

There are several avenues open to you as you look for customers in Mexico. The one you choose will depend to a large extent on the type of product you want to export. If you are selling industrial machinery, for example, you will probably enter into an arrangement with an agent specializing in that type of product or with contacts in the target industry. You may also enter into a direct relationship with a government agency or the purchasing department of a larger private corporation. If you are shipping consumer goods, you may be better off making an arrangement with a professional distributor who will send it to a variety of outlets. Alternatively, you may enter into a direct relationship with a retailer who agrees to carry your product. In some cases, you may wish to establish your own outlets or chain of dealers and sell directly to end users.

Generally, distribution channels are less well defined in Mexico than in Canada or the United States. Consequently, as a Canadian firm you are well advised to take the time to select a good distributor or agent/representative that suits your business style. If you are using the services of a distributor, make sure that proper attention is being paid to your product and that the distributor is not treating it as an add-on to fill out a particular product line. In choosing a distributor, consider issues such as: the regions covered; product specialization; specific lines handled; the size of the firm; knowledge of your product; the distributor's track record; the size and quality of sales staff; relations with local governments; the condition of facilities; the distributor's willingness and ability to keep an inventory of your product; the possibility of offering after-sales service;

and the company's reputation and its relationships with financial institutions. Ultimately, you have to decide on how much interaction and cooperation will be required to make the relationship work and be comfortable with it. Above all else, you should keep an eye on the percentage that the distributor proposes to add to the final price to cover their services.

If you are selling consumer goods, one solution to the challenge of distribution is to enter into a direct relationship with a retail chain. Larger retail chains and discount stores are playing an increasing role in distribution of products to consumers in Mexico. Using marketing techniques similar to those found in the rest of North America, they are also introducing tools such as bar coding to speed up customer service. CIFRA, the largest retail chain, operates approximately 200 supermarkets, cafeterias and department stores in Mexico and does about \$US2 billion annually in sales. Other important retail chains include Comercial Mexicana, Grupo Gigante and Soriana.

Suppliers of goods and services to the Mexican government its agencies and controlled corporations are required to be registered as such with the Secretariat of Budget and Programming. The requirements for registration include filing copies of the company's charter of incorporation, recent financial statements as evidence of solvency, and proof that the company can deliver the goods or services that it is offering to the Mexican government. Every year, the Secretariat of Budget and Programming publishes a list of approved government suppliers.

The Role of Agents

Most Canadian companies presently exporting to Mexico are focused on selling capital goods, machinery, equipment, or components for assembly. A preferred and quite common approach for such companies is to enter into a relationship with an agent in Mexico. Agents solicit business on behalf of their principals but do not take title to goods. Many agents specialize in a particular product line or industrial sector where they have built up a network of contacts. In selecting an agent, consider the regions covered, product lines handled, knowledge of your product, track record, size and quality of sales staff, after-sales service, reputation, and the commission required. More than this, however, success depends on developing a good working relationship between the firm and the Mexican sales representative. To do so, ongoing personal contact is vital.

Mexico's tax laws are one reason for the popularity of agency agreements. All sales in Mexico are subject to income and value-added taxes. These include sales made by agents and sales subsidiaries who have the power to bind the Canadian exporter or those where the title passage occurs within Mexico. Most exporters, therefore, establish an agreement that does not give the agent the legal power to bind the exporter, to accept purchase orders locally, or to make deliveries to customers. Instead, the agent promotes an exporter's goods on an exclusive basis and operates through a representative office that can contact potential clients and supply information about what is being offered. In this way, the agent serves as a liaison between potential Mexican customers and the Canadian exporter. When goods are shipped to Mexico, it is not the agent but the purchaser that withdraws the goods from customs.