

## *Indirect Exporting*

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Canadian firms contemplating exporting their products to Mexico for the first time may be daunted by the challenges and complexities of transport, customs clearance and distribution. There are alternatives to doing it yourself, however. Smaller companies with limited resources or firms that simply want to test the market before making a commitment can sell their products to an intermediary in Canada, leaving the latter to do the actual exporting. Such intermediaries may include an export management company, a trading house, a broker, or a foreign purchasing agent.

**Export Management Company:** There are companies who make it their business to look for overseas opportunities for their client firms. Usually they will represent a portfolio of several non-competing manufacturers and provide their services for a commission, retainer or flat fee. They tend to specialize in a particular sector, product area, or country and are in touch with well-established networks of foreign distributors who are familiar with all packaging, documentation and shipping requirements.

**Trading House:** Unlike export management companies, trading houses actually take title to the goods being shipped abroad and pay the manufacturer directly. This allows for fairly quick returns on sales destined for export. Some trading companies also provide a broader range of services such as making a commitment to achieve and maintain a certain level of sales. In return, the manufacturer may have to agree to maintaining inventories at certain levels, as well as guarantee certain turnaround times. The manufacturer

may also have to enter into certain undertakings regarding advertising, packaging, pricing, and financing.

**Foreign Purchasing Agents:** Some Mexican institutions, such as government agencies or private sector firms, have agents who make purchases for them in foreign countries. In such cases, the transaction would be completed in Canada and the agent would take on the responsibility of shipping the goods to Mexico.

**Brokers:** Finally, there are independent import-export brokers who specialize in particular products or commodities. They act as independent middle-men who receive commissions based on the value of the transactions they handle. In some cases, they may provide documentation, labeling, packaging, and marketing services.

Whatever the specific arrangements made, indirect exporting demands little or no knowledge of the Mexican market, no international experience and few resources. It is far less risky than attempting to export goods on your own and you will probably be paid faster. On the other hand, you exercise very little control over what happens to your product and how it is positioned in Mexico. You do not enter into direct contact with Mexican customers and therefore can gather little information about their needs or preferences. That, in turn, means that you may capture only a small portion of the total potential market for your product. In addition, using intermediaries means that there are more people with whom to share the profits from a transaction, and thus less that reaches your bottom line.

## *Direct Exporting*

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Once companies become familiar with the techniques of exporting into a particular market, they prefer to do it themselves. That is because there are several significant advantages to exporting directly. Above all, the company exercises at least partial if not full control over the way the product is positioned and sold. Direct exporters decide on pricing, distribution channels, promotion, and after-sales service. Because they can enter into direct contact with buyers or end users in Mexico, they can better understand customer needs and preferences and use this feedback to modify the product. In effect, they are more in touch with market signals. At the same time, the market presence associated with direct exporting means that a company can protect and exercise better control over its trademarks,

patents and good will. Finally, with fewer intermediaries involved, there will be fewer people with whom to share profits.

Direct exporting, however, is not simple. Above all, it demands that you visit Mexico, learn about the market, and meet with potential end users, distributors, agents, and government trade officials. You have to develop a network of contacts on the Mexican side and establish close working relationships with several key individuals. Ultimately, you are responsible for understanding the market, satisfying its needs, and dealing with any problems that may arise along the way.