

Indirect exporting is useful to those firms possessing little international experience and few resources, because they will probably be paid faster and it poses fewer risks than direct exporting. Its disadvantages, however, are that the producer has little control over the marketing of the product in Mexico, will gain little knowledge of Mexican customers, and will have little influence over what portion of the market can be captured. The fees and commissions involved will also reduce profits from the transaction.

DIRECT EXPORTING TO MEXICO

Many companies prefer to export directly once they have become familiar with the market and the techniques of exporting. The advantages of direct exporting include more control over the way the product is positioned and sold, including control over pricing, distribution channels, packaging, promotion and after-sales service. Advantages also include the ability to gather information about the Mexican market and specific customer needs and preferences. Such information can be used to modify the product or change the marketing approach in order to increase sales. Direct exporters are more in touch with market signals.

Disadvantages of this type of exporting are that it requires a higher level of knowledge of the market. Firms must visit Mexico, learn about the market, and meet with customers and distributors as well as with government officials. Ultimately, the level of responsibility — as well as potential rewards — are both much higher.

JOINT VENTURES IN MEXICO

Rather than going it alone, many Canadian companies find a partner in Mexico to smooth the entry process. There are many types of partnering, but joint ventures have become especially common.

A joint venture is an independent business formed through the cooperation of two or more parent firms. But it is a distinct corporate entity, separate from its parents. As such, it involves levels of organizational and managerial complexity that need careful consideration. The ownership split of a joint venture usually reflects the relative sizes and contributions of the partners.

Forming a joint venture with another firm is desirable if the project requires commitments from the partners that are far more complex and comprehensive than anything that can be spelled out in a simple contract. This is especially true of longer-term arrangements that require joint product development as well as ongoing manufacturing and marketing. Mutual trust is an essential element in such arrangements, and from the Canadian firm's perspective, the ideal partner is one with a thorough knowledge of how business is done in Mexico.