

BOVAR INC.

continued from page 61

Bovar does not operate a subsidiary inside Mexico. Its products are too complex to be produced inside the country, given current capabilities. Instead, its Mexican activities are administered from an office in Houston that has both experience in the Mexican market and with Spanish speaking people. All local account-related decisions are left to a Mexican representative with whom it has a long-term agreement to market the company's products and serve its Mexican clients. Bovar is conscious that Mexico represents a unique business culture. Therefore, a key role played by the representative is to advise the company on the nuances of the Mexican market and its business practices. Bovar confines its own activities to providing support for both the Houston and Mexican offices.

Bovar found that one of its biggest challenges in Mexico was to find a local partner that was both capable and qualified enough to represent the company's products. The first representative used did not meet the company's expectations. Eventually, however, they found a more suitable representative with the help of the Canadian Embassy and the company began to experience a rapid expansion of its Mexican business.

Mexican marketing practices are so unique that Bovar leaves its representative the freedom to act as is appropriate. The company has generally found that it takes much longer to finalize a deal than in the rest of North America. This is especially true for the Mexican government and its related agencies such as *Petróleos Mexicanos (PEMEX)*, the national oil company, but the process accelerates appreciably when they let their representative do the negotiating.

Bovar's experiences in the Mexican marketplace convinced it to pay close attention to cultural differences. Mexicans value friendliness, honesty and openness are received extremely well. Forming real friendships that transcend the business relationship are crucial. Thus Bovar's message to its staff is simple: "do business the Mexican way."

track record, size and quality of sales staff, after-sales service, reputation, and the commissions required. More than this, however, success depends on developing a good working relationship between the Canadian exporter and the Mexican sales representative. To achieve this, 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 agreements that do not give the agent legally binding power, 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 buyer who receives the goods from customs. Otherwise, title to the goods would pass from the exporter to the purchaser within Mexico, making the transaction subject to a 15 percent *Impuesto al Valor Agregado (IVA)*, value-added tax.

Both agents and representatives are authorized to enter into contractual sales agreements with foreign customers on behalf of the Canadian exporter. They usually work on a commission basis; they are only paid when they sell the product. Depending on the agreement reached, they may or may not be paid for their expenses. When searching for Mexican agents and representatives, look for complementary products, which are likely to facilitate sales of your product. However, avoid agents who represent competing lines.

An agreement with a Mexican agent or representative immediately gives the Canadian company an experienced, Spanish-speaking sales force in the Mexican market. The costs of overhead and sales are lower than the costs of establishing a direct sales force. More frequent sales calls are possible when using a local representative. With a local agent or representative, the exporter retains control over the product and its price — an important advantage.

A small business — particularly one new to exporting — can benefit from the wide range of advice and services offered by a good agent or representative. Areas where they can be especially helpful include gathering market intelligence, advising on financing and transportation, customs clearance assistance, providing access to potential customers, collection support, and information on local business practices, legal rules and cultural traditions.