

JOINT VENTURE

THE WOODBRIDGE GROUP

The Woodbridge Group is a Canadian-based, international manufacturer of urethane foam components, just-in-time (JIT) assemblies for the automotive industry, and urethane components for specialty consumer and industrial markets. Woodbridge has grown from one plant in 1978 to employ more than 3,700 people in 32 facilities in the US, Canada, Germany, England, Australia, Brazil and Mexico. In Mexico, Woodbridge joint ventures supply 70 percent of the foam seat pads produced for the domestic market.

Activity in Mexico began in 1988 with a joint venture between Woodbridge and *Grupo Industrial Summa (GUS)* to build a facility known as *Poli Uretanos Summa Woodbridge* in Naucalpan, close to Mexico City. In October 1994, Woodbridge formed another joint venture in Saltillo with *GUS* called *Poli Uretanos Mexicano Woodbridge*. The two companies do similar things in different regions, since the foam product they produce is bulky and cannot be shipped over long distances. In each case, Woodbridge contributed technology to the joint venture, while *GUS* contributed local knowledge of banking, legal and government matters, and assisting with language and cultural issues.

Major customers of these joint ventures are Tier 1 suppliers, who deal directly with the major auto makers, while Tier 2 suppliers like Woodbridge supply them with intermediate products. In each of these cases, high product quality and JIT inventory standards are imposed down the production chain. As a result, productivity, product quality and shipping time are virtually identical in the Mexican plants and those in Canada and the United States.

The automobile industry has become increasingly integrated on a continental basis, and Mexican relationships are part of this wider picture. The joint ventures get their customers through a web of relationships that stretches back to the head offices of the automobile makers and Tier 1 suppliers in North America. Similarly, Woodbridge tends to buy its Mexican raw materials from companies it has relationships with in Canada and the United States. More and more decision making is made in Canada and the US, and coordinated through the local operations in Mexico.

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If the agent is a company employing a group of representatives, the Canadian exporter needs to be sure that it does not carry competing lines. The agent must not act as the exclusive representative of the exporter under such circumstances. If the agent is to be responsible for physical distribution, it must also have adequate warehouse and related facilities.

The agent is the importer of record, but does not necessarily physically handle the product. Government entities and large end users, for example, typically take delivery at the border and handle their own customs clearance. In other cases, shipments might go directly from Canada to distributors, with the agent managing logistics, but not the product. In these circumstances some companies hire individuals to act as their agents. If so, the exporter should take precautions to avoid establishing an employment relationship, since this can make termination difficult, even if the agent fails to meet his or her contractual obligations. A related risk is that the exporter can be legally bound by the actions of the agent.

Depending on the product, the agent may deal with a number of distributors in order to achieve regional coverage. Nonetheless, trade liberalization and the devaluation have given a boost to large national distributors. Smaller distributors and agents are being forced to consolidate ties in other regions in order to remain competitive. In the long term, this will be advantageous to Canadian exporters.

A good example of this issue is imported wine. The three principal markets for wine are Mexico City, the border cities (including Monterrey), and the coastal tourist resorts. Each of these markets has different ways of importing, and distributors in Mexico City are not always in a good position to import directly to places like Cancún or Monterrey. Alliances of centralized import agents and regional distributors are developing to better serve this market on behalf of foreign wineries. In this example, an agent might handle a Canadian wine exclusively, and work in partnership with distributors in each of the three markets.