AN EXPLORATORY STUDY OF RETAILING TO THE MEXICAN NATIONAL CONSUMER IN THE BORDER ZONE

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ABSTRACT

In this exploratory study, we examine factors that affect how U.S. retailers on the U.S.-Mexican border manage the elements of the retail mix with respect to Mexican national consumers. Several propositions concerning the effects of competition from Mexican retailers and the recent Peso devaluation on variables of the retail mix and traditional measures of perceived retailer outcomes are advanced. Results indicate that while perceptions of the devaluation of the Peso have an impact on the planning of the retail mix as well as on perceived retail outcome measures, competition from Mexican retailers is not perceived to be an important factor.

Research propositions center on the twin effects of currency devaluation and cross-border competition. The first proposition concerning devaluation advances that retailers concerned with the Peso devaluation are more likely to consider Mexican national consumers when designing their retailing mix than are retailers who are not. Specifically, devaluation should affect retail mix decisions in the areas of merchandise, ambience, pricing, service, promotion, and convenience. Proposition 2 maintains that retailers concerned with the Peso devaluation are more likely to perceive themselves as more competitive in sales to their Mexican consumers than are retailers who are not. Specifically, devaluation should affect perceived retail outcomes in the areas of perceived performance, competitiveness, sales to Mexican consumers, and Mexican customer satisfaction.

Propositions concerning cross-border competition are, first (Proposition 3), that retailers concerned with cross-border competition are more likely to consider Mexican national consumers when designing their retailing mix than are retailers who are not. Specifically, cross-border competition should affect retail mix decisions in the areas of merchandise, ambience, pricing, service, promotion, and convenience. Proposition 4 advances that retailers concerned with cross-border competition are more likely to perceive themselves as more competitive in sales to their Mexican consumers than are retailers who are not. Specifically, cross-border competition should affect perceived retail outcomes in the areas of perceived performance, competitiveness, sales to Mexican consumers, and Mexican customer satisfaction.

A survey research methodology was employed to test these propositions at a major southwestern U.S. city bordering a large metropolitan area in Mexico. The results essentially confirmed our propositions regarding effects of devaluation on whether U.S. southwest border retailers take their Mexican national consumers into consideration when designing elements of the retail mix. Results further showed that retailers that are concerned with the Peso devaluation are more likely to design store ambience, promotion, service, and convenience with Mexican nationals in mind than retailers not concerned with the devaluation.

Our findings regarding cross-border competition suggest that additional research is needed to understand more fully why competition appears to affect some aspects of the retail mix and not others, and why the overall effect of cross-border competition (in comparison to devaluation) is not greater. A further implication is that, while U.S. border retailers have been able to capitalize on a traditional competitive edge in the areas of merchandising and pricing, border treaties such as NAFTA are limiting these structural advantages. Therefore, border retailers are now in a position where they must become increasingly competitive in other areas of the retail mix as well; particularly, they must place more emphasis on non-price elements of the retail mix to maintain differential competitive advantage.