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***Joint Ventures One Option***

# Partnering Approaches in Mexico

Almost everyone you talk to about entering the Mexican market is going to advise you to find yourself a partner in Mexico. For small- and medium-sized businesses, this is sound advice in many cases, although there are bound to be exceptions.

What can you gain by taking on a partner in Mexico? For one thing, no matter how well you know your product or service, and no matter how much market research you have done, a local associate is going to have knowledge that exceeds your own. This is true in any new market, and it is particularly pertinent in a country with another language. A partner in the market country understands nuances that a visitor rarely grasps.

From the legal and tax systems to how to get the best transportation, distribution, warehousing deals to the subtleties of presenting yourself and your product, a local connection provides valuable insight above and beyond what he or she has contracted to do.

Sharing the financial costs, and the risks, of doing business makes partnering an attractive proposition to many firms. This may have to be weighed against the loss of some control where responsibilities and roles are shared.

In Mexico there is an almost universal predilection for doing business face-to-face rather than by phone or fax. You will make personal contacts during market research visits, deal-making meetings and major events. Still, you are unlikely to want to zoom down from Medicine Hat to Monterrey or from Vaudreuil to Veracruz every time a business contact wants direct engagement with your firm. Your on-site partner can carry that part of the business.

There are several approaches to partnering, and which suits you best will depend upon the nature of the business, the needs of your company, and the benefits a foreign partner or associate can offer.

Joint ventures are a suitable arrangement for many firms. Generally, that entails creating a separate corporate entity from two parent companies. Ownership may be split in any agreed way, depending upon the relative size, contributions or financial investment by each. Joint ventures have the advantage of complying more easily with the rules on foreign ownership, although in Mexico this is a diminishing factor as the economy is much more open than in the past.

Joint production agreements allow companies to cooperate in producing goods. By bringing their own expertise and resources to bear on particular elements of production, two companies can combine to make something on a scale and with their own agreed specifications, minimizing their reliance on outside suppliers.

Other forms of more limited partnering that can be advantageous include cross-licensing, by which firms license products or services for use by one another; cross-manufacturing, by which companies agree to manufacture each other's products; and co-marketing, which lets firms with complementary products fill out a product line and take advantage of an ally's distribution networks.

Franchising is growing fast in Mexico, and works with the franchiser controlling products, services or

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