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Mexicans buy in Tucson

Pima County takes in 31% of the money spent in Arizona by visitors from the south: \$302 million in 2001. But competition from Phoenix, and from U.S. companies locating in Mexico, is growing.

By Tim Steller

ARIZONA DAILY STAR

Mexican visitors have shopped in Tucson for decades, but only after the North American Free Trade Agreement took hold did Sonorans make Tucson their shopping center.

NAFTA did not directly cause the shopping trend, said Augustine Garcia, director of the Tucson-Mexico Trade Office - but the two weren't simply coincidental, either.

"The free trade agreement changed a lot of rules, and it changed a lot of mindsets, too," Garcia said.

As those mindsets evolved, more and more shoppers from Sonora and the state to its south, Sinaloa, extended their range beyond the storefronts of Morley Avenue in Nogales, Ariz., to the broad parking lots of Wetmore and Oracle roads near Tucson Mall. In the 10 years after 1991, Pima County became the dominant center in Arizona for spending by Mexican visitors, who dropped about \$302 million here in 2001, according to a University of Arizona study.

In 1991, about 16 percent of the money spent by Mexican visitors in Arizona came to Pima County - fourth-highest among Arizona counties. A decade later Pima County had nearly doubled its share to 31 percent of spending in Arizona by Mexican visitors, replacing Santa Cruz as the the top county on the list, the study found.

That standing is especially important because the \$300 million spent in Pima County by Mexicans represents a flow of new dollars into the community, rather than the recycling of money already residing in the bank accounts of Tucsonans.

But now local businesses are working to fend off competition from Phoenix stores, and from U.S. chains that have expanded in Mexico. NAFTA helped persuade numerous U.S. chains to open stores in Sonora, including Wal-Mart, Costco Wholesale, Domino's Pizza and Applebee's Neighborhood Grill & Bar.

So far those chains don't seem to have prevented many shoppers from coming to Tucson, local merchants say. Part of the reason is that stores here and in Mexico - even stores of the same name - sell different products geared toward different groups of shoppers.

The Hermosillo Costco, for example, sells a variety of snacks made by Gamesa - a PepsiCo subsidiary that is

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Mexico's leading cookie and cracker manufacturer - as well as gallon jugs of locally made Sonora brand hot sauce and \$154-a-bottle Mexican tequila. It also offers American-made products retooled for a Mexican audience: Kraft salsa barbeque sauce, a suitcase-sized 146-pack carton of Marlboro extra longs and freshly made shrimp pizzas.

Along with the opportunity to buy different, and sometimes less expensive, products north of the border, Arizona is an escape, and for many wealthy Sonorans a second home - literally or figuratively. That's how Larry A. Cesare, general manager and partner in the Viscount Suite Hotel, 4855 E. Broadway, says his Mexican clients view his hotel, since he started selling it as "The Place to Stay in Tucson" in the 1980s.

"We have a lot of loyal people that have always stayed with us," he said.

The landscape has changed since Cesare started going after the Mexican market when the hotel opened in 1986. Back then, Cesare was a pioneer in marketing to Mexican visitors; since then, other Tucsonans have started using Mexican billboards and putting ads in Sonoran publications.

Among them are the local InnSuites hotels, the Clarion hotels and the new La Posada Lodge and Casitas on the Northwest Side.

"Other hotels have caught on, and they do a lot of advertising in Mexico," Cesare said.

They do it because it works.

Just ask José Martínez and his wife, Norma Gallegos, of Ciudad Obregón, Sonora, a city about 400 miles south of Tucson. They received a brochure at their home from La Encantada, a new, upscale shopping center in the Catalina Foothills, and decided to go there on one of their quarterly trips to Tucson.

"We always go to Tucson Mall and Park Place," Martínez said.

"And Toys 'R' Us!" interjected their 4-year-old son, José Raúl.

The parents browsed Crate & Barrel at La Encantada on a recent trip, as their two children begged to move on.

Most Mexican shoppers in Arizona used to stop in border towns such as Nogales. The 1991 UA study found that about 39 percent of spending by Mexican visitors in Arizona happened in Santa Cruz County. A decade later that had dropped to 25 percent of the state total.

NAFTA can claim some of the credit for Tucson's increased sales to visitors from Mexico. That country's wealthy and residents of its northern states were among the clearest beneficiaries of the agreement, according to a study by Sandra Polaski of the Carnegie Endowment for International Peace. These are some of the people spending wads of money in Tucson.

The implementation of NAFTA may also have increased demand for goods available in the United States by making them increasingly available in Mexico, temporarily firing people's materialistic impulses, said Rick Adkisson, associate professor of economics at New Mexico State University in Las Cruces.

Another important factor was the devaluation of the Mexican peso, which happened at the end of 1994. At the same time it lowered the value of Mexicans' incomes, it also made goods cheaper in the United States than they were in Mexico. Some Mexicans came north to stretch their budgets.

While Mexicans of all incomes shop in Tucson, wealthy Mexicans from the north are a target market both for new shopping centers like La Encantada and for older standbys such as Tucson Mall and Park Place.

"It's very important for us to target the affluent market there," said Kate Cavaliere, the director of tourism marketing for Westcor, the owner of La Encantada.

She marketed La Encantada last year at a fashion show in Hermosillo during Showcase Arizona. At the show, the wives of local dignitaries are the models, she said, and these are some of the people she hopes to see shopping at

Pottery Barn and Caché. La Encantada also has a billboard along the highway leading from Hermosillo to Tucson.

Phoenix also is attracting wealthy Mexican shoppers. Along with its La Encantada billboard, developer Westcor also has one on the way out of Hermosillo luring shoppers to another of its properties, Scottsdale Fashion Square, the largest shopping center in the state.

La Encantada shopper José Luis Herrera, taking a break from playing with his children on the center's escalators, said his family sometimes goes to Scottsdale Fashion Square to visit stores that aren't in Tucson, such as Hugo Boss. But more often they stay in Tucson.

"We go to Phoenix when we have more days," said Herrera, 34, of Ciudad Obregón.

Residents of Hermosillo are also enjoying more traditionally American shopping choices in their hometown. Sam's Club, Blockbuster Video and Kentucky Fried Chicken are among several popular American chains that have located in the city.

The arrival of Costco in Hermosillo hasn't stopped Mexican customers from coming to the company's Tucson stores, said Dave Adamson, manager of the store at 3901 W. Costco Drive, on Tucson's Northwest Side.

"Over the years," Adamson said, "we've got a lot of money out of Hermosillo."

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