



In the metalworking field, milling, stamping and moulding machines as well as lathes can be either NC or non-NC. But because of the current low level of technology in the manufacturing industry and the need to modernize, NC equipment is in greater demand. In addition, the market is gradually shifting from unit construction machinery to multistation transfer machines.

Used Equipment

Used refurbished equipment is usually sold through direct contact between buyers and sellers. The periodical *Industria* carries many advertisements for used equipment and from firms seeking particular products. It is common for multinational corporations to transfer used equipment from their facilities in other countries. The capital shortage is the principal force driving this market. Rebuilt equipment is likely to be more acceptable if the seller can offer after-sales service.

Consulting Services

Consulting services for computer assisted design (CAD) and computer assisted manufacturing (CAM) are in particularly high demand, especially in the areas of new programs, technical assistance and training. Many Mexican firms are presently trying to meet the ISO 9000 quality standards. Many see the use of numerically-controlled (NC) tools as part of the solution, and this is creating specific demands for assistance from foreign experts. Canadian companies have a market advantage in professional services. Services differ from physical products in that there is a human element involved that goes beyond price and technical specifications.

THE REGULATORY ENVIRONMENT

Compared with other sectors of the Mexican economy, the market for machine tools is not heavily regulated and there are few barriers to foreign participation. The government is attempting to maintain a register of all industrial machinery and equipment in use in Mexico. For this reason, end users must register all machinery with the *Delegación Federal del Trabajo*, Federal Labour Delegation, which maintains an office in each state. No registration is required for manufacturers, distributors or vendors of machinery.

There are some 300 *Normas Oficiales Mexicanas (NOMs)*, official standards, covering industrial products. Importers of products subject to these standards must have them tested in Mexico and obtain a certificate of compliance prior to importation. The regulations are in a state of constant revision and exporters should verify the requirements with the importer before the goods leave Canada. The requirement for testing to be done in Mexico is being phased out under the North American Free Trade Agreement (NAFTA), and in general, equipment that meets Canadian standards will not face obstacles in Mexico.

MARKET ENTRY STRATEGIES

Canadian companies that have succeeded in Mexico almost always point to the need for a long-term local presence. Mexicans like to do business with people they know, and demonstrated staying power is a key element of market entry. This is especially true for products that are not well-known in Mexico.

Traditionally, an arrangement with a distributor or agent has been the

most common method of establishing local presence. Usually, these companies are both importers and distributors, and represent several firms. Distributors usually work through catalog orders, and they normally do not maintain large stocks of tools or spare parts. As a result they have often been unable to provide the service that customers need. Another problem is that used machinery is very seldom handled by distributors.

Financing

Until recently, virtually all sales of imported custom machine tools were done on a cash basis. Increased competition has since forced importers to offer more flexible financing terms. Manufacturers from Germany and Japan have been able to increase their market share at the expense of American manufacturers by offering more attractive financing packages. Almost all sales of machine tools now include some sort of financing through the manufacturer in order to avoid the high cost of raising capital in Mexico.

Trade Shows

As in other sectors, trade shows are a popular way to introduce equipment and to meet potential clients and prospective partners. Typically, machine tools and related equipment are shown at trade shows focussing on particular user industries. The following shows usually include participation from machine tool manufacturers:

- *Electric México*. The first annual Mexican Conference and Exhibition on the Electronics Industry was held in September 1995 at the World Trade Centre in Mexico City.
- *Exposición Nacional Ferretera*. The Seventh Annual National Hardware Exhibition was held in Guadalajara, September 1995.