



# Mexico: Opportunities and Trends in the Hotel Industry

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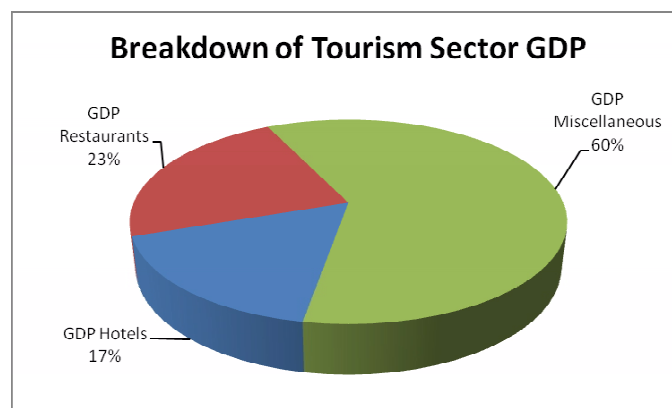
## Summary

Mexico ranks as the world's eighth top tourism destination, and third in the Americas after the United States and Canada. The tourism sector accounts for eight percent of Mexico's GDP. Therefore, the hotel industry is naturally linked to and dependent on tourism, which earlier this year faced an unthinkable combination of setbacks. The effect of the global economic crisis and the outbreak of the H1N1 flu-virus had a debilitating impact on tourism and thus the hotel industry, which saw a significant drop in occupancy rates across the country and postponement of hotel projects. Nevertheless, Mexico's Tourism Ministry (SECTUR) revealed in late June that tourism is on the rebound, as the H1N1 flu-virus has been controlled and continues to be monitored. Occupancy rates in Quintana Roo, home to Cancun, are currently at 50 percent, up from 20 percent in recent months. Hotels in Mexico City are now 59 percent full, up from a crippling 10 percent in May. The Grand Tourism, Boutique and Five Star Hotels were affected the most. Recognizing the importance of tourism to the economy, the Government of Mexico has launched a USD 1.2 billion campaign named "Visit Mexico" to attract foreign visitors to tourist destinations.

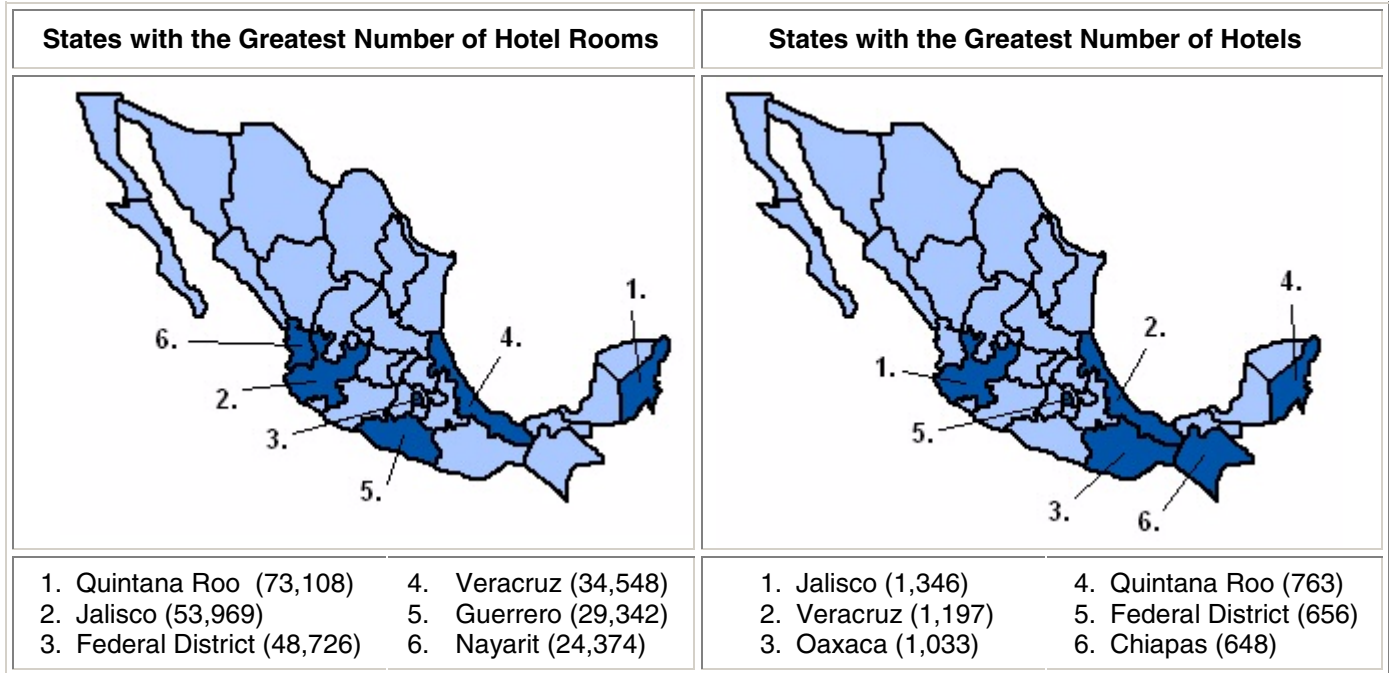
As tourism returns to normal levels, the hotel industry in Mexico represents an ongoing business opportunity for US exporters. In 2007, President Felipe Calderon announced the National Infrastructure Program, which included the development of both new and existing tourist destinations. This translates into a need for new hotels and renovations to old ones, as hotel chains seek to become more competitive. In 2008, the industry reported a solid growth mark of 8.6 percent. Mexico's National Chamber of the Construction Industry estimates that foreign investment in the hotel industry reached US\$4.6 billion during 2008, 34 percent more than the previous year. The Chamber further predicts that private groups will invest US\$9.3 billion in 2009, while the government will invest US\$2.9 million.

## Market Demand

Close to 22 million foreign visitors passed through Mexico in 2008, which generated US \$13 billion for the tourism sector. In 2008, tourism accounted for eight percent of Mexico's total GDP, and of that amount, hotels generated 17 percent of the tourism sector GDP.



Market statistics show that a total of 14,963 hotels with 583,731 rooms were registered in 2007. Approximately 85 percent are small and medium-sized hotels. The illustration below identifies the states in Mexico that have the greatest number of hotels and hotel rooms, as of 2007. States with more hotels do not necessarily have higher overall capacities; this means that while there are generally fewer hotels in tourist destinations, including the Yucatan (Quintana Roo) and Mexico City (Federal District), the number of rooms in each hotel is higher.



The National Chamber of the Construction Industry (CMIC) estimates that there will be 9,907 new hotel rooms built in 2009.

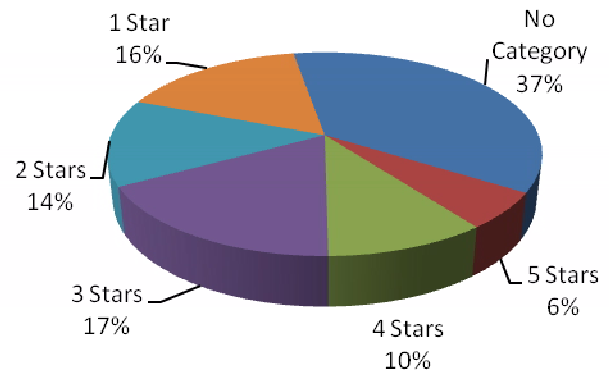
### Market Data

#### Growth of the Hotel Industry in Mexico per Category

Hotel Class	2005	2006	2007
No Category	5,156	5,560	5,485
5 Stars	756	827	866
4 Stars	1,394	1,432	1,514
3 Stars	2,313	2,426	2,581
2 Stars	1,958	2,048	2,074
1 Star	2,174	2,118	2,443
<b>Total:</b>	<b>13,751</b>	<b>14,411</b>	<b>14,963</b>

Source: Secretariat of Tourism (SECTUR)

#### 2007 Hotel Class Distribution



Hotels in Mexico are divided into two major groups: those located near beach tourism destinations (such as Puerto Vallarta, Puerto Escondido, Huatulco, Acapulco, Ixtapa, Cancun, the Riviera Maya, Cozumel, Isla Mujeres), and those located in urban areas. Both groups are selected per hotel classes, which are described as follows:

**Intelligent Hotels** – These hotels are distinct due to the state of the art technology systems running their operations. For instance, they have replaced traditional air-conditioning systems with cooling towers to reduce their energy cost up to 50 percent. These types of hotels usually have integrated systems which join analog and digital systems to achieve effective communication. The return on investment is reflected in the energy-cost savings and the comfort they provide to their guests. Some examples are: motion light sensors and wireless internet.

**Grand Tourism** – These large hotels are located in tourism destinations and usually have more than 1,000 rooms equipped with air conditioning, TV satellite, phone, voice mail, bar server, coffee pot, safety box, iron, bath robes, jacuzzi and hair dryer. Some of their facilities include at least one swimming pool, gym, spa, beauty shop, and restaurants and bars.

**Resort Hotels with Spa** – These are located in attractive and natural tourism destinations. Their architecture is associated with regional ancient civilizations such as the Maya, but may incorporate other architectural styles such as contemporary and modern. Their clientele are groups and couples that like adventure with sophistication and comfort. The attractions vary depending on the region, and some might offer golf facilities, tennis or scuba diving. These hotels, depending on the natural surroundings, also arrange other activities like hiking and jeep/horse tours.

Resort hotels only have suites, which are built separately with a private swimming pool. The rooms are equipped with the following entertainment features: liquid crystal display screens, movie menus and music players including DVD, CD and MP3. They also might have restaurants with gourmet regional and international cuisine and include a lobby bar.

**Boutique Hotels** – Boutique hotels are remodeled historical buildings. They usually have less than 30 rooms, equipped with internet access, a safety box and air conditioning. The hotels have services such as laundry, concierge and stores. Some organize art exhibitions in order to attract clients to their hotels.

**Five Star Hotels** – These hotels are usually located in the high-income level areas throughout Mexico and close to main avenues and shopping centers. They have master suites, junior suites and classic rooms with assorted services: laundry room, concierge, front desk, lobby, gym, swimming pool, rooms for events with 30 to 250 people, business center with internet connection, fax machines and clerical services. Five star hotels usually have at least three restaurants and a bar.

**Four Star Hotels** – These hotels have less than a hundred rooms and are oriented towards business travelers. The rooms include bar, air conditioning, safety box, voice mail and coffee pot. The facilities of these hotels include a restaurant, lobby bar, a room for events, laundry, internet connection and clerical services.

**Hotels of Limited Services** – These are generally franchises of recognized hotels, built within limited areas. Their facilities include: One restaurant bar with a selective menu, small meeting rooms for up to 30 people; one business center with computers, fax, internet and clerical services, and a small gym with a few pieces of workout equipments. These hotels are located near business areas such as industrial parks, cities, airport terminals, etc.

**Three Star Hotels** – Smaller hotels, having less than 100 rooms and a few suites. The rooms are equipped with phones, TV cable, radio, and room service. The suites have a jacuzzi and safety boxes. They usually have one restaurant and/or bar. Among the facilities that these hotels provide to their clients is travel agency, car rental, convenience stores, nanny service, laundry, and safety boxes.

**Two Star Hotels** – Hotels with up to 50 rooms including a few suites which are equipped with air conditioning, TV satellite, and phone. These hotels also have a restaurant, car rental, swimming pool, laundry, safety box at the reception only and do not have internet.

**One Star Hotels** – Hotels with less than 50 rooms and convenient rates. Their services are limited; no internet access, no laundry, no air conditioning, etc.

**No Category hotels** - These hotels include motels, cottages, bungalows and others with limited services. It is important to note that these hotels represent 37 percent of the total hotel market share.

### **Best Prospects**

Hotels in Mexico are always looking for innovative products that can save time, provide a better service, easy to use by their guests/staff; and comfort oriented. Some examples of categories are: amenities, outdoor furniture, decoration, bathroom accessories, refrigeration equipment, locks and alarms, safety boxes, and lighting.

## Key Suppliers

Even though the United States is the second largest trading partner of Mexico, there are other players gaining import market share. These players are mainly from Asian and European countries.

### Major Foreign Competitors' Share of the Import Market

8422 Cleaning Machines			8415 Air Conditioning Machines			8450 Washing Machines		
	2007	2008		2007	2008		2007	2008
Italy	29%	30%	USA	55%	55%	USA	61%	59%
USA	22%	25%	China	24%	25%	S. Korea	15%	13%
Germany	21%	20%	S. Korea	7%	4%	China	11%	12%

94 Furniture and Bedding			70 Glass and Glassware			4814 Wallpaper		
	2007	2008		2007	2008		2007	2008
USA	47%	44%	USA	54%	62%	USA	37%	43%
China	19%	22%	China	8%	14%	Canada	28%	28%
Spain	6%	4%	Germany	3%	4%	Spain	14%	7%

8528 Television Receiver			6905 Roof, Tiles and Chimneys			63 Misc. Textiles including Liner		
	2007	2008		2007	2008		2007	2008
USA	48%	47%	USA	38%	35%	USA	46%	43%
China	40%	45%	Spain	41%	34%	China	16%	18%
Taiwan	6%	5%	Colombia	18%	13%	India	3%	5%

8417 Furnace, Nt Electric			3923 Box, Bag, Closures, Etc.			82 Tool, Cutlery, of Base Metals		
	2007	2008		2007	2008		2007	2008
USA	53%	52%	USA	87%	83%	USA	45%	44%
Italy	17%	16%	China	4%	7%	China	10%	10%
Germany	10%	13%	Canada	2%	2%	Germany	6%	6%

950631 Golf Clubs, Complete			34 Soap, Wax, Dental Prep.			97 Art and Antiques		
	2007	2008		2007	2008		2007	2008
USA	48%	51%	USA	70%	71%	USA	45%	29%
China	50%	48%	Germany	7%	8%	Italy	6%	25%
Taiwan	0.2%	0.8%	UK	4%	3%	China	12%	14%

Note: Available statistics include consumer and industrial equipment as a whole. It is currently not possible to break out consumer data from industrial data.

## Prospective Buyers

Small to medium sized hotels purchase from local manufacturers as well as dealers of foreign brands. Large hotels and hotel chains located near the border regions and beach tourism destinations prefer to directly import equipment and products from the country of origin. However, they normally have national suppliers as a backup supply chain. Both groups of buyers look for competitive pricing, high quality, and convenient delivery lead-time. Adequate after-sale services and maintenance are also essential to hotels that purchase from local distributors in their regions. U.S. exporters are encouraged to reproduce their equipment manuals into Spanish as a friendly way to better serve their clients.

## Market Entry

It is highly recommended that US companies committed to pursuing the Mexican market appoint multiple distributors by region, including Mexico City, Guadalajara and Monterrey to cover the country. The ideal candidate companies are the ones that carry related products and/or equipment to complement their business line and serve better their current clients and increase their customer base. Another avenue is to hire a U.S. export rep company, which has already has a network of dealers across the country. Delivery times, pricing and after-sale service are the key factors to be successful in the Mexican market.

## Market Issues & Obstacles

There are no major barriers to the importation of equipment if they have a Certificate of Origin to qualify for NAFTA benefits. However, the Mexican Government has recently issued temporary duties on the following equipment related to this sector:

<i>HTS Code</i>	<i>Description</i>	<i>Tariff</i>
33049999	Skin care products, including beauty products and sunscreen	15%
48181001	Toilet paper	10%
57050099	Other carpets and textile floor coverings	20%
83024102	Curtain racks	20%
83024104	Locks without keys, door handles or bolts, of base material	20%
84181099	Combined refrigerator-freezers with separated external doors, over 200kgs weights per unit	15%
84198101	Coffeemakers	20%
84221101	Dishwashing machines, household type	15%
84501299	Other laundry washing machines, with built-in centrifugal dryer	20%

Source: [http://www.ita.doc.gov/td/industry/otea/301alert/mx\\_ret.html](http://www.ita.doc.gov/td/industry/otea/301alert/mx_ret.html)

Other U.S. equipment for this sector does not face any import tariffs upon entry, except the ones listed above. Nevertheless, electrical equipment should meet European CE requirements to be considered meeting Mexican standards. The UL certification is not sufficient. Also, it is very important that the imported equipment comply with the NAFTA agreement to receive the benefits on reduced duties.

According to the current regulations, purchase of pre-owned hotel furniture is tax-exempt only if the hotel, which imports them, is the end-user as well. The furniture should comply with NAFTA regulations and could include furniture, wardrobes, bed linen cabinets, decorative small tables, beds, cribs, screens, rolling tables for hors d'oeuvre or liqueurs, including those with heating systems.

In Mexico, 85 percent of hotels might require financing for their equipment acquisitions. A number of Mexican banks have agreements with Ex-Im Bank and can be a good source of financing for U.S. equipment.

## Trade Events

### Expo Hotel

17 to 19 June, 2009.

Convention Center in Cancun, Quintana Roo – Mexico.

<http://www.exphotel.net>

### **Expo Restaurantes**

1 to 3 July, 2009.

World Trade Center, Mexico City

<http://www.exporestaurantes.com.mx>

### **Abastur**

30 September – 2<sup>nd</sup> October, 2009.

Centro Banamex, Mexico City.

<http://www.abastur.com>

### **Resources & Contacts**

Secretariat of Tourism

<http://www.sectur.gob.mx>

National Fund for Tourism Promotion

<http://www.sectur.gob.mx>

Mexican Tourism Promotion Council

<http://www.cptm.com.mx>

Mexican Chamber of Construction Industry (CMIC)

<http://www.cmic.org>

National Institute of Geography, Information and Statistics (Inegi)

<http://www.inegi.org.mx>

World Trade Atlas Information Services

<http://www.promexico.gob.mx>

### **For More Information**

The U.S. Commercial Service in Mexico City can be contacted via e-mail at: [monica.martinez@mail.doc.gov](mailto:monica.martinez@mail.doc.gov) ;

Phone: 011-52-55-51402628; Fax: 011-52-55-55661111; or visit our website: <http://www.BuyUSA.gov/mexico>

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