Distributing in Mexico

It is possible for Canadian products to be sold to Mexican buyers without the producer actually entering the Mexican market. Commodities like minerals or newsprint are often sold through established worldwide exchanges. Canadian products or services may be incorporated as value added in exports by US-based enterprises with affiliates in Canada. Goods may also be exported by intermediaries or end users who make their purchases in Canada.

For the large majority of Canadian companies, however, selling in Mexico means establishing a presence there. These companies must introduce their products to Mexican buyers, conclude contracts, manage the logistics of exporting and follow up with after-sales service. This means choosing a distribution channel, which may involve a variety of players. The choice must be made with care, because Mexico's business culture possesses its own idiosyncrasies.

Distribution methods may be distinguished by the degree of control that the exporter exercises over the marketing process. At the bottom end of the scale, the Canadian company sells to a Mexican wholesaler who takes immediate title to the goods and who has complete control over resale pricing and marketing methods. At the other end of the scale, the Canadian company establishes a subsidiary corporation in Mexico, hires marketing staff, and perhaps sets up a service department. Between these extremes lie several compromise approaches, such as exclusive agents, distributors, licensing agreements, joint ventures and strategic alliances. Each involves some degree of partnership with a Mexican individual or company.

The method that will work best depends greatly on the nature of the product and the company's overall international trade strategy. In general, the more unique the product is, the more control the company needs. Otherwise, the product may not be presented in its best light or backed with appropriate service. Conversely, if the product is a near-commodity, with little differentiation from competitors' products, price and delivery will be the controlling issues. Many other factors, such as the expected volume of sales, profit margins of intermediaries, actions of competitors and the need to protect proprietary information, will play a role in the decision. More than one distribution method may be needed to cover Mexico's diverse market.

Some Canadian companies approach the Mexican market in an incremental fashion. They start with a minimal approach, perhaps using a distributor. If the product is well accepted, they may retain an exclusive agent or open a Mexican office. This allows them to gain an understanding of the market and their product's position in it before they make large investments. On the other hand, this approach reduces the company's market profile, which can make market penetration more difficult.