

**TRADE-CONCENTRATION AND ITS IMPACT ON COMMERCE AND
TRADERS OF A MEXICAN CITY**

A Dissertation

by

JAYANT ANAND

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

August 2007

Major Subject: Anthropology

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ABSTRACT

Trade-Concentration and Its Impact on Commerce and Traders of a Mexican City.

(August 2007)

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This dissertation evaluates the changes in food retailing patterns in the face of open-market trends in a medium sized city (Citlalicalli) in central Mexico. This evaluation is carried out using the model of retail trade-concentration. The following questions are addressed: whether trade-concentration had occurred in the field-site; if yes, what were the causes; and, what were the effects of retail concentration on preexisting food retailers.

The fieldwork for this study was conducted over a 14 month period (May 2005 and June 2006). Empirical data were collected using three surveys, over 25 interviews, and several hours of participant observations. Along with these primary data, secondary data from official records were also collected. The survey data were analyzed using non-parametric tests.

The findings from the study revealed that trade-concentration is proceeding in Citlalicalli and the recent spread of large stores in the region has been encouraged by free-trade policies adopted by Mexico since the mid-1980s. Trade-concentration in the

Altepetl metropolitan area has also been aided by the positive behavior that consumers show towards large retail chains.

Contrary to popular belief, the impact of retail concentration on preexisting small retailers in Citlalicalli has been minimal. Partly traditions and partly the nearness of a particular store explain the continued patronization of small stores by consumers. The product category and income of consumers also influence their purchase decisions. This research shows that competition in food retailing in developing countries is between same size and same type retailers. Small retailers are not always in direct competition with modern retailers as they serve different sections of the society.

Retail development is a part of urban development and, therefore, has direct implications for the quality of life in cities. In emerging economies, cities like Citlalicalli have vibrant town centers which provide convenient access to offices, shops, and entertainment areas for its citizens. This study concludes that appropriate policy measures can ensure the coexistence of large and small retailers in developing countries and, thereby, the continued vitality of city centers.

DEDICATION

I dedicate this work to my parents, sister, and wife who make my life complete.

ACKNOWLEDGMENTS

There have been numerous people who have helped me reach this stage in my life. It would be impossible to acknowledge them all by name here. However, there are a few who have been extremely important. First and foremost, I would like to thank my parents for supporting me through the years and teaching me the importance of education. My sister, Dr. Smriti Anand, who took care of me like her own child, supported me emotionally, as well as financially, through my graduate student life in the US. The last three years as a graduate student were made comfortable by my friend, and now my wife, who stood by me during the many times of stress and frustrations.

My roommates, Drs. Ketan Patel, Abhay Kumar Singh, Arjun Sudarsan, and Sanjeev Saraf, made the last five years in the US enjoyable. This dissertation would not have been possible without the hours of discussions with my friends, Iftekhhar Ahmed, Elizabeth Angélica Cantú-Botello, Kumok Nam, Yogita Sharma, and Zeba Imam. These friendships have made my graduate life most memorable.

Fellow graduate students Dr. Eric J. Bartelink, Dr. Jason Wiersema, Dr. Cassidy Yoder, Allen Gillespie, Dante Bartoli, and Maria Parks made my initial adjustments to being a graduate student in America smooth. I would not have been able to conduct my fieldwork in Mexico without the help that I received from my Spanish instructor Mtro. José Antonio Caraballo Rivera and fellow graduate students Christopher and Margie Sparks.

I would like to thank my colleagues in Mexico, Dr. Rocío Moreno, Dr. Robyn Johnson, Dr. Fernando Buendía, Dr. Roberto Solano, and Dr. Felipe Burgos for their

support. I would not have been able to make it to Mexico on time but for my friend Ms. Alethia Cobos. I would like to thank my friend Yesenia for teaching me to live and work in Mexico. I cannot thank enough Dr. K. V. Sudhakar and Dr. Román López-Villicaña and their families who took me into their lives as one of their own. I would also like to thank Sofia for helping me with translating my questionnaires and conducting the initial surveys. My data collection for this research would not have been possible but for my students in Mexico.

I would specially like to thank Dr. Enrique Reig, Prof. Kristiano Raccanello, and Ms. Carolyn Grebe with whom I enjoyed working on various projects. Special thanks are also due to my friends Citlali, Ernesto, and Liliana who continued to extend their support to me as I was writing my dissertation. Most of all, I would like to acknowledge that this work would not have been possible but for the trust that my informants in Mexico placed in me.

I could not reach this stage in my academic career without the advice and support offered by Dr. Rabindra Ray at the Delhi School of Economics, and Drs. David L. Carlson, D. Bruce Dickson, Sylvia Grider, Vaughn Bryant, Sharon Gursky, Elizabeth Tebeaux, Marlyn May, and Alex McIntosh at Texas A&M University. I would also like to thank my committee members who have guided me in my dissertation writing and been extremely patient in the process, especially Dr. Cynthia Werner who spent long hours reviewing my multiple drafts despite her busy schedule. I would like to specially thank Dr. Michael S. Alvard who not only advised me on my research, but also on teaching, and life in the academe.

Over the years, there have been many members in the staff of the Department of Anthropology who have helped on numerous occasions. Their commitment to making the life of students easier is unmatched. I would specially like to thank Ms. Rebekah Luza, Ms. Cynthia Hurt, Ms. Leslie Riley, Ms. Melissa Kennedy, Ms. Ekeata Iredia, Ms. Adeala Adesina, and Ms. Mónica Ramos. Many members of the staff have retired or moved to other positions since I first joined the department in August 2002. I would like to take this opportunity to thank them too. I would like to thank Mr. Don DeLucia, Ms. Olga Martinez, Ms. Karen Taylor, and Ms. Angie Shafer.

Last, but not the least, I would like to thank Dr. Norbert Dannhaeuser, my advisor and mentor. Without his initiative, I would never have been able to come to the United States to pursue my doctoral studies. I owe a lot to Dr. Dannhaeuser and his wife Mrs. Shirley Dannhaeuser who supported me emotionally and treated me as their own son.

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GLOSSARY

<i>Abarrotero</i>	General grocer. <i>Abarrotes</i> means packed goods.
<i>Agua de Jamaica</i>	Sweet drink made by soaking the dried petals of the hibiscus (<i>Jamaica</i>) flower in water.
FDI	Foreign Direct Investment.
INEGI	Acronym for Instituto Nacional de Estadística Geografía e Informática. It is the organization that collects and maintains the socio-economic and demographic statistical data of Mexico.
MERCOSUR	Refers to the Spanish acronym Mercado Común del Sur. Also known as MERCOSUL (Comum do Sul) in Portuguese. Is the Southern Common Market between Brazil, Argentina, Uruguay, Venezuela, and Paraguay.
NAFTA	North American Free Trade Agreement. Referred to in Spanish by the acronym TCLAN (Tratado de Libre Comercio de América del Norte).
Nte.	Abbreviation for norte, meaning north in Spanish.
Ote.	Abbreviation for oriente, meaning east in Spanish.
<i>Portales</i>	The arches in the main building of the <i>zócalo</i> that act as doorways to the restaurants located in the building. Sometimes referred to as <i>los arcos</i> .
Pte.	Abbreviation for poniente, meaning west in Spanish.
<i>Pueblos</i>	Townships
Sur	Meaning south in Spanish.
<i>Tianguis</i>	Temporary stalls of itinerant vendors in Mexico.
TNC	Transnational Corporation.
<i>Zócalo</i>	Town square that houses the municipal offices and the city church. Usually has restaurants and a park.

CHAPTER I

INTRODUCTION

The objective of this dissertation is to evaluate the changes in retailing patterns in the face of free-trade trends in a medium sized city (Citlalicalli¹) in central Mexico. This evaluation is carried out using the model of retail trade-concentration. More specifically, this study provides the background for the concept of retail trade-concentration and its application to emerging economies. Then, the status of trade-concentration in Citlalicalli is evaluated. Once the presence of retail trade-concentration is established, causes of its occurrence and its effects on the retail structure of Citlalicalli are addressed. Finally, a brief qualitative forecast of the future of retailing in Citlalicalli is presented and implications for emerging economies are addressed.

We as humans are first consumers, before we take on other roles in the society. Most of us provide for ourselves and our families, and in the process become an integral part of exchange. Even in societies where modern malls and supermarkets did not exist, food exchange of food was not uncommon. What makes our post-industrial world different from that of less complex societies is trade and commerce. Most urban dwellers today are not food producers. Most people, living in the modern world, do not produce consumer durables. This necessitates the buying of food and other goods from producers (indirectly, through the distribution channel); thus, making us the last link in the distribution chain.

This dissertation follows the style of American Anthropologist.

¹ Citlalicalli is the pseudonym for the field-site. See Chapter II, Methodology, for details.

Distribution channels that allow us to acquire goods for consumption are something that remain invisible to most consumers. As consumers in the post-industrial society, our most common point of interaction with market channels is the retail outlet where we buy. The position of the retailer is, therefore, very important as it brings the consumer in contact with the producer, albeit indirectly. The upward linkages that the retailer has in the market channel are also of great importance to us as consumers. Reliable links with wholesalers allow the retailer to offer the best value to the consumers for the goods purchased. Therefore, the distribution channel, especially in modern retailing, is an important aspect to study.

The industrial revolution in Europe changed the way goods are produced, distributed, and consumed. For instance, cotton grown in India and transformed to mass produced textiles in Manchester (England) made their way to back to the markets in the Indian subcontinent through the East India Company. Cross-continental trade thus changed qualitatively in the process; colonizers started using colonies not only as the source of raw material but also as markets for finished products. This kind of trade spread to most parts of the world through trade between the colonial masters in Europe and their colonies in Asia, Latin America, and Africa. In the post-colonial world, this process continued for many decades after the former colonies gained independence. Newly independent countries, gradually, tried to industrialize and modify the conditions of trade that existed in colonial times.

The second-half of the twentieth century, when many colonies gained independence,² marked a shift in global trade. In order to become self-reliant and competitive in the global market, newly independent countries embarked on industrialization projects. The growth of industrial towns brought in rapid urbanization in many developing countries. And urbanization in turn brought about changes in the way goods were distributed to reach the consumers.

In the United States, the spread of large-format retail institutions started in the late-19th Century and intensified in the 1950s. The retail revolution that started in the US in the 1860s with the department store was accompanied by vertical integration of supply channels (Bucklin 1972:55-60). A similar change happened in the developed countries of Europe. The proliferation of large retailers brought with it changes in the distribution channels. Large retailers, seeking bigger urban markets, reduced transaction costs by vertically integrating the market channels. Today, even the developing countries of Asia, Latin America, and Africa are experiencing a proliferation of large retail chains.

The adoption of the free-trade agenda (reduction in barriers for trade and investments) by many developing areas of Asia and Latin America accelerated the spread of large retail chains in these countries. For instance, the formation of the Southern Common Market (MERCOSUR) in South America in 1991, the joining of Mexico to NAFTA (North American Free Trade Agreement) in 1994, and the liberalization of India in the early 1990s, have encouraged international trade and foreign direct investments (including investments in the retail sector) in these countries. These

² The first phase of decolonization started in the new world in the early 19th Century.

free-trade policies have accelerated the influx of international retail chains into these developing countries (e.g. Carrefour in Argentina, and Wal-Mart in Mexico and India).

Traditionally, anthropologists have ignored modern retailing despite an overall shift in interest to the economy of modern complex societies (Garsten and Lindh de Montoya 2004a:1). Until the 1970s, most economic anthropological studies avoided societies where “market exchange transactions predominate” (Green 1976:531). Since the 1970s, anthropologists have shifted their attention to studying economic and social problems in newly formed (post-colonial) nation-states (Wilk 1996:14). Many of these studies followed Polanyi’s three-fold classification of the economy: reciprocity, redistribution, and exchange (Schneider 1989:7; Wilk 1996:7). During the 1970s and 80s, many economic anthropologists shifted their focus to what is today known as the field of development anthropology, but again focused largely on peasants and peasant markets (Wilk 1996:20-21). In the last two decades, anthropologists have made significant contributions to understanding the development process (Dannhaeuser and Werner 2003b), entrepreneurship (Greenfield and Strickon 1986), and consumption (Carrier and Heyman 1997; Miller 1995; Ngai 2003). Most recently, economic anthropologists have extended their domain of study to include modern market systems, marketing, and financial markets (e.g. see Garsten and Lindh de Montoya 2004b). In spite of this, anthropological studies on modern retail systems are wanting (for exceptions see Applbaum 2004; Dannhaeuser 1977, 1989, 1996, 2004; Matejowsky 2001; Price 1967; Sherry, et al. 2001).

Modern retailing has been extensively studied by scholars in the field of business, including retail markets in developing countries. Recent articles on modern retailing have been dominated by studies on the rise of supermarkets in developing countries (Cadilhon, et al. 2006; Coleman 2003; Reardon and Berdegué 2002; Reardon and Swinnen 2004; Reardon, et al. 2003; Schwentesius and Gómez 2002; Traill 2006). These articles examine the proliferation of supermarkets and its impact on the retail market channels in developing countries. Since they focus on the national level, they lack the micro-level detail that is characteristic of anthropological studies.

This dissertation attempts to bridge the gap between the micro-approach of anthropology and macro-approach of business in the study of modern retailing. This study presents a micro-level understanding of structural changes in modern food retailing systems in emerging economies because household expenditure on food in low and middle income countries is over 50% (Gingrich 1999). In other words, food retailing is the most important category of the retail sector in developing countries. The following areas are addressed to evaluate structural developments in retailing: (1) Has trade-concentration occurred in Citlalicalli? (2) If trade-concentration has taken place, what are the causes of this retail development? (3) How have they affected traditional retailers in this market? (4) What changes can we expect in the retail structure in future?

Theoretical Considerations

This dissertation helps to relate retail developments to the modernization process and development theories. In this study I make a distinction between modern and traditional retailers. These categories, as used in this work, are defined in Chapter III and the

distinction is explored in detail in Chapter VI through case histories of select retailers. Given the distinction between modern and traditional, it is pertinent to understand how modernity and development are presented in the scholarly literature and how they are linked to retail trade.

Scholars of modernity and development have debated the interconnectedness of the two concepts (see e.g. Grosfoguel 2000; Portes 1973). The anthropological critique of development comes from two distinct quarters (Cohen and Dannhaeuser 2002:xi-xii). In the first group are anthropologists who have come to call themselves, and being called, practicing anthropologists. These anthropologists usually analyze their projects objectively to present the positive and negative effects of their study. In the other group are critical anthropologists who primarily critique development as an idea rather than as a project. It is this second group that generally views development as being separate from modernity. Such scholars do not accept development as a shift from the “traditional” to the “modern” (Escobar 1991: 659).³ Development, for such scholars, is a concept created by the West to exploit peripheral countries by first defining the term and then labeling countries as developed and underdeveloped (Escobar 1995). Some of these scholars view the concept of “development” as a replacement for “imperialism” (Olivier de Sardan 2005:6). Unfortunately, such a critique is akin to throwing “the baby out with the bath water” (Cohen and Dannhaeuser 2002:xii).

In this study, I view modernization and development as interrelated concepts, though not entirely like early scholars of development who saw traditions as being detrimental

³ The terms “traditional” and “modern” as used in this study are defined in Chapter III.

to development (Gilman 2002). I treat development as the process of moving away from what is “traditional” to what is “modern.” As Bendix (1967: 330-331) argues, “modernization... refers to a type of social change since the eighteenth century, which consists in the economic or political advance of some pioneering society and subsequent changes in follower societies.” The development process, therefore, entails cultural change (Dannhaeuser and Werner 2003a:xv). Accordingly, in this dissertation, I treat retail development as a shift from traditional retailing to modern retailing.⁴

One of the factors that influence economic development is globalization. Globalization involves the flow of capital, labor, and goods and services across geographical and political boundaries. Jagdish Bhagwati (2004) argues that globalization brings about economic prosperity in underdeveloped countries. As Appadurai (2000:5) observes, we live in “a world of flows.” The forces of globalization bring with it goods, ideas, and images across national boundaries. To understand the process of trade-concentration, and the consequent retail restructuring, one has to take into account the phenomenon of globalization. The proliferation of supermarkets into nascent retail markets often introduces a new array of products and a new set of perceptions about price and quality of goods and services among the consumers. This new outlook will also bring about a shift in consumer buying behavior.

In the context of free-trade and globalization, the dependency theory became popular amongst policy makers in Latin America in the 1960s (Valenzuela and Valenzuela 1978:536). Dependency theory explains the economic development path followed by

⁴ In the case of retailing, the United States could be considered as the ‘pioneering society’.

most Latin American countries from a vantage point opposing the modernization theory. Modernization theorists assumed that Latin American countries were “below the threshold of modernity” and their traditional patterns of action was a cause of their underdevelopment (Valenzuela and Valenzuela 1978:537-538). Alternatively, dependency theorists explained the underdevelopment of Latin American countries as a result of “unequal terms of trade between exporters of raw materials and exporters of manufactured goods” (Valenzuela and Valenzuela 1978:543). This led to many Latin American countries (most notably Argentina, Brazil, and Mexico) to adopt import substitution industrialization (ISI) (Valenzuela and Valenzuela 1978:548-549). The ISI driven economic development began in these countries in the 1930s and intensified in the 1950s and 1960s (Giusti Hundskopf 2001:51). The failure of the ISI model led many Latin American countries to adopt the Free Trade Industrialization Model since the 1980s (Giusti Hundskopf 2001:53-54). This phase has encouraged the influx of foreign investments and is termed as the period of “transnational capitalism” by dependency scholars (Valenzuela and Valenzuela 1978:547).

Building on the dependency theory, Wallerstein (1974:390) defines a world-system as a “a unit with a single division of labor and multiple cultural systems.” Wallerstein (1974:390) explains that world-systems can be logically differentiated as world-empires or world-economies. He argues that world-empires⁵ have a common political system, whereas world-economies do not have this feature. Thus, he argues, the present-day world-system is the capitalist world-economy. In other words, a world-economy

⁵ Wallerstein considers pre-modern civilizations such as China, Egypt, and Rome as world-empires. The colonial empires of Britain and France in the nineteenth century do not qualify to be world-empires.

functions as a common economic entity with dependencies due to the division of labor between the wealthy core and the poor peripheral countries.

In our interconnected world, transnational forces wield a great deal of influence on national markets. The capitalist world-economy internationalizes the division of labor and controls the shifting roles of the core and periphery nations (Sklair 1999:149). As Chase-Dunn (1999:189) argues, “information technology has created a context in which the global market, rather than separate national markets, is the relevant arena for economic competition.” Transnational corporations (TNCs) are on the forefront of such changes. TNCs globalize capital, production, and mass-media (Sklair 1999: 146). This dominance has led to economic upheavals in developing countries. As Brachet-Marquez (1992:92) observes, in the early 1990s Mexico witnessed “massive capital flight, towering foreign debt, record unemployment, three-digit inflation, rampant de-industrialization, and a ruthless monetary stabilization program that has ‘liberalized’ everything but wages and salaries.” It is also undeniable that TNCs, by way of foreign direct investments (FDIs), have stimulated growth in many developing countries around the world (Bhagwati 2004; Inglehart and Baker 2000:21). The role of TNCs in economic development is also seen in the retail sector.

Ultimately the changes entailed in modernity are brought about by individuals. Therefore, in the case of retailing I am concerned with individual entrepreneurs. The assumption here is that, it is through the modern outlook of such individuals that the traditional market will modernize itself. Hunt (1971: 890-91, 893) in his study of Indian industrialists identifies the following characteristics of individual modernity: (1)

achievement motivation (derived from David McClelland's idea of achievement motivation), and (2) capacity of sustaining social relationships.⁶ Hunt argues that more motivated individuals will plan ahead, take moderate risks, and seek avenues to expand their business environment. Such individuals will be more inclined to build networks through associations. The individual's ability to sustain these networks will depend on the level of "interpersonal trust, social efficacy, openness to new experience, tolerance to conflict and awareness of opportunity" (Hunt 1971:893).

David McClelland (1967:34) argues that "external resources (i.e., markets, minerals, trade routes, or factories)" alone cannot lead to economic development unless there exists an "entrepreneurial spirit that exploits those resources." The motivation for entrepreneurs, according to McClelland (1967:35), is not just profit but is in fact "a strong desire for achievement, for doing a good job." In other words, the definitions of success will depend on individuals. Further, McClelland (1967:44-47) identifies the following characteristics of achievers: desire to take on responsibilities and find solutions to problems; set moderate achievement goals and take "calculated risks"; and, seek concrete feedback on his/her work. Thus, the focus of economic development is the entrepreneur.

In early twentieth century, Joseph Schumpeter defined an entrepreneur as an innovator (Marsh and Mannari 1986:20). Following Barnett (1953:7), for the purposes of this study, an innovation is "any thought, behavior, or thing that is new because it is qualitatively different from existing forms." In this scheme of things, innovations are

⁶ Recent studies in socio-cultural anthropology have also explored the idea of social relations (e.g. see Smart 1993).

derivations from the “cultural inventory available to the innovator” and the experiences of the individual (Barnett 1953:10). Innovations are thus reorganization of existing ideas and “departures from habitual patterns” (Barnett 1953:9-10). As Acheson (1986:47) points out, “modernization and economic development must involve reorganization of firms.” In the realm of retailing, the innovativeness of the entrepreneur in reorganizing his firm can be seen by way of the introduction of new products and the discovery of new markets (Marsh and Mannari 1986:22). For example, innovation in retail trade could be when an African grocery store reorganized itself into a small supermarket in 1959 (Marsh and Mannari 1986:22). The innovativeness of the entrepreneur (the shopkeeper) will decide the trajectory of retail trade development.

It is evident that scholars such as McClelland and Schumpeter do not deny the importance of preconditions for development. The emphasis is on the ability to exploit the available resources. In retail trade, one important factor is the operator’s ability to establish and utilize networks. The importance of social networks in retail businesses has been explored in the social science literature (cf. Dannhaeuser 1980, 2004; Dannhaeuser and Werner 2003a; Palmer, et al. 1986; Rauch and Casella 2001). The concept of social capital takes into account the centrality of social networks. Bourdieu defines social capital as “the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition” (Portes 1998:3). Many scholars contend that social networks are critical to economic development (Fukuyama 2002:23). In this dissertation,

the notion of social capital becomes important in understanding the social dynamics within the trading community through the formation of associations.

The Trade-Concentration Model

To understand retail development, in this dissertation, I employ the model of trade-concentration. The concept of trade-concentration has been frequently used in the business literature for over five decades (Kinsey and Senauer 1996; Kuwahara 1997; Morgan 1965). While the idea of channel integration in the anthropological literature can be traced back to Clifford Geertz (1963), the first to formally use the term trade-concentration in the anthropological literature is Norbert Dannhaeuser (1994). Dannhaeuser borrowed the idea of trade-concentration from the European literature (for instance, Batzer 1989) on commerce. He (2004:2) argues that to understand urban commerce in today's emerging economies one ought to take into account the spread of large retail institutions and vertically integrated market channels. Before I proceed to explain the trade-concentration model, it is important to first clarify the multiple usages of this concept in the literature.

What is not trade-concentration?

In the context of international trade, Dixon (1984; 1985: 172) uses trade-concentration to refer to the “structural distribution of a country's exports or imports across distinct commodity classes or geographical markets.” For example, using the world-systems approach, underdeveloped countries primarily export raw materials and developed countries export finished (value-added) goods, leading to a concentration of distinct commodity types in exports and imports. While commenting on retail trade,

Wolinsky (1983: 275), by contrast, uses the term trade concentration as the “geographical concentration of stores selling similar products.” To further complicate matters, scholars such as Eaton and Lipsey (1979) employ the term “clustering,” Fischer and Harrington (1996) use the term “firm agglomeration,” and Matsui et al. (2005) call it “retail density” while discussing the same idea of “trade-concentration” as used by Wolinsky (1983: 275). According to Wolinsky (1983), since consumers do not always have perfect information about the market, going to a retail cluster gives them access to greater information about the products on sale. Thus, retailers in such a cluster also reap benefits of higher traffic to their stores. This is especially true for retailers selling unstandardized products and where consumers need to spend more time on searching for information (Fischer and Harrington 1996: 282). According to Eaton and Lipsey (1979: 422), in 1954, Lösch was one of the first to present this line of argument. They posit that firms catering to comparison shoppers are naturally inclined to locate themselves in a cluster. Such an agglomeration of stores reduces transaction costs for the shopper and increases traffic in the cluster. It is for this reason that one finds shoe stores, music stores, or car dealers in close proximity to other firms in their category. I will revisit this idea of clustering in Chapter V where I discuss the causes and impediments for trade-concentration. I will now turn to how the term trade-concentration is used in this study.

What is trade-concentration?

In this dissertation, retail trade-concentration refers to the dual processes in which large-format retail chains proliferate, and vertically integrated retail trade channels are dominated and controlled by large enterprises (Dannhaeuser 1994). Generally,

proliferation of large retailers and the evolution of vertically integrated market channels (and the control and domination of channels by large enterprises) happens simultaneously.⁷ If there is a proliferation of large retailers in a market area, one can argue that trade-concentration is in progress in that area. Similarly, if one observes the vertical integration of the distribution channels by a large enterprise, one could argue that trade-concentration is happening in that market. Thus, the question whether trade-concentration has occurred relates to two subsidiary issues: First, has there been an increase in the number of large format-retailers? Second, has there been a vertical integration of market channels? An affirmative answer to either of these two questions will mean that trade-concentration is progressing. If both occur simultaneously, it is well on its way.

Trade-concentration is a process that has occurred in the US since the late-19th Century, and more recently in Europe (Dannhaeuser 1996). For long, scholars believed that trade-concentration was a phenomenon specific to the developed world and that the retail structure of the developing world (dominated by small, family owned enterprises) was resistant to such change. However, since the 1970s, trade-concentration has made inroads into developing countries as well (see Dannhaeuser 1996:252-258 for an overview of retail structural changes in developing countries). Retail restructuring and trade-concentration in developing countries are often accelerated by international trade and investments (Reardon, et al. 2003). However, many of these developments in retail

⁷ However, two issues need to be clarified at this point: (1) the large enterprise controlling the vertically integrated market channel need not be the same as the one that owns the large retail outlet, and (2) the proliferation of large retailers and the vertical integration of market channels need not occur concurrently.

trade have happened prior to the imposition of free-trade policies. However, it is undeniable that free-trade policies have had a bearing on the spread of large-format retail establishments in Asia and Latin America (Chavez 2002; Hu, et al. 2004; Reardon, et al. 2003). It is therefore pertinent to take into account the precursors to these developments. I will present these conditions as factors that encourage trade-concentration and factors that impede this process.

Conditions that Encourage Trade-Concentration

It is nowadays believed that smaller traditional retailers in emerging economies will gradually be displaced by super- and hyper-markets as result of retail trade-concentration (cf. Dannhaeuser 1996:1; Goldman and Hino 2005:273; Goldman, et al. 2002:281). Guy, Bennison, and Clarke (2005), while analyzing retailing in the UK, suggest that economies of scale are an important factor that drive large-format retailers to increase their size. To take advantage of lower rents, large retailers also tend to shift the retail landscape from the urban center to the urban periphery (Hankins 2002:37). According to Dannhaeuser (1994:80), such developments reduce traffic to small traditional retail outlets that are located in the town centers; forcing them to “close, move, or become branches/franchises” of large chain stores in the long run.

The process of retail concentration can be viewed as “(1) a *result* of prior economic growth, and (2) a *cause* of future economic growth” (Morgan 1965:1334). The literature on retail development tends to be dominated by articles that look at trade-concentration as a result of economic developments. Reardon et al. (2003:1141) identify factors of large-format retailer proliferation on the demand as well as the supply side. On the

demand side, these authors identify urbanization, growth of the middle-class, domestic ownership of refrigerators, increased private ownership of cars, and lower prices offered by large manufacturers and supermarkets as factors encouraging retail concentration. On the supply side, foreign direct investments (FDIs), improved logistics technology, improved infrastructure, and favorable policies for large retail chains are considered to be influential factors that encourage trade-concentration. These supply and demand factors will be revisited in greater detail in Chapter V.

Moyer (1962:55) argues that proliferation of large-format retail chains will not take place without the existence of a market that can support high volume retailing.

According to the UN-Habitat (n.d.), Latin America and the Caribbean have high levels of urbanization. The urban population in this region is set to reach over 80% by the year 2025. Almost three-quarters of the population in this region were living in urban areas in 1995. The countries in this region fall in the middle-income group of the world with per capita GDP of over US\$4,500. This figure is higher than most developing countries in other parts of the world (UN-Habitat n.d.). Urban centers of Latin America, therefore, are a favored destination for retail chain expansion. The free-trade agreements of the 1990s accelerated the spread of large-format retail chains, spurred by an increase in foreign direct investments, in Latin America (Reardon and Berdegú 2002:376).

Conditions that Discourage Trade-Concentration

Now I will turn to factors that discourage trade-concentration. Scholars have argued that, in developing countries (with low income levels), there is a high percentage of labor engaged in small scale retailing -- a form of disguised unemployment (Giusti

Hundskopf 2001:53; Morgan 1965:1333). Moreover, evidence exists that small retailers persist in developing countries as a result of “self-exploitation, flexibility and trust between family members” (Dannhaeuser 1997: 152). The availability of cheap or in-house labor arguably aids the sustenance of small retail businesses.

Despite the proliferation of large retail chains in Latin America, horticultural retail (fresh fruits and vegetables or FFV in short) is still dominated by small retailers (Ghezán, et al. 2002:391). Cadilhon et al. (2006) argue that this condition (dominance of small retailers in the FFV category) also exists in South-East Asia.

Reardon et al. (2003:1140) suggest that the dominance of large retail chains “tends to occur first in dry goods such as grains and later in ‘fresh products’ – fruits and vegetables, meat, fish, eggs, and milk.” This delayed shift, these authors argue, is due to the time lag in the development of reliable long-distance transport infrastructure. Since developing countries, in the initial stages of development, do not have the necessary infrastructure to transport perishables over a long distance, large retailers are unable to cater to the demands of fresh produce. The other factors (on the consumer end) that delay the dominance of large retailers in developing countries in general are limited transportation and refrigeration facility at the household level. In countries with a high penetration of refrigerators,⁸ car ownership will play a more important role in determining consumer behavior. A more detailed review of impediments for trade-concentration is presented in Chapter V.

⁸ Almost 90% of households in Mexico own refrigerators (Gingrich 1999).

Large retail outlets have existed in Mexico since the 1940s but the growth of super- and hyper-markets appears to have accelerated only in the post-NAFTA era (after 1994).⁹ For instance, the number of supermarkets in Mexico nearly doubled in a decade: from 544 in 1990 to 1,026 in 2000 (Reardon and Berdegúe 2002:374). Moreover, Euromonitor (2005) reports that “1.4% of commercial outlets amount to 50% of sales” in Mexico. Furthermore, the share of top-5 supermarket chains was 80% of the food sales, and the share of foreign multinational chains in supermarket sales was over 70% in 2001-2002 (Reardon and Berdegúe 2002:374). Despite this dominance by large retailers, in low population densities and/or low income areas of Mexico, traditional retailers are the preferred choice for buying produce, dairy products and meat (Euromonitor 2005). Therefore, it is likely that consumer attitudes and buying behavior could prove to be an impediment for retail trade-concentration.

A Brief History and Description of the Field-Site¹⁰

Citlalicalli is a medium-sized city (the population in 2000 was 95,580) located in central Mexico, about 100 km southeast of Mexico City (see Figure 1.1 for the location of Citlalicalli in Mexico). It is a low income city on the periphery of one of the largest cities (Altepetl).¹¹ The twin city of Hueltiuhli is located at a distance of about four kilometers (town-center to town-center) from Citlalicalli and has a population of 51,937 (based on the 2000 census). The map in Figure 1.2 shows the contiguity of the three

⁹ Data is weak here as will be discussed in Chapter IV.

¹⁰ In order to protect the identity of my informants, it is pertinent that the sources of historic accounts specific to Citlalicalli are kept undisclosed. Where such citation is deemed not to directly identify the location of Citlalicalli, appropriate references are included.

¹¹ Altepetl is located at a distance of about 15 kilometers (from town-center to town-center) from Citlalicalli. It has a population of 1,271,693 (according to the 2000 census).

cities. In 2000, Citlalicalli had 20,076 households with an average of 4.76 members per household. Of the 25,691 residents employed, 13,565 receive less than US\$276¹² each month. In other words, 53% of those who are employed receive a little over US\$3,000 each year. This is less than half of the national average for income.

Highland Mexico, is known to have had a highly prominent urban tradition (Chase, et al. 1990: 499). In pre-Hispanic times, Citlalicalli served as an important religious and trading center, while today it is on the periphery of a metropolis (Altepetl) and is overshadowed by this colonial cousin. Before the conquest, this urban center was a part of the extended Aztec empire.

Following Smith (1987:239), I use the term “Aztec” to refer to peoples living in the Mexican highlands around Tenochtitlan before the arrival of Cortés. Like in most parts of this region, maize was a staple crop with beans, squashes, tomatoes, and chilies being some of the other produce (Smith 1987:240). Textile production, both of cotton and maguey, was well developed in this region (Smith 1987:240). Aztec peasant markets were found in all urban centers and everything from precious metals to firewood, an array of over 120 items, were exchanged there (Smith 1979: 110). Markets usually convened at regular intervals, from once in 20 days to daily, depending on the size of the urban center (Smith 1979:112). Market days themselves were scheduled in such a way that they did not compete with neighboring towns (Smith 1979:112). Citlalicalli had its

¹² US\$ 1 = MX\$10 (approximately). I denote the US Dollar as US\$ and the Mexican Peso as MX\$.

*dias de la plaza*¹³ twice a week, each Wednesday and Sunday. This practice continues even today, although Sunday is busier than Wednesday.

The importance of Citlalicalli in this region is emphasized by the fact that it was one of the last places in central Mexico to fall to the *conquistadores*.¹⁴ Owing to this resistance, the Spaniards tried their best to destroy every aspect of Aztec culture in this town by building a church atop every native temple. The influence of Citlalicalli in this region was further reduced by the creation of the planned city, Altepétl, on its periphery during colonial times. It is this colonial metropolis that has become more important economically and politically in the region today. Citlalicalli itself has been relegated to the shadows but continues to be an important tourist destination, owing primarily to its archaeological sites.

It is believed that Citlalicalli is one of the oldest cities in the new world. Ethno-historic data from the region suggest that Citlalicalli was a multi-ethnic society in the period between 900A.D. and 1520A.D. The population of the city at the time of the Spanish conquest in the sixteenth century is believed to have been between 30,000 and 50,000. The two prominent ethnic influences in the city come from the Tolteca-Chichimeca of central Mexico and Olmeca-Xicallanca from the Mexican Gulf Coast.

¹³ Translates as 'days of the plaza', referring to weekly markets.

¹⁴ Spanish conquerors.



FIGURE 1.1: Location of Citlalicali in Mexico.

Note: Map prepared for the author by Ms. Jui Gadade.

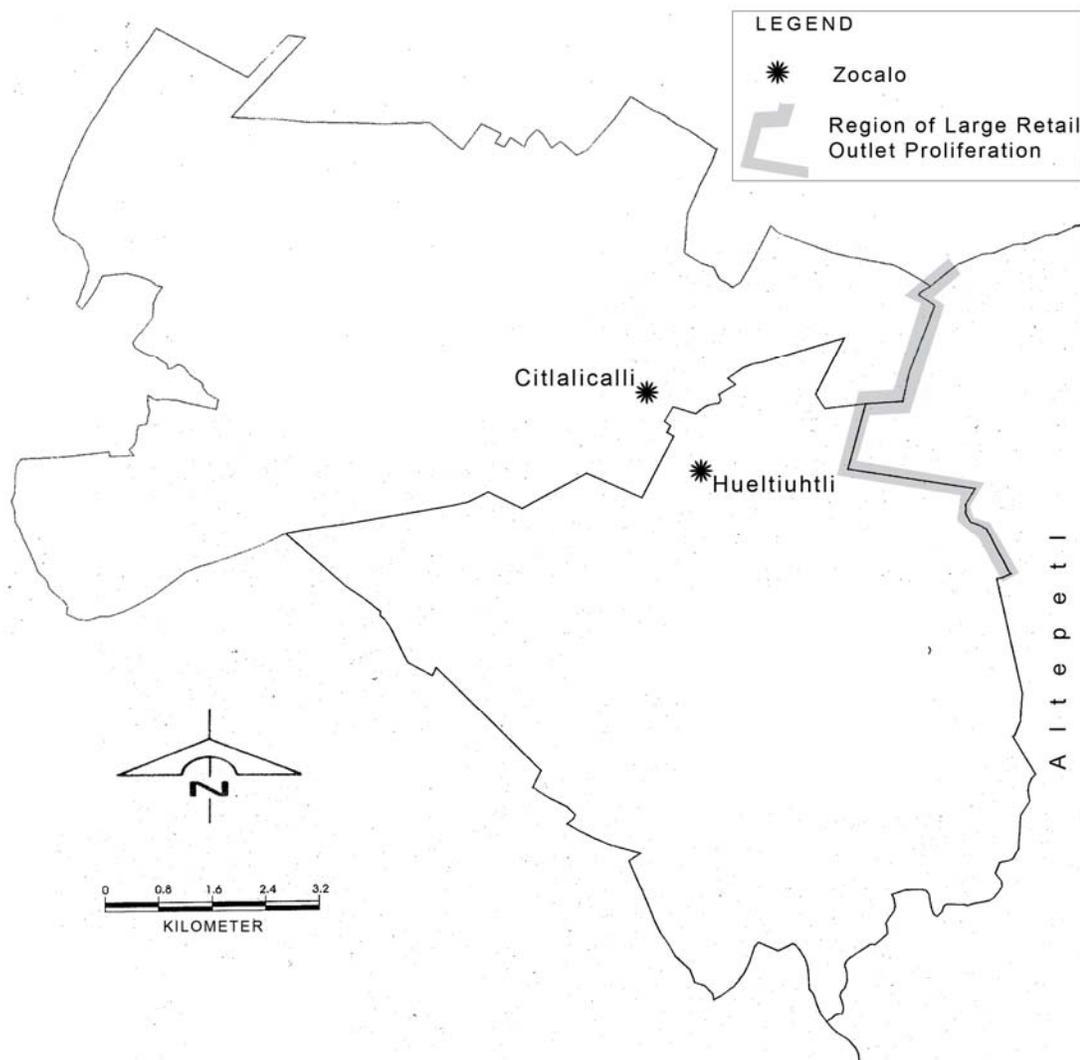


FIGURE 1.2: Map of Citlalicalli, Hueltiuhltli, and Altepétl.

Note: Map prepared for the author by Ms. Jui Gadade.

In the period between 1400A.D. and 1520A.D., the interaction of this region with the Gulf Coast decreased and this could probably be because of the growing ethnic influence of the Tolteca-Chichimeca and a corresponding increase in control of the region by the rulers of Tenochtitlan. Local accounts from key informants suggest that the existence of

two municipalities in this urban center can be traced back to the ethnic divide between the two dominant groups: Tolteca-Chichimeca and Olmeca-Xicallanca.

Early Spanish records of Mexico describe Citlallicalli as a very advanced and sophisticated urban center of the central Mexican highlands. Cortés's secretary noted that the people of Citlallicalli had clothing that surpassed all Native American groups that they had encountered thus far. This was in part due to the importance of this city as both a religious and economic center in this region. Being an important site of the cult of *Quetzalcoatl*,¹⁵ the city was an important market for exotic merchandise traded by the *pochteca*¹⁶ merchants. The city was also known for its famed polychromic pottery that Aztec rulers were said to have used in Tenochtitlan. Due to the high elevation of over 6,500 feet, it is unlikely that cotton was grown locally. However, fibers from maguey were probably locally produced. Exotic feathers and rabbit fur was also used to decorate clothing, especially those of the elite classes. These were also, in all likelihood, locally sourced. Archaeological evidence in the form of spindles and whorls, suggest that textile production was an important aspect of social life in this city; with textiles manufactured from both cotton as well as maguey fiber. The presence of cotton textile is a further indication of trade with cotton growing areas in southern Mexico. Although textile production was well developed in Citlallicalli, it is believed that textiles were also imported from the Mayan regions of present day Guatemala and the state of Chiapas in Mexico. The relative absence of cotton textiles at the time of conquest is attributed to a

¹⁵ *Quetzalcoatl* is the feathered serpent Aztec god, considered to be the patron of priests. *Quetzalcoatl* is considered to be an incarnation of Venus and the guardian of "*Quinto Sol*" (the fifth sun). It is believed that Moctezuma mistook the arrival of Hernan Cortés as the return of *Quetzalcoatl*.

¹⁶ A guild of long-distance traders.

possible control of cotton by the Aztec state. The textile industry in this city continues to be of importance even today, with several wool and cotton mills, and many maquiladoras.¹⁷

Since the Mexican independence, Citlalicalli continued to retain its importance in the region albeit losing glory to the adjoining metropolis. Despite the formation of two distinct municipalities (Citlalicalli and Hueltiuhli that today define the twin cities), the old marketplace continued to be the primary market for the residents of both the municipalities. During the *Porfiriato*,¹⁸ the city got connected by rail. Locals pointed out that Porfirio Díaz had little regard for the pre-Columbian remains of Mexico, and Citlalicalli was fortunate that the rail track was not laid directly atop the most important pyramid temple in the city. During the mid-twentieth century, Altepétl became home to a multi-national car manufacturer's plant. This, along with the establishment of a university in Hueltiuhli (Citlalicalli's twin city), brought about rapid changes to the socio-economic life of Citlalicalli. Along with these developments, new archaeological discoveries in the city gave a boost to tourism. Thus, in the second part of the twentieth century, Citlalicalli became temporary home to many students, workers, and tourists from various parts of Mexico and the US.

Neighborhoods and the City Layout

The streets of Citlalicalli are laid-out in a grid pattern, with streets numbered either from east to west or north to south. The main street (on the east-west axis) called Calle Principal lies on the south side of the *zócalo* (the town square) and is not numbered. The

¹⁷ Maquiladoras are export-oriented assembly units.

¹⁸ Presidency of General Porfirio Díaz from 1876 to 1911 (the year when the Mexican Revolution began).

numbering of the streets is with reference to the *zócalo*. Streets on the east-west axis are even-numbered in an ascending order starting from 2 Ote./Pte. (2 East/West) on the north of Calle Principal and odd-numbered streets lie on the south side of Calle Principal starting from 3 Ote./Pte. (3 East/West) in an ascending order. The main street on the north-south axis is called Av. Miguel Aleman on the south of the *zócalo*, and Av. 5 de Mayo on the north end of the *zócalo*. Parallel streets on either side of Av. Miguel Aleman/Av. 5 de Mayo are even-numbered on the east starting with 2 Nte./Sur (2 North/South) and odd-numbered on the west starting with 3 Nte./Sur (3 North/South). Figure 3.1 in Chapter 3 shows the layout of streets along the *zócalo* of Citlalicalli. Each street is approximately 16.5 feet wide (including sidewalks), giving just enough room for two compact cars to drive. The distance between two consecutive streets on the north-south axis is about 156 feet and the distance between two consecutive streets on the east-west axis is approximately 88 feet. This makes one block approximately 14,000 square feet in area.

Most streets have adjoining residential buildings on both sides of the street. These buildings tend to be two-storied with commercial establishments facing the street and located on the first-floor. Many of these businesses are retail stores. Thus, for the residents in the neighborhoods, on a four-block radius from the *zócalo*, shops selling foods and other consumer goods are at a walking distance. Since the *zócalo* houses the municipal office and the utilities offices are at a distance of one-block from the *zócalo*, locals have to walk very short distances for most of their daily needs. Schools, churches, restaurants, and the city park are also located in close proximity to the *zócalo*.

As one moves farther away from the *zócalo* of Citlalicalli, there are fewer shops and facilities located in the neighborhoods. Besides Calle Principal, two large four-lane roads (one each on the east and north of the city) connect Citlalicalli to the metropolis of Altepetl. Calle principal also connects Citlalicalli and Hueltiuhtli on the east, becoming 14 Ote./Pte. upon entering the city limits of Hueltiuhtli. This street continues eastward towards Altepetl as Camino Real.

According to the INEGI, there are 74 neighborhoods in Citlalicalli and 35 neighborhoods in Hueltiuhtli. Not all the neighborhoods are of the same size, and consequently their population densities also vary considerably. While these neighborhoods have fixed geographical limits, it is unclear as to how these boundaries are arrived at. Also, in both the cities, there are neighborhoods that are unnamed, suggesting that they are newly formed colonies. For instance, there are six *colonias* that have not been assigned a name. The colonies adjoining the *zócalo* of Citlalicalli are less affluent¹⁹ than the ones located on the eastern border with Altepetl. The more affluent neighborhoods of Hueltiuhtli are located on the north-east, bordering Citlalicalli and Altepetl. Similarly, the affluent neighborhoods in Altepetl are located on the western-side along the border with Citlalicalli and Hueltiuhtli.

There are local bus services that ply on the Altepetl-Citlalicalli route and also cover Hueltiuhtli. While in terms of physical distances the three cities are not too far apart, the roads connecting these cities make travel times longer than expected. For instance, the

¹⁹ Affluence is measured based on the average number of possessions (from a list of seven items) owned by the household. A score of five or more has been treated as a sign of affluence. Chapter II provides details on the calculation.

travel time by bus from the *zócalo* of Citlallicalli to the *zócalo* of Altepétl takes 40 minutes on an average to cover the 15 kilometer distance. The travel times tend to be longer during the office-rush-hours. Even the short distance of four kilometers from the *zócalo* of Hueltiuhtli to the *zócalo* of Citlallicalli takes about 15 minutes by bus and about ten minutes in a taxi-cab. While the bus ticket price from Citlallicalli to Altepétl is MX\$4 and MX\$3 from Hueltiuhtli to Citlallicalli, taxi fares are much steeper. Even the minimum taxi fare distance, from Hueltiuhtli to Citlallicalli, is as high as MX\$25. The taxi fare from Citlallicalli/Hueltiuhtli to Altepétl is about MX\$65. In other words, local buses are the preferred mode of travel for most residents of Citlallicalli/Hueltiuhtli who don't own a car. Irrespective of the mode of transportation travel times tend to be on the higher side in relation to the physical distance covered.

Social Life in the City

A walk down to the *zócalo*, especially on weekends and evenings, reveals the importance that the residents of this region place on socializing. It is commonplace to see the young “hang-out” at the restaurants around the *zócalo* and the park in the *zócalo* on most evenings. Since the weather is ambient all year round, all the restaurants at the *Portales* set up tables in the open. During winters, these spots are warmed by portable gas-powered heaters. On weekends, families come out to eat at the numerous restaurants in the *Portales* of the *zócalo*. These elaborate lunches typically last for about two and a half hours and often include the extended family (and sometimes close family friends). At these lunches it is not uncommon to see young men and women joined by their *novios* (boyfriend or girlfriend). Usually both men and women consume beers and

alcoholic beverages or fresh juices (like *agua de Jamaica* made from the hibiscus flower) during lunch. The lunches typically end with the consumption of a dessert and often coffee (and cigarettes for those who smoke).

Sundays is one of the two days of the weekly market. These weekly markets congregate along the streets adjoining the municipal market on 2 Pte., 3 Nte., and 5 Nte. Producers and traders from adjoining *pueblos* bring their wares and sell them in open-air temporary stalls called *tianguis*. The products sold in these markets range from food grains, fresh produce, and cooked foods, to clothes, artificially colored chicks (sold as pets), and wooden spoons and ladles. The residents of Citlalicalli and Hueltiuhltli (sometimes Altepétl) buy at these *tianguis* and other street stores and at the municipal marketplace after having their elaborate lunches at the *zócalo*.

The more religiously inclined members of this community attend the Sunday mass in the many churches located in and around the *zócalo*. While over 90% of the population in this region is Catholic, they are not all practicing members. Church attendance, in general, is low on most days and it is common to see several empty pews. However, attendance is high on Christmas Day, Ash Wednesday, and Easter Sunday.

Many prominent businessmen in Citlalicalli and Altepétl are members of Opus Dei, a conservative Catholic group. Members of the Opus Dei congregate regularly, and attendance is higher on special days like Christmas and the birthday of the group's founder, Saint Josemaría Escrivá. The members of the group often meet in the house of Opus Dei where several Catholic priests, and a few men who have sworn to celibacy and service to Jesus, live. On weekends, many members invite close friends (mostly other

members of the group) for lunches. The favorite topics of discussion at these gatherings are usually business related matters. Future plans for expansion of business operations and exchange of information on business opportunities and partnerships are often discussed. While the exact number of Opus Dei members is not known, it is probably a very small minority of Catholics. For most Catholics (and consequently most residents of the region) the Church plays a marginal role in their lives.

Local Governance

During 2005-2006, national Presidential elections were frequently discussed by most people. This was because of the then forthcoming Presidential elections in July 2006. Traditionally, Citlalicalli has been governed by the PRI (Institutional Revolutionary Party). In recent years, however, the PAN (National Action Party) has had some success at the municipal elections. During the period when this research was conducted, the President of the municipality of Citlalicalli, a PRI man, was in his second year of the three-year term (without reelection). The local government of Altepétl was also controlled by PRI and so was the state government. Hueltiuhtli was the exception with its municipal President from PAN.

Historically, a handful of families have held the municipal Presidency of Citlalicalli. These families came to Citlalicalli at various points in time during the last 200 years from other parts of the region. Gradually these families went on to dominate local business, and as a result, local politics. This dominance was fortified by intermarriages. The Municipal President of Citlalicalli in 2005-06 was from one of these families.

Despite the PRI state government being muddled in controversies, the support for the PRI Presidential candidate (Roberto Madrazo) was not adversely affected. However, there was a general belief during 2005-06 that the PAN (under Vicente Fox) had been able to make the transactions of the Federal Government transparent as compared to previous Presidencies in the country. The PAN candidate (and the eventual winner of the Presidential race), Felipe Calderon, also had considerable support in this region. At least some of this support could be attributed to the candidate's strong image of being a Catholic. The other candidate with a large support base in Citlalicalli was the PRD (Revolutionary Party for Democracy) candidate, Andres Manuel Lopez-Obrador. With a very socialist and pro-poor manifesto, Lopez-Obrador was especially popular among the low-income groups that felt left out during the Fox regime. During his campaign tour, Lopez-Obrador visited and gave speeches in the *zócalo* of Altepétl as well as Citlalicalli. Calderon, on the other hand, did not visit this region. Lopez-Obrador's rallies were very well attended in both the cities, leaving barely any standing-room at or near the *zócalo*. The local business and trading community of Citlalicalli and Altepétl largely supported the PAN.

Summary of Chapters

The rest of this dissertation is organized into the following chapters.

Chapter II: Methodology, gives a description of the various data collection methods employed in this research. Considerations that went into the selection of this field site are also discussed. Finally this chapter details the difficulties associated with the data collection process, and reviews the scope and limitations of the data set.

Chapter III: Markets and Supermarkets, provides an overview of classifications of retail outlets suggested in the literature and the ones that are used in the field site of Citlalicalli. This chapter locates the concept of trade-concentration by reviewing the literature of market and marketplace studies. Studies on firms and entrepreneurship are then related to the process of trade-concentration. Finally, this chapter elaborates on the place of retail development in the overall development process and the criticisms of economic development and open-market trade policies as presented in the literature.

Chapter IV: Trade-Concentration in Citlalicalli, answers the question: “Has trade-concentration occurred in Citlalicalli?” It is argued that trade-concentration will manifest itself through the increase in the number of large-format retailers and dominance of vertically integrated distribution channels controlled by large enterprises. The presence or absence of trade concentration is evaluated by utilizing data collected from the municipal office, street surveys, retailer surveys, and interviews with retailers and consumers. This chapter concludes that retail trade-concentration is an ongoing process in Citlalicalli.

Chapter V: Causes of Retail Concentration, focuses on the reasons for retail trade-concentration in Citlalicalli. The chapter provides an overview of retail development in Mexico and reasons for the surge in the growth of large-format retailers, especially international chains. These national-level developments are related to developments in Citlalicalli and its neighboring areas to arrive at an explanation for the process of trade-concentration. Traditionally believed impediments to large-format retail proliferation, as presented in the literature, are also addressed in this chapter.

Chapter VI: Effects of Retail Concentration, delves on the impact that trade-concentration has had on the market area of Citlalicalli. This chapter evaluates the changes in consumer behavior and retailer strategies. Finally, the reasons for the survival of local grocers and vegetable vendors of Citlalicalli are presented in this chapter.

Chapter VII: Conclusions, provides a summary and recommendations for sustainable retail development and implications for the local community. Furthermore, this chapter indicates what the uniqueness of the anthropological approach can contribute to the study of modern market systems. It also discusses the limitations of this research. Finally, this chapter provides suggestions for future research.

CHAPTER II

METHODOLOGY

The fieldwork for this dissertation was spread over a 14 month period. The ethnographic present is the period between May 2005 and June 2006. Starting in the summer session of 2005, I was invited as a visiting professor in the school of business at a local university. This teaching assignment (to be conducted in English) provided me with the financial and institutional support that I needed to conduct my research. Initially, I was hired to teach qualitative marketing research, but over the next couple of semesters, I taught a variety of courses on business, marketing, and anthropology.

Selection of the Field-Site

My research interest lies in studying developments in food retailing in emerging economies. As a native of India, the obvious choice of field-site would have been a medium-sized city in India. However, the entry of large international retail chains in India did not begin until 2007 (BBC 2006). Latin America, on the other hand, had shown a fast growth of large retail chains in recent years. I decided to consider Mexico for the following reasons: (1) I plan to compare retail developments in Mexico with India in the future; (2) Mexico, like India, followed a socialist pattern of development till the 1990s; (3) Both Mexico and India embraced the free-trade agenda in the 1990s; (4) Indians and Mexicans have a similar perception of time, and place considerable importance on family ties; (5) Mexico's proximity to the United States (especially Texas) made travel to the field-site less expensive; (6) studying in Texas provided the opportunity to learn

Spanish prior to conducting field-work; and (7) As an outsider, I could bring a perspective to the study that was different from that of an American or Mexican.

There have been numerous economic anthropology studies, especially in developing countries. These tended to focus on rural peasant markets, informal urban markets, or on non-market exchange. Gregory (2005), probably overstating, suggests that when it comes to the choice of field site, economic anthropologists have shown a preference for the “two ‘sacred’ field sites” of Melanesia and Central America. However, there have been numerous economic anthropology studies in Mexico and other parts of Latin America as well. In Mexico, the three favored locations are the US-Mexico border, Mexico City, and the southern states of Oaxaca and Chiapas.

In early 2004, I started looking at possible field-sites in Mexico. The over-studied southern states of Oaxaca and Chiapas were ruled out in the early phases. Since I was looking for a medium-sized city, Mexico City was not considered. The cities located in Mexican states bordering the United States were not considered due to their proximity to the US and excessive influence of the US on consumer behavior and retail structure. Finally, the understudied central-east of Mexico (See shaded area around Citlalicalli in Figure 1.1 in Chapter I) is one of the fastest growing areas in the country. Based on these considerations I decided to search for a field-site in central-east Mexico.

In late-Spring of 2004, a friend told me about a private university in central Mexico. I contacted their anthropology department and asked for suggestions on selection of a field site for my research. In summer 2004, I made my first trip to the region. During this trip I was also offered a visiting professorship in the business school at this university.

With the help of a cultural anthropologist at the university, I short-listed four possible cities (including Citlalicalli). Two of these four were ruled out since they had virtually no large retail chain outlets and had very few modern retail stores. The final choice of Citlalicalli as a field-site in central-east Mexico was influenced by two factors: (1) the uniqueness of the city in terms of its historical past as well as its present retail structure, and (2) the visiting professorship in a private university in the neighboring municipality that funded this research.

Surveys, Interviews, and Participant Observations

This study is based on empirical data collected between May 2005 and June 2006 by employing a variety of methods. The data include three surveys (one retail survey, and two consumer surveys), 27 unstructured and semi-structured interviews (with retailers, consumers, and city officials), street surveys, participant observations, and census data and maps from the INEGI.²⁰ Since building a rapport with informants for conducting interviews is a time-consuming process, the quant-qual method was adopted for this research. The intent was to collect quantitative data first and then conduct qualitative interviews to help in the interpretation of the quantitative data.

The objective of the quantitative surveys was to get a macro sense of the local market processes. Based on the survey results, subsequently, interviews were conducted to explain the significance of the surveys. Depending on the location of the interview, both unstructured and semi-structured interview styles were adopted. Since retailer choices, consumer preferences and perceptions, and city policies determine the retail

²⁰ INEGI is the acronym for Instituto Nacional de Estadística Geografía e Informática. It collects and maintains the socio-economic and demographic statistical data of Mexico.

structure of a market, the interviewees included retailers, consumers, as well as city officials.

The retail survey was conducted during the period August 2005 and January 2006.²¹ Figure 3.2 in Chapter III shows the map of Citlallicalli with streets that were surveyed for this sample. The purpose of this survey was to gather data on the products sold, product sourcing pattern, operation style, details on the background of the owner, and perception of competition in the market (see Appendix D for a sample questionnaire). In addition to the survey of retailers, two different consumer surveys were also conducted. The first of these was intended to gauge consumer buying patterns (see Appendix E for a sample questionnaire). This survey was conducted between October 2005 and March 2006. Since this survey did not capture consumer perceptions about store type, a second survey was developed. The second one was intended to measure consumer attitudes of food products sold at modern retailers versus traditional stores (see Appendix F for a sample questionnaire). This survey was conducted in April 2006. In addition to the ones I carried out, surveys were administered with the help of students from the university where I taught. The students were given prior training on fielding surveys and were given clear instructions on the sample selection process.

²¹ The retailer survey and the first consumer surveys were spread over a long period of time because of recruitment of responders. Many retailers refused to participate in the survey and multiple attempts at recruitment had to be made. Owing to the large sample sizes for the surveys, research assistants had to be used. Training students to properly administer the surveys also took time. The students were enrolled in the course on marketing research, and the surveys were used as part of their training. Consequently, multiple sections of students had to be trained over two semesters (Fall 2005 and Spring 2006). Since each student was assigned to administer 10 surveys, the sample size could not be attained in a shorter time.

Quantitative Sampling Plan

The ideal method of sample selection for the retail survey would have been a random sample drawn from a list of retailers in Citlalicalli. Unfortunately, this list was not available till the very end of the year 2005. As a result, two streets around the four sides of the municipal market were selected for the survey. Since the focus of the study was retailing in the municipal market, this demarcation of the population was deemed to be viable. The selection of respondents was determined by the willingness of the retailer to participate in the study because many retailers showed a high reluctance to participate in the survey. Since the sample was not randomly drawn from a list, the focus of recruiting participants for the survey was on achieving a target of 100 retailers. In this process, the refusal rates were not recorded by all survey administrators. However, almost one in every two retailer that I personally approached refused to participate in the survey. Some attempts were made at explaining the purpose of the research for each subsequent retailer with the aim of reducing the refusal rate, but these attempts proved to be futile. Most retailers who refused to participate said that they did not have time to respond to surveys. These retailers were asked for a better time to contact them but most refused to participate in any case. It should be noted that in almost all cases, the retailer was contacted in the afternoon when the flow of customers is the lowest. In fact, in many cases, the retailer was just sitting in the store, and not really “busy.” Although a sample collected by this process is not random in nature this method was considered to be the most practical. A retail survey of 100 stores was conducted for this study between August 2005 and January 2006. Most of these 100 retailers were located either in the

municipal marketplace or in the adjoining streets (See map in Figure 3.2 in Chapter III for details). It should be noted that there are at least four large supermarkets (*bodegas*) on the periphery of Citlalicalli and the neighboring metropolis of Altepétl. None of these *bodegas* were included in this survey. The primary reason for the non-inclusion of *bodegas* in the survey was that these *bodegas* are owned and operated by large retail chains and repeated attempts at getting permission to meet store managers were failed. However, several “*mini-supers*” were surveyed for this study.

The two consumer surveys were conducted using the intercept method. This is a popular method, especially in marketing research. In this method, “respondents are intercepted while they are shopping” (Malhotra 2003: 172). In this research, respondents were approached outside traditional and modern food retail stores as they exited the store after shopping. The consumer surveys were split into two cohorts based on the location of contact. Thus, roughly 50% of the surveys were sampled outside small stores and the other half were sampled outside large ones. For the first cohort, shoppers were approached as they exited the municipal market and the street stores on the main street, adjacent to the municipal marketplace. The second cohort included consumers who were selected outside Bodega Aurrera (on the border of Citlalicalli and Altepétl), Comercial Mexicana (the now closed store on the border of Hueltiuhli and Altepétl), and the Oxxo store (in front of the *zócalo*, on Calle Principal). This was done in order to control for biases that might have arisen due to the difference in location.

Like the retailer survey, the consumer surveys also encountered the problem of refusals. Though the exact percentage of refusals was not recorded, it was noted that in

many cases, the consumers who refused to participate were carrying heavy loads of purchases, especially the ones outside small stores. Not approaching such consumers who had bought large volumes of goods would have induced a bias in the sample, and so, no particular attempt was made at addressing the problem of refusals. However, compared to the retailers, it was easier to recruit consumers for the surveys.

Quantitative Survey Sample Sizes

As the samples were not random in nature, and the second consumer survey included the use of the semantic differential scale, parametric statistical tests²² would have been inappropriate to analyze the data thus collected. Non-parametric tests do not make assumptions about the population distribution and tend to be less powerful than their parametric equivalents. However, as Kraemer and Thiemann (1987:98) suggest, “[o]ne should always choose the most powerful statistical test that is valid for the question and data in hand.” Thus, in this research, non-parametric tests are considered to be the most appropriate to “guarantee the validity of the conclusions” (Kraemer and Thiemann 1987:98).

The sample sizes were determined using the statistical tables provided by Kramer and Thiemann (1987:110). To ensure a balance between type I and type II errors,²³ the power (β) was set at 80% and the level of significance (α) at 5% to determine the effect of a correlation (Spearman’s ρ) of 0.3. The effect size “ Δ ” and sample size “n” were

²² Parametric tests require assumptions about the population distribution. Non-parametric tests are ‘distribution free’ tests and do not require any assumptions to be made about the population. Also, parametric tests require data to be measured on at least the interval scale. The semantic differential scale is an ordinal scale and is lower than the interval scale.

²³ Type I error is the probability of rejecting the null hypothesis when it is true. It is represented by the Greek letter α . It is also the level of significance. Type II error is the probability of not rejecting the null hypothesis when it is not true. It is represented by the Greek letter β . $1 - \beta$ is called the power of the test.

calculated using the formulae given in Kraemer and Thiemann (1987: 57). Accordingly, the effect size was calculated as 0.29 for a Spearman's ρ of 0.3. Based on these calculations and table values, the minimum sample size for a two-tailed test was found to be 99. One-hundred retailers were contacted for the retail survey. For each consumer survey, 100 respondents were sought outside traditional and modern retail stores.

Interview Procedures

The target sample size for the interviews was set at 25 and eventually 27 interviews were conducted. Considering the time-intensive nature of recruitment and interviews, this size was considered to be appropriate. Since building a rapport with retailers is critical to conducting interviews, the first six months of research were spent in identifying potential interviewees. Seventeen retailers and two wholesalers were eventually interviewed. Additional interviews included five consumers (two of whom were long-term residents of Citlallicalli), a local businessman (a long term resident), and the acting Mayor of Citlallicalli.

All the retailer surveys were conducted in conjunction with observations at the store location. Since the retailers work seven days a week, the only place to carry out the interviews was at their stores, while they were working. As transactions between the retailer and the customer (and at times between the retailer and the salesman of the supplier) frequently interrupted the interviews, most interviews were spread over several days. Each interruption allowed for newer questions to be incorporated into the interview, thus, enriching the content. This also allowed for longer observation periods at the store. The interviews with retailers were, therefore, unstructured in nature.

Typically each interview session lasted for anywhere between one hour to three hours. Most questions were related to business aspects: about supplier-retailer relationship, consumer behavior, and competition. However, questions were not limited to these topics. Retailers were also asked about their background (both familial and business). In some cases (depending on the way the conversation proceeded), political views and general perception about the Mexican economy were also queried. The two interviews with wholesalers were conducted at the wholesale warehouses of the informants in Altepétl. These interviews were also unstructured in nature. The questions were primarily related to retail business practices and trends in the metropolitan area of Altepétl. Some questions were posed with respect to the wholesalers' attitude towards competition from super- and hyper-markets in the region. The main objectives of these interviews were to get a sense of the supplier-retailer relationship and about the country of origin of certain food products.

The interviews with the consumers and the Mayor were semi-structured in nature. An interview guide was prepared for these interviews. Consumers were contacted either in their homes (two) or their workplaces (two). One interview was conducted in my office at the university. Respondents were asked questions primarily about their shopping behavior and preferences. Considerable time was also spent in recording the familial background of the informants and their first time experiences at shopping. Interviews with customers took between 45 minutes to an hour. The meeting with the Mayor took place in the Mayor's office and lasted for 45 minutes. Most of the questions were related to the development plans for the city, especially in the retail sector. Since

this interview was under a strict time constraint, an interview guide was used. All interviews (with retailers, wholesalers, consumers, and the Mayor) were conducted by me in Spanish. The first few interviews were carried out with the help of research assistants who were bilingual in Spanish and English.

Participant Observations

Participant observations included, going on an order-taking trip with the wholesalers salesman, participating in the sales process at the retail store, observations on the sales transactions, and buying goods for personal consumption. My first contact with the market area of Citlallicalli was through Sr. Gonzalez, a wholesaler in Altepétl. Sr. Gonzalez's salesman, Paco, makes weekly trips to Citlallicalli every Monday to take orders from the local retailers. I accompanied Paco on one such trip to make contacts with retailers as well as to familiarize myself with the supplier-retailer transaction. I also spent several hours at three retail outlets, noting the sales transactions there. Each such observation was for a period of one hour and was spread over different days of the week.

Experiencing the life of retailer was probably the most difficult as well as the most enjoyable part of my research. Over a four month period (January to April 2006), I spent several hours "working" for Ernesto in his retail store at the municipal marketplace. This included helping Ernesto in opening the store between 7:30 and 8:00 a.m., taking orders from consumers and measuring and bagging those orders, and shutting the store in the evening at around 8:00 p.m.

As a consumer, I experienced the buying process at several retail outlets -- from *tianguis* and small stores to large retail outlets and malls. Interaction with retailers

during the course of 14 months allowed me to not only experience “shopping” in Citlalicalli but also observe other shoppers in the same process. Some of these shopping trips also allowed me to recruit retailers for the survey and interviews.

Conducting Fieldwork

I reached Citlalicalli on Wednesday, May 25, 2005, a week later than I had hoped for. The first few days in Citlalicalli passed by fast as I was teaching four days a week. Preparing a new course and simultaneously teaching it meant that I had very little time to start working on my research. Yet, working for the university proved to be beneficial in many ways. First, I had the opportunity to discuss my research with my Mexican colleagues; and second, I had help available to translate my survey instruments into appropriate Spanish. One of the many discussions with a colleague led to my first research contact. A professor in the school of business was an active member of a Catholic group. His parish member, Mr. Gonzalez, happened to be one of the main suppliers to most grocers in the metropolitan area of Altepétl.

In late June 2005, I arranged a meeting with Mr. Gonzalez. His warehouse is located near the business district of Altepétl, about 15 km from downtown Citlalicalli. Mr. Gonzalez’s salesman, Paco, introduced me to his clients in Citlalicalli. One of these contacts, Ernesto Lopez, became a key informant of mine. Ernesto and his wife Liliana allowed me to enter into their lives, sharing their experiences as retailers, as parents of three young children, and as citizens of Mexico who had grown up in Citlalicalli.

Overcoming the Linguistic Barrier

One of the biggest challenges that I faced during the course of conducting research was the linguistic barrier. Since I first decided to conduct fieldwork in Mexico (in early 2002), I had started learning Spanish informally. I started studying Spanish formally in the Spring of 2004 at Texas A&M University by enrolling in a non-credit course on business Spanish. This provided the foundation for elementary grammar and rudimentary vocabulary. Our instructor, Prof. Caraballo, gave us a crash course on survival Spanish over a period of three months. It was with this beginners Spanish that I ventured into Citlalicalli to conduct my fieldwork. My informants Ernesto and Liliana were more than just research contacts. Through their patience and hours of talking, I eventually reached a level of competence in Spanish that was necessary to conduct interviews. Besides them, many of my students and colleagues at the university also helped me with the grueling process of language acquisition.

Dealing with Uncertainties

My employers in Mexico had assured me a job²⁴ and a place to live during my fourteen month stay in Citlalicalli. When I arrived in Citlalicalli in May, the university provided me with temporary accommodation in a dormitory. At the end of the summer session (in mid-July), I was told that I will be moved to a one-bedroom house in the residential area of the university. After weeks of uncertainty, I was finally allotted a *casita* (a small house). But a couple of weeks before the Fall session was to start (in

²⁴ Several professors from the US, Europe, and other Latin American countries, visited the campus for teaching during the summer session. My case was an exception in that I was invited with the intent of being retained for a full academic year.

August), I was told that I would have to vacate my *casita* that I had grown to like. It was time to pack-up and wait, yet again. During the Fall session, I was moved to another dormitory. This move was not as bad as I thought it would be, as the dorm was closer to my department and lecture rooms.

The end of the Fall semester was time for yet another move. The university decided to shut-off water and electricity in all buildings on campus (as a cost-cutting measure) during the winter break. A friend at the International Affairs Office helped me out this time. The Director of International Affairs intervened and allowed me to leave my belongings in my dorm room and made temporary stay arrangements at the university's guest house.

It took me a while to realize that assurances do not eliminate uncertainties. I eventually got used to these uncertainties and learnt that promises would be kept but the time of delivery could never be ascertained accurately. I also realized that relationships were the key to survival in this environment. This is exemplified by my pursuit for a possible meeting with the Mayor of Citlalicalli. After many promises and appointments that were not kept, I finally got to meet the acting-Mayor of the city in May 2006. This meeting would not have been possible but for my friend Liliana. Liliana's cousin, whom I came to know very late into my stay, worked for the municipal office. She eventually, arranged a meeting for me with the Mayor. I began to understand that in Mexico, as in India, first it is whom you know that matters, rather than what you know.

The Elusive Data

I had hoped to collect time-series data on demography as well as retail businesses in Citlalicalli. While the demographic data were available with the INEGI in their Altepétl office, information on retail businesses was hard to get. The data compiled by INEGI do not include number of stores by category, address, floor-space, financial information (turnover and profits), and age of the establishment. Until the very end of my stay in Mexico, I could not get any of this data. What I did manage to get was a list of commercial establishments (including retail stores) registered with the municipality during the calendar year 2005. Unfortunately, this list was not available to me till the last quarter of my field-work. The municipality also does not maintain a list of registered businesses from previous years. As a result, the location and number of businesses over a period of time could not be ascertained. While the income-tax office does maintain financial information on businesses in the region, access to this data requires multiple levels of permissions that were not available.

The retailer survey included most store types in Citlalicalli, and the representation of the different categories roughly followed the list obtained from the municipality. Since the list was not available at the time the surveys were started, the sampling could not be quota based. However, the focus of this study is food retailing and the percentage of food retailers in the survey is close to what was on the list provided by the municipality. Accordingly, food retailers constitute 33% of the total sample of retailers.

The primary data collection from the surveys was successful for the most part. However, the reported incomes in consumer surveys and information on turnover and

profits in the retailer survey had many missing values, rendering them not very useful for inferential statistics. The financial data from the retailer survey were also ridden with the problem of unverifiable and possibly false information. These data could not be verified even for the retailers who participated in the interviews. One possible explanation for this problem could be the level of sensitivity associated with such information. Most retailers (including some large retail chain outlets) do not provide a *factura* (an invoice that includes the value added tax). Since financial data on turnover could potentially be used to estimate the tax owed to the government, the reluctance to share this information is understandable. The lack of this information, therefore, puts limits to the type of questions that could be answered by this study as well as the robustness of the conclusions.

The problem of missing data for income in both the consumer surveys was overcome by using household possessions as a proxy measure for wealth. All the possessions were added and three income groups (low, medium, and high) were constructed. While creating this proxy variable for income, all possessions were weighted equally. That is, a car was weighted the same as a cellular phone. Differential weights were not assigned because it is possible, for example, that a very old car could be equivalent in value to a high-end cellular phone. Thus, for a household with one car, three cell phones, two laptops, and two televisions the sum of household goods will be eight (1+3+2+2). This substitution works well since reported income and the sum of household goods were significantly correlated. For the first consumer survey Spearman's correlation was .684 (p-value < .000) and for the second survey Spearman's correlation was .630 (p-value <

.000). For both the surveys the income groups were based on the following criterion: low-income for households with sum goods less than or equal to five; middle-income for households with sum of goods between six and ten; and, high-income for households with sum of goods more than or equal to eleven. The distribution of these groups does not correspond directly with that of the population census data collected by the INEGI. However, the percentages for the middle-income group (roughly 33%) in the INEGI census data do correspond to those in the surveys (see Table 2.1 for the distribution of the three groups in the three data sets). The survey data sets therefore cannot be used to generalize beyond a certain degree about the behavior of consumers. However, the conclusions drawn from the survey data do provide insights into the attitudes and behaviors of the different income groups.

TABLE 2.1: Distribution of Income Groups in the Data

	Low-Income	Medium-Income	High-Income
Data from INEGI	55%	33%	13%
Data from Consumer Survey I	23%	33%	43%
Data from Consumer Survey II	36%	35%	29%

Source: INEGI and Surveys. Note: All figures represent valid percentages (excluding missing values). For the INEGI data low-income was less than or equal to 2 minimum wages, middle-income was between 2 and 5 minimum wages, and high-income was more than or equal to 5 minimum wages.

What's in a Name?

I have considered the use of a pseudonym for my field site and all my informants for over a year. In the ideal world, using real names of people and places will not negatively affect anyone. The use of pseudonyms means that future studies of this field site will not

be able to draw on the results of this study. However, using pseudonyms will ensure that no unintended harm falls on my informants who placed their trust in me. After weighing the pros and cons, I decided to use pseudonyms for most people and places in and around the field-site. While this will put restrictions on possible longitudinal studies by other scholars, I feel protecting my informants offsets this down side.

The field site is historically significant and an appropriate name had to be chosen to refer to it. I made up the name *Citlalicalli* by combining two Nahuatl words *citlali* (meaning star) and *calli* (meaning house) to mean the house of the star. The word *altepetl* means city in Nahuatl. This was chosen to refer to the metropolis that conjoins Citlalicalli. Citlalicalli's twin city has played an important role in its retail development. I chose *Hueltiuhtli* (the Nahuatl word for sister) as a pseudonym for this twin city. The names of people, including my colleagues at the university, have also been changed. Throughout this dissertation I use Citlalicalli to refer to my field site, Hueltiuhtli to refer to its twin city, and Altepetl to refer to the adjoining metropolis. In order to ensure the protection of informants, I have deliberately not cited sources that identify the real name of Citlalicalli while describing the field site. I use real names of places and people only when talking about incidents on the national level that are not directly linked to Citlalicalli.

CHAPTER III

MARKETS AND SUPERMARKETS

This chapter reviews the scholarly antecedents of my research. Several studies on market systems (both traditional as well as modern) have been conducted by scholars in the social sciences. Depending on the discipline, scholars have tended to focus on one or more areas in their research. For instance, generally, economists have studied market systems from a macro perspective; scholars in the business world have looked at market systems from the perspective of corporations or consumers; geographers have focused on the physical structure of marketplaces; sociologists have contributed to the organizational aspects of trade; and anthropologists have explored trade and exchange in non-western and rural market systems. Undoubtedly, there has also been an exchange of ideas between the disciplines.

Previous Studies of the Economy and Markets

The foundations of economic anthropology as a discipline can be traced back to the 19th Century (Epstein 1975:30). For instance, Franz Boas, at this time, described the Snanaimuq community around British Columbia and mentions the ‘potlatch’. He acknowledges the contribution of others (Boas 1889:324) in describing this process of wealth accumulation and distribution among the many tribes in the north-east of the United States, bordering Canada. The, now famous, work of Malinowski on the Trobriand Islanders was a seminal work in the area of economic anthropology (Malinowski 1922). The infant discipline was dormant during most of the inter-war years until the textbook style work of Melville Jean Herskovits’ *Economic*

Anthropology: The Economic Life of Primitive Peoples was published in 1965. Until the 1950s, economic anthropology heavily borrowed the general theory of economics (Davis 1973:2). After Karl Polanyi's *Trade and Market in the Early Empires* was published in 1957, many anthropologists began to argue that formal economic theories cannot be used to understand the so-called primitive societies. This led to a decade long debate in economic anthropology, now referred to as "the formalist-substantivist debate" (Plattner 1989:12-15; Wilk 1996:3-13). Unfortunately, preoccupation with this debate has not helped our understanding of modern market systems (Salisbury 1973:85).

Wilk (1996:13-14) observes that the shift away from the "great debate" was in many ways a reflection of anthropologists being forced to seek employment in government and non-government institutions as against the university system. The post "great debate" era also ushered new ways of studying the economy: *Neo-Marxism* with scholars such as Meillassoux and Godelier, *Feminism* with the likes of Diane Wolf and Jenny White, *Ecological Anthropology* led by Julian Stewart and Leslie White, and *Development Anthropology* with contributions from scholars such as Carol Smith and Mark Hobart (Wilk 1996:14-26).

Marketplaces and the Market Principle

In order to understand previous market studies in anthropology, it is useful to distinguish between "marketplace" and "market principle." Bohannon and Dalton, in their study of African marketplaces, introduced the concept of "the market principle" into anthropology (Plattner 1985a:387). These authors define "market mechanism" or "market principle" as a process that "entails the determination of prices of labor,

resources, and outputs by the forces of supply and demand regardless of the site of transactions” (Bohannon and Dalton 1965:2). Bohannon and Dalton (1965:5) note that the market principle manifests itself in varying degrees in societies and, therefore, one can have three typical situations: communities without marketplaces or the market principle; communities with marketplaces but without the dominance of the market principle; and, communities with marketplaces with the presence of the market principle. The third situation listed above is found in modern urban centers as well as in peasant communities.

Philip Kotler (1997:13) notes that “traditionally, a ‘market’ was the place where buyers and sellers gathered to exchange their goods, such as a village square.” Here, market refers to the physical location; what is referred to in the literature as the “marketplace.” Hill defines “market-place” as “an authorized concourse of buyers and sellers of commodities, meeting at a place more or less strictly limited or defined, at an appointed time”(Smith 1978:12). The term “market-place” in the anthropological literature is generally used in this fashion (Bohannon and Dalton 1965; Davis 1973; Mintz 1960). In such market-places, both the buyers and the sellers of goods need not be the same on all days (Beals 1975:8). In this study I use the term “market area” to refer to what Beals calls the “marketplace district.” According to Beals (1975:9), “[t]he term ‘marketplace district’ includes not only the marketplace... but also stores, depots, warehouses, and other enterprises clustered around the peripheries of the marketplace.” Market area, as against the marketplace district, also includes retail establishments in the periphery of the city.

Writing in 1976, Sebastian Green noted that anthropologists have traditionally confined themselves to “the study of primitive and peasant societies” (Green 1976:531). He further states that anthropologists have shied away from the analysis of societies where the market principle dominates (Green 1976:531). A look at the book *Traditional Exchange and Modern Markets* might confirm Green’s argument. In this book Belshaw (1965) reviews gift-giving and reciprocal exchange among the Trobriand Islanders (Kula trade), the Kwakwiltl (potlatch), and in East Africa (ceremonial cattle exchange). In the same book, Belshaw (1965) discusses market systems of Malaya, Indonesia, West Africa, Haiti, and Mesoamerica (Mau 1967). However, it is undeniable that there have been several studies by anthropologists, especially in non-western, developing countries, where market principle plays an important role. Carol Smith (1974) notes that anthropologists have produced numerous ethnographies of marketplaces (e.g., Bohannan and Dalton 1965; Davis 1973; Dewey 1962; Fox 1967; Sinha 1968) and peasant market exchanges (e.g., Beals 1975; Belshaw 1965; Cook 1970; Nash 1968; Turyahikayo-Rugyema 1976) in such societies. While peasant communities do show the presence of the market principle, they are qualitatively different from cities since such peasant communities are not “fully integrated with cities or the nation” (Bohannan and Dalton 1965:13). In modern urban markets, in contrast to a peasant markets, marketplace transactions are closely linked to production decisions and traders earn their livelihood through marketplace transactions (Bohannan and Dalton 1965:13).

Modernization of Markets

Today, modern markets, even in smaller cities, are not isolated entities, but in fact are connected to a larger system of markets. Even in situations where the market principle acts only peripherally, trade between market areas was not uncommon. In the 1940s Malinowski and de la Fuente (1982) studied the market system of the Oaxacan valley. In this ethnographic account of the Valley of Oaxaca, the authors noted the importance of the region as a trading hub since pre-Columbian times (Malinowski and de la Fuente 1982: 70). This study describes the weekly markets in and around Oaxaca City to show that the market system of the Valley of Oaxaca was not “a self-contained unit with fixed limits” (Malinowski and de la Fuente 1982: 82). Oscar Lewis (1960) made similar observations in his 1956-57 study of Tepotzlán in Central Mexico. In this work Lewis presents the economics, intrafamily relationships, and the life cycle of a village located in the Mexican state of Morelos near Mexico City. He (Lewis 1960:3) observed that Tepotzlán was quite different from other villages in Mexico; being larger than most villages, retaining its communal lands, and the absence of specialized industries. This in itself is interesting considering the influence that the modern ways of Mexico City and Cuernavaca have had on this village. While describing the economic life of Tepotzlán, the author notes the impact of changes in the communication infrastructure on intervillage trade in the region (Lewis 1960:35-36). Dewey (1962) found that, contrary to popular belief, peasant societies are not isolated from the larger economy. She observed that native Javanese traders were a part of a larger economic

system through their competition with other trading communities like the “more heavily capitalized Chinese, Indian, Arab, and (erstwhile) Dutch traders” (Mintz 1964:446).

Many anthropologists have elaborated on the importance of social networks in trade. For instance, Geertz (1963) compared the town of Modjokuto that Dewey studied with that of Tabanan in Bali. He found that kinship ties were of greater importance amongst the entrepreneurs of Tabanan than they were for the modern enterprises of Modjokuto (Geertz 1963:122). The difference in the use of kinship in business between the two communities is in some ways a reflection of the differences in their socio-economic histories. In the case of Modjokuto, Geertz (1963:28-29) represented the shift from a “bazaar-type economy” (fragmented, unrelated transactions) to the “firm-type economy” (connected productive and distributive firms and the presence of small stores) as a “progress toward more effective patterns of economic activity”. This shift, according to Geertz (1963:29) becomes difficult in the absence of “an expanding, locally based export trade”. In other words, economic development had to have the right conditions.

The implication from Geertz’s study is that the importance of kinship ties (or personal ties) should decline with the modernization of trade. However, several studies have shown that traditional systems of trade can persist over time, despite modernization. In his study of the Oaxaca marketing system, Beals found the traditional marketing system to be strikingly adaptive to the impact of the “modern industrializing and commercial national economy” (1975:278). He posits that the adaptive nature of the traditional system lies in the “relative dependence of various sectors of the Oaxaca economy upon it” (Beals 1975:280). William Davis (1973) elaborated on the importance

of kinship ties (and also *suki*, or social trade ties) amongst Filipino traders. He (1973:78) looked at the role of the public market as the “central institution in the distributional system of a regionally-oriented, small-scale economy.” He suggested that within this system, the role of kin relations is significant. While analyzing the role of kinship in commercial success, he (Davis 1973:213) presented an interesting point of view from the observation that “kinship obligations are not inevitably impediments to the commercial success” as is often presented in the literature by scholars like Golay. Fox (1967) found that kinship ties played a minor role in organizing trade in Tezibazar, India. He observed that the *Baniya* caste controls business and politics in this urban area. However, business acumen, rather than caste or kinship, is considered while forming business partnerships (1967:311). Plattner’s argument probably best explains the role of personal networks in trade. He (1985b) suggests that individuals overcome the lack of information in decision making by establishing and using personal networks (for a review of social exchange see Befu 1977).

Urbanization, Marketplaces, and Economic Development

An important theory used in the study of marketplaces is the central place theorem. This theory provides a link between the urbanization process and trading. Geographers, Bromley and Symanski (1974:22) observe that there is no dearth of market studies in Latin America; however, the role of marketplaces in the urbanization process and the “development of local and regional market systems relative to the development of central places and non-market trading institutions” need to be explored further. G.W.Skinner introduced the central place theorem into the economic anthropology

literature (Plattner 1985a:387). Central places are used to refer to “cities, towns, and other nucleated settlements with central service functions”(Skinner 1964:5). Following Christaller and Lösch, “a given central place may be typed according to its position in interlocking spatial systems, within which economic function is associated with hierarchical level” (Skinner 1964: 5).

Michael Smith (1979) used the central place theorem, developed by Christaller in 1966, to analyze the impact of the Aztec marketing system on settlement patterns in the Valley of Mexico. Based on the ethnohistorical records of Central Mexico, Smith found that the Aztec markets were integrated into a typical peasant marketing system. This system served to support the small non-food-producing population of the cities. It is intensification of trade and the expansion of the marketing system that influenced the formation of a central place settlement pattern in Central Mexico.

Geographers Linda Greenow and Vicky Muñiz (1988:416) question the “assumption that municipal marketplaces, street markets, and market towns can serve as growth centers to encourage decentralized development”. They present evidence from Latin America that suggests that for “most traders market selling is a means of survival until a more substantial form of income can be found” (Greenow and Muñiz 1988:416). The authors conclude that the market structure in Latin American countries cannot support the idea of decentralized development. They found that in Cajamarca, Peru, marketplace trade is unprofitable and does not stop out-migration of women to urban areas. In the absence of profitable trade, women cannot financially support their families and, therefore, cannot contribute to local and regional economic development.

Formal and Informal Trade

Anthropologists have contributed extensively to the study of informal trade. A collection of monographs, *Perspectives on the Informal Economy*, edited by M. Estellie Smith (1990), presents a good overview of issues related to the informal economy and the problems associated with the classification and study of this sector of the economy. Geertz (1963:29) introduced the formal-informal dichotomy (though not using the same terms) into economic anthropology while discussing the bazaar-type economy and the firm-type economy (Dannhaeuser 1991:313). This formal-informal dichotomy is problematic and in practice almost impossible to separate. For instance, Dannhaeuser (1991) in his work in the city of Nasik in India discusses several problems associated with the formal-informal dichotomy in urban retail trade. Consider as an example, Alejandro Portes and Saskia Sassen-Koob (1987) definition of the informal sector “as the sum total of income-earning activities with the exclusion of those that involve contractual and legally regulated employment”. As Ray Bromley (1982) had argued earlier, the trouble with such definitions is that petty thieves and street hawkers can both be included as being part of the informal sector.

As a solution to this classification problem, Dannhaeuser (1991:315) suggests that for a store to be classified as being a part of the formal sector it (1) has to be “linked to regular supply points and tied to a well-defined and stable trade hierarchy,” and (2) “must also have some formal long-term agreement with large suppliers either through ownership or through contract.” While this pattern of classification might hold good for industrially produced consumer goods, it does not work well in the Mexican food retail

context. Since most traditional grocers do not have contractual links to their suppliers, with the definition given above street hawkers (*tianguis*) and street store grocers (*abarroteros*) will get lumped into the same category of informal trade. Street store operators (and grocers in the municipal marketplace) are, however, quite different from itinerant street hawkers (*tianguis*).

For the purposes of this study, we will have to fall back on Geertz's bazaar-firm dichotomy, incorporate Dannhaeuser's classification, and add a third category. Thus, formal sector retail operators should be linked to a stable supply chain by way of ownership or contract (Dannhaeuser 1991:315). Retailers in this category, therefore, are vertically integrated. General grocers (*abarroteros*) in Mexico who do not have contractual agreements (or ownership links) with their suppliers but are linked to a well defined and stable supply chain should be classified as retailers in the semi-formal sector. Itinerant peddlers (*tianguis*) who are not linked to a stable supply chain will fall in the category of the informal retail sector. Note that this three-fold classification is for the food retail sector only and is not meant to serve as a classificatory system for other sectors of the economy.

In this research I make a distinction between "traditional" and "modern" retailers. This idea is linked to the formal-informal classification. The distinction is based on three parameters: type of link to the supplier, style of selling, and type of inventory control. I define a modern retailer as one who has contractual ties with supplier(s), has a self-service store format, and uses electronic inventory management systems. In the event of absence of either one of these criteria, I classify the retailer as traditional. Notice that I

do not make the distinction between modern and traditional based on physical appearance or ownership type. This is because both modern and traditional retailers can be family owned enterprises and both retail types can have a “modern” appearance. Thus, what I define as “modern” corresponds to “formal,” and “traditional” encompasses both, the semi-formal and the informal.

In developing countries, the distribution channels often act as a connection between the formal and informal sectors. Larissa Lomnitz (1988) discusses the interconnectedness of the formal and informal sectors of the economy. She points out that many entrepreneurs in the formal sector often use networks of the informal sector to further their businesses. To extend this argument in the reverse direction, the informal sector also reaches up to the formal sector when street-vendors often sell industrially produced goods (Dannhaeuser 1985). Thus, it becomes clear that formal and informal sectors cannot, and should not, be viewed as being isolated and dichotomous. In retail trade, trade-concentration, through the vertical integration of the supply chain, brings the informal in contact with the formal sector. The interest in the connections between the formal and informal sectors has led some anthropologists to the study of trade-concentration (Applbaum 2005:276).

While numerous studies have focused on informal urban markets the formal sector has been understudied by anthropologists (for exceptions see: Applbaum 2004; Belk, et al. 1988; Dannhaeuser 1977, 1980, 1981a, b, 1985, 1991, 1994, 2000, 2004; Matejowsky 2001; Price 1967; Sherry, et al. 2001; Watson 1997).

Entrepreneurship, Retailing, and Economic Development

The role of retail trade in economic development has been emphasized in the literature by scholars such as Clifford Geertz (1963:59) who argued that “sustained transition to economic growth in an underdeveloped country demands a commercial revolution as much as it demands an industrial and an agricultural revolution”. The presence of the informal sector (or the *pasar* in Indonesia) was seen as an impediment for development by such scholars (Geertz 1963; Tokman 1978). This line of argument implies that economic development has to include retail development and, therefore, eventually retail trade-concentration. In this process, one sees a shift from small stores to large stores; from personalized selling to self-service; from urban areas to suburban areas; from local ownership to transnational ownership; and, from fragmented product distribution to vertically integrated supply chains (Appelbaum 2005:279).

To understand retail development we need to look at the transformation of retail outlets from being traditional to becoming modern: “some unspecialized firms must somehow become more specialized” (Acheson 1986:47). In the context of the trade-concentration model, this transition translates into the increase in store sizes and changes in supplier-retailer links. James Acheson (1994:144) argues that “owners alter the size and degree of specialization of their firms depending on the types of transaction costs involved.” Transaction costs can be either internal (reliability of workforce, level of education, labor unions) or external (availability of price information, supplies, relation with suppliers) (Acheson 1994:153). Transaction costs, according to Acheson (1994:154), are influenced by the type of market (intermediate product market or final

product market) and the entrepreneur's business and organizational skills. When internal costs are higher than external costs, owners will maintain small, specialized firms; and, when external costs are higher than internal costs, "owners will expand their own firms to produce the goods or services they require" (Acheson 1994:153). Retail businesses fall in the final product market. In such markets, firms expand their sizes when they can efficiently "sell large amounts of standardized goods" (Acheson 1994:154). Trade-concentration is the outcome of such market forces. It is pertinent here to note that "owners expand or contract their firms to avoid high transaction costs... [but] do not attempt to influence the myriad of social, cultural and economic factors that produce such costs in the first place" (Acheson 1994:154).

If retail development is to encourage economic growth, the retailer must be able to not only subsist but also generate profits. In order to do so, the retail has to first efficiently cater to the existing pool of consumers (by reducing marginal costs as compared to marginal revenues); and secondly, by expanding the market by reaching out the pool of potential customers (Hall 1949:49). In the absence of barriers, new players will seek to enter the market; resulting in increased competition and loss of customers for existing players. In such circumstances, existing retailers will have to accept that if sales strategies are not altered, profits will diminish as a result. Existing retailers, then, might be tempted to reduce their selling prices; but, this will, once again, lead to reduced profits. Alternately, the retailer could increase his sales price, and therefore increase profits; however, this strategy will lead to further loss of customers to competitors. Retailers could try two other strategies. First, they could horizontally integrate (form

traders associations) or vertically integrate (by forming alliances with suppliers); second, they may join trader associations to lobby for protectionist legislation (to legally prohibit new entrants) (Hall 1949:49-50).

If the new entrant is a large-scale retail business (often a retail chain), competition on the basis of price becomes increasingly unviable for the preexisting independent small retail store owner. This is because the large retailer can afford to sell at lower prices as compared to small retailers since “every customer that he manages to detach will lower his costs and increase those of the retailer from whom the customer was detached” (Hall 1949:62). However, this shift will happen only if customers are willing to travel away from their neighborhoods to shop. If the travel costs are included in the selling price of the neighborhood store, customers might be willing to continue to buy at the neighborhood store. Neighborhood stores have a locational advantage over stores in the town center, and the stores in the town center have a similar advantage over large retail stores that tend to be located on the urban periphery. Thus, the choice of buying between these three store types will be determined by the trade-off between travel costs and product price as socio-economic development proceeds (Hall 1949:54-57).

Economic Development, Retail Trade, and Government Policies

As mentioned in Chapter I, urban retail markets are directly affected by economic processes at the national and international levels (Reardon and Berdegú 2002; Roe and Diao 2004; Tokatli and Boyaci 1998; Weatherspoon and Reardon 2003). Many scholars have argued that free-trade policies (reduction of tariff and non-tariff barriers for trade

and investments) have a direct impact on the retail structure of a country (Anand 2006a, b; Belik and dos Santos 2002; Bensinger 2005; Chavez 2002).

There are some scholars who present a very grim picture of the expansion of food retailing chains into developing countries. For instance, Collins and Lappe (1977) look at the expansion of US agrifood businesses into developing countries and the role of supermarkets in this process. Talking about the situation in the 1970s, the authors (1977:4) observe that “[b]ig food wholesalers, processors and retail chains have been quick and delighted to find out that land and labour costs in the Third World are often as little as ten per cent of those in the US.” The authors argue that such market conditions allow for the creation of concentration in food production and marketing that causes hunger in developing countries (Collins and Lappe 1977:11). On a more general level, critics of economic development and free trade argue that “neo-liberalism” leads to the marginalization and further pauperization of the poor (e.g. Newling 2003:137).

While this can occur, however, there is evidence to support the argument that economic liberalization do not necessarily lead to disastrous results. For instance, Yessenova (2006) found that in post-soviet Almaty (Kazakhstan), free-trade policies spurred entrepreneurial activities among small traders; resulting in the spread of local marketplaces. Similarly, in Tepoztlán (Mexico), open market policies have encouraged women to become economically productive (Perutz 2006).

The critique of open market policies (often referred to in the anthropological literature as neoliberal policies) goes back to the period between 1950s and 1970s when the dependency theory was popular (Dannhaeuser and Werner 2003a:xiv). The fear

expressed by the critiques of “neoliberal” policies is that developing countries get poorer and developed countries richer in the development process. This line of argument is based on the assumption that the “economic pie” is fixed and, therefore, when some countries win others have to lose. However, “the economic pie” can be expanded by through market specialization and free trade (Dannhaeuser and Werner 2003a:xiv). Part of the problem is that while most critics (including anthropologists) understand micro-conditions, they are far less adept at understanding macro-conditions or at providing alternatives to the free-trade model. While commenting on the outcome of the so called “neoliberal” policies, scholars often see only the lowering of trade barriers and the free import of foreign goods but overlook the “less visible financial flow” (Dannhaeuser and Werner 2003a:xv).

Socio-economic development (irrespective of the type) “often entails locally painful transformations” (Dannhaeuser and Werner 2006:4). For instance, transformation of the Kazakh economy from a socialist economy during the Soviet era to a market driven economy in the 1990s brought about social upheavals (Werner 2003, 2004). Many women who were employed in the formal sector were forced to shift to small-scale trading in the bazaar. This shift had repercussions on their family life as well. Free-market policies in developing economies can potentially create income inequalities within the country even as standard measures of economic growth like per capita GDP²⁵ might show improvements (Moran 1996:18).

²⁵ GDP: Gross Domestic Product.

However, it is undeniable that “neoliberal” principles have caused long-term economic growth in both developed as well as developing countries (Dannhaeuser and Werner 2006:5). Often, the observed harmful effects of free-trade on local economies are the result of lack of preparedness and, therefore, uncompetitive conditions (Dannhaeuser and Werner 2006:5). The general understanding amongst many scholars is that open-market policies will generally benefit the economies of developing countries (for example see: Balsevich, et al. 2003; Stiglitz 2000:438). However, the process of liberalization needs to be balanced, taking into account the comparative advantage of developed countries (for instance, financial services) as well as those of developing countries (for example, agriculture and construction). Stiglitz (2000:441) suggests two principles, “fairness” and “comprehensiveness,” for the trade liberalization process. To ensure that the benefits are reaped by all sections of the society, the implementation of open-market policies have to be carefully regulated by the state (Long 2000:186).

A process associated with trade liberalization is the formation of trade-blocs. Participation of a country in a trade-bloc generally has a positive effect on productive investments, especially foreign direct investments. Consider, as an example, the signing of the Treaty of Asunción. In 1991, the governments of Argentina, Brazil, Paraguay, and Uruguay met in Asunción (the capital of Paraguay) and signed the agreement for the creation of the Southern Common Market (MERCOSUR for its Spanish acronym). This treaty boosted the intensification of the agrifood industry in the MERCOSUR countries. Between 1990 and 1997-98, regional trade in services and agrifood goods increased by 400% to nearly US\$ 20 billion. MERCOSUR provides a market of over 200 million to

agrifirms and allows for reduction in transaction costs for regional players to take advantage of economies of scale. The joining of Chile (the most stable Latin American economy) to MERCOSUR gave an added incentive for the emergence of “regional multinationals;” in this case the supermarket chain sector (Belik and dos Santos 2002).

In the last ten years, a group of scholars have written about large-format retailer proliferation in developing countries (Farhangmehr, et al. 2001; Reardon and Swinnen 2004; Schwentesius and Gómez 2002). These researchers present a relatively positive picture of the expansion of large-format retailers. For instance, Balsevich et al. (2003) suggest that supermarkets, as the big buyers, are imposing higher standards of quality and hygiene among suppliers of fresh fruits and vegetables. Aalto-Setälä (2000: 207) notes, “large stores have on average 10% lower costs per sold unit than smaller stores... [and] most of the benefits from scale economies are passed on to consumers.”

I will return to trade-concentration in the field site of Citlallicalli in Chapter IV. Now I will present the problems associated with classification of retail outlets, especially when studying market areas in developing countries.

Classification of Retailers

In this section I will discuss the classification of retailers as detailed in the literature. In the following section on the field site, I will clarify the retail classificatory system in the market area of Citlallicalli.

Peterson and Balasubramanian (2002:10) list over 20 definitions of retailing from dictionaries and textbooks (from 1925 to 2001). It is evident that, like for most terms, there is no universally accepted definition for the term retailing. I use the definition

offered by James, Walker, and Etzel: “All the activities associated with the sale of offerings for final consumption” (Peterson and Balasubramanian 2002:10). In 1931,

Wingate defined a ‘retailer’ as:

Any individual, firm, or corporation that performs the last step in the marketing of goods from producer to consumer. He buys from wholesaler, commission merchant, or manufacturer and sells direct to consumer. To be significant as a distinct economic unit, the retailer must act as a purchasing agent for the community rather than as a distributing agent for manufacturers. (Peterson and Balasubramanian 2002:11)

Classification of retail stores are country dependent. Some authors use floor space while others use criteria such as number of employees and cash registers. Other features like -- degree of self-service, product range (both breadth and depth), level of automation (features like self checkout) -- are also used at times as classificatory criteria. These classification systems are rather cumbersome to work with and some cannot be readily applied to market areas outside the United States. The following examples substantiate this point.

Based on a combination of floor space, breadth of product line, and value added (associated with level of service provided), Kotler (1997:564-565) arrives at the following typology: specialty stores, department stores, supermarkets, convenience stores, superstores, discount stores, off-price retailers, superstores, and catalog showrooms. When it comes to classifying large format retailers, Arnold (2000:iii) defines ‘big-box’ retailers as ones who exceed 10,000 square meters in area. He classifies these large retail stores into five categories using breadth and depth of product assortment, level of service, and customer demographic profile as the criteria.

1. discount department store carrying non-food merchandise, e.g., Wal-Mart department store; 2. super food warehouse carrying food only, e.g., Club warehouse, 3. category specialist (“category killer”), e.g., Home Depot, B&Q, Toys ‘R’ Us; 4. warehouse membership club store, e.g., Costco, Sam’s Club, and 5. hypermarket/supercenter carrying food and non-food merchandise, e.g., Wal-Mart Supercenter, Meijer, Carrefour, Auchan. (Arnold 2000:iii)

Note that the classifications listed above do not include small retailers that are so common in third-world settings.

R.J.Bromley and Richard Symanski (1974) present an overview of marketplace trade in Latin America. They observe that in Latin America, “markets are held in open market squares or plazas, in streets and open spaces, at road junctions, and in public, municipal market buildings” (Bromley and Symanski 1974:3). Such markets are referred to by various names: *ferias*, *plazas*, or *mercados* (in most Spanish speaking countries); *feiras* (Brazil); *tianguis* (central Mexico and Quechua speaking Andean areas); and *marchés* (in French speaking Latin America).

Accordingly, the five main types of retail outlets in Mexico are: public markets, mobile street stores (*tianguis*), traditional small retailers, specialty stores, and, self-service stores (including supermarkets) (Schwentenius and Gómez 2002: 488).

Supermarkets, among the latter group, are defined as:

large self-service stores, in chains or independent. Generally these stores are classed as either ‘supermarkets’ (roughly 350 to 4000 m² and /or with 3-4 or more cash registers, with the precise definition varying somewhat over countries), or the larger ‘hypermarkets’... Supermarkets tend to have a higher share of food in total sales than do hypermarkets...” (Reardon and Berdegú 2002: 373)

Size does matter: What is “large”?

At this point it is pertinent to clarify the terms “large” and “small” as used in this study. In terms of floor space, a small retailer occupies about 50 square meters, a convenience store is larger but less than 350 square meters, a supermarket is between 350 to 4000 square meters, and a hypermarket is larger than 4000 square meters. What the consumers in Citlalicalli refer to as “supermarkets” is close to the way it is defined by scholars who study modern retailing in Latin America. Large, for the purposes of this study, would be stores occupying an area of at least 350 square meters. Therefore, convenience stores, like Oxxo in Mexico, have an area of between 275 square meters and 500 square meters are also classified as large.

In Citlalicalli, the categories of “modern” retailers and “large” retailers overlap, since only stores that are over 275 square meters possess all the characteristics of a modern outlet. Similarly, all small stores (less than 275 square meters in sales area) in Citlalicalli fall within the category of “traditional” outlets. Therefore, I will use the terms “large” and “modern”, and “small” and “traditional” interchangeably.²⁶

In Citlalicalli, both consumers and retailers often refer to all self-service stores as supermarkets. They do make a rough distinction between large and small self-service stores by referring to the smaller ones as a “mini-super” and a supermarket or hypermarket as a “bodega”. In most instances, consumers refer to large stores by their actual names. For example, an Oxxo is a popular “mini-super” and Bodega Aurrerá (owned by Wal-Mart) is simply referred to as a “bodega.” I will, therefore, use the term

²⁶ The definitions of “modern” and “traditional” here are not intended to reflect one being better than the other. They simply refer to two different retail structures.

“supermarket” to refer to all modern large-format retailers, including convenience stores like Oxxo.

The Market Area of Citlalicalli

The market area of Citlalicalli comprises the retailers in the municipal market, several street stores (see Figure 3.1 for street map and location of stores and Figure 3.2 for location of stores surveyed), supermarkets, and *tianguis* (temporary open-air mobile street stores) on the *dias de la plaza* (the weekly markets on Wednesdays and Sundays). Retailers in the municipal market and street store operators face direct and/or indirect competition from *tianguis* as well as from supermarkets (Anand 2006b).

The municipal market of Citlalicalli is relatively new. Until the 1950s, the *zócalo* (the town square consisting of the municipal office, a church, and a plaza), as seen today, did not exist. Before the construction of the municipal marketplace in 1955, the site of the park in the present day *zócalo* served as the site for the bi-weekly markets (*días de la plaza*). Accounts of key informants revealed that there are very few landmarks today that one can identify with the past. Before the municipal marketplace was built, producers of fresh fruits and vegetables and sellers of handicrafts used to bring their wares to the weekly markets, often in carriages and carts drawn by mules. The site where the municipal marketplace is located today was occupied by the train station. Barring a few families that owned personal vehicles, most people used the train to occasionally go to the adjoining metropolis when they needed to buy specialty goods. For the most part, the local market served the daily needs of the residents of Citlalicalli.

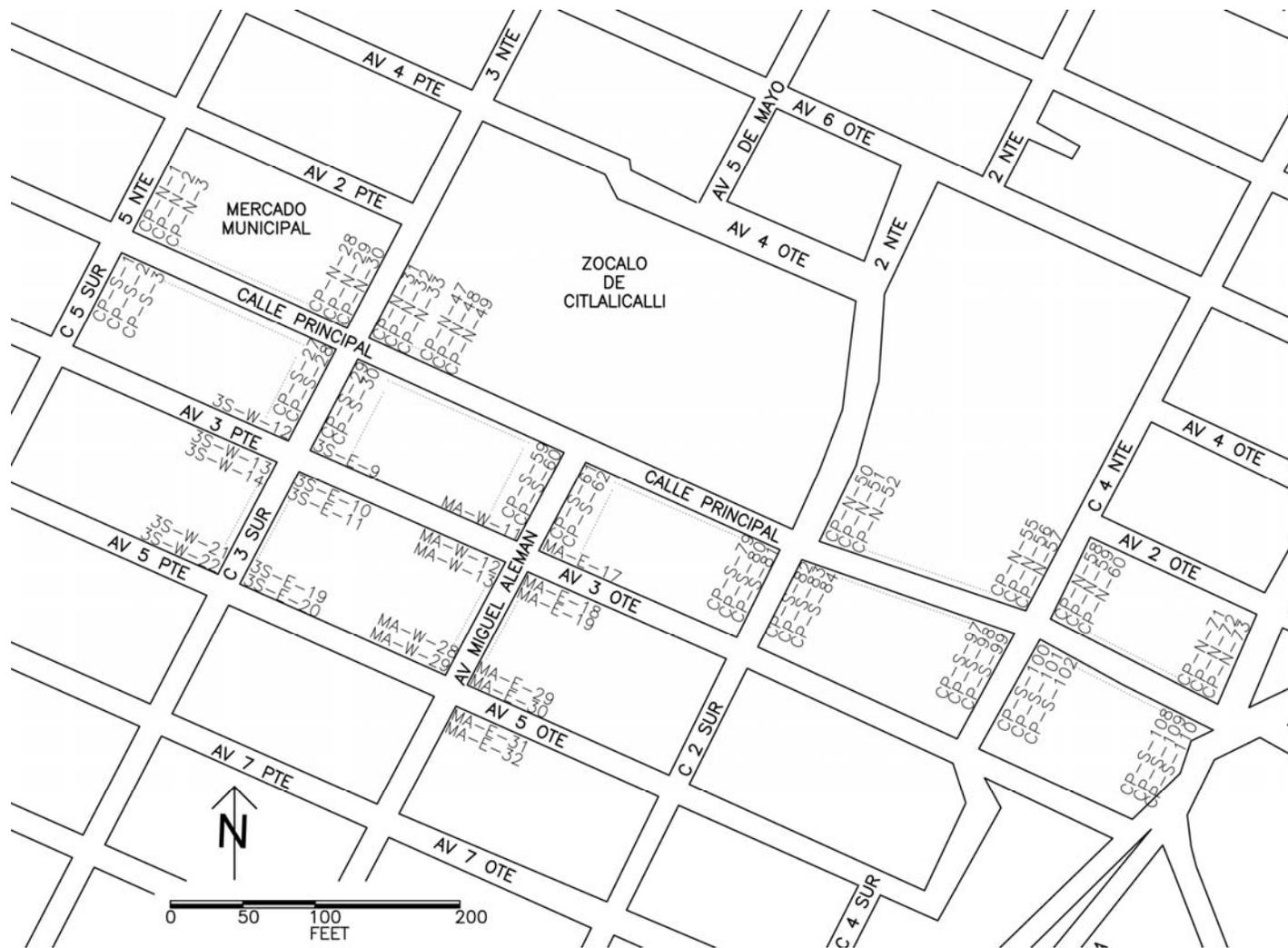


FIGURE 3.1: Street Map of Citlalicali in 2005.

Note: Map prepared for the author by Ms. Jui Gadade. See Appendices A, B, and C for list of stores.

The Municipal Marketplace

In the mid-1950s, the train station was razed the municipal marketplace was built at the site. The train service for freight traffic continued for another 30 years before it was discontinued in the 1990s. The municipal market initially did not have concrete/cement flooring, nor did it have a roof. By the 1970s the floor of the marketplace was cemented. The market got roofed over in 1990 and has remained physically unchanged since then. When the market building was built, most shop owners in the erstwhile local market were accommodated in the new building, many of whom continue to be in operation today. The participating retailers in this study have their outlets in the municipal marketplace and the adjoining streets.

Citlalicalli's marketplace roughly follows a grid pattern for the layout of individual shops (see Figure 3.3 for the layout of the municipal market and Figure 3.4 for an aerial picture of the city). Each store operator has a designated space called the *local* or *plataforma* depending on its exact location within this market. The stores along the perimeter of the market have walls on three sides and a shutter in the front. Such stores are classified as *local*. The ones in other parts of the market have shutters and wired mesh partitions and are called *plataformas*. The market itself is divided into different areas depending on the type of goods sold. Thus, there is a section where all cooked foods are sold and a section where the vegetable vendors are concentrated. Shops selling dried foods (food grains, condiments and packaged goods), clothes, fresh meat and fish, fresh fruits and vegetables, and other goods are scattered around the market. It should be noted that no two *abarroteros* (general grocers) are direct neighbors. This is an

important factor to take into consideration when analyzing such retailers, especially while studying their pricing strategy.

The stores along the main street and the streets adjoining the municipal marketplace include sellers of foods (including grocery stores, meat stores, bakeries, and restaurants), electronic goods, clothes, shoes, and other goods required for domestic consumption. Most of these stores are small independently owned enterprises. These stores, especially those dealing in shoes and clothes, tend to cluster. The stores east of 4 Norte-Sur on the main street are primarily involved in the sale of Mexican handicrafts and typical sweets. The buildings along the streets are typically two-storied; with stores on the first-floor facing the streets (see Figure 3.5 for a picture of the main street). The average size of these stores is less than 50 square meters. The *zócalo* houses the municipal office building that also has some stores. Most of the stores in this building, called the *Portales*, are restaurants facing the city park on the east. The walkway of the *Portales* is used as a temporary location for mobile stores (itinerant vendors) during the annual city fair during whole month of September to coincide with the Mexican Independence Day²⁷ (see Figure 3.6 for a picture of the *Portales* during the city fair). During this fair, the walkways in the park at the *zócalo* are also lined by itinerant vendors; recreating the old local market.

²⁷ The Mexican Independence Day celebrations start on the midnight of September 15 and 16.

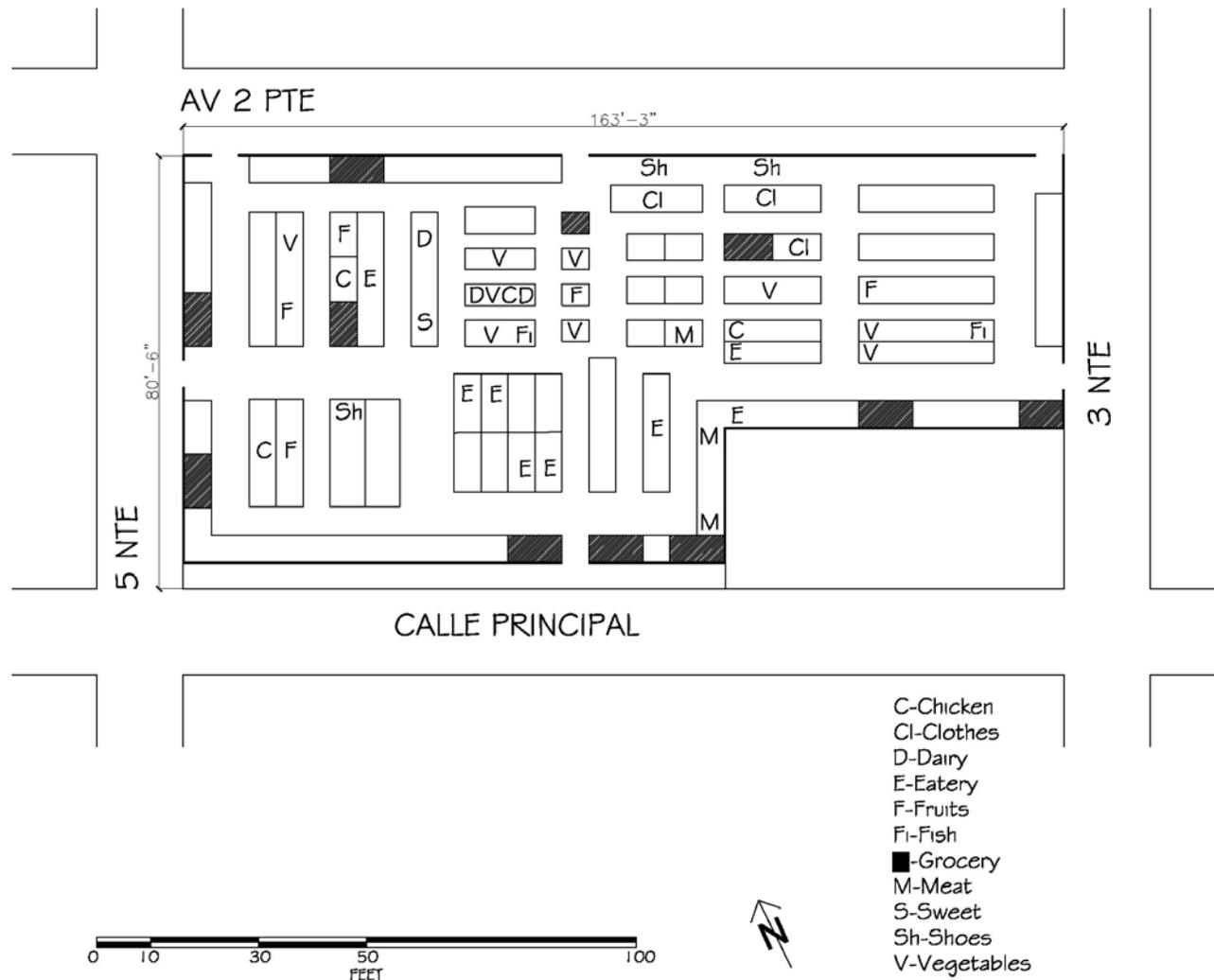


FIGURE 3.3: Layout of the Municipal Marketplace (*Mercado Municipal*) of Citlalicalli in 2005.
 Note: Map prepared for the author by Ms. Jui Gadade.



FIGURE 3.4: Aerial Picture of Citlalicalli.

Note: Photograph taken by the author in June 16, 2006. The arches in yellow in the center are the *portales*. The sloping roof behind the *portales* is the roof of the municipal marketplace building.



FIGURE 3.5: Main Street of Citlalicalli.

Note: Photograph taken by the author in June 23, 2005.



FIGURE 3.6: Portales during the City Fair (*Feria*).

Note: Photograph taken by the author in September 5, 2005.

Appendices A, B, and C show the list of street stores along the streets Calle Principal, Av. 3 Sur, and Av. Miguel Aleman. On Calle Principal, between 5 Sur/Nte and 6 Sur/Nte (a distance of five blocks) alone there are over 150 retail establishments. The retail survey included 48 of these stores. The other stores included in the sample were drawn from Av. Miguel Aleman (15), Portales (5), 3 Sur (8), 2 Pte. (5), 5 Nte. (4), Municipal Marketplace (8), and three stores were sampled from other streets in the city. Table 3.1 shows the different types of stores surveyed under different categories.

TABLE 3.1: Store Categories Included in the Retail Survey

Category	Number of Outlets
Abarrotaría (Grocer)	12
Miscelánea (General)	3
Panadería (Bakery)	4
Dulcería (Sweets)	4
Carnicería (Meats)	4
Restaurante (Restaurants)	6
Food Retail	33
Zapatería (Shoes)	18
Ropa (Clothes)	9
Others ¹	40
Total	100

Source: Compiled from Retail Survey. (1) Others include consumer electronics, jewelry, services, office supplies, gifts, etc.

Characteristics of Store Owners and Operators

For the 100 stores surveyed, 56% were owned by men and 35% were owned by women. Nine percent of the respondents (store operators) did not identify the gender of the owner. In 40% of the cases the stores were operated by men and 60% of the stores were operated by women. Most owners of the stores surveyed were natives (born in the

city) of Citlalicalli or Altepétl. Thus, 38% were from Citlalicalli, 30% were from Altepétl, and 12% were from other parts of Mexico. Almost all the owners were native speakers of Spanish (86%) with just one owner who spoke an indigenous language. The education levels of store operators were fairly high with 51% having at least a high school diploma. Only 9% of the store operators had other sources of income. Most store operators lived at a distance of approximately 15 minutes from their stores. The most favored mode of commuting to their shop was walking (29%) followed by private vehicles (27%) and public transport (14%).

Of the 33 food retail outlets, 64% were owned by men and 27% by women. In 64% of the cases the store was operated by men and 36% of the stores were operated by women. In other words, the percentage of women in the food retail business is less as compared to other retail categories. Most owners of the stores surveyed were natives (born in the city) of Citlalicalli or Altepétl -- 42% were from Citlalicalli, 27% were from Altepétl, and 9% were from other parts of Mexico. Almost all the owners were native speakers of Spanish (85%) with just one owner who spoke an indigenous language. In 45% of the cases, the store operator had at least a high school diploma. Compared to the full sample of 100, food retailers have a higher percentage of operators having other sources of income (15%). Most store owners lived at a distance of about 11 minutes from their stores. The most favored mode of commuting to their store was walking (33%), followed by private vehicles (21%) and public transport (9%).

The general characteristics of the retailers in Citlalicalli are quite similar. Their levels of education, language spoken at home, distance from their homes to their shops,

and the modes of transportation that they use to commute from their homes to shops are similar. The percentage of women in food retailing is only marginally less compared to other retail types. Observations in the market area suggest that the trading community as well as consumers do not assign much importance to the gender of shopkeepers. The lingua franca of the market area is Spanish. Even the store operator whose native language is an indigenous Mayan dialect is bilingual in Spanish. The differences in the operating style between store owners (discussed in Chapter VI) is, therefore, the result of individual circumstances and behaviors and not the result of cultural or ethnic differences.

Characteristics of Consumers

Most consumers live closer to small retailers in the city center. The average distance from the residences of consumers to small stores was found to be two kilometers (N=73 from the first consumer survey). For large stores, located on the periphery of Citlalicalli, the average distance from consumer residences to the retail outlet was found to be over four kilometers (N=83, from the first consumer survey). Sixty-eight percent of all consumers in the first survey had at least high school education and only 1.5% had no formal schooling (N=203). Most of the shoppers were women (65%, N=203).

Based on the second consumer survey, it was found that 56% of all shoppers lived in Citlalicalli, while 29% lived in Altepétl (N=198). However, among consumers who were recruited outside small stores in Citlalicalli, 67% were from this town, whereas only 18% lived in Altepétl (N=98). As expected, among consumers sampled outside large stores on the periphery of Citlalicalli, only 45% were from Citlalicalli and 39% were

from Altepétl (N=100). For the entire sample (N=198), there were 11% of the respondents were from *pueblos* near Citlalicalli and Altepétl and the remaining were visitors to the city. The education levels (the highest level of education attained by a members of the household) in the second survey were also high, with 82% having at least a high school diploma.

For the pooled data from the two consumer surveys, 30% of the respondents belonged to the low-income group, 34% from the middle-income group, and 36% from the high-income group (N=337). However, among consumers who were selected outside small stores in Citlalicalli (N=181), 36% were from the low-income group, 36% from the middle-class, and only 28% belonged to the high-income category. The reverse trend was found amongst consumers approached outside large stores on the periphery of Citlalicalli. Only 22% were from the low-income category, 31% were from the middle-income group, while 47% belonged to high-income households. This pattern of income distribution suggests that, perhaps low-income groups patronize small stores in the city center of Citlalicalli, while high-income groups patronize large stores on the urban periphery.

CHAPTER IV

TRADE-CONCENTRATION IN CITLALICALLI

In this chapter, I will address the question whether trade-concentration has occurred in Citlalicalli. Before delving into the data on Citlalicalli, I will first review the process of retail concentration in Latin America and Mexico. Chapters V and VI will focus on the causes and on the effects of trade-concentration respectively; first in general terms, and then in the market area of Citlalicalli.

Trade-Concentration in Latin America

Among the developing countries of the world, Latin American countries have shown the fastest growth of large retailers. While large retailers have existed in Latin America since the 1940s, till the 1980s these were owned by domestic investors and catered to the wealthier populace in metropolitan areas. However, large retailers in Latin America grew from having a market share of less than 20% of national food retail in 1980 to close to 60% in 2000 (Reardon, et al. 2003:1142). The six largest markets (in terms of population and income) in Latin America (Brazil, Argentina, Chile, Costa Rica, Mexico, and Columbia) have 75% of the population and 85% of the wealth in the region. Though the share of supermarkets in national food retail in Latin America is not close to the 70-80% mark as found in USA, it is still high at around 50-60% (Reardon, et al. 2003:1142). Table 4.1 presents a summary of supermarket growth between 1994 and 2000 in select countries. It is evident from this table that supermarket proliferation in Latin America is not restricted to only the affluent countries. For instance, in Guatemala the share of supermarkets in the national food sales grew from 15% in 1994 to 35% in

2000. Reardon and Berdegú (2002:375) observe that the proliferation of supermarkets started in the more affluent countries and then spread over into the poorer countries like Honduras and Nicaragua in the mid-1980s and 1990s.

TABLE 4.1: Supermarket Proliferation in Latin America

	Population in Millions	Per Capita Income in US\$	Supermarket's % share of country's food retail	Number of Supermarkets in 2000	Number of Supermarkets in (year)
Brazil	170	3,600	75	24,000	14,000 (1990)
Argentina	37	7,500	57	1,306	Not Available
Chile	15	4,600	50	654	Not Available
Costa Rica	4	3,800	50	221	113 (1990) 85 (1984)
Mexico	98	5,100	45	1026	544 (1990)
Columbia	42	2,000	38	1200	Not Available
Guatemala	11	1,700	35	128	66 (1994)
Honduras	6	900	42	37	Not Available
Nicaragua	5	400	Not Available	40	5 (1993)

Source: Adapted from Reardon and Berdegú (2002:374)

It is evident from the data presented above that, at least on one count (proliferation of large retail outlets), retail trade-concentration is an ongoing process in Latin America.

As mentioned earlier, often vertical integration of distribution channels happens concurrently with the spread of large retailers. This association also holds true for Latin America. Reardon and Berdegú (2002:378) note that in most Latin American countries, supermarkets have either setup distribution centers, or established contracts with wholesalers and producers, and sometimes both. These authors also comment that large retailers procure from wholesale markets only when they cannot make direct contracts with producers through their distribution centers, or when specialized wholesalers are

present (Reardon and Berdegú 2002:380). Through these means large retail chains in Latin America have vertically integrated the distribution channels.

Reardon et al. (2003:1144) observe that the top three global retailers (in terms of turnover) have adopted a centralized procurement system in their markets. For instance, Wal-Mart (presence in Latin America is mainly in Mexico and Brazil) uses an electronic data exchange (EDI) system to manage its inventory supplying its sales data to its suppliers who can efficiently replenish the stock at Wal-Mart's warehouses (Reardon, et al. 2005:55). Carrefour in Brazil has established a joint venture with Cotia Trading (one of the biggest wholesalers in Brazil) and Penske Logistics (a US firm) in an effort to integrate the market channels (Reardon, et al. 2003:1145). Similarly, Hortifruit is a major player in vertically integrating the horticultural produce supply chain in Central America (Reardon, et al. 2005:53). Interestingly, Hortifruit is owned by the Central American Retail Holding Company (CARHCO) which is a joint venture between Ahold (with the majority stakes), La Fragua (Guatemalan retail chain), and CSU of Costa Rica (Reardon, et al. 2005:53). Thus, it is evident that the vertical integration of the supply chain need not be controlled by a retail chain. That is to say, the large enterprises that dominate and control the vertically integrated channels need not be the same as the retail chains that are involved in the process of spreading large stores.

Trade-Concentration in Mexico

The proliferation of large retailers in Mexico dates back to the 1940s. Retail development in Mexico can be viewed as a three phased process (Chavez 2002; Schwentesius and Gómez 2002). In the first phase, between 1940s and mid-1980s, the

spread of large retailers was lead by Mexican entrepreneurs with domestic capital. The second phase began in 1986 with Mexico signing the GATT²⁸ and lasted till the early 1990s till Mexico joined NAFTA.²⁹ In this phase, Mexican retailers started selling imported goods along side with domestic products. This was also the time when FDI³⁰ in the retail sector started and foreign retail chains entered the Mexican market by forming joint ventures with large local retailers. The third (and current) phase started in 1994 with Mexico joining NAFTA. This phase has seen the spread of large foreign retail chains starting operations in Mexico, without forming joint ventures. In the following paragraphs I will describe the growth of large outlets during these three phases of retail development in Mexico.

Until the 1980s, Mexican retail chains confined themselves to a few cities, mainly Mexico City, and large cities in the states of Mexico, Veracruz, Jalisco, and Nuevo León. These retail chains were focusing primarily on the middle- to high- income groups in large and intermediate cities (Chavez 2002:506). Most of them were owned by Mexicans, except a few (e.g. Casa Ley) in the northern states that had US investments (Schwentesius and Gómez 2002:489-490). Schwentesius and Gómez (2002:489) note that in 1960 there were 4 self-service (modern) stores per 100,000 persons in Mexico. By 1980 this figure had doubled to 8 stores per 100,000 persons.

The increased internal migration to metropolitan areas in the mid-1980s spurred the spread of large retailers into cities like Guadalajara, Puebla, Queretaro, and Merida

²⁸ GATT is the acronym for General Agreement on Tariffs and Trade.

²⁹ NAFTA is the acronym for North American Free Trade Agreement between Mexico, USA, and Canada.

³⁰ FDI stands for Foreign Direct Investment.

(Chavez 2002:506). A marked change in the retail expansion during this phase was the intense competition between retail chains that led to the acquisition of smaller chains by larger ones (Schwentesius and Gómez 2002:490). Along with this acquisition strategy to consolidate their position, large Mexican retail chains also sought foreign capital for expansion. In the early 1990s, some foreign retail chains, sensing an opportunity with NAFTA talks on the way, entered into joint venture agreements with Mexican retail chains. Notable among these was the 49/51 partnership between Wal-Mart and Cifra, and Comercial Mexicana and Costco.

The third phase of large retail format expansion in Mexico began with the signing of NAFTA in 1993. Foreign retailers, especially from the US and France, were seeking to internationalize, given the saturation in their home countries (Schwentesius and Gómez 2002:490). Many of these retailers decided to start independent operations during this phase, and several alliances formed in the early 1990s were also terminated during this period. For instance, Wal-Mart bought-out its Mexican partner Cifra in 1997 and Carrefour ended its joint venture with Gigante in 1998 to become independent (Chavez 2002:508-509). The Texas based retail chain HEB had been catering to the Mexican towns on the Texas border through its outlets in the border towns of Texas since 1928 (Chavez 2002:511). In 1995, HEB used the opportunities brought forth by NAFTA by expanding its operations into Mexico. It opened its first Mexican store in 1997 in the state of Nuevo León. Even today, HEB continues to focus primarily in four Mexican states (Nuevo León, Coahuila, Tamaulipas, and San Luis Potosí) in the north of the country (HEB n.d.).

The third phase of large retailer proliferation in Mexico has been faster as compared to the earlier phases. While large retail outlets (all self-service type) took close to 20 years to double in numbers in the earlier phases, major retail chains took less than ten years (1993 to 2001) to double the number of outlets in Mexico in the current phase.

Table 4.2 summarizes this growth pattern.

TABLE 4.2: Growth of Select Large Retail Chains in Mexico (1993-2001)

Retailer	First store in Mexico	1993	1997	2001
Wal-Mart	1991	114	372	565
Comercial Mexicana	1962	120	147	215
Chedraui	1970	20	27	49
HEB	1997	--	3	18
Carrefour	1998	--	10	18
Gigante	1962	120	147	164
Soriana	1968	23	53	101
Oxxo ^a	1993 ^b	--	624	1,175
7-Eleven ^a	1994 ^b	--	237	259

Note: a) Oxxo and 7-Eleven are convenience stores. b) Indicates the year when franchising began.

Source: Adapted from Chavez (2002:507,511) and Schwentesius and Gómez (2002:492-493)

The spread of large retailers during the current phase has been qualitative different from the two earlier phases. It has led to the consolidation of large retail chains and internationalized the large format sector of retail. This phase resulted in the spread of large retail outlets to cities other than Mexico City. For instance, in 1998 and 1999, 72% of all new outlets of retail chains were located outside of the Mexico City metropolitan area (Schwentesius and Gómez 2002:490).

The current wave of large retail proliferation in Mexico has been accompanied by the other component of trade-concentration: the vertical integration of trade channels. This

process of vertical integration of the supply chain is particularly evident in the fresh fruits and vegetables (FFV) sector. While in the earlier epochs, retailers often procured FFV from the wholesale markets (called *Central de Abastos* in Mexico), today, retail chains are sourcing FFV directly from farms and setting up their own distribution centers (Schwentesi and Gómez 2002:495). This allows retail chains to reduce costs by 10-20% (Schwentesi and Gómez 2002:496).

The proliferation and changes in the supply chain have been accompanied by technological innovations. While Wal-Mart is considered to be the pioneer in the use of information systems in retailing, Mexican chains like Chedraui, Gigante, and Comercial Mexicana have also adopted Internet based information systems for supply chain management. Today, suppliers of these retail chains are able to improve the efficiency of replenishing goods at the retail outlets by being able to monitor the sale of their products using integrated inventory management systems.

Trade-Concentration in Citlalicalli

The major chains that operate in the metropolitan area of Altepétl, that includes Citlalicalli and Hueltiúhtli, are Wal-Mart, Comercial Mexicana, Gigante, and Chedraui. In the convenience store category, Oxxo dominates this market area. In Citlalicalli itself, the cooperative store chain (CROM³¹) and a local retail chain, Mini-Bodega (pseudonym) also have a presence as well. In the following section I will present a brief overview of these retailers in order to describe the retail structure of this market area.

³¹ CROM is the acronym for Confederación Regional Obrera Mexicana. CROM is considered to be the largest labor federation in Mexico. In Citlalicalli (and other Mexican cities), CROM operates cooperative stores that are structured along the lines of a small supermarket.

Wal-Mart

The retail chain with the biggest presence in the market area of Citlalicalli is Wal-Mart. Wal-Mart de México (also called WalMex³²) was created in 2000 by the merger of Wal-Mart and Cifra in 1997. This was the culmination of a joint-venture that was initiated in 1991 between the two groups. Cifra had an established chain of supermarkets, fast foods, and clothing stores and the partnership with Wal-Mart brought the Wal-Mart Supercenter to Mexico in 1993. Cifra's Aurrerá has a long history in Mexico when it opened its first store (Tienda Aurrerá) in Mexico City in 1958. In 1960 Cifra launched the Superama chain (medium sized supermarkets). By 1970 the group had added VIPS (in 1964), and Suburbia and Bodega Aurrerá to its portfolio. In 1999, Wal-Mart introduced the concept of Every Day Low Prices (EDLP) in Mexico. In 2001, Wal-Mart scaled up all Tienda Aurrerá outlets to Wal-Mart Supercenter (24 converted) and Bodega Aurrerá (10 converted). As of March 31, 2007, Mexico had 265 outlets of Bodega Aurrerá (contributing 32% of total sales), 78 Sam's Club, 119 Wal-Mart Supercenter, 61 Superama, 65 Suburbia, and 320 VIPS outlets, across Mexico. One of these, a Bodega Aurrerá, is located in Citlalicalli along its northern border with Altepétl, a distance of approximately six kilometers from the *zócalo*. One Superama outlet is located in Heultiuhli close its eastern border with Altepétl. This store is at a distance of about five kilometers from the *zócalo* of Citlalicalli. Superama stores are meant to cater mainly to the affluent sections of the population. Table 4.3 summarizes the sales

³² Wal-Mart de México is listed on the Mexican Stock Exchange by this name (WalMex).

contribution and number of outlets of each type nationwide and in the metropolitan area of Altepétl.

TABLE 4.3: Distribution of Wal-Mart Stores in Mexico as on March 31, 2007

	Average Floor space in m ²	Number of Outlets in Mexico (% of Total)	Sales as a Percentage of Total Group Sales	Number of Outlets in the Metropolitan Area of Altepétl
Bodega Aurrerá	4,100	265 (29%)	32%	9
Sam's Club	7,600	78 (09%)	28%	2
Wal-Mart Supercenter	8,800	119 (13%)	27%	3
Superama	1,700	61 (07%)	5%	2
Suburbia	4,400	65 (07%)	5%	6
VIPS	--	320 (35%)	3%	10
Total	--	908 (100%)	100%	32

Source: Compiled from information obtained from the website of Wal-Mart de México (2007a; 2007b)

Comercial Mexicana

The other major retail chain with a significant presence in the Altepétl metropolitan area is the Comercial Mexicana group (CCM).³³ Comercial Mexicana was started by Don Antonio González Abascal in 1930 as a fabric store in the downtown of Mexico City. Building on the success of the fabric store and the brand name “Comercial Mexicana,” CCM opened its first supermarket in Mexico in 1962. The group started expanding outside Mexico City in 1968, and in 1981 acquired the food retail chain Sumesa. As a continuation of its expansion project, in 1982 CCM bought the chain California Restaurants. The growth pattern continued with the introduction of medium sized stores (Bodega Comercial Mexicana) in 1989 and a partnership with COSTCO of

³³ CCM is the acronym for the group Controladora Comercial Mexicana.

US in 1991. In 1993, CCM opened its first hypermarket, Mega Comercial Mexicana. In 2005, CCM had 253 outlets nationwide, and five in the Altepétl metropolitan region.

One of these stores was located on the western border of Altepétl with Hueltiuhli. This outlet was at a distance of approximately five kilometers from the *zócalo* of Citlalicali, making it the closest supermarket for the residents of Citlalicali. This outlet shut down in December 2005, citing high rent as the primary cause. Table 4.4 summarizes the distribution of the different store types that CCM has nationwide. The table also provides information on CCMs presence in Altepétl.

TABLE 4.4: Distribution of Comercial Mexicana Stores in Mexico in 2005

	Average Floor space in m ²	Number of Outlets in Mexico (% of Total)	Sales as a Percentage of Total Group Earnings	Number of Outlets in the Metropolitan Area of Altepétl
Comercial Mexicana	6,233	61 (24%)	30%	3
Bodega CM	5,499	36 (14%)	13%	--
Mega	9,876	45 (18%)	32%	2
Sumesa	937	21 (08%)	3%	--
Costco	10,794	28 (11%)	21%	--
California Restaurants	--	62 (25%)	2%	--
Total	--	253 (100%)	--	5

Source: Compiled from information obtained from the website of Comercial Mexicana (2005a; 2005b).

Gigante

Grupo Gigante is another Mexican retail chain that has a presence in Altepétl. This group was started by Ángel Losada Gómez in 1940, when he opened “La Comercial” (now renamed “La Moderna”) in the city of Apan in the state of Hidalgo. The first “Gigante” outlet, however, was started in 1962 in the Mixcoac area of Mexico City. This

was a department store with 64 departments and employed over 250 persons. In 1971, Grupo Gigante diversified into other businesses by launching its chain of cafés under the brand name “Toks”. Gigante opened its first store outside Mexico City in 1979 with 8 outlets in Guadalajara. By 1991, the group had 100 stores in operation in more than ten cities across Mexico. In 1992, Grupo Gigante reorganized its stores under four names: Gigante, Bodega Gigante, Super G, and Super Precio. During this phase, the group also established partnerships with Office Depot and Radio Shack of the US by setting up operations in Mexico. In 1994 the group also formed a short-lived³⁴ joint-venture with the French retail giant Carrefour to expand hypermarkets. In 2001, Super Maz was added as the fifth variant to the Gigante chain of stores in southeast Mexico. In the same year, Gigante also went international by opening three supermarkets in Los Angeles (Chavez 2002:510). Today the group operates 9 supermarkets in the state of California. Table 4.5 summarizes the distribution of the different store types of Grupo Gigante. The table also provides information on Gigante’s presence in Altepetl.

³⁴ This joint venture ended in 1998 when Carrefour decided to go independent. In 2005, Carrefour decided to divest all non-performing businesses worldwide. Under this scheme, it decided to sell its retail outlets in Mexico to Chedraui.

TABLE 4.5: Distribution of Grupo Gigante Stores in Mexico in 2005

	Average Floor space in m ²	Number of Outlets in Mexico (% of Total)	Sales as a Percentage of Total Group Earnings	Number of Outlets in the Metropolitan Area of Altepétl
Gigante	5,000 – 7,000	88 (31%)	43.9%	1
Bodega Gigante	4,000 – 5,000	39 (14%)	17.6%	2
Super G	1,900 – 2,500	59 (21%)	18.2%	--
Super Precio	--	84 (30%)	1.0%	--
Super MAZ	1,000 – 2,500	13 (04%)	5.6%	--
Total	--	283 (100%)	--	3

Source: Compiled from information obtained from the website of Grupo Gigante (2007a; 2007b; 2007c).

Chedraui

The fourth retail chain that is active in the Citlalicalli market area is Chedraui. This chain was founded by Lázaro Chedraui Chaya and Anita Caram de Chedraui in 1920 in Xalapa, Veracruz as a small business under the name El Puerto de Beyrouth. The first self-service store, Super Chedraui, was started in 1970 in Xalapa. By 1982, the group had five outlets covering the two states of Veracruz and Tabasco. In 2005, when Carrefour decided to pull out of Mexico, Chedraui acquired 29 stores, bringing up its total number of outlets to 94. Today, the chain³⁵ has operations in most of the central and southern Mexican states. Altepétl houses six Chedraui stores. One of these stores is located close to the northern border of Citlalicalli with Altepétl, at a distance of approximately six kilometers from the *zócalo* of Citlalicalli. Table 4.6 summarizes the distribution of the different store types of Chedraui and its presence in Altepétl.

³⁵ The Chedraui group also has a construction company that functions on the Build-Operate concept. This division also carries out the physical maintenance of stores. Besides this division, the group also has its own transportation division with a fleet of 82 vehicles and owns 60 refrigerated containers.

TABLE 4.6: Distribution of Chedraui Stores in Mexico in 2006

	Average Floor space in m ²	Number of Outlets in Mexico	Number of Outlets in the Metropolitan Area of Altepctl
Chedraui	7,000	96	6
Super Che	2,053	4	--
El Super ^a	3,500 ^b	8 ^c	--
Total	--	108	6

Note: a) El Super was founded in 1994 and opened its first store in 1997. The official name is Bodega Latina Corporation. El Super currently operates only in the US. b) The average floor space is an approximate figure and includes space not dedicated to sales. c) Seven stores are located in the state of California and one in Arizona.

Source: Compiled from information obtained from the website of Chedraui (2007).

CROM

The oldest large food retail store in Citlalicalli is the CROM. This store is located off the main street (Calle Principal). The store is in two levels, with the foods and consumer non-durables sections located on the first floor, and furniture and consumer durables (white and brown goods) sections on the second floor. It was started in the 1950s as a cooperative store for factory workers. Initially, CROM sold furniture and limited food products exclusively to its. In recent years, CROM has become like other supermarket, open to the public at large. In 2005, CROM opened its second outlet on the periphery of Citlalicalli and Altepctl. The only large retail chain outlet in Citlalicalli, the Bodega Aurrerá, is located across the street from this new location of CROM. These two stores are approximately six kilometers from the *zócalo* of Citlalicalli and the municipal marketplace.

Oxxo

In the convenience store category, the market area of Citlallicalli has several outlets of Oxxo and Mini-Bodega. Oxxo is owned by FEMSA³⁶. It opened the first Oxxo store in Monterrey in 1978. In 1998 Oxxo inaugurated its 1000th outlet. Today, Oxxo has a presence in 29 Mexican states through a network of 4,500 convenience stores. The chain also has seven distribution centers located in Monterrey, Mexico City, Guadalajara, Merida, Leon, Mexicali, and Chihuahua. Many PEMEX³⁷ gas stations have Oxxo stores attached to them. The Altepétl metropolitan area is covered by the distribution center in Mexico City. The store uses the franchising method wherein outlets are owned by individuals but the supply chain, pricing, and store displays are controlled by the retail chain. The main street of Citlallicalli has two Oxxo stores. There are several others in the residential neighborhoods of Citlallicalli, Hueltiuhli, and Altepétl. Oxxo stores operate 24 hours a day, making them a popular option among the residents.

Signs of Retail Trade-Concentration

Besides the stores described above, there are two Mini-Bodegas on the main street of Citlallicalli. The only other outlet of this chain (Mini-Bodega) is located in a town on the outskirts of Altepétl in the south-west. The closest supermarket outlets from the *zócalo* of Citlallicalli are the Superama in Hueltiuhli (at a distance of five kilometers) and a Bodega Comercial Mexicana³⁸ on the periphery of Altepétl and Hueltiuhli (also at a distance of five kilometers). The other large stores of Wal-Mart, Comercial Mexicana,

³⁶ FEMSA stands for Fomento Economico Mexicano S.A. The major stakeholders in this company are Coca-Cola Co. and Cervecería Cuauhtémoc Moctezuma.

³⁷ PEMEX has a monopoly in retailing of petroleum products (gasoline and diesel) in Mexico.

³⁸ This outlet of Bodega CM closed down in December 2005.

Gigante, and Chedraui are located in Hueltiuhkli and Altepétl, some six kilometers from the *zócalo* of Citlallicalli.

Since the mid-1990s, there has been an increase in the number of large-format retailers in Citlallicalli. This is particularly true in the food-retail sector. Among the larger of these stores, Bodega Aurrerá opened an outlet on the borders of Citlallicalli and Altepétl about eight years ago. Around the same time, Comercial Mexicana opened its bodega in a newly built mall on the periphery of Altepétl and Hueltiuhkli. Around 1996, Oxxo opened its first outlet in Altepétl and in a span of three years opened an outlet in Citlallicalli. Today there are 10 Oxxo outlets in Citlallicalli (two in its main street) and two stores in Hueltiuhkli. Besides Oxxo, there are two Extra³⁹ stores in Altepétl. Since then, several newer convenience stores have opened in the market area of Citlallicalli. The store manager of the Oxxo in Hueltiuhkli said that 7-Eleven also had plans to open stores in the Altepétl metropolitan area. Wal-Mart, during 2005-2006 was experimenting with a pilot convenience store in Mexico. According to my informants, depending on the success of this pilot project, Wal-Mart was planning to extend this format across Mexico (including the metropolitan area of Altepétl) in 2007.

Along with these, a new outlet for Bimbo⁴⁰ foods opened on the main street⁴¹. This new Bimbo outlet is the third one near the municipal marketplace. Like the other older outlets, it is a preferred dealer outlet. While Bimbo products (mainly baked products: bread, cookies, and doughnuts) are sold at a discounted rate as compared to other retail

³⁹ “Extra” is a chain of convenience stores owned by Grupo Modelo, a beer manufacturing company.

⁴⁰ Grupo Bimbo is the largest bread manufacturer in Mexico.

⁴¹ Several restaurant chains have also opened their new outlets in Citlallicalli and Hueltiuhkli in the last two years. Notable among these are Domino’s Pizza (in Citlallicalli), Pollo Feliz, Starbucks Coffee and Italian Coffee (in Hueltiuhkli). Hueltiuhkli also has a McDonald’s and Burger King outlets.

stores, preferred dealers are not allowed to sell products of competitors. Apart from the retail chains described above, the Bimbo stores are the only food retail stores in Citlalicalli that show the presence of vertically integrated distribution channels.

In the 1990s several new malls (*centros comerciales*) opened in the market area of Citlalicalli. This included three malls on the border of Hueltiuhkli and Altepétl. In 2005, a new mall opened in one of the most expensive residential areas of Altepétl across the street from a Wal-Mart Supercenter (about ten kilometers from Citlalicalli). Not surprisingly, most of these new developments were in the border-zone of the three cities (Citlalicalli, Hueltiuhkli, and Altepétl) as shown in Figure 1.2 in Chapter I. Thus, these outlets are strategically located to target consumers in all three cities. Among readymade food retailers on the main street of Citlalicalli, Domino's Pizza and Oxxo⁴² inaugurated new outlets in late-2005. Two new coffee shops (Star Bucks and Italian Coffee) opened in Hueltiuhkli (on the periphery of Citlalicalli).

Although the majority of stores engaged in food retail in Citlalicalli are traditional, small establishments, it is evident that this market area has seen the proliferation of modern, large retailers in recent years. Along with the influx of these large retailers, vertical integration of market channels is also increasingly evident. Moreover, the proliferation of large retail chains in Altepétl and Hueltiuhkli can be regarded as a part of the changing retail landscape of Citlalicalli since the overall market area extends across three cities (Citlalicalli, Hueltiuhkli, and Altepétl). Thus, the process of trade-concentration has taken place in Citlalicalli during the past years.

⁴² Oxxo is a chain of convenience stores owned by FEMSA which in turn is partly owned by Coca Cola Company.

CHAPTER V

CAUSES OF RETAIL CONCENTRATION

In Chapter IV, I demonstrated the progress of retail trade-concentration in the market area of Citlalicalli. In this chapter, I will delineate the causes of retail trade-concentration and factors that seem to impede this process as suggested theoretically in the literature. I will then analyze the market area of Citlalicalli and evaluate the causes and impediments for the occurrence of retail trade-concentration existing there.

Conditions that Encourage Retail Trade-Concentration

There is a two-way relationship between economic growth and retail growth. To tease out this relationship empirically into its cause and effect components is practically impossible. In this study I give primacy to treating trade-concentration as a result of prior economic growth.

Morgan (1965:1337) suggests that:

[T]he size-distribution of firms in the retail and service industries is determined (on the supply side) by the quality of entrepreneurship and the availability of human labor and (on the demand side) by demographic features of population as these change with economic growth.

Besides the factors identified by Morgan, there are several other supply and demand factors that encourage retail trade-concentration (some of which were listed in Chapter I). Here, I will start by first discussing the supply factors.

Supply Factors

In Chapter I, I have briefly listed trade liberalization and improved logistics and infrastructure as factors that encourage trade-concentration. Let us now look in more detail at each of them; first, trade liberalization which involves policies that gradually

reduce tariff and non-tariff barriers for trade. In developing countries, this results in cheaper import of products (Reardon and Berdegú 2002:376). Since international trade requires knowledge of external markets, large retailers have a considerable advantage over smaller ones. Large retailers are also more capable of importing goods in bulk (at lower costs) and stock these goods (incurring an inventory cost). In newly liberalized economies, therefore, large retailers can provide a wider variety of goods that are not offered by smaller retailers.

As liberalization proceeds foreign direct investments also increase. This results in retail chains from developed countries, seeking to expand their markets, entering developing countries (Reardon and Berdegú 2002:376). FDI also tends to flow into food production and packaging sectors. Thus, goods that once had to be imported could be locally sourced by retailers. Policies that favor the free flow of capital encourage internationalization of retail chains, resulting in the proliferation of large retail stores.

A component of infrastructure development is the development of transportation networks. Efficient and extensive roads and railways reduce the transaction costs for retailers. The supply of perishables is especially affected by transportation networks. Perishables require fast and climate-controlled transportation. Therefore, refrigerated transport facilities become critical in this endeavor. Development of infrastructure, thus, encourages retail development, and once again, large retailers are best able to exploit this infrastructure.

Infrastructure improvements also involve improvements in logistics that come about by way of better inventory management systems and centralized procurement and

distribution centers. This idea is related to the price theory argument of technological change. For instance, bar coding of products or Electronic Product Code (EPC) tags and the use of Radio Frequency Identification (RFID) allows retailers and suppliers to track the movement of goods. Use of the Internet to connect the suppliers with retailers allows for increased information sharing (Reardon, et al. 2003:1141). These technological improvements lead to better inventory management and reduction in costs for retailers. Centralized procurement and distribution infrastructure also drive down operating costs. These logistical changes are more advantageous to large retailers who enjoy scale economies. In other words, technological improvements encourage the proliferation of large retail chains.

Demand Factors

Foremost among demand factors is urbanization. Economic development entails a shift from extractive industries to service industries. This shift results in the rural-to-urban migration pattern (Morgan 1965:1337). Therefore, one could argue that industrialization (a shift from agriculture to manufacturing and service sector activities) should precede and result in urban population growth. When urban centers house comparatively large populations, a viable market for large retailers becomes available (Moyer 1962:55).

For a market to be viable for retailers, it has to have a consumer base that can afford to buy their wares. Rising income levels (and the oft cited growth of a middle-class), creates an increased demand for processed foods (Reardon, et al. 2003:1141). This phenomenon is in accordance with Bennett's Law which states that as household income

rises, the share of food expenditure on non-staples (FFV and processed foods) increases (Reardon and Berdegú 2002:377). This increased demand for non-staples can be best met by large retailers that have better procurement systems.

Another facet of income is its distribution in the society. Morgan (1965:1338) argues that equitable income distribution “favors a mass market for standardized goods.” He (Morgan 1965:1338) suggests that equalization of income can be achieved by appropriate tax laws, equal employment opportunities, and overall economic growth. Since large retailers thrive on standardized mass produced goods, equitable income distribution will encourage retail trade concentration.

Associated with rising income levels are the ability of the populace to own refrigerators and cars (Reardon and Berdegú 2002:376). Ownership of refrigeration by a household allows for purchase of foods in greater volumes and with lower frequency. This also has implications for inventory management of retailers. When consumers buy in larger volumes, inventory holding costs for retailers reduce. Buying in bulk necessitates car ownership at the household level on two accounts. First, cars allow for easy transportation of large quantities of goods from the retail outlet to home. Second, cars allow consumers to travel longer distances in lesser time to shop at large stores that are located at a greater distance than a neighborhood store.

Along with cars, the associated demand factor encouraging the spread of large retail stores is the availability of efficient and affordable public transport systems. To some extent, good public transport systems can off-set low penetration of privately owned cars (Ibrahim 2005). However, the convenience and comfort of cars are unmatched by public

transport systems. The closest in comfort and convenience levels of cars are taxis. Here again, taxis can be a viable alternative to a car only if they are affordable.

Finally, reduction in prices of commodities will encourage large retailers to pass on some of this benefit to consumers. This in turn will induce consumers to seek retail stores that offer the best price. Therefore, a reduction in commodity prices will encourage the spread of large retail outlets.

Among additional demand factors that encourage the spread of large retailers is, first, the increased participation of women in the workforce (Reardon, et al. 2003:1141). Working women will have lesser time to spend on domestic chores, especially cooking. This will encourage working women to include an increasing proportion of processed and packaged foods on their grocery lists. In families with twin earners (husband and wife both working), Bennett's Law (explained earlier) will influence the food expenditure pattern toward what large retailers can offer best.

Additionally, as Morgan (1965:1135) observed, willingness to buy is an important factor in consumer spending pattern. Therefore, we can say that positive attitudes towards large retail stores by consumers will encourage the proliferation of this store type.

Factors that Impede Retail Trade-Concentration

There are several factors cited by scholars as possible impediments for retail trade-concentration. The first among these is the preexisting retail structure of traditional, small retailers. Some scholars suggest that the self-exploitative and flexible family networks of traditional retailers make them competitive versus large (modern) retailers

(Tokman 1978). The argument here is that large retailers (usually owned by corporate chains) are bound by more regulations regarding employee wages and benefits. Small retailers that employ family members (usually without a salary) accrue substantial savings in their operating costs, thus having a competitive advantage over large retailers. Furthermore, high unemployment levels encourage individuals to enter “petty trade as an alternative to idleness” (Morgan 1965:1337).

Second, in most developing countries, small stores selling similar items in a market area tend to cluster near each other. Such clustering is said to provide benefits to the consumers. According to Wolinsky (1983), since consumers do not always have perfect information about price, shopping at clusters reduces this disadvantage. In situations where price information cannot be adequately disseminated to consumers, clusters of similar stores allow shoppers to compare product prices. Large retailers, by contrast, disseminate price related information to consumers, either through advertisements in the media or at the point of sale. If they are unsuccessful in doing so, consumers would continue to patronize clusters of small stores instead. This could be an impediment for large retail proliferation.

Third, unequal distribution of income is seen as another impeding factor for large format retail development (Morgan 1965:1338). Unequal distribution of wealth will mean many people in the community will be unable to afford cars and refrigerators that are practically prerequisites to buy at large retail stores. Depending on how acute the income distribution is large format retail chains might be discouraged to expand into such areas.

Morgan (1965:1337) suggests that “racial segregation, which creates ‘dual’ retail structures” also discourage retail trade concentration. This argument could be extended to include other types of segregation based on income, culture, or other socio-economic factors (Goldman and Hino 2005; Goldman, et al. 2002). For instance, some residents might prefer greater personal attention and social interaction with store owners, requirements that cannot be met by large retailers (Goldman and Hino 2005:274).

Unfavorable consumer attitudes toward large retail stores can prove to be an impediment for retail concentration. In recent years there have been increasing protests by citizen’s groups against corporations (Stolle, et al. 2005). Especially, Wal-Mart has often been the target of such protests (Business Mexico 2004; Stevenson 2006).

Finally, government policies may prove to be an inhibitor for large retail proliferation. Institutional mechanisms such as price control, zoning laws, and protectionist policies favoring small retail businesses will discourage large retailers (Reardon and Hopkins 2006:253; Riethmuller 1996; Sim 2000). For instance, until recently, foreign investment in retailing was not allowed in India (BBC 2006). This policy kept out large foreign retailers, thus inhibiting the spread of large retail outlets.

Questions to be Evaluated

Based on the conditions reviewed above, the following questions need to be answered to determine the cause(s) for retail trade-concentration in Citlalicalli.

1. Has liberalization of the Mexican economy preceded the proliferation of large retailers in the market area of Citlalicalli?

2. Did local and national level policies change in favor of large retailers prior to the spread of large stores?
3. Did freight transportation facilities improve before the recent influx of large retailers?
4. Do the large retailers that entered the market area of Citlalicalli have improved inventory management systems?
5. Was there an increase in the population (urbanization) of the Altepétl metropolitan area before the current wave of large retail store proliferation?
6. Is the unemployment level low in Citlalicalli?
7. Did income levels increase before large retailers entered this market area?
8. Did income distribution become more equitable before the entry of large retailers?
9. Is there a segregation of neighborhoods based on income?
10. Was there an increase in the participation of women in the labor force before the entry of large stores in this region?
11. Did car and refrigerator ownership increased in the market area prior to the entry of large retail chains?
12. Is the local public transportation system in Citlalicalli efficient? Are taxis affordable?
13. Are consumer attitudes favorable to large store types?
14. Are small retailers self-exploiting family entities?
15. Do clusters of similar small stores exist in Citlalicalli and do they have a locational advantage over larger stores?

An evaluation of these questions in the following section will help in identifying the conditions that encouraged retail trade-concentration in Citlalicalli.

Conditions in Citlalicalli

In this section, I will evaluate the questions posed above and identify the prominent causes for the proliferation of large retail stores in the market area of Altepétl (which includes Citlalicalli and Hueltiúhtli).

The first modern retail store in Altepétl was a Comercial Mexicana that opened in 1970. Prior to the 1990s, the only large food retailer in Citlalicalli was the CROM store. Being a cooperative store for factory workers, it functioned like the CONASUPO⁴³, catering mainly to the lower income groups (Dahringer and Hilger 1985). During this time, in Citlalicalli, a small group of retailers had formed an association that controlled the sale of essential foods viz. sugar, salt, cooking oil, and eggs. Due to a local regulation, retailers outside the association could not buy or sell these commodities. For those who wished to join the association, membership was almost impossible, given the association members tremendous market control. Consumers were often forced to buy non-essential commodities from association members if they wished to buy the essential commodities. By the late 1980s, this association had lost its power when government rationing and price controls were removed.

In the 1990s, when communal agricultural lands (*ejidos*) were privatized, the local government of Hueltiúhtli allowed the sale of *ejido* lands for retail development.

Agricultural land on the outskirts of Hueltiúhtli (near Altepétl) was sold to retail

⁴³ CONASUPO is the acronym for Compañía Nacional de Subsistencias Populares. It provides subsidized essential foods for Mexicans.

developers to build a mall. This mall is comparable to a medium-sized mall in the US and houses several department stores (Sears, Palacio de Hierro, Liverpool), a food court and several restaurants, and a multiplex cinema hall. The mall is doing good business and has set the trend for retail modernization in the area. Adjacent to this mall is another mall that houses a hypermarket (Comercial Mexicana), an ice skating rink, a gym, and several small stores. This pattern of retail development was a reflection of what was happening at the national level in Mexico with the signing of the GATT (in 1986) and NAFTA (in 1993). Thus, to answer questions one and two, liberalization of the Mexican economy and favorable local policies preceded the spread of large retail establishments in the metropolitan area of Altepétl.

Mexican freight transportation system was revamped in the 1990s owing to the demand for infrastructure improvement generated by NAFTA. This development started in 1989, when Mexico created the National Concession Highways Program to build a 5,000 kilometer network of highways across the country (Tovar Landa and Rogozinski 1998). This has improved transportation between the metropolitan area of Altepétl and other major cities in the region. Mexico also decentralized its port administration in 1993 to improve the efficiency of its ports. Between 1995 and 2000; private business investment in infrastructure development was over US\$1.5 billion. Altepétl had a highway connecting the ports on the Mexican Gulf Coast since colonial times. Improvements in sea port administration have increased the usefulness of this highway. In 2000, 69% (in value) of Mexico's trade was transported by trucks (US Department of Transportation 2003). The Plan Puebla-Panamá (formulated in 2001) aims at connecting

Central America to Central Mexico by road. These changes have preceded the recent proliferation of large retail chains.

As discussed in Chapter IV, the main retail chains that have a presence in the metropolitan area of Altepétl are Wal-Mart, Comercial Mexicana, Gigante, Chedraui, and Oxxo. All these chains have a presence across Mexico (and in some cases in other Latin American countries). These retailers have their own freight transportation fleets and they also use sophisticated inventory management systems. Furthermore, all these stores also have centralized procurement and distribution networks. Thus, to answer question four, all the large retailers that have entered the Altepétl area in the past few years have better inventory management systems compared to preexisting retailers.

Urbanization of Mexico has steadily increased from 42.7% in 1950 to 75.3% in 1995 (Giusti Hundskopf 2001:19). The urban growth rate of the Altepétl metropolitan area has also been amongst the fastest in Mexico: showing a consistent annual growth of 2.5% (1950 to 1995). In the decade of the 70s, the Altepétl urban agglomerate experienced the highest growth for the period 1950-1995 (Giusti Hundskopf 2001:22). The population of this urban region grew from a mere 227,000 in 1950 to 1,271,693 in 2000. The growth of this metropolitan agglomerate was undoubtedly affected by the opening of an international car manufacturing plant in Altepétl in the mid-1950s. Gradually this car manufacturer became the biggest employer in Altepétl. Allied small-scale industries also developed as result of the car manufacturer's growth. In early 1970s, a private university opened its campus in Hueltiuhltli. The growing university has attracted students from the central and southern states of Mexico (Oaxaca, Veracruz, Puebla, and Tabasco) and

many Latin American, North American, and European countries. Also in the 70s, many returning Vietnam War veterans moved to Hueltiuhli and Citlalicalli, many of whom came to the newly opened university to study. The flow of American dollars escalated real estate values and many home owners improved their financial situation by renting their houses to students. The 1985 earthquake in Mexico City also led to the influx of many people into Citlalicalli.

The population of Citlalicalli and its twin City Hueltiuhli has been steadily increasing since 1950 (see Table 5.1 for details). In 1950, the population of Citlalicalli was 21,003. Today (according to the census of 2000), the city has 95,580 inhabitants. Hueltiuhli has shown a similar pattern, growing from 11,486 in 1950 to 51,937 in 2000. The number of households in Citlalicalli and Hueltiuhli has also grown since 1970. From about 5,500 households in 1970, the number of households in Citlalicalli had reached 20,076 in 2000. The municipality also urbanized⁴⁴ completely in 1990, from being under 60% urbanized in 1970. Hueltiuhli has shown a similar trend with the number of households, increasing from 2,800 households in 1970 to 9,992 households in 2000. Urbanization in the municipality of Hueltiuhli had reached 96% in 1990. In 2000, Altepétl had 301,977 households. These conditions help in answering question five. Urbanization of the Altepétl area has preceded the recent entry of large retailers in this area.

According to the 2000 national census conducted by INEGI, unemployment levels in Altepétl, Citlalicalli, and Hueltiuhli is less than 2%. These unemployment figures are a

⁴⁴ Urban area is defined as localities with more than 2,500 persons.

reduction compared to 1990. These figures of unemployment seem to be very low for a developing country. However, there is evidence that there is considerable disguised unemployment. Those employed by retailers might be receiving no salary but occasional tips instead. For example, in Citlalicalli 7.3% of those who were employed did not receive any salary for their work in 1990. This number had gone down to 5.9% in 2000. If we add the numbers for unemployment and disguised unemployment, the figures for 1990 and 2000 are 9.4% and 7.1% respectively. Furthermore, over 50% of those who are employed in Citlalicalli and Hueltiuhtli receive less than MX\$2,760 per month.⁴⁵ This is an improvement compared to 1990, when, among those employed, 67% in Citlalicalli and 75% in Hueltiuhtli received less than two minimum wages per month. However, since this data has not been corrected for inflation, the improvement may be minimal. Table 5.2 summarizes this information. These income figures for Citlalicalli are less as compared to the national average per capita income in 2006 which was US\$7,310 (World Bank 2006). To answer questions six, seven, and eight, it seems that retail concentration in Citlalicalli has occurred despite low income levels and moderate unemployment.

⁴⁵US\$1 = MX\$10 approximately. One month's minimum salary in 2005-06 was MX\$1,380.

TABLE 5.1: Population Trends for Altepétl Urban Agglomerate (1950-2000)

	1950	1960	1970	1980	1990	2000
Altepétl						
Population	227,000	306,000	413,000	775,000	1,065,000	1,271,693
10-Yr. Growth Rate	--	25.8	25.9	46.7	27.2	16.3
Urban %	--	--	--	--	--	--
Households	--	--	--	--	--	301,977
Citlalicalli						
Population	21,003	26,625	36,226	57,498	78,177	95,580
10-Yr. Growth Rate	--	21.1	26.5	37.0	26.5	18.2
Urban %	55.3	48.2	57.1	75.0	100.0	--
Households	--	--	5,500	8,900	13,600	20,076
Hueltiúhtli						
Population	11,486	14,072	19,221	26,032	37,788	51,937
10-Yr. Growth Rate	--	18.4	26.8	26.2	31.1	27.2
Urban %	22.6	42.0	41.2	80.1	96.1	--
Households	--	--	2,800	3,900	6,100	9,992
Total Population for the Market Area						
	259,489	346,697	468,447	858,530	1,180,965	1,419,210
10-Yr. Growth Rate						
	--	25.1	26.0	45.4	27.3	16.8

Source: Compiled from data obtained from INEGI and Giusti Hundskopf (2001)

The distribution of the population across the various neighborhoods of Citlalicalli and Hueltiúhtli shows that there is some amount of segregation based on income. For instance, the colonies bordering Altepétl and Hueltiúhtli have a higher proportion of households that have members earning more than five minimum wages (MX\$6,900) per month. Similarly, in Hueltiúhtli, neighborhoods closer to Altepétl have wealthier residents. In Altepétl, as one moves away from the city center, neighborhoods get increasingly poorer; the colonies on the border of Citlalicalli and Hueltiúhtli are the exceptions. Figures 5.1, 5.2, and 5.3 provide a pictorial representation of income distribution in Citlalicalli, Hueltiúhtli, and Altepétl. In all three maps, the distribution is based on the ratio of individuals earning more than MX\$6,900 per month and to the total number of individuals with employment in a given neighborhood.

TABLE 5.2: Employment Trends for Altepétl Urban Agglomerate (1980-2000)

	Number of Individuals Employed	Number of Males Employed	Number of Females Employed	Number of Individuals Unemployed	Individuals Receiving no Wages	Individuals Receiving Less than 1 Minimum Wage Per Month	Individuals Receiving Between 1 & 2 Minimum Wages	Individuals Receiving Between 2 & 5 Minimum Wages	Individuals Receiving 5 or more Minimum Wages Per Month
Citlalicalli (1980)	16819	--	--	56	--	--	--	--	--
Citlalicalli (1990)	21325	17023	4302	448	--	--	--	--	--
Percentage (1990)	--	79.8	20.2	2.1	7.3	21.3	38.4	21.1	6.3
Citlalicalli (2000)	33916	23237	10679	411	2009	4397	10585	10154	4016
Percentage (2000)	--	68.5	31.5	1.2	5.9	13.0	31.2	29.9	11.8
Hueltiuhkli (1980)	7751	--	--	51	--	--	--	--	--
Hueltiuhkli (1990)	10274	8241	2033	136	--	--	--	--	--
Percentage (1990)	--	80.2	19.8	1.3	8.0	23.0	43.7	14.3	5.3
Hueltiuhkli (2000)	17736	12551	5185	161	1442	2522	6809	4170	1685
Percentage (2000)	--	70.8	29.2	0.9	8.1	14.2	38.4	23.5	9.5
Altepétl (2000)	483847	306747	177100	7977	13524	36082	136559	185048	81179
Percentage (2000)	--	63.4	36.6	1.6	2.8	7.5	28.2	38.2	16.8

Source: Compiled from data obtained from INEGI

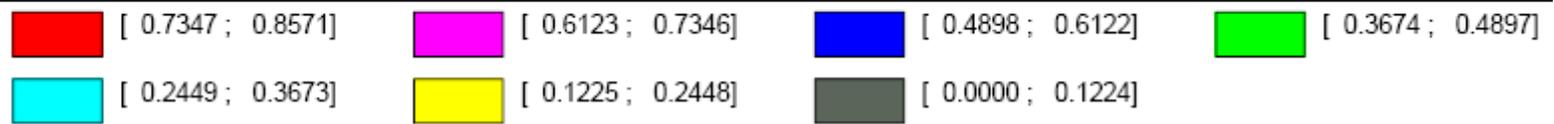
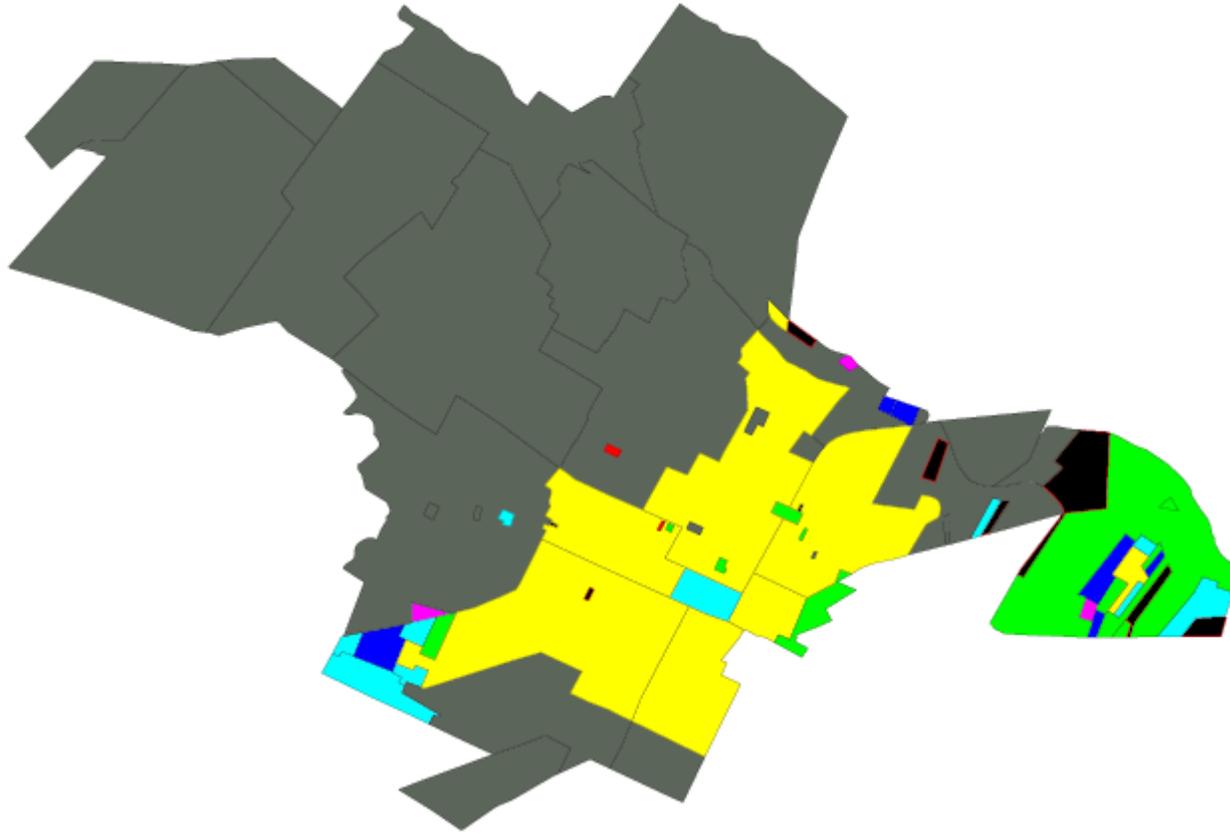


FIGURE 5.1: Income Distribution Across Neighborhoods in Citalicalli (2000).

Note: The figure above shows the proportion of persons earning at least MX\$6,900 per month as a percentage of all employed persons in a given neighborhood. Source: INEGI

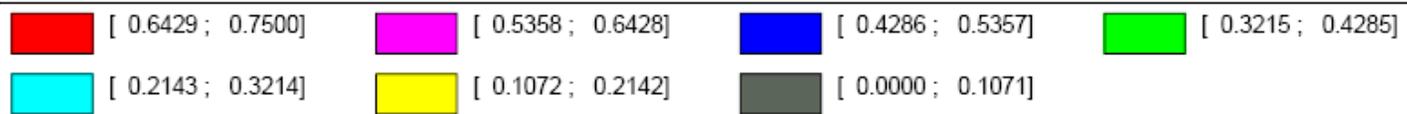


FIGURE 5.2: Income Distribution Across Neighborhoods in Hueltiuhli (2000).

Note: The figure above shows the proportion of persons earning at least MX\$6,900 per month as a percentage of all employed persons in a given neighborhood. Source: INEGI

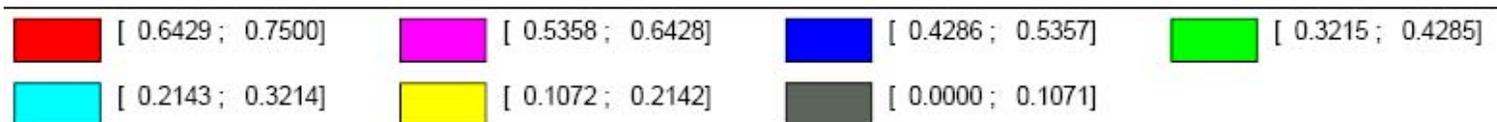
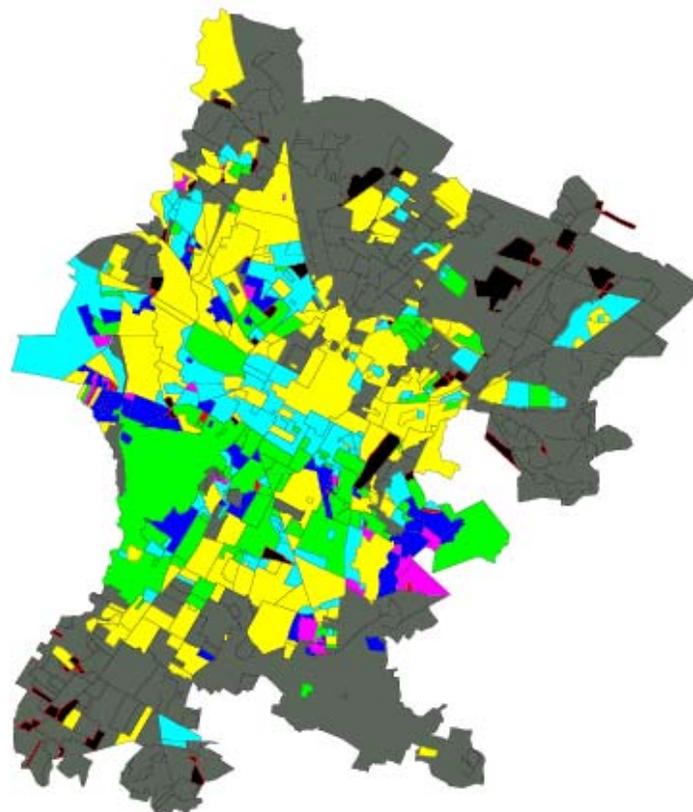


FIGURE 5.3: Income Distribution Across Neighborhoods in Altepétl (2000).

Note: The figure above shows the proportion of persons earning at least MX\$6,900 per month as a percentage of all employed persons in a given neighborhood. Source: INEGI

In answer for question nine, the segregation of neighborhoods based on income has not discouraged the spread of large retailers. Instead, large retail development has happened in the area where the three cities of Citlallicalli, Hueltiuhtli, and Altepétl meet. For question ten, we see that female participation in the workforce in 2000 was at 37% in Altepétl, 31% in Citlallicalli, and 29% in Hueltiuhtli which is an improvement as compared to 1990. That is, there has been an increase in the participation of women in the workforce before the recent spread of large retail stores in the region.

The number of households owning a car in the market area of Citlallicalli ranges from 31% in Hueltiuhtli to 34% in Altepétl. Not having a car proves to be a big barrier to shop at large retail stores that tend to be located on the periphery of these cities. It is interesting that car ownership is the highest where large retailers exist. In Altepétl, the neighborhoods closer to Citlallicalli or Hueltiuhtli have a higher proportion (40% to 100%) of households with cars. In Citlallicalli, colonies closer to Altepétl have a higher proportion (40% to 100%) of households with cars. Similarly, in Hueltiuhtli, locations close to Altepétl have households with a higher proportion of cars. Table 5.3 shows the ownership of cars and refrigerators in Altepétl, Citlallicalli, and Hueltiuhtli.

For those who cannot afford cars, there are public buses (*camiones*) that ply between Altepétl, Citlallicalli, and Hueltiuhtli. However, the bus service between Hueltiuhtli and Citlallicalli is more convenient than the routes connecting these cities to Altepétl. Moreover, most of these bus routes do not provide direct access to large retail stores. Taxi services in the city charge a minimum fare of MX\$25. This means that a taxi ride from Hueltiuhtli to Citlallicalli costs the passenger between MX\$25 to MX\$30. For

many residents of these cities, these fares are not affordable. Therefore, public transportation and taxis are not a viable alternative for the residents of this metropolitan area to shop at large retail outlets.

Refrigerator ownership in households is higher in this region compared to car ownership. Sixty percent of households in Citlalicalli and 74% of households in Altepetl have refrigerators in their homes. The lowest proportions (54%) for refrigerator ownership are in the city of Hueltiuhli. Distribution of refrigerators across zones follows a pattern similar to that of cars (and income). For instance, in Altepetl, colonies closer to Citlalicalli and Hueltiuhli have 70% to 100% of houses having refrigerators. Similarly, in Citlalicalli, houses closer to Altepetl have a higher ratio (85% to 100%) of refrigerator ownership. In Hueltiuhli, houses in locations closer to Altepetl have a higher proportion (75% to 100%) of owning a refrigerator.

TABLE 5.3: Car and Refrigerator Ownership in Market Area in 2000

	Population	Number of Households	Households with Refrigerator	Households with Automobile
Altepetl	1,271,693	301,977	223,846	101,654
Percentage	--	--	74%	34%
Citlalicalli	95,580	20,076	12,112	6,509
Percentage	--	--	60%	32%
Hueltiuhli	51,937	9,992	5,428	3,063
Percentage	--	--	54%	31%

Source: Compiled from 2000 Census data obtained from INEGI.

In the 1990s, consumer electronic chain Elektra started operations off the main street of Citlalicalli. The outlet offers credit and installment plans to its consumers. Although Elektra charges an exorbitant interest rate (40%) on its installment plans, for many low

income households it is a viable option to pay for a MX\$5,000 product over 39 affordable installments (Tuynman 2002). Thus, many households are now able to afford consumer durables like refrigerators.

The answers to questions eleven and twelve are as follows. While refrigeration penetration is reasonably high in the region, car ownership is low. Furthermore, public transportation systems (buses) are not convenient and taxis are not an affordable option. In other words, low levels of car ownership and lack of viable and affordable transportation alternatives prevent many residents from buying at large retail outlets. However, the proliferation of these stores on border areas of three cities and the location of comparatively affluent neighborhoods in this zone has off-set the impediment for retail concentration.

The consumer attitudes towards small and large food retailers were calculated based on the data collected in the second consumer survey. Here, a set of 12 attributes were measured on a semantic differential scale (see Appendix F, Section II for questions). The attitude scores were calculated by taking the average of the scores for the parameters *inexpensive, small quantity, high quality, near, comfortable, simple, fast, clean, friendly, convenient, personal attention, fresh*. These were recoded into the variables *persuper* (referring to consumer attitudes towards large retailers) and *persmall* (for consumer attitudes towards small stores). The maximum score for each parameter was 2. A score of -2 was assigned to the polar opposite. The attitude scores thus calculated fell between +2 and -2. Higher the value of *persuper* or *persmall*, more positive would the attitude toward the particular store format be.

Expectedly, the attitude scores were significantly different for the two cohorts (those sampled outside small stores and those who were selected outside large stores). The scores for *persuper* was .4361 and .1886 for the two cohorts respectively (Mann-Whitney Test p-value < .019). The scores for *persmall* was .7500 and .5245 (Mann-Whitney Test p-value < .020).

Overall, the attitude for large stores (*persuper*) was .2994 and that for small stores (*persmall*) was .6411. These scores did not differ significantly based on the income level of the respondents. The p-value for the Kruskal-Wallis Test was less than .099 and less than .902 for *persuper* and *persmall* respectively. However, the scores for *persuper* were found to be significantly different between low and high income groups. While the *persuper* score for high income group was .3750, it was only .1103 for the low income group (Mann-Whitney Test p-value < .024). The scores for *persmall* for the two income groups was .6852 and .7581 respectively (Mann-Whitney Test p-value < .800).

Several retailers who were interviewed mentioned that residents of Citlallicalli are traditional and prefer to buy in small stores. This belief was reflected in the consumer survey where attitudes towards large stores (*persuper*) differed based on the residence of the respondent (Kruskal-Wallis p-value < .039. See Table 5.4 for results of the Kruskal-Wallis Test). However, the scores for *persmall* were not significantly different (Kruskal-Wallis p-value < .603). If we look at the differences in the perception scores for respondents from Citlallicalli and Altepétl alone, the scores for *persuper* is even more significantly different. The average score for *persuper* for residents of Citlallicalli was .1915 as compared to .5305 for residents of Altepétl (Mann-Whitney Test p-value <

.001). The average scores for *persmall*, .6446 and .5816 for Citlalicalli and Altepétl were not significantly different (Mann-Whitney Test p-value < .556). The results of the Kruskal-Wallis Test suggest that consumers living in Citlalicalli have a less positive outlook towards large retail chains as compared to those who live in Altepétl.

TABLE 5.4: Results of Kruskal-Wallis Test to Determine Attitude Differences Based on Location of Consumer's Residence

	Where does the respondent live?	N	Mean Rank
<i>persuper</i> : Attitude towards Large Stores	1 Citlalicalli	104	77.19
	2 Altepétl	44	105.90
	3 Towns/Villages near Citlalicalli	18	86.94
	4 Other cities/towns/villages in the same state	1	136.00
	5 Other Mexican States	2	90.50
	6 Foreigner	2	68.25
	Total	171	
			<i>persuper</i>
Chi-Square			11.732
Df			5
p-value			.039

Note: Grouping Variable: *residenc* (Where does the respondent live?). Higher ranks mean more positive attitude. Difference between locations is significant at 5%. See Appendix for samples of questionnaires. Source: Consumer Survey Conducted in April 2006.

The consumers who were interviewed belonged to different socio-economic groups. Juan Montezuma (age 55), a long-term resident of Citlalicalli and an expert on Nahuatl language and culture, lives with his married daughter in a government built apartment complex for low-income groups located at a distance of six kilometers from the *zócalo*. Though he comes to the public library at the *zócalo* thrice a week to tutor school children he rarely buys his groceries at the local market. The main reason for this is the presence of a Bodega Aurrerá across the street from his apartment complex. He says that it is the walking distance of this large store from his house that encourages him to buy at

this supermarket. However, he still feels nostalgic about buying at the marketplace in Citlallicalli, where he used to buy as a child.

Rocio Sagarnaga (age 40) is a middle-class working woman. Her husband is a university professor and they live in their university provided house in Hueltiuhtli. Both she and her husband grew up in small towns in the hills north of Citlallicalli. They still cherish the experience of visiting the marketplace with their parents during their childhood. Today they own two cars and can afford to travel to the large-stores in Altepétl to buy their regular groceries. However, they prefer to drive to the marketplace in Citlallicalli, a distance of less than three kilometers, through the narrow streets in and around the *zócalo*. Mrs. Sagarnaga and her husband want their children to appreciate their traditions and customs and Sunday buying trips to the marketplace form an integral part of fulfilling this desire.

While income and distance from home do play a role in the choice of store, life experiences and the desire to reinforce traditions among their children also play a very important role in the decision making process. When consumers like Sr. Montezuma buy at supermarkets, they lament the fact that they are unable to buy at the traditional stores and in the process feel like they are cutting themselves away from their roots. The shift from buying at traditional stores to buying at large-stores (supermarkets) involves breaking away from traditions.

Consumers who grow up in small towns tend to feel this severing experience more difficult than consumers who grow up in environments that have a greater presence of large-format retail outlets. This is exemplified by the case of Angel Bonilla. Angel is a

young college student in his early twenties. He grew up in Altepétl and comes from a middle-class family. Both his parents work and on most days he has to shop for groceries by himself. Having bought groceries at supermarkets since the time he was ten, Angel is comfortable buying his daily food requirements at supermarkets today. Though he has to travel the same distance from his house (about four kilometers) to reach the marketplace and the nearest supermarket (a Bodega Aurrerá), he prefers to buy at the Bodega Aurrerá. The ease of finding a parking spot at the bodega and the relative lack of attachment to the traditional stores encourage this behavior.

In the 1970s outraged residents of Juchitán, Oaxaca, Mexico vandalized a Sears store and eventually forced it to shut down (Bennholdt-Thomsen and Mies 1999:111). More recently, in 2004, Mexican environmental activists protested against the opening of a Wal-Mart Supercenter about one kilometer from the pyramids of Teotihuacan (BBC 2004b). However, when the store opened in November 2004, around 200 shoppers waited in long queues to enter the outlet (BBC 2004a). This shows that the Mexican experience with citizens' protests against large-format retailers has not proved to be an impediment for the proliferation of large stores (Stevenson 2006). This has been true for the market area of Citlalicalli as well. Interviews with consumers and retailers revealed that none of the large stores that had opened in the last decade faced public protests. The continued expansion of large retailers in the region confirms that public opinion has been favorable to retail concentration.

The answer to Question 13 is thus clear. In general consumer attitudes towards large stores are positive as indicated by the positive scores for the variable *persuper*. However,

there are differences in degree, based on income levels (low-income versus high-income groups) and the location of residence (Citlalicalli or Altepétl). The implication of these findings is that large retail chains draw their consumers from the more affluent sections of the metropolitan area. This implies that large retail stores have cashed in on the higher levels of positive attitudes amongst the residents of Altepétl which is also reflected in the location of these large stores that tend to be either in more affluent areas (like the Superama in Hueltiuhtli) or closer to Altepétl.

Now let us turn to Question 14. Findings from the retail survey reveal that small retailers in Citlalicalli are in most cases not self-exploitative family owned enterprises. Only 37% of the 100 retailers have family members as employees, while 52% of the retailers surveyed have employees who are non-family members. Furthermore, 48% of the small retail outlets are managed by non-familial employees. In case of food retailers (33% of all retailers surveyed), 48% have non-familial employees and 42% have familial employees. In 45% of the cases, food stores were operated by non-family employees. It should be noted that small businesses (having less than 10 employees) are exempt from paying social security benefits to employees.

The answer to Question 14 is not straight forward. Based on the retail surveys and the census data, there is no evidence to suggest that small retailers in Citlalicalli are all self-exploitative family units. However, the availability of inexpensive labor might be an advantage for small retail stores. It should also be taken into account that most supermarkets in the region employ people to put the purchases into bags at the checkout counters. These employees are not given any salary or benefits. The only source of

income for these individuals is the tips that they receive from customers. This means that the exploitation of cheap labor is equally likely at large stores as it is at small stores.

Both inside the municipal marketplace and in the streets adjoining it, clothes and shoe stores are located in clusters (see Figure 3.1 showing the location of stores on the street map and Figure 3.3 showing the layout of the municipal marketplace, in Chapter III). Food retailers do not show such clustering. However, the ones in the municipal marketplace and its adjoining streets are at walking distance from each other – making a weak cluster of stores. The problem of imperfect information on price (Wolinsky 1983) has prompted many large retailers (lead by Wal-Mart) to compare prices with their competitors in advertisements. In Mexico, this strategy led to a dispute between Wal-Mart and ANTAD, and ended with Wal-Mart leaving the association in 2002 (Coleman 2003:37). Today, other retail chains like Comercial Mexicana also list Wal-Mart's price against their in-store pricelist. In the street stores along the municipal marketplace, Wolinsky's hypothesis seems to hold true. Interviews with retailers revealed that consumers in Citlalicalli tend to shop-around to compare prices before making a purchase decision. But this clustering of similar stores and shopping behavior of consumers has not impeded the spread of large retailers. The fact that large retailers are located on the urban periphery and primarily cater to the more affluent sections of the population could be the reason for the weak effect of similar store clusters in impeding the spread of large retailers as suggested in the literature.

Based on the first consumer survey, when consumers (102 selected outside small stores) were asked why they bought at a small store, 45% said that the store was near to

their home. The retail survey corroborates this information. The retailers who participated in the survey said that forty-seven percent of their customers came from neighborhoods adjoining their stores, at a walking distance of some ten minutes. This figure was similar (46%) for food retailers. According to the second consumer survey, from the 100 respondents who were selected outside large stores, only four percent said that they never buy at small stores and 32% said that they buy from small stores daily. Only four percent of these respondents said that they bought from large stores daily. Seventy-five percent of these respondents used cars to get to the supermarket. For the same group, 72% said that they walked to shop at small stores. Only 18% used a car to shop at small stores. Based on the entire sample of 198 (selected outside large and small outlets) in the second consumer survey, in 92% of the cases, it took the consumer at least twenty minutes to reach the supermarket. In the case of small stores, 83% of the consumers took at most ten minutes to get from their home to the store.

The answer to Question 15 is quite clear. There is some clustering of small stores in Citlallicalli. Besides, consumer behavior from the two surveys reveals that consumers prefer to shop in stores closer to their homes. As described in Chapter IV, large stores are located at a distance of at least six kilometers from Citlallicalli. Small stores are located closer to the residential areas of Citlallicalli. This gives small stores a clear location advantage over the large ones with respect to consumers who live near the center of Citlallicalli. The exceptions to this situation are the Oxxo stores that are located in residential areas.

Summary of Findings

Based on the conditions reviewed above, it is evident that the probable causes identified in the literature explain the occurrence of retail concentration in Citlalicalli. The favorable environment for investments created through open market policies from the mid-1980s set the stage for large retail chains (both national and trans-national) to enter this market area. The industrialization and urbanization of the Altepétl metropolitan area has created a huge potential market of almost 1.5 million people in this region.

It is obvious that large retail stores and new malls have been preceded by favorable national and local policies. For instance, the freeing of agricultural land in Hueltiuhltli made way for building malls that house department stores like Palacio de Hierro and supermarkets like Comercial Mexicana. Improved freight transportation networks have reduced operating costs for retail chains; as have lowering of import tariffs through GATT and NAFTA. As expected, all large retailers that have proliferated in recent times have vertically integrated distribution channels and improved inventory management systems. These improvements in distribution of goods have also been helped by infrastructure developments in the transportation sector. Reliable transportation is an important factor for retailers to be able to cater to emerging markets.

The spread of retailers of consumer electronics gives a synergizing affect to the growth of food retail chains. Increased ownership of refrigerators, for instance, encourages bulk buying of perishables. Similarly, microwave ovens allow greater consumption of processed and ready-to-eat foods. This shift in buying and consumption

pattern becomes increasingly prevalent with the growth of female participation in the labor force.

Although car penetration is still low in this market area, consumers living closer to the city fringes do show a higher proportion of car ownership. This corresponds to the location of large retailers. The recent spread of large food retail stores has been primarily in the area where the three cities (Citlalicalli, Hueltiuhli, and Altepétl) intersect. The municipal marketplace and main street of Citlalicalli, which is about three kilometers from the *zócalo* of Hueltiuhli, has also seen the spread of convenience stores. This is significant considering that the marketplace of Citlalicalli also caters to the residents of Hueltiuhli.

Morgan (1965) had suggested that an unequal distribution of wealth and segregation of residential areas based on socio-economic parameters will discourage the growth of large retail stores. However, in the market area of Citlalicalli this is not true. What has happened is an adaptation to the economically skewed distribution of households. The development of retail chains has occurred along major roads that connect the three cities that form this market area. Thus, large retailers are able to attract potential clients from three cities, as against just one.

Finally, consumer attitudes are favorable to large retail stores. Income is a discriminating factor in this case as is the location of residence. High-income households and residents of Altepétl show a greater degree of positive attitude towards large retailers.

In conclusion, one can say that trade concentration in food retailing has been caused by the following factors in this market area: favorable trade policies, improvements in freight transportation facilities, urbanization of the market area, increased income levels, increase in the number of working women, and concentration of population into sectors of sufficient income to support large retailers, favorable consumer attitudes, moderate levels of unemployment, and low degree of self-exploitation by small retailers. The absence of organized citizens' forums against open-market policies and large corporations has also allowed the proliferation of large retail chains. The location of large retailers primarily along the urban periphery of the three cities and near affluent neighborhoods (with higher car ownership) and the concentration of small stores in the city center (near less affluent neighborhoods) suggest that both large and small stores enjoy locational advantages within their own market niches.

CHAPTER VI

EFFECTS OF RETAIL CONCENTRATION

In Chapter V, causes for retail trade-concentration in Citlalicalli were identified. In this chapter, I will provide an overview of the effects of retail competition as presented in the literature and then describe the current market conditions in Citlalicalli through selected case histories of retailers and interviews with consumers. Eventually, I will end this chapter discussing the effects that trade-concentration has had on the local (preexisting) retailers of Citlalicalli.

A Theoretical Review of the Effects of Retail Trade-Concentration

The effect of retail trade-concentration can be divided into two components: effects on retailers, and effects in consumers. The foremost effect of retail trade-concentration, as identified in the literature is the displacement of small retailers by larger ones (Dannhaeuser 1981b:130; Dannhaeuser 2004:2; Euromonitor 2005; Miller, et al. 1999:110). However, it is also possible that new entrants (large retailers) will provide stimulus for pre-existing retailers to innovate (Dannhaeuser 1981b:131). Accordingly, trade-concentration will lead to changes in the market composition and trade practices of existing retailers and in the structure of their supply chains. If the first scenario occurs, then the displacement of small retailers should be reflected by a reduction in consumer traffic to small stores, and in turn, reduced revenues for small retailers. Threatened retailers, then, may form associations to lobby for protectionist local policies. If unsuccessful, they may decline in numbers. The second scenario will lead to at least a few pre-existing retailers to modify their marketing strategies. This modification could

be in terms of specialization of product line, innovating pricing and non-price strategies, changes in supply chain management, and store display being upgraded.

For the consumers, the increased competition among retailers could translate into lower prices, better product and service quality, and increased choice. Alternately, large-store might cater to only high-income groups and sell products at a higher price. If small neighborhood stores are forced to close as a result of retail-concentration, consumers will be left with fewer stores to choose from and might be forced to buy at large stores, even if they do not wish to do so.

The entry of large retailers (trade-concentration) will increase competition in the market area. Miller, Reardon and McCorkle (1999) provide a model to understand the effects of competition on retail structure. According to their model, the type of competition between retailers will determine whether the effect on the retail structure will be “symbiotic” or “Darwinian” (Miller, et al. 1999:109).⁴⁶ The effects are defined as follows: a symbiotic relationship will allow retailers to co-exist, deriving benefits from mutual existence; alternatively, a Darwinian effect will result in the survival of the fittest retailer. In this model the retail types are the following:

Limited-line specialists are retailers that offer the highest level of consistency of product lines to fulfill complementary and specific product market end-use needs (e.g., Ace Hardware Store). *Broad-line specialists* are retailers that offer a broader level of consistency of product lines to fulfill complementary and more generic market end-use needs (e.g., Home Depot). *General merchandisers* are retailers that offer relatively inconsistent product lines to fulfill noncomplementary and independent market end-use needs (e.g., Sears). (Miller, et al. 1999:108)

⁴⁶ The term Darwinian is used by these authors in a very narrow sense. Darwinian here means survival of only one category.

In the market area of Citlalicalli, traditional food retailers (*abarroteros*) and convenience stores like Oxxo and Mini-Bodega, will fall in the category of broad-line specialist type, meat, dairy, and vegetable and fruit sellers will be limited-line specialists, and large retailers (Wal-Mart and Comercial Mexicana) will categorize as general merchandisers.

In this model, competition between retailers is classified into three categories: Intratype, Intertype, and Intercategory (For the model of retail structure see Miller, et al. 1999:109). An Intratype competition would be one between retailers of the same type (e.g. between Oxxo and a traditional grocer). An Intertype competition will occur between limited-line and broad-line specialists (e.g. between Oxxo and a vegetable vendor). And, the Intercategory competition will be between limited-line or broad-line specialists versus general merchandisers within the same product category (e.g. between Wal-Mart and a traditional grocer). Miller, Reardon and McCorkle (1999:117) suggest that Intertype and Intercategory competitions will more than likely be symbiotic in nature. They also suggest that while competition between large and small retailers might be Darwinian in nature initially, in the long run this competition will become symbiotic with large retail outlets complementing smaller ones and even supplying to smaller ones. In other words, the widely held premise of the big fish eating the small might hold true only in the short term. By contrast, Intratype competition tends to reflect a zero-sum game between specialists, exhibiting strong Darwinism. As an outcome of such a competition, it is suggested that first entrants will be motivated to restrict the entry of new retailers. Under those circumstances, one can expect formation of traders' associations that will lobby with the government for protectionist policies.

Scholars have observed that as trade-concentration proceeds the total number of stores in a market declines (Tongue 1965:435). This shrinkage in store numbers is said to be accompanied by an increase in individual store sizes (floor space) (Tongue 1965:435). Along with these changes, it is also likely that smaller retailers will form cooperatives (to achieve scale benefits) and attempt to create upward integration in the supply chain (Tongue 1965:435). Such integration could manifest itself as preferential contractual agreements with selected suppliers.

The aspect of competition that has a direct bearing on retailers and consumers is price. For instance, in the US, for the first ten years of chain store proliferation, retailers concentrated almost exclusively on price reduction (Beem and Oxenfeldt 1966:84). For retailers, reduction in price could result in increased market share (Richards and Hamilton 2006:723), and for consumers a more affordable product. Kinsey (1998:9) notes two competing hypotheses that predict the effect of retail concentration on price. The cooperative hypothesis predicts that retail concentration will lead to increase in prices. Alternatively, the Demsetz hypothesis posits that concentration will lead to economies of scale and intensified competition and, therefore, decrease in costs (and prices). In cases where consumers demand better services, retail concentration could result in higher service delivery, albeit at a higher price. This is viewed as a benefit for consumers because of increased “value” of the product (Kinsey 1998:10).

Beem and Oxenfeldt (1966:86-89) suggest that, in the long run, stores that are able to differentiate themselves from the competition on non-price factors will be more successful. Non-price strategies, these authors argue, provide unique benefits for specific

consumer needs. Advertising, promotional offers, credit, and specialization might be a better competitive strategy for retailers than price reduction. While the cost of such services might be high in some cases, the fixed nature of this expense will provide increasing returns over time (Beem and Oxenfeldt 1966:89). Skinner (1969:1157-1158) suggests that additional benefits for consumers could include location (e.g. nearness to home or other shopping centers), improved conveniences (e.g. pre-cut, pre-packed vegetables), better quality products, and general personal attention. For instance, the Superama format of Wal-Mart in Mexico locates itself in residential areas (usually affluent neighborhoods) and focuses on product quality and convenience (Coleman 2003:35). The array of choices provided for the consumers is seen as inherently being good (Carrier 1997:2-3).

Case Histories of Typical Retailers

The market area of Citlallicalli consists of many small retailers, a few wholesalers (located in Altepétl), and some large retailers (in Citlallicalli, Hueltiuhli, and Altepétl). There are 73 stores that sell fresh meat and fish, 355 grocery stores, 187 eating establishments (including food stands, restaurants, and bars), 170 specialized food stores (includes sweet-meat stores, dairies, and bakeries). Table 6.1 lists the food retailers that operate in Citlallicalli. The retailer survey conducted between August 2005 and January 2006 included a sample of 100 retailers in Citlallicalli from all categories. Table 6.2 presents the distribution of food retailers from the survey data. Of these 33 food retailers, 18 were interviewed in-depth.

A look at photographs gives a better sense of what is “modern” and what is “traditional” (defined in Chapter III). Figure 6.1 shows the picture of Mini-Bodega, a modern store on Calle Principal of Citlalicalli. Figure 6.2 shows the picture of a traditional chicken store in the municipal marketplace in Citlalicalli. Figure 6.3 is the picture of a traditional grocery store on Calle Principal in Citlalicalli.

At this point, I will first provide case histories of selected retailers. This will allow for a clear understanding of retailer strategies and, therefore, identify changes in the market due to retail trade concentration. As mentioned in Chapter I, innovations are reorganization of existing ideas and “departures from habitual patterns” (Barnett 1953:9-10). The following case histories are split into two broad categories: traditional and innovative small retailers. In this categorization, innovative retailers are the ones who have attempted to modernize their stores or introduced products (or technology) that differentiate them from their nearest (in terms of distance) competitors. I will now start with the case histories of traditional retailers.



FIGURE 6.1: Mini-Bodega on Calle Principal of Citlalicalli.

Note: Picture taken by the author on June 11, 2004.



FIGURE 6.2: Traditional Chicken Store in the Municipal Marketplace of Citlalicalli.
Note: Picture taken by Ms. C. F. Girault-Castro in May 2007 on the request of the author.



FIGURE 6.3: Traditional Grocery Store in the Municipal Marketplace of Citlalicalli.
Note: Picture taken by Ms. C. F. Girault-Castro in May 2007 on the request of the author.

TABLE 6.1: Food Retailers by Category in Citlalicalli (2005)

Name in Spanish	English equivalent	Sub-total	Category Total
<i>Carnicería</i>	Red Meat Store	46	
<i>Pollería</i>	Chicken Store	24	
<i>Marisquería</i>	Fish and Seafood	3	
Meat Stores			73
<i>Miscelánea</i>	General Grocer	289	
<i>Recaudaría</i>	Green Grocer	39	
<i>Mercería</i>	Haberdasher	24	
<i>Chiles secos</i>	Dried chilies	3	
Grocers			355
<i>Restaurante y Bar</i>	Restaurant & Bar	62	
<i>Bar y Caberte</i>	Bar & Cabaret	20	
<i>Antojitos Mexicanos</i>	Mexican Eatery	72	
<i>Pizzas</i>	Pizza	6	
<i>Taquería</i>	Taco stand	27	
<i>Rosticería</i>	Grillroom / Steak House	7	
Food & Beverages			194
<i>Tortillería y molinos</i>	Tortillas	48	
<i>Panadería</i>	Bakery	41	
<i>Pastelería</i>	Pastry	21	
<i>Salchichonería</i>	Sausages	11	
<i>Venta de frituras</i>	Sale of Fried Foods	4	
<i>Productos lácteos</i>	Diary Products	3	
<i>Dulcería</i>	Candy Store	22	
<i>Paletería</i>	Ice Candy Store	12	
Processed Foods			163
Total			785

Source: Records of Registered Businesses in 2005 obtained from the Municipality of Citlalicalli.

TABLE 6.2: Food Retailers Surveyed in 2005-2006

Food Category	Category Total	Traditional	Modern
Meat Stores	4	4	0
General Grocers	15	13	2
Restaurants	6	6	0
Processed Foods	8	8	0
Total	33	31	2

Source: Retail Survey conducted by author between August 2005 and January 2006.

Traditional Retailers

Ernesto, aged 35 years, was born and raised in Citlalicalli. He operates a small grocery store in the municipal marketplace. His store represents a typical grocery store where food grains, dried chilies, and canned foods are sold along side consumer non-durables like disposable plates and paper towels. The back of the store has shelves going to the roof where canned foods, detergents, paper plates and towels, and diapers are stocked for display. Chilies and pet foods are kept in sacks on one side and also along the front of the store. Food grains and dried beans are kept in plastic tubs on the counter space where the cash register (on the inside) and the weighing scale (on the outside) are also kept.

When the municipal marketplace was opened in the 1950s, Ernesto's father rented a *plataforma* (enclosure in the market place that has wooden partitions and wired-mesh separating stores) in it. For the next 30 years, Ernesto's father, Sr. Lopez, sold *chiles secos* (dried chilies), *frijoles* (beans), and *arroz* (rice) in his store. Citlalicalli, being a small town, most consumers were also quite traditional, preferring to buy basic ingredients to make traditional foods from scratch. Business was good, and in the 1980s Sr. Lopez, rented a *local* (a store with brick walls on three sides) in the adjacent isle of the marketplace. The two stores were primarily operated by Sr. Lopez and his wife.

Ernesto started regularly helping his father at the store when he was 15 years old (1980s). He was good at studies and completed high school with grades good enough to get admission to a university. However, Sr. Lopez's health took a turn for the worse in the late 1980s and Ernesto had to start spending more time at the store. Consequently, he

had to drop his plans of going to college. Soon after Ernesto graduated from high school, his father passed away (in 1989) and Ernesto was forced to assume full charge of the store operations. In 1995, Ernesto married Liliana and today they operate their store (*plataforma*) and Ernesto's mother Sra. Lopez operates the other store (*local*).

In the early 1990s, when Ernesto took full charge of his father's retail business, he made a few changes. First among these was the product range. While his mother's store sells a wider variety of convenience and impulse products, Ernesto's store stocks the products sold by his father along with, sugar, eggs, cooking oil, canned foods, and consumer non-durables. Throughout the year, Ernesto also sells dried shrimp and goat meat and during the Christmas and Holy Week season, Ernesto also stocks dried fish. In the last five years, he has started selling pet foods (dog and cat food and bird feed). Besides the addition in the products sold, Ernesto has changed the look of his store. Today, he neatly arranges packaged foods and consumer non-durables in the shelves on the back-partition wall of his store. He also lists the prices of dried foods and selected canned foods on bright colored cards. This style of display used by Ernesto is typical of traditional grocery stores in this city. Therefore, the changes made by Ernesto do not qualify to be classified as innovations.

Leonardo Ramiro and his brother Rodolfo (both in the late 30s) have a story that is a little different from that of Ernesto. Leonardo and his brother are from Chiapas and native speakers of a Mayan dialect. Almost twenty years ago, the brothers came to Altepétl in search of a job. They found jobs at the *Central de Abastos* and soon became salesmen of suppliers with clients in Citlalicalli. In 1990, the Ramiro brothers got a loan

from one of the biggest suppliers of food grains and dried chilies, Sr. Gonzalez (in Altepetl) to start their retail business in the municipal marketplace of Citlalicalli. They rented a *local* that previously housed a perfume store. With products that they got from Gonzalez on credit, they were quickly able to establish their retail store.

Part of Leonardo and Rodolfo's success was to establish kin links with existing retailers in the marketplace. This was actualized with Rodolfo marrying the sister of Sr. Rivera. The Rivera brothers had two retail stores (*local*) that are strategically located in the municipal marketplace, with entrances from the main street (*Calle Principal*). The Ramiro-Rivera alliance was particularly important given that the Riveras themselves had other kin links. The other sister of the Riveras is married to Felipe Ochoa, another food retailer in the municipal marketplace. Moreover, the Rivera brothers and Ochoa were members of the now defunct trader's association that controlled the sale of essential goods (sugar, cooking oil, and eggs) in the past.

But one should not take credit away from the Ramiro brothers for their entrepreneurial success. They have been receptive to consumer demands and preferences. This has prompted the brothers to sell the paste for *mole*, a local food. Traditionally, *mole* required several ingredients (chilies, nuts, and other spices) to be ground into a paste which served as the gravy for cooking chicken. Owing to the reduction in Mexican households preparing *mole* paste at home, the Ramiro brothers provide a product that is in demand. They make the paste at home (with ingredients that they sell at their store) and claim that they focus on quality and authenticity of their product. Like Ernesto they too have not made any major changes to their business style.

Thus, one can see that the business style of the Ramiro brothers is quite similar to that of Ernesto Lopez.

Salvador Compañ is 35 years old and has a successful grocery store (*plataforma*) in the municipal marketplace. Salvador's father had a grocery store on the street adjoining the municipal marketplace on the east side. When Salvador was in high school, his father fell ill and eventually had to sell his grocery store. After completing high school, Salvador went to New York and worked as an electrician for about seven years. In 1999, he came back to start his own retail store. By this time, Salvador's elder brother had started a ready-made clothes store in the municipal marketplace. Salvador rented a *plataforma* in front of his brother's store, and with the help (such as credit extension) of his father's former suppliers, started a grocery business. The training that he had received from his father proved to be useful in making this venture a success.

Salvador likes to interact closely with his customers and believes in retaining the loyalty of his clients. He introduces new products (and brands) in his store based on feedback from his regular clients. He first tries it out himself, and if satisfied with the quality, introduces a product in his store. Salvador feels that large retailers have an advantage over smaller retailers like him because they are cash rich. He feels that better customer service is the key to compete with his bigger competitors. He says that his clients buy at large stores only if there are special offers on certain products. He feels that there are additional costs (travel time and/or cost of gasoline) associated with buying at large stores, besides the fact that people have to have cars to shop at these large stores. The municipal marketplace is closer to the homes of his clients and saves them the

hassle of traveling to shop. He says that the consumers of Citlalicalli like personal attention (something that large stores lack) and they are also tradition bound (e.g. if the mother buys at his store, the daughter will continue to buy here even after she gets married).

Gerardo Moreno, 29 years, started operating his mother's chicken store in the municipal marketplace in 1999 where he had worked since the time he was a schoolboy. His mother had run this business for almost 30 years and his brother too runs a chicken store in the same marketplace. After handing over the chicken store to him, Gerardo's mother started an eatery in the *plataforma* adjacent to his store. The Moreno family also owns a small restaurant (*fonda*) near the *zócalo* of Citlalicalli operated by Gerardo's younger sister. Gerardo and his brother buy slaughtered chicken from the numerous suppliers who come daily to the marketplace between 4 and 5 a.m. The Moreno brothers buy between 70 to 80 kilograms of chicken each day from selected suppliers based on the quality and price offered to them.

Despite that fact that most large retail chains and many street-stores sell frozen chicken at lower prices, Gerardo observes that the consumers of Citlalicalli prefer to buy fresh chicken. Even though fresh chicken prices have gone up from about MX\$25 per kilogram to almost MX\$70 per kilogram in the last two years, Gerardo's sales (in volume) have increased during the same period. Like most chicken retailers in this marketplace, he offers additional services that large retail stores do not provide – skinning the chicken and cutting them into the form as desired by the customer. He and his brother also sell *mole* paste and have been doing so for over 30 years.

Gerardo says that he faces competition from both large and small stores, but competes on the quality and freshness of the chicken that he sells. He feels that many residents of Citlalicalli are still not used to the *centros comerciales* (strip malls) and prefer to fulfill their requirements in the marketplace and adjoining street stores – echoing the sentiments of the grocer, Salvador Compañ.

Retailers Moving Away from Traditions (Innovators)

Jesus Jimenez (aged 36 years) owns La Cruz, another typical grocery store in the market area of Citlalicalli. La Cruz is located on the street 4 Pte. (4 West) adjoining the *zócalo* on the north. It is operated by Jesus along with his wife. He owns both his shop and the house which is located on the back of his store. He decided to name his store La Cruz to reflect its location near the city church at the *zócalo*.

The Jimenez family is originally from Aguascalientes, and moved to Altepétl 25 years ago. Jesus' brothers have been running a wholesale and retail business in the *Central de Abastos* of Altepétl for the last 20 years. Being the youngest in his family, Jesus got help from his older brothers to set up his grocery store in Citlalicalli 12 years ago. The old business ties with Citlalicalli through the *Central de Abastos* meant that the Jimenez brothers were familiar with the local market conditions.

Being a more traditional city in the Altepétl metropolitan area, Citlalicalli has a higher demand for ingredients like dried chilies. Like Ernesto Lopez, Jesus Jimenez trades in chilies, food grains, consumer non-durables, and pet foods. Pet foods are an addition in the last five years. Since Jesus' store is not in the municipal marketplace, he has a locational advantage as the only grocery store on this street. In 2005 Jesus started

his home delivery service. Today he takes orders over the telephone or in-store and delivers to houses that are within a ten-block radius from his store and if the order value is at least MX\$200. He has employed a helper who delivers the provisions on his bicycle. Jesus acknowledges that large retailers have increased competition in this market area, but is positive that his business will do well. He does not consider the large retail chains as competitors. Instead, he identifies smaller retailers (like him) in Citlalicalli as his main competitors. In the next five years he plans to open another store in a neighboring town. He feels that the residents of Citlalicalli are modernizing and he needs to expand his business to more traditional, small towns.

Benito Hernandez (in his mid-40s) is a vegetable vendor in the municipal marketplace. Before starting this venture, he had worked as a manual laborer in Mexico City for 25 years. He invested his savings of 25 years and got a small loan from his uncle to start this business in 1998. Before entering this line of business, Benito did not have any experience of selling vegetables. He says that he learned a few things about vegetable vending by observing vendors in Mexico City. Today, he, along with his wife and daughter, run the store (*plataforma*). Compared to other vegetable vendors in the marketplace, he has a wider variety of vegetables.

Benito lives in a *pueblo* that is located at a distance of a one hour bus ride from the marketplace. He starts his day at 4:00 a.m. by going to the *Central de Abastos* to replenish his stock. His daily purchases always include fresh produce. He notes that consumers buy at the marketplace because they expect to find fresher produce here. He believes that his competition is with the five other vegetable vendors that operate in the

isles around his store in the marketplace. He laments that, in the past two years, *supermercados* (supermarkets) have taken away some of his richer clients. Benito argues that supermarkets attract consumers by giving special offers on a few products (loss leaders) and induce the shoppers to buy other products while in the premises. Given the wide variety of products that supermarkets stock, he says, they can afford to influence the consumers this way.

Benito has learnt the art of responding to the changing needs of his customers. He says that his clientele includes people from both affluent groups and lower income classes. He started selling *champiñones* (mushrooms) two years ago, and today his competitors in the marketplace have begun doing so as well. Another example of his responsiveness to consumer needs is the selling of fresh-cut and packaged vegetables. He says that with a little effort in cutting and packing, he can attract more consumers. In order to better serve his customers, Benito plans to buy a refrigerator to keep perishable produce fresher.

Diana Martinez has owned and operated her *productos lacteos* (milk products; mainly cheeses and yoghurt) store for the last 40 years. Today, she, along with her married daughters, operates three such stores in the municipal marketplace of Citlalicalli. Her family is from Citlalicalli and has been in the dairy business for generations. Of her three brothers, one has a dairy business in Queretaro and the other two have their businesses in Acapulco. She and her brothers learnt the trade from their father who used to sell cheeses at the *zócalo* before this permanent municipal marketplace was built. She

claims that her parents and grandparents were the pioneers of this business since the time this marketplace formally opened.

Sra. Martinez observes that over the years the type of buyers that visit the marketplace has changed from being very rustic to modern. People's perceptions and requirements have also changed, she says. She understands the need to respond to consumer needs. This attitude towards service delivery prompted her to add non-dairy products like home-cooked tortillas and chips to her product range. She also sells soft-drinks in her store today. To keep yoghurt and some cheeses fresher, a couple of years ago, she added two refrigerators in her store.

She has a very positive outlook towards competition posed by retailers similar to her in the marketplace as well as from large modern ones. Sra. Martinez feels that competition is good and it does not affect her much. She says that initially everyone in the marketplace was concerned about the spread of supermarkets, but today they (supermarkets) serve as springboards for her. Competition spurs smaller retailers like her to improve their standards. She says that when people see that she makes her own products and supermarkets don't, they know they can find fresher products in her store; they know her store is better than the supermarkets.

Sr. Rodriguez (63 year old) is one person who was a part of the erstwhile trader's association (though he doesn't talk about it). Like many of the grocers in this market area, Sr. Rodriguez also has a background in food retailing. Sr. Rodriguez's father owned a grocery store on the main street (today a Mini-Bodega is located there). Sr. Rodriguez' mother died in 1949, and his father had to sell the store because he could not

manage it alone. His father then started working for the oldest bakery in the city La Antigua which was owned by a distant cousin.

In 1963, Sr. Rodriguez went to California to work in a factory and came back in 1964 with substantial savings. He used these savings to rent a *local* in the municipal market, facing the main street. He says that for the next five years he used to drive his truck to the nearby *pueblos* to sell his products from 4:00 a.m. to 11:00 p.m. His father managed the new store during this time. The extra sales from the rolling-store allowed Rodriguez to establish his business fast and pay-off the loans that he had taken from his cousin, the owner of La Antigua.

His business was very successful and today he owns a building (about eight blocks from the municipal marketplace) where he has a convenience store on the first floor and a small hotel on the second and third floors. In late-2005 and early-2006, Rodriguez remodeled his store in the marketplace and converted it to a self-service style outlet. Since his children are not interested in operating the store, he plans to leave the operations to employees when he retires in one year.

Oscar Fernandez started a convenience store in 1993, three blocks from the municipal marketplace. He was not interested in completing his college degree and dropped out of an architecture program after two semesters. Oscar's father owns a traditional grocery store in a suburb of Citlalicalli (at a distance of four kilometers) and is opposed to modernization. Oscar could not convince his father to modernize his store so he asked his uncle to allow him to start a convenience store in the location where he (his uncle) owned a shop.

Unlike most food retailers in Citlalicalli, Oscar Fernandez has a very modern outlook towards business. He is one of the first to introduce the convenience store format in Citlalicalli. Today, his store stocks over 4000 products, introducing almost five new products (brands) every week. In doing so, he competes directly with retail chains like Oxxo. In late-2004, Oscar installed a computer system with a scanner and began using inventory management software to track his sales. He considers the CROM to be his biggest competitor and thinks that the cooperative store has an unfair advantage (with tax exemptions and government subsidies).

Oscar argues that the consumers of Citlalicalli like to compare and shop, and so, it is important for him to keep prices low. A new Oxxo is located down the street, but Oscar is not too concerned about this development. He believes that Oxxo over-prices most of its products. Oscar does not have the same set of suppliers that his father has. He likes to compare the offers from different suppliers and buys from the ones that offer him the best deals. For the last two years, Oscar offers lucky-draw contest in which he gives away free gifts that suppliers give him. This way, he says, he is able to maintain customer loyalty. He also offers home-delivery services to his customers.

Carlos Ramirez is another example of an innovative retailer. Ramirez is in his late-40s and started his food retail store three years ago (in 2002). His store is located 10 blocks from the *zócalo*. He had no prior experience in food retailing; instead, he had a computer hardware and software solutions business. It is this experience that has given Ramirez success over the last three years. He believes that modern food retailing has a good future and, if managed well, small stores can be competitive. Ramirez, like Oscar,

uses electronic scanners and an inventory management system to track sales. He regularly compares the sales charts to decide what products to restock and what to drop from his line. Last year (in 2004), Ramirez opened another food retail store, two blocks from the *zócalo*. His daughter operates this new store. Ramirez's success can be measured by the fact that he was able to recover his MX\$150,000 investment within the first two years of operations. He hopes to recover the MX\$85,000 investment in his newer store by the end of next year.

Esteban Quejada is an Agricultural Engineer and works for the Federal government in the environment department. Before working for the Federal government, Esteban had worked for Merck and Co. and for a flour mill (a supplier for Bimbo). Though, while working for the flour mill, Esteban did not have any direct contact with Bimbo. Esteban's wife, and business partner, Yolanda has a degree in accounting and used to work for an auto parts manufacturer in Altepétl till she got laid off in 2005.

In early 2006, Esteban and Yolanda decided to start a business (even though Esteban has a job); since finding a well paying job with their college degrees was getting to be quite difficult. So, they decided to sell their car to raise the initial capital to start their retail venture. They got MX\$50,000 for their car, and this paid for the initial expenses. Esteban's brother started a concession retail outlet of Bimbo last year (about seven months ago) in Altepétl. But this was not the main reason for Esteban and Yolanda to start their Bimbo *expedio* (preferred dealership) in Citlallicalli on March 4, 2006.

Yolanda looked up the phonebook and called up Bimbo directly. Bimbo suggested that Citlallicalli was a good place to start. Esteban said that while Citlallicalli had two

other Bimbo dealerships in the vicinity of their outlet, these were not willing to upgrade their displays and Bimbo was not too happy with them. Esteban, then, looked for suitable places in Citlalicalli and finally found a good location on the main street near the municipal marketplace. The owner of the place lives in the same building, and Sergio said that it used to be a *dulceria* (candy store) earlier that closed down a few years ago.

Being a preferred dealer outlet for Bimbo gives Esteban and Yolanda a few benefits along with some restrictions. Bimbo is the market leader in packaged breads with high brand recognition. They own the two biggest bread brands in Mexico, Bimbo and Wonder. Wonder used to be their competitor and a few years ago, Bimbo bought them out. Started by a Spaniard about 70 years ago, Bimbo has over the years grown out of the local bakery in Mexico City to serve every part of Mexico, and has a presence in parts of the USA and other Latin American countries. As a preferred Bimbo dealer, Esteban is able to buy, and therefore sell, breads at 50% of the market price. He does not get any special price on other products of Bimbo, like cookies and pastries. According to Esteban, bread and milk are basic foods for breakfast in Mexico and will always have a market. In the past, retailers of Bimbo used to be offered a profit margin of 25% with the condition that unsold products that were close to expiring within a day would be taken back and exchanged for fresh products. In recent years, Bimbo has raised the profit margins to 35% but stopped exchanging expiring products for fresh products.

Unofficially, however, the practice of exchanging old packets for fresh ones continues.

In the near future, Esteban plans to add other Bimbo products and products of other companies that are not competitors of the dealership. For example, Esteban plans to sell

soft drinks made by Coca Cola Co. and a few Nestle products, since they are not a competitor of Bimbo in any product category.

Evaluating the Effects of Retail Trade-Concentration in Citlalicalli

Based on the literature review and retailer histories, the following questions were formulated to elucidate the effects of trade-concentration in this area.

1. Have some small food retailers closed down after the advent of large retailers?
 - a. Have consumer preferences shifted in favor of large retailer stores?
 - b. Have small retailers experienced a reduction in revenues (or profits)?
2. Have some small retailers tried to increase their store size?
3. Have some small retailers formed cooperatives (or trader's associations) to gain preferential prices from suppliers?
4. Do small retailers increasingly have formal contractual relations with suppliers?
5. Have small retailers initiated upward channel integration by becoming a branch or franchise of large enterprises?
6. Has cooperation occurred between large retailers?
7. Have product prices reduced in large stores as predicted by the Demsetz hypothesis?
8. Do retailers employ non-price promotions to attract (or retain) consumers?
9. Have retailers improved their product range to include more convenience products?

The first question to be evaluated is whether small retailers closed down. Carlos Ramirez observes that while every year about six food retailers experience closure, ten new ones open. Yet, during my 14 month research in Citlalicalli, I did not find any small food retail outlet close down. The only store closure that I witnessed was in fact that of a

large store; a Comercial Mexicana outlet. The unavailability of longitudinal data on the number of retail establishments in Citlalicalli limits the extent to which Question 1 can be effectively answered. In order to explore this question further, two sub-questions (1a and 1b) need to be answered.

My surveys revealed that consumers preferred large stores for buying most products. This is especially true for processed and packaged foods. Table 6.3 gives a summary of this information.

TABLE 6.3: Consumer Buying Preferences

Product	Large Store	Small Store	No Preference
Fresh Fruits and Vegetables	43%	46%	11%
Processed or Packaged Fruits and Vegetables	53%	24%	23%
Fresh Meat	48%	41%	11%
Processed or Packaged Meat	54%	10%	37%
Fresh Fish and Seafood	43%	28%	29%
Processed or Packaged Fish and Seafood	52%	8%	40%
Precooked (ready-to-eat) foods	49%	11%	40%
Carbonated non-alcoholic drinks	51%	24%	25%
Milk (including milk powder)	66%	18%	16%
Cheeses	64%	28%	8%
Sugar	67%	24%	10%
Eggs	56%	33%	11%
Cooking Oil	77%	17%	7%

Note: The sample size is 401 (aggregate sample from two surveys). Information for Precooked foods and Carbonated drinks is based on a sample of 203 from the first consumer survey. Milk, Cheeses, Sugar, Eggs and Cooking Oil values are based on a sample of 198 (data only recorded in second consumer survey). No Preference includes No Response.

Source: Consumer Surveys

The data analysis of the first consumer survey shows that fresh foods (includes fresh fruits, vegetables, spices, and meats) are one area where the consumer preference is clearly in favor of small stores. For packaged foods (includes processed and frozen foods), all consumer groups (irrespective of income) favor large stores. In case of consumer non-durables, only the low-income group favors small stores. Table 6.4 summarizes this information. In three product categories, the differences between the incomes groups are statistically significant. In the case of fresh foods, the difference in buying behavior between the income groups is significant (Kruskal-Wallis Test p-value < .000). Buying behavior is also significantly different in the case of packaged foods (Kruskal-Wallis Test p-value < .000). The buying behavior for consumer non-durables is also significantly different between the three income groups according to the Kruskal-Wallis Test (p-value < .000). There is no statistically significant difference in the buying pattern for consumer durables between the income categories (Kruskal-Wallis Test p-value < .055).

TABLE 6.4: Consumer Buying Preferences Disaggregated by Income

		N	Mean ¹
Fresh Foods	1 Low Income Group	66	.5572
	2 Middle Income Group	64	.1042
	3 High Income Group	54	-.3128
	Total	184	.1443
Packaged Foods	1 Low Income Group	66	-.0492
	2 Middle Income Group	64	-.3125
	3 High Income Group	54	-.4645
	Total	184	-.2627
Consumer Durables	1 Low Income Group	66	-.5758
	2 Middle Income Group	64	-.7813
	3 High Income Group	54	-.7407
	Total	184	-.6957
Consumer Nondurables	1 Low Income Group	66	.2121
	2 Middle Income Group	64	-.2500
	3 High Income Group	54	-.7037
	Total	184	-.2174

Note: (1) Mean score for product category on a scale between -1 and +1. Positive values indicate preference for small stores and negative values indicate a preference for large stores. Source: Consumer Survey I

Among the most popular large retailers in the market area are Oxxo (52% of respondents) and Wal-Mart (47.5% of respondents). The CROM store also has a reasonable amount of popularity amongst the consumers (23.2% of respondents) in this market area. Table 6.5 summarizes in percentage terms the number of survey respondents who shopped at a specific large store. However, a substantial proportion of consumers who reside in Citlallicalli (98%) continue to patronize small stores along side larger ones. Even amongst shoppers who were encountered outside large stores, 95% of those who resided in Citlallicalli patronized small retailers.

TABLE 6.5: Percentage of Respondents Who Bought at the Following Large Stores

Store Name	Percentage of respondents who said that they bought at the store
Wal-Mart	48%
Bodega Aurrerá	28%
Sam's Club	25%
Superama	10%
Gigante	6%
Comercial Mexicana	22%
Chedraui	39%
Oxxo	52%
CROM	23%
Mini-Bodega	2%

Note: N=198. Source: Consumer Survey conducted in April 2006.

According to one retailer, in the last three years, profits have gone down from about 15% to an average of about 9%. This retailer said that, earlier profits during the festive seasons (Christmas and Holy Week) would go as high as 20%. Today the maximum is about 15%. This claim cannot really be substantiated. As mentioned in Chapter II, the data from the retail survey for revenues and profits are weak and not very reliable. However, almost all the 18 retailers interviewed claimed that retail sales in terms of volume had gone down as compared to previous years. This feeling was also echoed by the largest supplier of food products, Sr. Gonzalez. Gonzalez noted that he had experienced a drop in sales during the year 2005-06 as compared to sales for the previous years. Since Gonzalez is a supplier to most food retailers in Citlalicalli, a drop in sales for him is probably a reflection of declining retail sales in Citlalicalli. Sr. Gonzalez was quite concerned about this trend and was planning to become a supplier for large retailers like Wal-Mart if the retail sales through small retailers did not pickup in the next two years. He also reported that because of the drop in sales volumes at small

retail outlets, he was forced to make frequent sales to domestic consumers at his warehouse.

Several one-hour observations at three different food retail stores in Citlallicalli (at the stores of Ernesto Lopez, Jesus Jimenez, and Sr. Rodriguez) revealed that on an average the number of sales transactions on Sundays was higher than most other days of the week. The average number of sales transactions on Sundays (during the peak hours between 12:00 noon and 2:00 p.m.) was twenty five. The comparative figure during other times of the week was less than half of this, at about eleven sales transactions per hour. In several cases, on weekdays, fewer than five transactions in an hour were observed at these stores. Among the customers who did buy on weekdays, many were regular buyers at these stores and most were from lower income groups. This pattern of sales indicates that apart from the peak sales hours on Sundays, sales in general are probably not very high. Interviews with retailers revealed that while sales volumes on Sundays were always higher than those on weekdays, nowadays sales volumes have declined much more for weekdays than Sundays.

To answer Question 1a, consumer preferences do favor large stores in most product categories. Question 1b cannot be answered as substantively. But, based on the interviews with retailers and wholesalers, and observations at small stores, it appears that sales volumes have gone down at small retail outlets. However, declining sales have not forced the closure of these stores. Also, the lowered sales cannot be directly attributed to shifting consumer buying patterns. Moreover, the preference pattern of consumers to buy specific products from specific stores types suggests that small and large retailers

specialize in different product categories and serve different income groups. In the absence of large retailers in the market area all product categories would have been purchased in the local market. Thus, the influx of large retail outlets removes some consumers and sales of certain product categories from small retail stores. As suggested by Miller, Reardon, and McCorkle (1999:109), traditional food retailers are not in direct competition with large retail chains.

The second question regarding the impact of trade-concentration is whether small retailers have tried to increase their floor-space. The answer to this question is a tentative yes. Though there are no quantitative data available, interviews with retailers suggests that at least some traditional retailers are modernizing and also trying to increase their floor-space. Oscar Fernandez, for instance, wants to buy the neighboring pharmaceutical store to increase the floor-space for his convenience store. Oscar says that he needs to increase floor space if he wants to continue introducing more products in his store. This is the only way he could possibly compete with retail chains like Oxxo. Sr. Rodriguez has remodeled his shop from being a traditional over-the-counter assisted sales store to a self-service store. He has done this by extending the sales area further back and reducing the space that was earlier devoted to storage.

The third question relates to whether small retailers have formed trader's associations. In Citlalicalli, mobile vendors (*tianguis*) have associations and have considerable bargaining power with the local government. They literally take over two streets adjoining the municipal marketplace on the weekly market days of Wednesdays and Sundays. The retailers within the municipal market as well as the street store owners

outside the marketplace currently do not have any association. As mentioned earlier, there used to be an association of grocers in the past which is now defunct. There are allegations that leaders of this association had siphoned money from the association's funds to expand their own businesses. This has made most retailers reluctant to form another association. However, a few grocers in the municipal market are trying to form an association to negotiate better with suppliers. These retailers feel that price reduction by large-retailers is reducing traffic to their stores and consequently, their sales and profits. Till June 2006, there was no real progress on actually forming this association.

Questions four and five are related and deal with retailer-supplier relations. As far as forming long-term contractual links with suppliers goes, no local grocer has attempted to do so and neither do they have any plans to do so in future. While all food retailers surveyed had a set of fixed suppliers, they did not have any contractual obligation with them. Retailers were free to pick and choose from all suppliers in the market area but most often did not try out new suppliers for most products.

Based on the interviews with retailers, one grocer and one restaurant owner had business memberships with Sam's Club (owned by Wal-Mart) and regularly sourced their supplies from here. The grocer here was located at a distance of eight blocks from the municipal market and mainly stocked canned and other packaged foods. This retailer had a markup of 20% on the products that he bought from Sam's Club. The retailer said most of his clients were from the houses in the neighborhood and usually made emergency purchases at his store. The restaurant owner who bought at Sam's Club owns three restaurants, one in the *zócalo* of Citlallicalli and two near the university in

Hueltiuhtli. Buying in bulk from Sam's Club was a viable option for her. The other restaurant owner who was interviewed also had his restaurant in the *zócalo* of Citlalicalli. He preferred to source his supplies from the bakery (La Antigua) on the main street and fresh produce from the municipal marketplace. It did not make sense for him to get his supplies from Sam's Club which was located in Altepétl, at a distance of about seven kilometers from his restaurant.

The only example of having contractual ties with suppliers in food retailing is the Bimbo preferred dealership. Esteban Quejada has a formal contract with Grupo Bimbo and his store also represents the few vertically integrated small stores in Citlalicalli. However, Esteban is an exception since he is a new entrant and does not represent a change in retailer-supplier relations. Interviews with the two largest wholesalers that supply to almost all the grocery stores in Citlalicalli revealed that there were no efforts by the wholesalers to integrate downward to the retail level.

Question six relates to whether there is any evidence for cooperation between large retailers. Large retail chains like Wal-Mart, Comercial Mexicana, and Chedraui regularly display the price list of competing chain stores. These stores also emphasize their ability to deliver goods at a lower price than their competitors. This suggests that there is no cooperation between these stores.

Question seven evaluates the prediction of the Demsetz hypothesis that economies of scale will reduce product prices under conditions of trade-concentration. Over 70% of the consumer survey⁴⁷ respondents felt that (on an average) prices were lower in large

⁴⁷ This data was collected only in the second consumer survey.

stores as compared to average prices at small stores. When the opposite question was posed to the respondents (how were prices at small stores compared to large stores), only 34% of the respondents felt that prices were lower in small stores. Comparative prices of 12 products at different stores presented in Table 6.6 indicate that the perception held by the consumers of Citlalicalli is not always correct. For instance, the price of one liter of cooking oil (Capullo brand) was almost the same in the supermarket and the grocer in the municipal marketplace. One kilogram of fresh chicken was in fact twice as costly at the supermarket. However, canned chilies (*jalapenos*) are comparatively cheaper at the supermarket. From the consumer's perspective, as seen in Table 6.5, often the terms of price comparison between stores are not the same. There are quality, quantity, and brand differences between store types. Thus, the prediction of Demsetz hypothesis that prices reduce because of scale economies probably holds good for canned foods. However, it should be noted that often buying behavior is driven by perceptions rather than facts. When a consumer finds a few products cheaper in a supermarket, they often extrapolate lower prices to most products carried by that type of outlet.

The eighth question concerns the use of non-price strategies employed by small retailers. Observations at the municipal marketplace suggest that small retailers do not compare prices with other grocers. Interviews with retailers revealed that traditional grocers set product prices based on the price that suppliers offer them. Since all the retailers in the marketplace select from the same set of suppliers, their buying price (and hence their selling price) is almost equal. The use of non-price strategies is limited to only a few retailers. Strategies adopted by retailers like Oscar Fernandez (lucky draws) and Jesus Jimenez (home delivery service) are an exception rather than the rule in Citlalicalli.

Finally, the ninth question is whether smaller retailers have added more convenience products to their range. Based on detailed observations and interviews with retailers, it seems that there is no concerted effort on part of retailers to increase the number of convenience products that they stock. No traditional (over-the-counter sales) grocer has increased the selection of convenience products. However, retailers like Oscar and Carlos Ramirez do stock a higher percentage of convenience foods in their stores. This is probably related to the self-service format of these stores. Benito Hernandez, the vegetable vendor, is another exception. He has added pre-cut and packaged vegetables to his repertoire.

TABLE 6.6: Comparative Prices of Select Products at Different Store Types

	OXXO		Street Store		Marketplace		Wal-Mart	
	Brand	Price	Brand	Price	Brand	Price	Brand	Price
Red Beans	Del Marquéz	9.70/kg	Not Sold		Unbranded	16.00/kg	Verde Valle	18.40/kg
Rice	Del Marquéz	7.90/kg	SOS	10.50/kg	Unbranded	7.50/kg	SOS	10.30/kg
Sugar	Del Marquéz	10.00/kg	Unbranded	8.00/kg	Unbranded	8.50/kg	Great Value	12.30/kg
Eggs	Bachoco	16.00/doz.	Unbranded	13.00/kg	Unbranded	12.00/kg	Bachoco	16.10/doz.
Cooking Oil	Capullo	16.90/lt	Capullo	20.50/lt	Capullo	19.00/lt	Capullo	19.20/lt
Dried Chilies	Not Sold		Not Sold		Chipotle	13.00/100gm	Ancho	10.75/100gm
Dried Hibiscus Flower Petals	Not Sold		Not Sold		Unbranded	16.50/250gm	Verde Valle	39.40/500gm
Chicken	Not Sold		Not Sold		Unbranded	34.00/kg	Bachoco	69.50/kg
Tomato	Saladette	22.00/kg	Not Sold		Unbranded	6.00/kg	Sinaloa	12.45/kg
Avocado	Hass	38.00/kg	Unbranded	18.00/kg	Unbranded	24.00/kg	La Huerta	28.02/kg
Canned Red Beans	La Costeña	9.50/580gm	La Sierra	7.50/360gm	La Sierra	4.50/360gm	La Sierra	9.40/440gm
Canned Jalapenos	La Morena	10.40/380gm	La Morena	8.00/380gm	La Morena	9.00/380gm	La Morena	7.25/380gm

Note: These data were collected by Ms. C. F. Girault-Castro in May 2007 on the request of the author. The Oxxo store and the Street store are located on the main street of Citlalicalli near the *zócalo*. The marketplace refers to the municipal marketplace in Citlalicalli. The Wal-Mart outlet is located in Altepétl at a distance of about 12 km from Citlalicalli. One dozen eggs weigh approximately 720gm.

Summary of Findings

Retail trade-concentration that has taken place in the market area of Citlalicalli has not proved to be as detrimental to small retailers. No closures of small stores were observed during the 14 month research period. This has happened despite a reduction in the sales volume over the last few years and the higher consumer preference for buying packaged foods at large stores. Only a few enterprising retailers have tried to increase their store sizes⁴⁸. There is also no serious attempt at forming retailer associations. Similarly, there is no attempt to establish contractual relations with suppliers. The only attempt at upward channel integration is not from existing retailers but from new entrants into the market. Fears of cooperation between large retailers to increase product prices are unfounded.

Finally, only a few small retailers have tried to employ innovative non-price strategies to attract and retain customers. The sporadic cases of innovation amongst the retailers of Citlalicalli can be understood by analyzing their motivations. Most innovations by the retailers of Citlalicalli can be explained as being the outcome of “convergent wants” that result from the convergence of two or more desires of different origins (Barnett 1953:127). Only at times is the motive for the innovation initiated from the threat of large retailers being a competitive force. If we look back at the changes made by Oscar Fernandez (by being the first to start a self-service store) and Benito Hernandez (when he was the first to start selling mushrooms in the marketplace) they seem to be motivated by what Barnett (1953:100) calls “credit wants”: The desire to be

⁴⁸ Interestingly, this behavior is not related to the age of the individual store owners.

recognized as being clever. When changes are made as a result of competition from large retailers, the motivation is often based on “relief and avoidance wants” or “the desire for quantitative variation” (Barnett 1953:156, 167). Relief and avoidance are the result of innovators wanting to change existing conditions that cause them “physical or mental discomfort” (Barnett 1953:156). Oscar’s desire to expand his store size or Jesus Jimenez’s desire to open a branch in the neighboring city can be explained by the fact that their physical environments restricted their need for space. The need for space itself could be explained by the “desire for quantitative variation”. This desire arises when “existing mechanisms do not provide enough of something that is valued” (Barnett 1953:167). In the case of retailers, the drop in sales volumes could give rise to the desire to increase sales by making “qualitative alterations in existing mechanisms” (Barnett 1953:167). Thus, the introduction of inventory management software by Oscar Fernandez and the introduction of non-dairy products by Sra. Martinez could be explained by the convergence of different desires. Only in some cases are these changes motivated by the competition from large retailers. For instance, Sra. Martinez considers supermarkets as a springboard to innovate, Oscar Fernandez feels the need to expand his store size to compete with large stores, and Benito Hernandez wants to attract back affluent customers whom he has lost to large retail chains. However, many of the other changes initiated by the retailers of Citlalicalli could have happened in the absence of retail concentration.

CHAPTER VII

CONCLUSIONS

The objective of this dissertation was to identify the occurrence of retail trade-concentration, its causes, and its effects on the commercial structure of Citlalicalli. In the following discussion I will review the findings, explore the trajectory of retail development in Citlalicalli in the near future, and review avenues for future research.

Salient Findings of this study

The findings of this study revealed that retail trade-concentration is well on its way in Citlalicalli. A phenomenon that was for long believed to be exclusive to developed countries is now happening in developing countries. While most of the causes for these developments occurred in the past in developed countries, some conditions unique to emerging economies deviate from this history. For instance, free trade agreements and subsequent foreign direct investments have led the proliferation of large retail chains into developing countries. Trade-concentration in the Altepétl metropolitan area has also been aided by the positive behavior that consumers show towards large retail chains.

Despite the behavior of people in Citlalicalli patronizing large retail outlets, retail-trade-concentration has not proved to be a disaster for small retailers in Citlalicalli. Partly traditions and partly the nearness of a particular store explain the continued patronization of small stores by consumers. Perceptions of price rather than actual prices of products are a motivating factor for consumers to choose between a large and small store. The product category and income of consumers also influence their purchase decisions.

In Chapter III, I introduced the distinction between traditional and modern retailers and mentioned that in Citlalicalli the terms small and traditional are synonymous. The findings presented in Chapter V suggest that the survival of the traditional grocer is threatened but the same cannot be said about the small retailer. That is to say, the synonymy between small and traditional retailers will soon change. As evidenced from the retailer case histories presented in Chapter V, small retailers who are willing to modernize will have a better chance of survival.

It is likely that the lower prices and more extensive product range offered by large retailers will, in the short-term, force some traditional stores to close. To prevent this from the point of view of the small retailer is for them to bargain lower prices from their suppliers. Furthermore, in societies where local businesses are organized they have the agency to direct urban development (North, et al. 2001). As discussed in Chapter VI, there is no serious attempt by small food retailers in Citlalicalli to form associations to collectively bargain for better prices with suppliers or to influence the city's policies with respect to the entrance of large retailers. The cause for failure to form a retailers' association in the market area of Citlalicalli is linked to opaque organization of a voluntary group in the past (see Merchant and Rich 2005: 7 for a discussion on voluntary groups). Fifteen years ago, this market had a retailer's caucus that controlled the sale of essential goods viz. sugar, salt, cooking oil, and eggs. The leaders of this group siphoned off money to finance their personal business ventures. Most members of this association have successful businesses today. Individuals like Sr. Rodriguez have been able to acquire a *mini-super*, a small hotel, and also remodel his store in the municipal

marketplace in times when most small retailers complain of falling profits. This experience has created distrust amongst retailers and restricted the formation of a new association. Without a platform for collective bargaining, the voice of individual retailers carries little weight at the municipal government and also with suppliers.

The alternative to collective bargaining is proactive measures initiated by the local government. One of my informants often said that the belief in Mexico is: “*el que no tranza, no avanza!*” [the one who does not cheat, does not progress]. This apparently holds true for many public officials in Mexico. Trade policies are an important component in the development project, and corrupt bureaucracies exacerbate issues. Thus many benefits of free-trade policies are rendered ineffective due to inefficient bureaucracies. Checks and balances overseeing the functioning of the bureaucracy is a prerequisite to ensure effectiveness of free-market ideals. Mexico clearly lacks such an environment.

In order to understand retail development it is important to take into account the unique historical, geographical, economic, and political conditions of the market. While macro-level studies can provide cues to conditions at the surface, micro-level studies are required to explain the conditions in detail. For instance, on the one hand the federal government professes a commitment to NAFTA and dreams of catching up with its partners in this trade bloc, while on the other hand, development efforts at the local level are often thwarted due to the failure to implement the rule of law. This duality is exemplified in the parking situation in Citlalicalli. The main street and its cross streets in Citlalicalli are narrow; leaving barely enough room for two cars to pass. While this may

not seem like a problem, it does transpire into one during the weekly market days (Wednesdays and Sundays). When *tianguis* (mobile vendors) gather around the streets surrounding the municipal market, it becomes virtually impossible to walk in these streets and find the entrance to the municipal marketplace building. To make matters worse, cars continue to ply along the main street in search of parking spots despite the heavy presence of pedestrian traffic during these times. The parking lot at the *zócalo* is too small to accommodate all the vehicles that come to the marketplace during the weekly market days. A former Mayor used his influence at the municipal office to redirect traffic in a way that his private parking lot is the only other parking space that is accessible during these days. Since this parking structure charges much more than the municipal parking space at the *zócalo*, most car owners prefer to drive around to find a spot along the narrow streets. As a result the streets get further congested.

The interview with the acting Mayor of Citlalicalli revealed that parking was indeed a serious problem for consumers visiting the marketplace during the *dias de la plaza*. The official said that the municipal government was looking into this problem and hoped to find a solution soon. The city government is proposing to new parking lot for the marketplace. This is part of a three phased modernization plan for the municipal marketplace. In the first year the drainage will be upgraded, in the second year the floor and roof of the market will be rebuilt, the parking structure is planned for the third year. This plan seems very unlikely to materialize since there is no space around the marketplace which could serve as a suitable parking spot. Under these circumstances,

the solution probably is to relocate the weekly marketplace to its old location at the *zócalo* and simultaneously restrict the entry of cars on the main street during these days.

Contributions of this Study

This dissertation makes several contributions to understanding modern market systems. First, this study presents a unique anthropological perspective on retail development being a part of the overall development process. This is done by arguing that retail development is a part of the modernization of retailing and to understand this process, one has to take into account the process of trade-concentration.

Second, free trade policies and rising income do encourage the spread of large retail chains. However, these are only necessary conditions but not sufficient. Favorable consumer attitudes are an important factor in encouraging the process of trade-concentration.

Third, this study uses the micro-level anthropological approach to show that the spread of large retailers does not necessarily imply the closure of traditional retailers. Competition in food retailing in the developing countries is between same size and same type retailers. This finding supports the competition model proposed by Miller, Reardon, and McCorkle (1999). Small retailers are not always in direct competition with modern retailers as they serve different sections of the society. While some small retailers might be forced to close due to competition between small stores, trade-concentration will not drive all small stores out of business.

Fourth, the literature suggests that competition induced by trade-concentration should encourage retailers to use non-price strategies to attract and retain customers

(Beem and Oxenfeldt 1966; Skinner 1969). However, only sporadic use of non-price means was observed among the small retailers of Citlallicalli. This finding suggests that external factors (trade-concentration in this case) are not the primary driving factor for innovation.

Fifth, scholars such as Dannhaeuser (1994:80) have suggested that trade-concentration, especially on the urban periphery reduces traffic to stores in city centers and forces these preexisting retailers to either shut down or become branches or franchises of large retail chains. Neither of these predictions was found to be true in Citlallicalli. The complementary nature of the interaction between large and small stores, and the importance attached by Mexicans to the *zócalo* suggest that trade-concentration need not be detrimental small stores located in the city center.

Sixth, in developing countries, the clustering of traditional retailers carrying the same product line offset the advantage of one-stop-shopping offered by large retail chains. Such similar store clusters are said to be an impediment for large retail chains. It is therefore likely that even with further increase in income and greater affordability of cars, consumers will still prefer to shop at stores that are closest to their homes. Clusters of small retailers, thus, will be able to retain their location advantage over large retail chains. The future does not look bleak for the small retailer in Citlallicalli. However, the products that are bought at supermarkets and the ones that are purchased at small stores are not the same. This segmentation based on product category allows for the coexistence of small retailers with large ones.

Recommendations for Sustainable Retail Development

Based on the consumer surveys and interviews, and observations, it is clear that the *zócalo*, the marketplace, and the surrounding street stores form an integral part of the lives of citizens. Retail development has implications for community life. One school of thought that bridges the needs of retail concentration and the citizens' need for a better quality of life is the School of New Urbanism (Ellis 2002:269). For consumers to be able to make the fullest use of the *zócalo* area, and thereby retaining the vitality of the city center, street stores like the ones in Citlalicalli are ideally located (Alexander, et al. 1977:246-251). The plans that the municipal government has for the marketplace – if realized -- also go towards providing a better quality of life for the citizens of Citlalicalli. Retail concentration and quality of life do not necessarily oppose each other (Thomas and Bromley 2003). They give the more mobile group of consumers the choice that they seek. As long as small stores are not eliminated by the process of retail concentration this choice that consumers have will be maintained. The survival of small neighborhood stores is therefore an important factor to consider when looking at urban development and quality of life for citizens.

The best strategies in the face of trade-concentration for small (independent) retailers should be derived from their existing strengths. Since they already hold a location advantage over the new entrants (large retailers), small retailers should focus their efforts at exploiting this advantage to the maximum. The following strategies are suggested:

1. Invest in better inventory management systems. This could be as simple as getting an inexpensive computer and buying the appropriate software.

2. Improve the shelving of products, for easy accessibility.
3. Display of prices of products in comparison to large retailers.
4. Form cooperatives to derive price advantages from buying in greater volumes and influence city policies.

These changes can ensure survival of smaller retailers for a longer time.

Suggestions for Future Research

While the objective of this research has been fulfilled, there are several questions that still need to be answered. These can be broken down into four themes: legal frameworks and their relation to retailing; sustainability of retail development in emerging economies; impact of changing gender-roles on urban development; and, the role of wholesalers in the survival of small retailers. First, developing countries like India and Mexico have certain similarities when it comes to introducing laws at the local level. The frequent contrasts that exist between the written ideal and practice potentially lead to chaotic situations. Further investigation is needed in this direction. Second, the influx of large-format retailers, especially in developing countries like India and Mexico which have poor urban infrastructure, can lead to unsustainable growth in the retail sector. The links between urban infrastructure (local road conditions, public transportation, and zoning policies) and retail development needs to be studied in detail to evaluate if such developments are indeed sustainable in the long run. Third, with many middle-class families in Mexico and India having increasing numbers of working women, patterns of food consumption are changing rapidly. The impact of this changing consumption pattern needs to be evaluated further to understand if small retailers can

hold their ground. Finally, this study revealed that role of wholesalers is critical in setting product prices for small retailers. The influence of wholesale suppliers on small retailers in the face of trade-concentration needs to be studied in greater detail.

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APPENDIX A

LIST OF RETAIL STORES ON CALLE PRINCIPAL

Number	Store Name	Street	Number	Store Name
5Sur/5Nte Intersection				
CP-S-1	Oxxo	Calle Principal	CP-N-1	Alyssandra para Hogar
CP-S-2	El Dorado Ferreteria		CP-N-2	Video Centro
CP-S-3	Panaderia		CP-N-3	Dulceria
	NA		CP-N-4	Abarrotes la Colonial
	NA			Entrada el Mercado
CP-S-4	Case de Empeño		CP-N-5	Super Carnitas
CP-S-5	Maxicolor		CP-N-6	Carniceria
	Casa		CP-N-7	Papeleria
CP-S-6	Papeleria LaCadena		CP-N-8	Tortilleria
CP-S-7	Papeleria LaCadena		CP-N-9	Ropa y Regalos "Gerald's"
CP-S-8	Juguetes y Regalos		CP-N-10	Ders Fashion
CP-S-9	Farmacia El Carmen		CP-N-11	Zapateria "Canada"
CP-S-10	Farmacia El Carmen		CP-N-12	Zapateria "Canada"
	Casa			Casa
CP-S-11	Tienda Naturista "Abango"		CP-N-13	Farmacia "Tonanzin"
CP-S-12	Tienda Naturista "Abango"		CP-N-14	Perfumaria "Paris"
CP-S-13	Pasteleria "El Sabor Italiano"			Casa
CP-S-14	Foto Maxicolor		CP-N-15	Tacos
CP-S-15	Stella Novias		CP-N-16	Reparacion de antiguedades
CP-S-16	Inst. De Computacion Mundial		CP-N-17	Zapateria "Frida"
CP-S-17	Relojeria: Taller de Tommy		CP-N-18	Zapateria "Frida"
CP-S-18	Novedades Mildret: Tecnologia Celular Digital		CP-N-19	Pasteles
CP-S-19	Infantiles Chavitos: Juguetes			Casa
CP-S-20	Pasteleria "McDonas"		CP-N-20	Estetica Unisex "Yudith"
CP-S-21	Zapateria "Super Tennis"			Casa
	Casa		CP-N-21	Santander Sport: Ropa
			CP-N-22	Bimbo Expendio
			CP-N-23	Fotografia Silva
			CP-N-24	Boneteria: Telas, Lenceria
CP-S-22	Mister Tennis		CP-N-25	Casa Blanca: Vestidos
CP-S-23	Artesenia y Regalos "Xochitl"	CP-N-26	Casa Blanca: Vestidos	
CP-S-24	Restaurant "Cocoyotla"		NA	
CP-S-25	Productos para academias	CP-N-27	Video	
CP-S-26	Cristaleria "Lilinana"	CP-N-28	Restaurante "El Comedor"	
CP-S-27	Boutique	CP-N-29	El Monte de Mexico	
CP-S-28	Zapateria	CP-N-30	El Monte de Mexico	
3Sur/3Nte Intersection				

Number	Store Name	Street	Number	Store Name
3Sur/3Nte Intersection				
CP-S-29	Farmacias del Ahorro	Calle Principal	CP-N-31	Zapateria Mago
CP-S-30	Farmacias del Ahorro		CP-N-32	Zapateria Mago
CP-S-31	Farmacias del Ahorro		CP-N-33	Chacharas
CP-S-32	Shalom (Pets)		CP-N-34	Nenes (114 B)
CP-S-33	La Poblana		CP-N-35	Estetica Unisex Vanessa
CP-S-34	La Casa del Taco			Door
CP-S-35	Floristeria (Floralia)			Door
CP-S-36	Velver Comm (TelCel)		CP-N-36	Misc. Cristy La Guadalupe
CP-S-37	Carniceria Leo		CP-N-37	Misc. Cristy La Guadalupe
CP-S-38	Carniceria Leo		CP-N-38	Local 106 B
CP-S-39	La Antigua Blanca			Door
CP-S-40	La Antigua Blanca		CP-N-39	Merceria y Manualidades "Mariana"
	Door		CP-N-40	Merceria y Manualidades "Mariana"
CP-S-41	La Blanca		CP-N-41	Muebleria "San Jose"
	La Blanca		CP-N-42	Muebleria "San Jose"
CP-S-42	Taller (Joyeria/Regalos)		CP-N-43	Rosticeria D'Juarez
CP-S-43	Boutique "Fuego Casual"			Door (#104)
CP-S-44	Zapateria "Charley II"		CP-N-44	Copias, Carta y Oficia
	Door		CP-N-45	Copias, Carta y Oficia
CP-S-45	Jarcieria		CP-N-46	Tacos "Robert"
CP-S-46	Ropas			
CP-S-47	Ropas			
	Door (#107)		CP-N-47	Café Enamorada
CP-S-48	Zapateria "Domay"		CP-N-48	Café Enamorada
CP-S-49	Misc. "Dominique"		CP-N-49	Café Enamorada
CP-S-50	Productos Populares Salas del Centro			
	Open space with doors			
CP-S-51	Zapateria "Rozy"			
CP-S-52	Farmacia "Ntra Sra. Del Sagrada Corazon			
CP-S-53	Jugos y Licuados			
CP-S-54	Tortas Mex			
CP-S-55	Restaurante "Guerro's"			
CP-S-56	Taqueria del Zócalo			
CP-S-57	Boutique Dona Tere			
CP-S-58	Jugos "California"			
CP-S-59	Newspapers			
CP-S-60	Pizza "Dominos"			
Av. Miguel Aleman Intersection				

Zócalo

Number	Store Name	Street	Number	Store Name
Av. Miguel Aleman Intersection				
CP-S-61	Oxxo / Hostal "El Zócalo"	Calle Principal		Zócalo
CP-S-62	Scotia Bank			
CP-S-63	Mini-Bodega			
CP-S-64	Zapateria "San Reno"			
CP-S-65	Preda Mex			
CP-S-66	Ferreteria "El Tornilla"			
CP-S-67	Casa del Mixiote			
CP-S-68	Centro Naturista de Citlali			
CP-S-69	Restaurant "El Meson" y Café Internet			
CP-S-70	Banamex			
CP-S-71	Notaria Publica			
CP-S-72	Papeleria			
CP-S-73	Paqueteria "Mexicana de Envios"			
CP-S-74	Ropas			
CP-S-75	Estacionamiento			
CP-S-76	Bancomer			
CP-S-77	Financera COOFIA			
CP-S-78	Cafes Internet			
CP-S-79	Fonda Ma. Elena			
CP-S-80	Tiendita "Casa Xochipa"			
CP-S-81	HSBC			
2Sur/2Nte Intersection				

Number	Store Name	Street	Number	Store Name
2Sur/2Nte Intersection				
CP-S-82	Agencia de Viajes "TIP" y Café Internet	Calle Principal	CP-N-50	Instituto Garcia de Cisneros
CP-S-83	Laboratorio de Analisis			Door
CP-S-84	Artesenias Menos Magicas		CP-N-51	Joyeria /Muebles en forja "Nahui"
CP-S-85	Estetica "ZIZOS"		CP-N-52	Escuela Sec. Pro. "Cambridge"
CP-S-86	Foto Studio "AMX"		CP-N-53	Joyeria/Relojes "Huitzil"
CP-S-87	Muebles Rusticos "Galenas"		CP-N-54	Casa de la Luna
CP-S-88	Cemitas Conchita			Door
CP-S-89	TELCEL			Door
CP-S-90	Tacos "Tony"			Door
CP-S-91	Medico			Door
CP-S-92	Dulces Tipicos			Door
CP-S-93	Internet			Door
CP-S-94	Artesenias "La Casa del Alex"			Door
CP-S-95	Artesenias		CP-N-55	Souveniers "Lagarto"
CP-S-96	America Sport		CP-N-56	Novedades "San Miguel Arcangel"
CP-S-97	Arte Popular Mexicano		CP-N-57	Souveniers "Rhino"
CP-S-98	Reparaciones de equipos blancos			Door
CP-S-99	Talavera de las Americas			House
4Sur/4Nte Intersection				

Number	Store Name	Street	Number	Store Name
4Sur/4Nte Intersection				
CP-S-100	Bar "Reforma"	Calle Principal	CP-N-58	Tacos "Robert"
CP-S-101	Dulces Tipicos "Hugo Julio"		CP-N-59	Cellular Tec "TELCEL"
CP-S-102	Misc. "Deli Market"			House
CP-S-103	Doctor		CP-N-60	Souvenir
	Casa		CP-N-61	Coffee Shop
	Casa			Door
	Casa		CP-N-62	Souvenir "Perro del Sol"
	Casa		CP-N-63	Souvenir "Un Tigre Azul"
CP-S-104	Souveniors "El Mexicano"		CP-N-64	Artesenias "Monica"
CP-S-105	Estilo Sinaloa		CP-N-65	Vitrales de colores
CP-S-106	Dulces Tipicos "Los Angeles"		CP-N-66	Artesenia "Kaban dela Tierra al Sol"
CP-S-107	Ropas Tipicas Mexicanas		CP-N-66	Misc. "La Estacion"
CP-S-108	Dulces Tipicos Mexicanos			Door
	Casa		CP-N-67	Fonda "Los Sindy's"
			CP-N-68	Banda Citlali
				Door
			CP-N-69	Artesenias de Mexico
				Door
			CP-N-70	Artes Polular de Mexico
				Door
		CP-N-71	House Door	
		CP-N-72	Dentist	
CP-S-109	Papeleria "Brandolin"		Door	
CP-S-110	Restaurante "La Historica"	CP-N-73	Restaurant y Bar "El Rincon"	
6Sur/6Nte Intersection				

APPENDIX B

LIST OF RETAIL STORES ON 3 SUR

Number	Store Name	Street	Number	Store Name
Calle Principal Intersection				
3S-W-1	Boutique Alex	3 Sur	3S-E-1	Farmacia Ahorro
3S-W-2	Mochilas McCoy		3S-E-2	Ropa
3S-W-3	Lenceria Ortega		3S-E-3	Dr.
3S-W-4	Estetica Unisex		3S-E-4	Chicharas
3S-W-5	Videos Juegos		3S-E-5	Ropa/ Boutique
3S-W-6	Estetica Unisex		3S-E-6	Dentista
3S-W-7	Zapateria Andrea			
3S-W-8	Restaurante Cocoyotla			
3S-W-9	Farmacia Economicas			
3S-W-10	Vidreria		3S-E-7	Restaurant y Bar "El Patio"
3S-W-11	Veterenaria		3S-E-8	Estetica Unisex "Amelia"
3S-W-12	Novededas		3S-E-9	Abarrotes "Vicens"
3 Pte Intersection				
3S-W-13	Cristeleria "Norma"	3 Sur	3S-E-10	Gran Bodega Arcoins
3S-W-14	Jugos y Licuados "Vicky"		3S-E-11	Regalos "Neshana"
3S-W-15	Panaderia		3S-E-12	Cer y Cer de Citlali
3S-W-16	Dentista		3S-E-13	MoviStar
3S-W-17	Peluqueria "Cony"		3S-E-14	Cerrajeria
3S-W-18	Renovadora de Calzado "Joel"		3S-E-15	Renovadora de Calzado "Joel"
3S-W-19	Arte en Globos		3S-E-16	Dulceria "Lialy"
			3S-E-17	Mercado de Carnes "La Capilla"
3S-W-20	Aluminio y Vidrio		3S-E-18	Imprenta "El Comercio"
3S-W-21	Foto Aries		3S-E-19	Capilla de los dolores
3S-W-22	Farmacia del Carmen	3S-E-20	Frutas u Legumbres "Yoyo's"	

APPENDIX C

LIST OF RETAIL STORES ON AV. MIGUEL ALEMAN

Number	Store Name	Street	Number	Store Name
Calle Principal Intersection				
MA-W-1	Dominos Pizza	Av. Miguel Aleman	MA-E-1	Oxxo
MA-W-2	Dominos Pizza		MA-E-2	3 Vision XXI Optica
			MA-E-3	3 Vision XXI Optica
			MA-E-4	Pretty Casual
				??
			MA-E-5	Hotel
				Pvt. Door
			MA-E-6	Foto Aguirre
			MA-E-7	Foto Aguirre
				Door
				Door (103)
MA-W-3	Carniceria La Cubana		MA-E-8	Merceria
	Pvt Door			Pvt. Door
	Pvt Door		MA-E-9	La Higienica (Tortilladoras)
MA-W-4	Foto Centro			Door
MA-W-5	Foto Centro		MA-E-10	Undertakers (Miraman)
MA-W-6	CROM		MA-E-11	Street 5 (Clothes)
MA-W-7	CROM	MA-E-12	Escencias y Perfumes (109)	
	Pvt Door	MA-E-13	Carnicerias "La Carolina"	
MA-W-8	Envios Delgado	MA-E-14	Paint Store	
MA-W-9	Envios Delgado	MA-E-15	Paint Store	
MA-W-10	Boutique	MA-E-16	Opticas Citlali	
MA-W-11	Eduardos (112)	MA-E-17	Opticas Citlali	
3Pte/3Ote Intersection				

3Pte/3Ote Intersection				
MA-W-12	Tint. Y Planchaduria Citlali	Av. Miguel Aleman	MA-E-18	Telmex Store
MA-W-13	El Takazo de Altepétl		MA-E-19	Fruits
MA-W-14	"BJ" Centro de Soluciones de Internet		MA-E-20	Fruits
MA-W-15	Importate			
MA-W-16	Pasteleria			
MA-W-17	Super Chicos (304)			
MA-W-18	Pretty Woman			
MA-W-19	Regalos y Novedades			
MA-W-20	Pantalon directo de Fabrica			
MA-W-21	Ferrateria "El Centenario"			
MA-W-22	Regalos/Joyeria "Lary"		MA-E-21	Accountant (Olivia Jimenez (303))
	Pvt Door		MA-E-22	TelCel
MA-W-23	Taqueria "El Gran Taco"		MA-E-23	Botica Guadalupe (Regalos)
MA-W-24	Decoracion y Servicios			Pvt Door
	Door		MA-E-24	Rampage (New Collection) Clothes
MA-W-25	Moda Urbana		MA-E-25	Magdalan Quima (Vinos)
	Pvt Door		MA-E-26	Comercial de Pinturas
MA-W-26	Frutas y verduras (Jazmin)		MA-E-27	Preparatoria
MA-W-27	Navegantes (Café-Internet)		MA-E-28	Peluqueria
MA-W-28	Vidrio Importada (#318 A)		MA-E-29	Marisqueria "7 Mares"
MA-W-29	Imprenta (autorizada por SHCP, #318)		MA-E-30	Marisqueria "7 Mares"
5Pte/5Ote Intersection				
			MA-E-31	Marisqueria "7 Mares"
			MA-E-32	Marisqueria "7 Mares"

APPENDIX D

SAMPLE QUESTIONNAIRE FOR RETAILER SURVEY

Questionnaire for Retail Survey of Citlalicalli, Mexico.

General Information:

Name of Interviewer: _____

Name of Interviewee: _____

Position of Interviewee in the Store: Owner or Employee

Gender of Interviewee: Male or Female

(1 -8 by observation.)

1. Case no.:
2. Retail Store sub area:
3. Date/Time of interview:
4. Area occupied by store (sq. feet or sq. meters):
5. If interview is incomplete, best time to contact (date/time):
6. Type of retail store (classification according to city):
7. How many cash registers do you have?
8. What is the mode of selling?
 - a. Self service
 - b. Assisted sale

Operations:

9. Which of the following types of goods sold in your store? :
 - a. Unprocessed
 - i. Vegetables
 - ii. Fruits
 - iii. Beef
 - iv. Meat (poultry)
 - v. Pork
 - vi. Other Meat
 - vii. Seafood and fish
 - viii. Spices
 - ix. Food grains
 - x. Other (please specify) _____.
 - b. Processed
 - i. Vegetables
 - ii. Fruits
 - iii. Beef
 - iv. Meat (poultry)
 - v. Pork
 - vi. Other Meat
 - vii. Seafood and fish
 - viii. Spices
 - ix. Pre-cooked foods
 - x. Beverages (alcoholic)
 - xi. Beverages (non-alcoholic)
 - xii. Other _____.

c. Nonfood

- i. Nonfood durables (furniture, electronic goods, etc.) _____
- ii. Nonfood nondurables (shoes, clothing, medicines, etc.) _____
- iii. Services (barbers, fortunetellers, tailors, etc.) _____
- iv. Unclassified (write full description) _____

10. Where did these goods originate from (please specify for each good)?

11. From where did you get these goods (please specify for each good)?

12. Form of transportation used to deliver goods to your location (please specify for each good)?

13. How often do you obtain goods (specify for each good)?

- a. More than once a day
- b. Daily
- c. More than once a week
- d. Weekly
- e. Less than weekly
- f. Unspecified

14. How do you pay for these goods?

- a. If credit,
 - i. What is the credit period?
 - ii. What is the credit line?
- b. If noncredit,
 - i. What is the average amount of purchases?

15. What are your hours of operation (give specific time intervals)?

16. About what time(s) of day do you have best business (check more than one)?
- No response/don't know
 - Morning
 - Noon
 - Mid-day (11 am – 2pm)
 - Afternoon (2pm – 5pm)
 - Evening (5pm-7pm)
 - Night (after 7pm)
 - No fixed pattern
17. Are there certain times of the year when business is better?
- Yes
 - No
 - Don't know
 - No fixed pattern
18. If yes, record time of year and name of season (e.g. Christmas, Saints Feast, etc.)
-

19. On the average what do you estimate the value of your daily stock? (amount in Mexican Pesos)
20. On an average what is the daily total earnings? (amount in Mexican Pesos)
21. On an average what is the daily profit? (amount in Mexican Pesos)
22. Do you have to pay taxes or other rents? If yes, please specify the average amounts.
23. Do you think there is too much competition?
- Yes
 - No

Ownership

24. How many assistants do you regularly use in your store?
- Relatives paid:
 - Number
 - None
 - No response
 - Relatives unpaid:
 - Number
 - None
 - No response
 - Non relatives paid:
 - Number
 - None
 - No response
 - Non relatives unpaid:
 - Number
 - None
 - No response
25. Number of male assistants
- Number (total)
 - Number (related)
 - No response
26. Number of female assistants
- Number (total)
 - Number (related)
 - No response

27. Do you or your family have any other retail store?
 - a. Yes
 - b. No
28. If answer is "yes" for previous question:
 - a. What is the relationship to the owner of the other retail store?
 - b. How many?
 - c. Specify the type of goods sold in these stores. _____

Customers

29. Where do you think most of your customers come from?
 - a. No response
 - b. From this neighborhood and nearby (immediate area/10 minutes walk)
 - c. Outside this neighborhood
 - d. From both this neighborhood and outside
 - e. No fixed pattern
 - f. Don't know
30. How do most of your customers pay? (credit card, cash, credit)
31. If credit (non-credit card),
 - a. What is the credit line you allow?
 - b. What is the duration of credit?
32. If credit (credit card),
 - a. Do you have a minimum value for credit-card purchases? (please specify the amount in Mexican Pesos) _____

Retail Outlet History

33. How long have you been running this store? (year and months)
34. Why did you choose this place?
35. Since you first opened this store have you been selling the same goods?
 - a. Yes
 - b. No
 - c. If no, specify types. _____
 - d. Don't know
36. Gender of owner
 - a. Male
 - b. Female
37. What year were you born? (or what is your age?)
38. Where were you born?
 - a. Village/Town
 - b. District
 - c. Province
39. How many years have you lived in this city?
 - a. No response
 - b. 0-1 years
 - c. 1-3 years
 - d. 4-6 years
 - e. 7-10 years
 - f. 11-15 years
 - g. 15-20 years
 - h. 20 years
 - i. Native to city

- j. Live outside the city
40. What language do you speak at home?
41. What are the languages that you speak?
42. How many years of schooling have you had?
- No schooling or Don't Know or No Response (Circle One)
 - Primary
 - Secondary
 - High School
 - Vocational School
 - Four Year College
 - Masters
 - Doctorate
43. What were the reasons for you getting into this business? -
-
-
-
-
44. How many years have you been engaged in retailing? _____
45. What was the last job you had before getting into this business?
- No response
 - No previous job
 - No schooling, housewife
 - Government employment
 - Army, police etc.
 - Unclassified job
46. What is your principal job besides retailing?
- No other job
 - Agriculture, fishing, mining
 - Government employment
 - Unclassified job

Family

47. Where do you live? (complete address)
48. How far do you live from your place of business (miles or kilometers)
49. How much time does it take for you to reach to your place of business? (hours and minutes)
50. How do you generally get to your store from your home? (public transportation, car, motorcycle, scooter etc.)
51. How many people are there in your family? (gender, age, relationship, occupation, schooling)
52. Number of working (earning) members
53. Would you be willing to participate in a follow-up interview?
- Yes
 - No

APPENDIX E

SAMPLE QUESTIONNAIRE FOR CONSUMER SURVEY I

Questionnaire for Consumer Survey I of Citlalicalli, Mexico.

1. Name of Interviewer: _____
2. Case no.: _____
3. Retail Store sub area: _____
4. Retail Store type (supermarket, neighborhood store etc.): _____
5. Date/Time of interview: _____
6. Area occupied by store (m²): _____

Buying pattern (Circle the appropriate response)

7. How often do you buy goods at this store?
 - a. More than once a day
 - b. Daily
 - c. More than once a week
 - d. Weekly
 - e. Less than weekly
 - f. Unspecified
 - g. No response

8. Why do you shop at this outlet (accept more than one response)?
 - a. Gives credit
 - b. Is a one-stop shopping place
 - c. Has a wide range of products
 - d. Near place of residence
 - e. Friendly
 - f. Self-service
 - g. Assisted sales
 - h. Other reason (specify) _____

9. How long have you been patronizing this store (months, years)? _____

10. Do you buy at supermarkets like WalMart or Oxxo? (If customer is encountered outside a supermarket, ask: Do you buy at small neighborhood stores?)
 - a. If yes, how often?
 - i. More than once a day
 - ii. Daily
 - iii. More than once a week
 - iv. Weekly
 - v. Less than weekly
 - vi. Unspecified
 - vii. No response

11. Where do you buy the following?

- a. Unprocessed
 - i. Vegetables _____
 - ii. Fruits _____
 - iii. Beef _____
 - iv. Meat (poultry) _____
 - v. Pork _____
 - vi. Other Meat _____
 - vii. Seafood (including fish) _____
 - viii. Spices _____
 - ix. Spices _____
- b. Processed (Canned/ packaged)
 - i. Vegetables _____
 - ii. Fruits _____
 - iii. Beef _____
 - iv. Meat (poultry) _____
 - v. Pork _____
 - vi. Other Meat _____
 - vii. Seafood (including fish) _____
 - viii. Spices _____
 - ix. Pre-cooked foods _____
 - x. Beverages (alcoholic) _____
 - xi. Beverages (non-alcoholic) _____
 - xii. Other foods _____
- c. Nonfood
 1. Nonfood durables (furniture, electronic goods, etc.)
 - i. Furniture _____
 - ii. Electronic goods _____
 - iii. Electrical appliances _____
 - iv. Others (please specify) _____
 2. Nonfood non-durables (shoes, clothing, medicines, etc.)
 - i. Shoes _____
 - ii. Clothes _____
 - iii. Medicines _____
 - iv. Others (please specify) _____

12. How far from this store do you live (km)? _____

13. How long does it take for you to reach this place (minutes, hours)? _____

14. How do you reach this store

- a. public transport
- b. personal transport

Personal History and Family

15. Gender of respondent:

- a. Male
- b. Female

16. What year were you born? (or what is your age? or How old are you?)

17. How many people are there in your family? (gender, age, relationship, occupation, schooling of each individual)

Gender	Age in years	Relationship	Occupation	Level of schooling

a. Number of working (earning) members

- i. Males _____
- ii. Females _____

18. What language do you speak at home? _____

19. What are the other languages that you speak? _____

20. How many years of schooling have you had?

- a. No response
- b. No formal education
- c. Don't know
- d. Primary
- e. Secondary
- f. High School
- g. Vocational School
- h. Four Year College
- i. Masters
- j. Doctorate

21. Are you the primary earning member of your family?

- a. Yes
- b. No
- c. Don't know/ no response

22. What is your primary occupation?

Please specify _____

23. What is your approximate annual household income (Mx. Pesos)? _____

24. Which of the following does your household own?

- a. Telephone (if yes, specify numbers) _____
 b. Cellular telephone (if yes, specify numbers) _____
 c. Car (if yes, specify number and name of model(s)) _____

1.	4.
2.	5.
3.	6.

d. Motorcycle (if yes, specify number and name of model(s)) _____

1.	4.
2.	5.
3.	6.

- e. Television (if yes, specify numbers) _____
 f. Cable connection _____
 g. Satellite Television _____
 h. VHS player (if yes, specify numbers) _____
 i. DVD player (if yes, specify numbers) _____
 j. Desktop computer (if yes, specify numbers) _____
 k. Laptop computer (if yes, specify numbers) _____

25. Which neighborhood do you live in? _____

26. How many years have you lived in your current neighborhood? _____

27. Where were you born?

- a. Village/Town _____
 b. District _____
 c. Province _____

28. How many years have you lived in this city?

a. No response	b. 0-1 years
c. 1-3 years	d. 4-6 years
e. 7-10 years	f. 11-15 years
g. 15-20 years	h. More than 20 years
i. Native to city	j. Live outside the city (Specify): _____

29. Would you be willing to participate in a follow-up in-depth interview?

- a. Yes
 b. No

30. If response is "yes" to previous question ask for contact information

- a. Name: Sr./Sra./Srta. _____
 b. Address: _____
 c. Phone number: _____
 d. Email address: _____

APPENDIX F

SAMPLE QUESTIONNAIRE FOR CONSUMER SURVEY I

Case No.: _____ (Note: Leave Case No. Blank) Location: _____ Date and Time: _____

Please mark your response with a cross.

SECTION I

I. 1. Where do you live?

- Citlalicalli Altepétl Pueblos close to Citlalicalli or Altepétl
 Other cities or pueblos in this state Other cities or pueblos in Mexico Foreigner

I. 2. Do you buy at supermarkets (including mini-super)?

- Yes No

I. 3. Generally, in which supermarket do you buy? You can select more than one option.

- Wal-Mart Bodega Aurrerá Sams Superama Costco
 Gigante
 Chedraui Comercial Mexicana Gran Bodega OXXO CROM
 Mini-Bodega Other (please specify) _____

I. 4. How frequently do you buy at supermarkets?

- Daily 4-6 times a week 1-3 times a week
 Once in 2 weeks 3 times a month Less than once a month Never

I. 5. What mode of transportation do you use to go to supermarkets?

- Walking Bicycle Motorcycle Car Bus Taxi
 Other (please specify) _____

I. 6. How much time does it take for you to get to the supermarket from your house? (time in minutes)

- 0-10 11-20 21-30 31-40 More than 40

I. 7. How frequently do you buy at small grocery stores?

- Daily 4-6 times a week 1-3 times a week
 Once in 2 weeks 3 times a month Less than once a month Never

I. 8. What mode of transportation do you use to go to the small store?

- Walking Bicycle Motorcycle Car Bus Taxi
 Other (please specify) _____

I. 9. How much time does it take for you to get to the small store (*abarrotes*) from your house? (time in minutes)

- 0-10 11-20 21-30 31-40 More than 40

SECTION II

II. 1. What do you think regarding buying at a supermarket as compared to a small store?

Inexpensive	++	+	o	+	++	Expensive
Small quantities ----	++	+	o	+	++	--- Large quantities
Poor quality	++	+	o	+	++	High quality
Near -----	++	+	o	+	++	--- Far
Uncomfortable	++	+	o	+	++	Comfortable
Simple -----	++	+	o	+	++	--- Complicated
Fast	++	+	o	+	++	Slow
Clean -----	++	+	o	+	++	--- Unclean
Friendly	++	+	o	+	++	Not Friendly
Convenient -----	++	+	o	+	++	--- Inconvenient
Personal attention	++	+	o	+	++	No personal attention
Fresh -----	++	+	o	+	++	--- Not fresh

II. 2. What do you think regarding buying at a small store as compared to a supermarket?

Inexpensive	++	+	o	+	++	Expensive
Small quantities ----	++	+	o	+	++	--- Large quantities
Poor quality	++	+	o	+	++	High quality
Near -----	++	+	o	+	++	--- Far
Uncomfortable	++	+	o	+	++	Comfortable
Simple -----	++	+	o	+	++	--- Complicated
Fast	++	+	o	+	++	Slow
Clean -----	++	+	o	+	++	--- Unclean
Friendly	++	+	o	+	++	Not Friendly
Convenient -----	++	+	o	+	++	--- Inconvenient
Personal attention	++	+	o	+	++	No personal attention
Fresh -----	++	+	o	+	++	--- Not fresh

SECTION III: Generally, where do you buy the following products?

III. 1.	Cooking oil Supermarket	++	+	o	+	++	Small store
III. 2.	Milk in tetrapak Supermarket	++	+	o	+	++	Small store
III. 3.	Milk in plastic can Supermarket	++	+	o	+	++	Small store
III. 4.	Milk powder Supermarket	++	+	o	+	++	Small store
III. 5.	Yoghurt Supermarket	++	+	o	+	++	Small store
III. 6.	Cheeses Supermarket	++	+	o	+	++	Small store
III. 7.	Sugar Supermarket	++	+	o	+	++	Small store
III. 8.	Eggs Supermarket	++	+	o	+	++	Small store
III. 9.	Fresh meat Supermarket	++	+	o	+	++	Small store
III. 10.	Dried meat Supermarket	++	+	o	+	++	Small store
III. 11.	Cold cuts Supermarket	++	+	o	+	++	Small store
III. 12.	Frozen meat Supermarket	++	+	o	+	++	Small store
III. 13.	Fresh fish Supermarket	++	+	o	+	++	Small store
III. 14.	Dried fish Supermarket	++	+	o	+	++	Small store
III. 15.	Canned fish Supermarket	++	+	o	+	++	Small store
III. 16.	Frozen fish Supermarket	++	+	o	+	++	Small store
III. 17.	Fresh seafood Supermarket	++	+	o	+	++	Small store

III. 18.	Canned seafood Supermarket	++	+	o	+	++	Small store
III. 19.	Dried seafood Supermarket	++	+	o	+	++	Small store
III. 20.	Frozen seafood Supermarket	++	+	o	+	++	Small store
III. 21.	Fresh vegetables Supermarket	++	+	o	+	++	Small store
III. 22.	Canned vegetables Supermarket	++	+	o	+	++	Small store
III. 23.	Packaged vegetables Supermarket	++	+	o	+	++	Small store
III. 24.	Frozen vegetables Supermarket	++	+	o	+	++	Small store
III. 25.	Fresh fruits Supermarket	++	+	o	+	++	Small store
III. 26.	Canned fruits Supermarket	++	+	o	+	++	Small store
III. 27.	Frozen fruits Supermarket	++	+	o	+	++	Small store

SECTION IV: PERSONAL INFORMATION

IV. 1. Gender:

Male Female

IV. 2. Age:

18 to 25 years 26 to 33 years

34 to 40 years 41 to 50 years

51 to 65 years 66+ years

IV. 3. Civil Status:

Single Married

Widowed Divorced Live-in

Other _____ (please specify)

IV. 4. Occupation:

Full-time Part-time

House-wife Retired

Pensioned Unemployed

Student

Other _____ (please specify)

IV. 5. Number of people in the household:
1 2 3 4 5 6+

IV. 6. Number of children in the household
who are below the age of 5:
0 1 2 3 4 5+

IV. 7. Number of children in the household
who are between the ages of 5 and 12:
0 1 2 3 4 5+

IV. 8. Number of children in the household
between the ages of 12 and 18:
0 1 2 3 4 5+

IV. 9. Number of adults in the household
between the ages 18 to 65:
0 1 2 3 4 5+

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