



2016 Top Markets Report **Recreational Transportation** Country Case Study

Mexico – Recreational Marine

Mexico offers tremendous potential to become a leading market for recreational marine exports, which is the focus of this case study. It is already the second largest destination for U.S. exports of these products. U.S. exports to Mexico are forecast to grow 10 percent annually between 2015 and 2018 and total \$206 million. The current market situation, however, limits the market, as a few major distributors control market access and sales opportunities.



With miles of coast line and a temperate climate, the Mexican boating market has huge potential. The driving factor for boat ownership is personal disposable income. If the Mexican economy can develop and the number of middle class families grows, the Mexican boating market may eventually rival the Canadian market. The GNI Per Capita was \$9,870 in 2014.

Mexico also has an estimated 7.2 million citizens who are able to purchase high-end goods, which ranks fourth globally. As a result, Mexican boat owners favor vessels over 35 feet. This is not the type of demand that creates long-term growth. Typically, boats between 17 and 35 feet are the kind that most middle-class families seek. Middle class families are what sustain demand in the United States and other developed markets. For example, children of boating families are more likely to purchase a boat when they get older and have families of their own.

According to the Mexico’s Secretary of Infrastructure and Transport, there are 167,805 registered boats in the country, and 26 percent of those are for leisure and sport activities. In addition there are 12 federal marinas and approximately 28 private marinas. This is one area

where Mexico lags behind some of the other Latin American markets. Furthermore, many of the marinas need to offer more and better services.

Challenges and Barriers to Recreational Marine Exports in Mexico

There are many challenges in the Mexican market but few formal policy-related barriers. Under NAFTA, there are no tariffs on imports of boats from the United States. Safety and emission standards in Mexico are not on par with American standards and have not been a deterrent for U.S. manufacturers.

The challenges are the previously mentioned lack of infrastructure and the lack of middle class demand for boating products. Additional challenges are inadequate distribution channels. Currently, only a handful of distributors control the market, so it is difficult to break into the Mexican market, as these distributors may not want to compete against themselves and their biggest brands. More distributors would lead to more competition and lower prices. The lack of distributors has also made it difficult for sustained growth for boat shows, a key marketing tool used to enter the market.

The final challenge, which will be hard for the industry to address, is the issue of personal and property security. Many potential boat owners fear their boat may be stolen if not housed in a secured marina or dry-stack facility. This is particularly true around inland waterways and lakes.

Opportunities for U.S. Companies

The United States is the largest supplier of boats to Mexico. U.S. exports of recreational marine products to Mexico totaled \$155 million in 2015 and are expected to grow at a compound annual rate of 10 percent to 2018, reaching \$206 million. This is largely due to the lack of domestic competition, which has limited investment in the sector.

This is an area where American marina suppliers and the recreational marine service industry could potentially help foster investment. As boating infrastructure grows, so too will the demand for boats, likely creating opportunities for American suppliers. If Mexico could develop this infrastructure, it would be a great boost to tourism, as many Americans would travel to Mexico to enjoy boating, as they could rent boats at local marinas. ITA expects boats under 35 feet to become increasingly popular in the years ahead.

Optimizing U.S. Leverage

U.S. industry and export promotion agencies should continue to work together to grow the Mexican boating market. The NMMA, with help from ITA staff in Mexico, learned much about the market and how U.S. boats are

sold. Now we should work together to determine the best strategies to grow the market. The U.S. industry's involvement will be essential to grow the market beyond a market for the "nouveaux riche."

For the development of infrastructure, U.S. interests, private and federal, should meet with government officials to determine what role U.S. marina developers could play to increase opportunities. The U.S. industry has the most to gain if this market is expanded, so it should play the biggest role supported by U.S. export agencies.

In order to open up the market to more middle-class families, we need to educate consumers. One of the best tools available is the NMMA's "Discover Boating" website and YouTube Channel. These videos should be translated into Spanish for the entire Latin American market and should be disseminated by industry and trade specialist whenever possible.

During the 2016 Miami International Boat Show, there was a significant buyer delegation from Mexico that will potentially open new avenues for expansion for U.S. companies, as these buyers met with many U.S. manufacturers. Continuing to recruit Mexican delegations would be beneficial for further growth.

A long-term goal may be for the U.S. industry to support a particular Mexican trade show on a continuing basis, a show that supports the participation of smaller U.S. manufacturers to find new distributors. Currently, there are three major Mexican boat shows in Acapulco, Los Cabos and Cancun.

Did You Know?

1. The GNI Per Capita for Mexico was \$9,870 in 2014, the top ranking in Latin America.
2. Mexico also has an estimated 7.2 million citizens who are able to purchase high-end goods, which ranks fourth globally.
3. If the infrastructure (marinas and boat slips) for boats develops and grows significantly, Mexico might one day rival our export market to Canada.
4. Participating in Mexican boat shows and seeking Mexican buyers and distributors at U.S. boat shows are the best ways to introduce your products to the market.