portion of the retailer's relatively poor performance could be attributed to a 0.1% decrease in its store traffic along with less robust sales of women's apparel, children's wear and cosmetics. Positive areas for Liverpool included men's apparel, sporting goods and furniture in addition to strong e-commerce sales.

A bright spot for Liverpool was its digital sales which increased by almost 40% and accounted for 8.6% of retail sales year to date. The retailers fastest growing digital channel, Liverpool Pocket registered a 144% increase in sales in the first nine months of 2019. At the close of the third quarter 87% of digital orders were sourced directly from its stores resulting in a 10% reduction year to date in client shipment times. Liverpool's Click And Collect program handled close to half of Liverpool's digital orders.

While Liverpool's results were disappointing, Suburbia's performance for Q3 2019 was even worse. After increasing by 8.3% in the first half of 2019, Suburbia's total sales increased 4.7% in Q3 2019. However, more disconcerting was the 5.9% decrease in Suburbia's comp sales. The retailer's poor performance was attributed to disappointing sales of both men's and women's apparel along with a change in Suburbia's technological platform. The platform's change resulted in its distribution centre experiencing problems with both receiving and distributing merchandise.

## E-commerce Updates

**Grupo Axo** acquired e-commerce retailer, Privalia Mexico during the middle of July 2019. Privalia had retail sales of US\$104 million in 2018 and is forecasted to grow by 25% in 2019. Privalia's share of the 2018 Mexican apparel e-commerce market according to Trendex was 5.6%

**Walmart Mexico**, at the outset of September 2019 began offering three-hour home delivery in Mexico City for 12,000 products, none of which are apparel items. The service is similar to what Amazon Mexico already is offering.

El Puerto De Liverpool Comp Store Sales						
	2019			2018		
	Q3	Q2	Q1	Q4	Q3	Q2
Liverpool	+0.4%	+7.1%	+4.9%	+6.4%	+6.3%	+7.4%
Suburbia	-5.9%	+5.9%	-0.5%	+6.6%	+11.5%	+11.4%

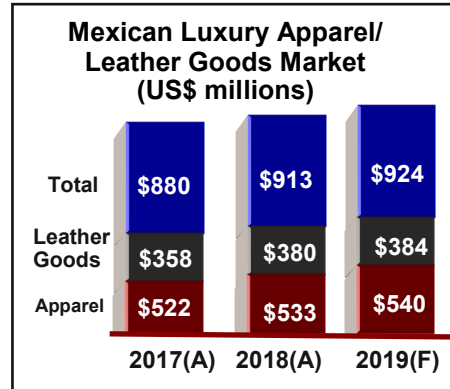
Liverpool (only) Quarter Ending Sept. 30		
	Q3 2019	Q1+Q2+ Q3 2019
Total Sales	+1.2%	+5.7%
Comp Sales	+0.4%	+4.2%

Suburbia Quarter Ending Sept. 30		
	Q3 2019	Q1+Q2+ Q3 2019
Total Sales	+4.7%	+7.0%
Comp Sales	-5.9%	-0.3%

Source: Liverpool

## 2018 Mexican Luxury Apparel Market

The luxury apparel flagship stores on Masaryk in Polanco along with the luxury apparel boutiques in both Centro Santa Fe and Antara Polanco are indicators that luxury apparel retailing is thriving in Mexico. Statista estimates that luxury apparel sales in Mexico increased 3.8% in 2018 to US\$924 million. Clearly the markets growth is not slowing as evidenced by both Dolce + Gabbana and Longchamp's announcements during the second quarter of 2019 that they plan to open new standalone stores and additional shop-in-shops in Palacio de Hierro.



Source: Statista

	2013	2017	2018	2023(F)
Millionaires	145	159	159	192
Billionaires	15	15	16	20

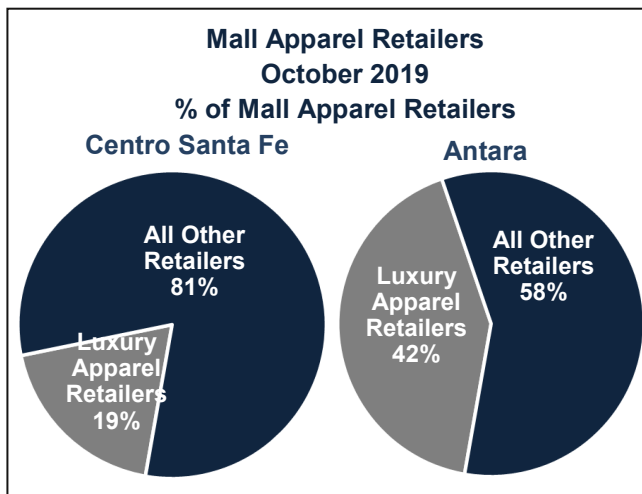
Cities	2018	% Increase 2018/2023
New York	3,3178	15%
Toronto	1,328	18%
Mexico City	1,256	21%
Los Angeles	1,075	15%
Montreal	582	18%
Vancouver	293	18%
Miami	253	17%

Source: Credit Suisse

The attractiveness of the Mexican market for luxury apparel retailers is attributable to a number of factors including:

- Increasing middle/upper class consumers
- Growth in affluent foreign tourism
- Relatively inexpensive rents on the "High Streets" in Mexico's largest cities
- Palacio de Hierro's efforts to open luxury concessions/shop-in-shops
- An underserved apparel e-commerce luxury segment

While there is no reason to think that the developments that have propelled the growth over the past three years of Mexico's luxury apparel market will not continue to drive its future growth, there are nevertheless two concerns that need to be considered. The first is a possible dramatic slowdown in the growth of Mexico's GDP during 2020/2021. The other is the potential for a shakeout in the segment resulting from Mexican luxury apparel retailers adding square footage at a rate that outstrips consumer demand.



Source: Trendex

Rank	City	District	Rent US\$/sq. ft.
1	New York	Upper Fifth Ave.	\$2,250
2	Los Angeles	Rodeo Drive	\$975
5	Miami	Lincoln Road	\$250
6	Toronto	Bloor St.	\$229
9	Vancouver	Robson St.	\$139
10	Montreal	Saint Catherines (W)	\$133
13	Mexico City	Masaryk	\$103
19	Monterrey	Calzada Del Valle	\$50
20	Bogota	Parque De La	\$46

## Luxury Apparel Updates

**Dior**, opened during October 2019, its first standalone store in Mexico in the Artz Pedregal shopping centre. Dior entered Mexico in 1950 and operates shop-in-shops in El Palacio de Hierro stores, under an exclusive agreement.

## Jeans Dominate Mexican’s Apparel Merchandise Mix

No apparel item is as important for Mexican consumers than jeans. Sales in Mexico of jeans during 2018 according to Trendex totaled an estimated US\$7.6 billion and accounted for 26.4% of all apparel sales.

Department stores were the most important channel of distribution for Mexican jean sales in 2018 followed by apparel specialty stores and the informal market. During 2018 department stores lost market share directly to apparel specialty stores. The ten largest individual retailers accounted in 2018 for 47.6% of all jean sales. Together Coppel and Suburbia, the two largest jeans retailers accounted for 21.2% of 2018 jean sales. Of the ten largest retailers of jeans, four were apparel specialty stores. Three of the apparel specialty stores were Inditex banners. Foreign retailers collectively accounted for 11.8% of 2018 jeans sales.

During 2018 individual retailers gaining share of the total jean market included Suburbia, Zara, Bershka, and Pull & Bear, while Coppel, Sears, Soriana and Milano all lost share.

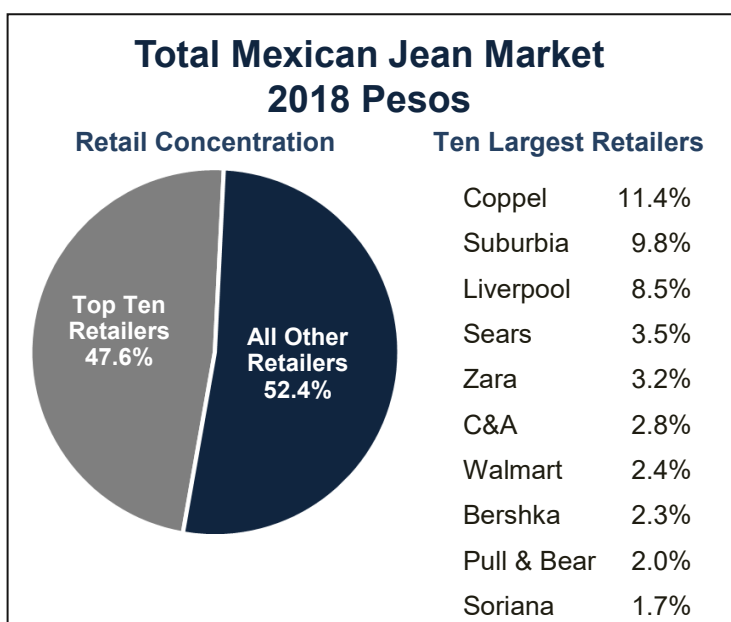
Levi, accounting for almost one quarter of all Mexican jean sales was the country’s largest brand of jeans in 2018. The brand however lost some share to Oggi, the country’s second largest brand. Furor’s share loss from 2015-2018 was attributed to the closing of a number of its own stores. Private label brands had a collective share of 33.8% of the total 2018 jean market. Its share in the future is sure to increase as the result of the growth of foreign retailers share.

Total Mexican Jean Market			
Pesos			
Channels of Distribution	2016	2017	2018
Department Stores	36.7%	40.6%	39.1%
Apparel Specialty Stores	33.5%	29.0%	33.9%
Informal Markets	13.7%	14.4%	10.7%
Discount Stores	6.5%	7.0%	6.3%
Clubs	0.8%	0.9%	0.7%
All Other	8.8%	6.0%	9.3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Trendex

Total Mexican Jean Market				
Pesos				
Brand	2015	2016	2017	2018
Levi	25.6%	24.7%	28.0%	25.7%
Oggi	7.3%	5.8%	5.8%	6.5%
Furor	3.0%	2.6%	2.1%	1.8%
Britos	1.5%	1.4%	1.0%	0.7%
Private Label	N.A.	37.5%	34.2%	33.8%

Source: Trendex



Source: Trendex

## Tendam Expands To 100 Stores in Mexico

Tendam, the Spanish fashion conglomerate began operating in Mexico on its own in 2013. Currently, the organization operates Women’secret, Springfield and Cortefiel retail chains in Mexico. Springfield and Women’secret each operate 45 stores, while Cortefiel has 12 stores in Mexico.

## Chedraui Mexico's Business Increases 5.4% In Q3 2019

Chedraui reported a 5.4% increase in its Mexican sales for the quarter ending September 30, 2019. The retailers comp store sales increased a miniscule 0.5%. Chedraui operated 301 stores in Mexico during the quarter, 21 more than a year earlier which undoubtedly accounted for a part of its sales increase.

Groupo Comercial Chedraui Mexico Only Quarter Ending Sept. 30, 2019	
	Q3 2019
Total Sales	+5.4%
Comp Sales	+0.5%
EBITDA Growth	+2.3%
Mexican Stores	301

## Buen Fien 2019– A Retail Success

Regardless of the recent slowdown in consumer spending, preliminary reports indicate that Buen Fien, Mexico's shopping event similar to the Black Friday event in U.S. was a success. Sales during the four-day event, November 15-18, 2019 totaled US\$6.2 billion, a 7% increase, compared to 2018. E-commerce increased by 45% according to Amvo. Apparel accounted for 43% of the period's sales. Thirty six percent of the purchases were made with credit cards or debit cards, up from 25% a year earlier.

Walmart Mexico pulled out of this year's annual event sponsored by (CONCANACO) and held its own competing event called, Fin Irresistible.

## Groupo Axo Sales Increase 28% In Q3 2019

When it comes to foreign apparel retailers in Mexico the three most important organizations are Inditex, H&M and Groupo Axo. As of October 2019 Groupo Axo operated 4912 point of sales in department stores, and 782 specialty stores in 31 Mexican states and Chile. It manages the business in both countries for foreign apparel retailers/ brands including Abercrombie & Fitch, Brooks Brothers, Calvin Klein, Chaps, Coach, Express, Hollister, Loft, Guess and Kate Spade.

In 2018 the company's sales increased 14.4%. During the third quarter of 2019, Groupo Axo reported a 28% increase in its sales/services revenue.

Groupo Axo		
	Q3 2019	Q1 – Q3 2019
Net Sales	+28%	+32%
Gross Profit	+26%	+26%
Net Profit	-64%	N.A.

Groupo Axo Brands In Mexico		
Luxury & Affordable Luxury	Lifestyle	Athletic
Brunello Cucinelli	Abercrombie & Fitch	Nike
Coach	Brooks Brother	Speedo
Kate Spade	Calvin Klein	Truekids
	Chaps	TAF
	Express	
	Guess	
	Hollister	
	Izod	
	Loft	
	Rapsodia	
	Tommy Hilfiger	

Source: Groupo Axo

## 2018 Mexican Retailer Summary

As the saying goes, the bigger get bigger during an economic slowdown, and that was certainly true for Mexico's largest retailers in 2018. According to Expansion magazine of 18 of the largest Mexican retailing organizations, only Soriana registered a decrease in sales (-0.1%), while only Sears Mexico (+1.6%) failed to increase its 2018 sales by more than 3%. The average growth for the remaining 16 organizations was 11.1%. H&M Mexico (+24.3%) and Chedraui (+22.7%) registered the largest increases in their annual 2018 sales.

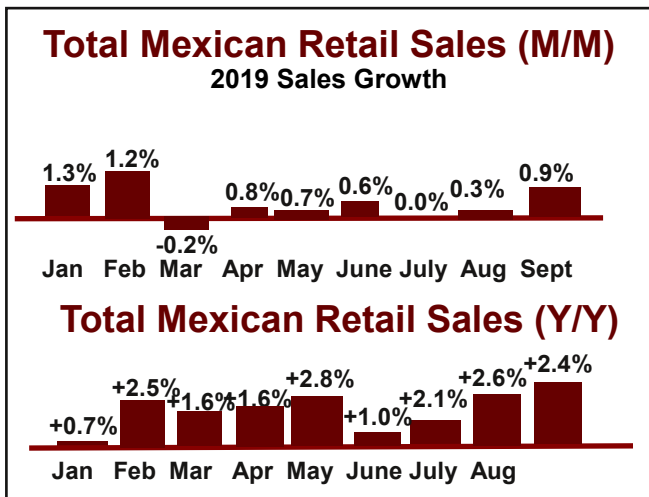
### Mexican Consumers Cut Back Their Buying

At the beginning of July 2019, Mexico was technically experiencing a recession. However, the fact was not yet totally obvious from the monthly retail sales data provided by either ANTAD or INEGI. While both organizations reported a recent slowdown in sales growth from the beginning of the year consumers continue buying. Additionally without exception Mexican retailers reported slower sales growth in Q3 2019, compared to the previous quarter. Walmart Mexico's monthly sales were a good barometer of the slowdown as its total Mexican sales increased 6.1% in August followed by increases of 3.1% and 2.3% in September and October 2019.

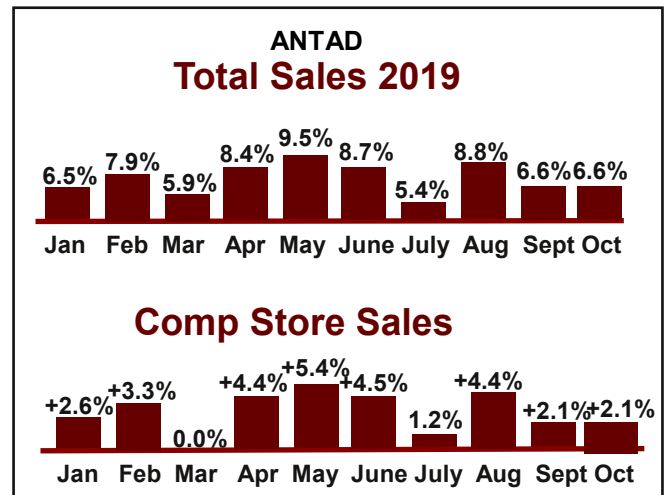
Walmex, as of January 2019, stopped providing its sales data to ANTAD.

Mexico's Major Retailing Organizations		
	2018 Sales (millions pesos)	% Increase 2018 / 2017
Walmart Mexico <sup>(1)</sup>	612,186	+6.8%
Grupo FEMSA	167,458	+8.6%
Soriana	153,475	-0.1%
Coppel	161,442	+14.1%
Liverpool	135,545	+10.9%
Chedraui	116,031	+22.7%
Costco Mexico	48,000	+6.7%
El Palacio de Hierro	34,702	+6.7%
Sears Mexico	25,845	+1.6%
Inditex	38,808	+17.6%
La Comer	19,119	+14.5%
Casa Ley	38,600	+7.2%
Grupo Famsa	19,958	+13.7%
Costco	48,000	+6.7%
Grupo Gigante	33,189	+3.2%
Grupo Axo	10,153	+14.4%
H&M	6,335	+24.3%

Source: Company annual reports and Expansion Magazine  
(1) Excludes Suburbia



Source: Inegi



Source: Antad



## Retail Concentration In Mexico's Apparel Market

Mexico's apparel market is dominated by about a dozen retailers who usually are the largest retailers in each apparel segment. Their collective share dominance is a factor of both their store numbers, their market prowess, and brand awareness, along with a "laser" like focus on the market segment/niche they target. The ten largest Mexico apparel retailers controlled 46.2% of the market, according to Trendex, during the period April 2018 – March 2019, while the ten largest apparel retailers in the U.S. and Canada controlled 43.4% and 33.2% of their markets respectively.

Suburbia, Liverpool and Coppel were the largest apparel retailers during the period April 2018 – March 2019 (see page 2). They were also the three largest retailers in the men's, women's, and juvenile segments. Zara and Sears were also important retailers in the total market, and in each of the three segments in which the top ten retailers controlled 47.6%, 47.5% and 40.0% respectively of the men's women's and children's segments.

Retail concentration, depending on the perspective, can be seen as a two-edged sword. On one hand, the greater concentration, the greater the leverage retailers can place on their apparel suppliers. On the other hand, for consumers it usually means prices remain lower because of intense competition (assuming retailers don't get greedy with their margins).

Mexican Apparel Market April 2018-March 2019 Pesos Largest Retailers					
MEN		WOMEN		CHILDREN	
Liverpool	10.1%	Suburbia	10.4%	Suburbia	9.0%
Coppel	9.6%	Coppel	8.8%	Coppel	8.4%
Suburbia	9.4%	Liverpool	7.9%	Liverpool	5.4%
Sears	4.4%	Zara	6.7%	Zara	3.2%
Zara	3.0%	Bershka	3.0%	Soriana	3.2%
Walmart	2.9%	Sears	2.9%	Walmart	2.8%
Aldo Conti	2.3%	C&A	2.9%	C&A	2.5%
Pull & Bear	2.2%	Walmart	2.2%	Sears	2.2%
C&A	1.9%	Soriana	1.6%	Del Sol	2.1%
El Palacio de Hierro	1.8%	Pull & Bear	1.4%	Bodega Aurrera	1.2%

(1) Under age 15  
Source: Trendex

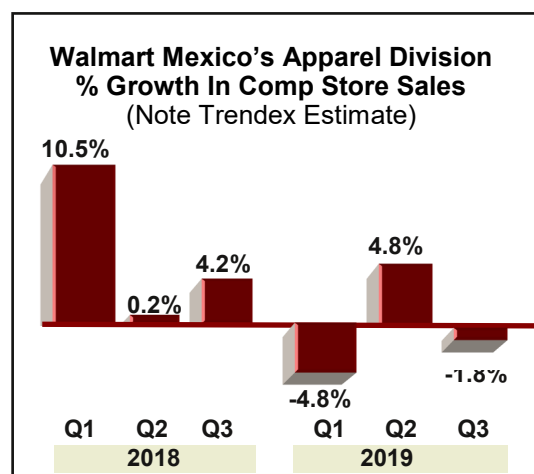
## Walmart Mexico: Apparel Sales Are A Problem

Walmart Mexico's sales during its third quarter of 2019 confirmed three trends that have been evident this year.

First, Walmart Mexico's sales growth continues to outpace its competitors. During Q3 2019 the retailer total sales increased 5.2% while its comp store sales grew by 3.8%. Walmart Mexico's comp store increase was better than that for the ANTAD's Autoservicio/Clubs segment for the 19<sup>th</sup> consecutive quarter. In addition to strong sales growth the retailers operating income grew 8.9% and its EBITDA was up 9.5%.

Second, with perhaps the exception of Mercado Libre, no Mexican major retailer is increasing its e-commerce sales faster than Walmart Mexico. E-commerce sales during Q3 2019, increased 65% and represented 1.4% of the retailer's Mexican sales. Walmart Mexico's e-commerce strategy continues to be built around three initiatives; increase its marketplace assortments, increase the number of instore kiosks and offer same day pick up at all Sam's Club locations.

Third, Walmart's apparel division continues to underperform, as evidenced by the estimated 1.8% decrease in the retailer's apparel comp sales during Q3 2019. It was the sixth consecutive quarter during which the apparel division's comp store sales growth was less than that for Walmart Mexico.



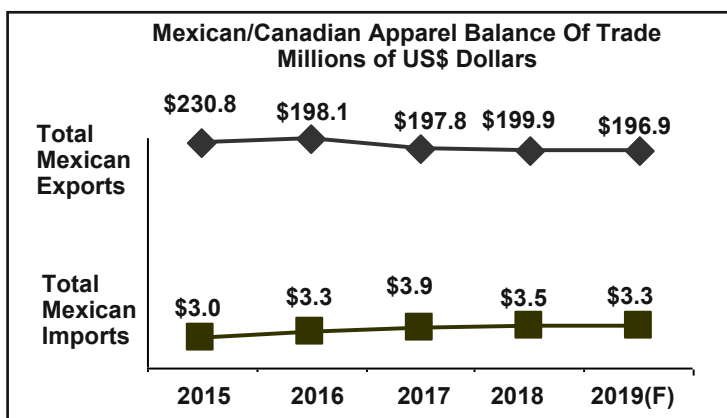
Source: Walmart Quarterly Report/ NO Q4 2018 Info

Two Mexican headquartered apparel brands dominate almost all of the channels of distribution for lingerie in Mexico. As such, it is logical to assume that both Ilusion and Vicky Form have the largest shares of the Mexican women's lingerie market. Both brands also have the highest unaided brand awareness among adult women. Both brands, as a result of their extensive marketing expenditures, have been able to maintain their brand awareness over the past three years. According to research conducted by Trendex North America, both brands have the largest unaided awareness in all three age segments. However, Vicky Form which has always appealed to a younger age segment has a higher awareness among 15-29 year olds than Ilusion. Of all the lingerie brands Calvin Klein's awareness increased the most during the period 2016-2018.

The women's lingerie market clearly demonstrates the positive correlation in Mexico between marketing expenditures and apparel brand awareness.

## Canadian Market For Mexican Apparel Exports

Canada after the U.S., was Mexico's second largest total export market in 2018. It purchased US\$14.1 billion in goods from Mexico and accounted for 3.1% of Mexico's total exports. According to the Canadian government, Mexico in 2018 was the 10th largest exporter of apparel to Canada. In 2018, Mexican apparel exports to Canada totaled US\$199.9, an amount nearly identical to that during the previous two years. Trendex is forecasting that for all of 2019 Mexican apparel exports to Canada will decrease 1.5%.



Source: Industry Canada/ Trendex

## Women's Lingerie Brand Awareness

Lingerie Unaided Brand Awareness % Of Women Age 18+ January-December 2018				
Brands	Total Market	15 - 29	30- 44	45 & over
Ilusión	67.3%	60.9%	70.8%	69.1%
Vicky Form	59.0%	61.5%	61.0%	55.6%
Carnival	29.8%	21.0%	28.7%	37.1%
Playtex	29.5%	18.3%	30.3%	36.8%
Avon	19.3%	20.5%	19.3%	18.3%
Fruit of the Loom	16.1%	18.7%	16.2%	14.1%
Hanes	17.2%	15.7%	19.1%	16.9%
Calvin Klein	18.2%	25.5%	16.7%	14.0%
DNKY	5.8%	7.4%	5.4%	5.0%
Mia/ Andrea	9.0%	9.6%	9.1%	8.4%
Warners	5.6%	5.7%	5.2%	5.9%
Exquisite Form	6.1%	6.7%	6.6%	5.3%
Vassarette	5.6%	6.4%	5.0%	5.4%
Maidenform	4.2%	4.1%	4.0%	4.5%

Source: Trendex

Lingerie Unaided Brand Awareness % Of Women Age 18+ January-December			
Brands	2016	2017	2018
Ilusión	67.6%	66.0%	67.3%
Vicky Form	59.7%	59.1%	59.0%
Carnival	32.1%	29.3%	29.8%
Playtex	26.7%	30.4%	29.5%
Avon	19.8%	25.9%	19.3%
Fruit of the Loom	14.4%	15.5%	16.1%
Hanes	14.2%	18.8%	17.2%
Mia/Andrea	7.7%	9.2%	9.0%
Warners	4.8%	6.2%	5.6%
Exquisite Form	3.9%	7.0%	6.1%
Vassarette	3.9%	5.1%	5.6%
Maidenform	3.1%	4.8%	4.2%
Calvin Klein	14.0%	16.8%	18.2%
DNKY	3.1%	4.5%	5.8%

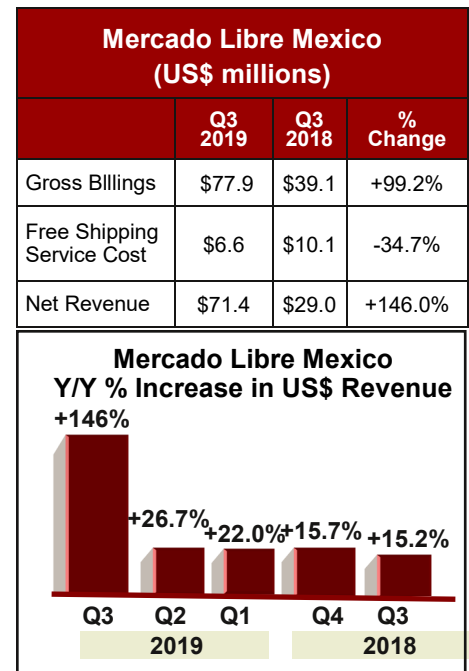
Source: Trendex

## Mercado Libre Mexico Leaving Its Competitors In The Dust

If there was any doubt that Mercado Libre is the fastest growing e-commerce retailer in Mexico it was put to rest by the company's results for the third quarter of 2019. During the quarter the retailer's sales increased a 146%. It was the retailer's 4<sup>th</sup> consecutive quarter of triple digit growth. Total Mexican revenue net of free shipping service costs increased to US\$71.4 million for the quarter.

Mercado Libre in Mexico continued to expand the merchandise offering on its site as the number of "live listings" increased 78% while the number of items it sold (y/y) increased 61%. In addition to broadening its offering, the retailer made significant progress in its order fulfillment by increasing the total number of items it shipped itself along with the number shipped in 2 days or less.

Mercado Libre Mexico continues to invest significant monies in broadening its offering of merchant services and logistics. It would seem to be on track to dominate the Mexican e-commerce market as it does in Brazil and Argentina.



Source: Mercado Libre

## Suburbia Sheds Its Straight Jacket

Sometimes even with the best of plans, retail acquisitions just do not work out. However, in the case of Liverpool's acquisition of Suburbia that would at least to date be definitely not be the case. Rather it would seem that having shed Walmex's short term focused financial straight jacket Suburbia is being given all the resources that it needs to increase its business. Realizing that throwing money at its acquisition won't necessarily ensure Suburbia lives up to expectations Liverpool appointed Laurence Pepping as CEO of Suburbia. Previously Mr. Pepping, who is known as a savvy retail executive, was responsible for Liverpool's very successful e-commerce operation.

Liverpool's short/medium term plan for Suburbia would seem to be very straight forward and includes:

- Convert in the short-term existing Fabrica de Francia stores to Suburbia stores
- Expand the number of Suburbia stores (As many as 20 in the next year)
- Expand the general merchandise available in Suburbia stores including appliances and mattresses
- Develop an e-commerce site (completed in October 2018) and eventually offer an omni-channel approach to retailing

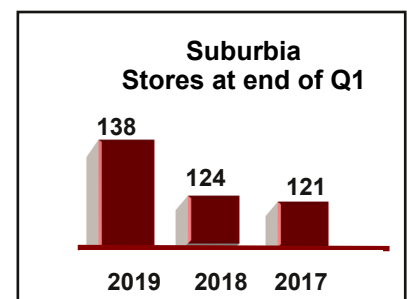
While Suburbia's Q3 2019 financial results are detailed in another section, its market share reflects the retailers progress over the past two years. After losing share of the total Mexican apparel market in the period April 2017-March 2018, Suburbia more than recouped its lost share in the 12-month period April 2018-March 2019. The retailers share gain could be attributed to a number of factors including:

- An increase in the number of its stores
- The launching of its e-commerce site in October 2018
- Equal share increases in the men's and women's apparel markets

All of Suburbia's most recent share gains came not surprisingly seemingly at Coppel's expense.

Suburbia's Apparel Market Share Pesos (April-March)			
	2017	2018	2019
Total Market	10.0%	8.9%	9.8%
Men	10.2%	8.4%	9.4%
Women	10.3%	9.4%	10.4%
Children	7.9%	8.9%	9.0%

Source: Trendex



Source: Walmex/Liverpool Quarterly Reports



## Mexican Store Counts (October 1, 2019)

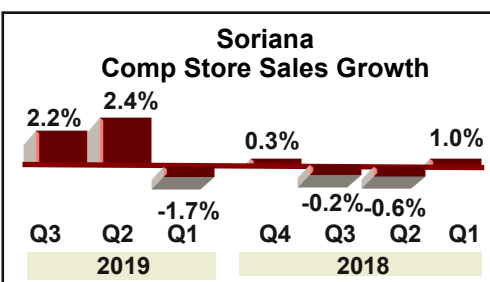
DEPARTMENT STORES		DISCOUNT/AUTOSERVICO STORES		APPAREL SPECIALTY CHAINS	
Liverpool	120	Walmart Supercenter	279	Abercrombie & Fitch	22
Fabricas	1	Bodega Aurrera	534	Baby Creysi	30
Palacio de Hierro	14	Bodega Express	1051	Bershka	76
Sears	97	Mi Bodigas	379	Brooks Brothers	17
Suburbia	146			Calvin Klein	45
				C&A	78
				Carters	44
				Chicos	84
				Coach	10
				Express	8
				Forever 21	32
				Guess	51
				High Life	12
				Hollister	4
				Kate Spade	7
				Old Navy	25
				Oysho	53
				Mango	28
				Massimo Dutti	41
				Michael Kors	11
				Loft	5
				Women'secret	45
				Pull & Bear	68
				Rhapsody	16
				Saks Fifth Ave	2
				Shasa	60
				Stradivarius	49
				Tommy Hilfiger	57
				Uterque	15
				Victoria's Secret	20
				Zara	88

Source: Company Websites

## Soriana: It's Not Guaranteed That The Turtle Will Eventually Win The Race

When you're directly competing with Mexico's largest retailer, does a company have the luxury of moving at glacial speed? That question asked, but not answered applies to Soriana, whose total sales increased by only 1.2% during the first nine months of 2019. In the company's most recent quarter ending September 30, 2019, Soriana's total sales increased 2.1%, while its comp sales grew 2.2%. More tellingly, its net income fell by 15.6%. At the end of Q3 2019, the Autoservicio retailer operated 810 stores, four less than a year earlier.

Organizacion Soriana Quarter Ending Sept 30, 2019		
	Q3 2019	Q1-Q3 2019
Total Sales	+2.1%	+1.2%
Comp Sales	+2.2%	N.A.
EBITDA	+14.7%	+11.5%
Net Income	-15.6%	-11.5%



Source: Soriana