

# DISTRIBUTING THROUGH PARTNERS

## CHECK OUT POTENTIAL AGENTS CAREFULLY

An agent is an exclusive representative of the Canadian exporter who has the right to act on the company's behalf and conclude contracts. The agent is also responsible for the Canadian company's visible presence in Mexico. It is, therefore, important to check out potential agents very carefully before concluding a representation contract.

- Check with Mexican industry associations in the sector to learn who the most reputable agents are.
- Attend trade shows and interview a selection of prospects.
- Question candidates carefully to assess their knowledge of the product and the market.
- Obtain credit references through a financial intermediary.
- Ask the agent to name existing clients and call on them to learn about their experience.
- Tour the agent's premises, including warehouse facilities and transportation equipment if these are relevant to the deal.
- Review the other products represented by the agent and look for potential conflicts.
- Verify key details of the agent's résumé or corporate profile, to make sure that all the experience claimed is genuine.
- Ask the Canadian Embassy in Mexico City and the consulates in Monterrey and Guadalajara for any information available about the agent.
- Get to know the agent to make sure that business philosophies, long-term objectives and methods of doing business are compatible.

Many Canadian exporters have found that distributing through resellers does not give them adequate control over the marketing of the product. Especially if the product is new to Mexico, resellers may fail to appreciate its innovative characteristics. Some companies find that the large markups demanded by Mexican distributors inflate the final product price, especially if there are multiple layers of distributors. These exporters may be reluctant to enter the market directly, because of language and cultural barriers or because their anticipated volume cannot support the costs.

Many companies in this position have found that partnering is an effective way to enter the Mexican market. These forms of distribution are distinguished by the fact that the partners act on behalf of the exporter and not on their own account. There are two principal forms of partnership. An agent is the exclusive representative of the Canadian company, who acts on the supplier's behalf, and has the power to commit it to binding agreements. A joint venture is an agreement between two or more companies to set up a freestanding enterprise, which furthers the common interests of the partners. Other forms of partnership exist, but they are mainly variations on these two types. More detailed advice on the partnering process can be found in the publication *How to Partner*, which is part of the Department of Foreign Affairs and International Trade (DFAIT) *Export to Mexico* series and available through the InfoCentre.

## AGENTS

Companies that want to import on their own behalf, and thereby have control over the importation and physical distribution process, often do so through an agent. This may be an individual who works exclusively for the supplier. Or, it may be a company that handles complementary lines which agrees to handle the exporter's product on an exclusive basis. Either way, the agent does not take title to the goods and is usually paid on commission. The agent follows the supplier's instructions regarding promotion activity and is compensated for out-of-pocket expenses.

For some products, such as capital goods and bulk sales of intermediate products, the agent may deal directly with the end user. This is always the case for government tenders because the procurement law requires that the seller be represented by an agent with documented powers of attorney. More commonly, the agent works through distributors or wholesalers.