

## CHAPTER 3. ENTRY STRATEGIES

There are many different ways to enter the Mexican market. Which one is best depends on a firm's business objectives, its strengths and weaknesses and its analysis of the Mexican market. The following pages describe some of the most common forms of entering Mexico. Each has different benefits and challenges that must be related to the firm's specific situation and capabilities. Each approach should be considered in terms of its cost, complexity, operational requirements, overall risk and expected returns.

### INDIRECT EXPORTING

Canadian firms thinking of exporting to Mexico may find the prospect of dealing with the details of transportation, customs clearance, a foreign language and culture, and distribution problems rather daunting. Small companies with limited resources, or firms that simply want to try out the market before making a commitment, can deal through an intermediary in Canada. This can be an export management company, a trading house, a broker or a foreign purchasing agent. Each has specific characteristics which may be appropriate to different circumstances.

1. An export management company looks for foreign sales opportunities for its clients, and is paid by commission, retainer, or flat fee. It may represent several non-competing manufacturers at the same time. Most tend to specialize in a particular sector, a particular product, or a particular country, and can advise on packaging, documentation and shipping issues.
2. A trading house will take title to the goods being shipped. This means quick returns on export sales. Some trading houses may be in a position to guarantee a certain level of sales, but will insist that the manufacturer maintain inventories at certain levels or guarantee delivery times. The trading house may also wish to make agreements about advertising, packaging, pricing and financing.
3. A foreign purchasing agent is an agent of a foreign company or government institution who makes overseas purchases on their behalf. In such cases, the transaction is made in Canada and the agent is responsible for shipping the goods to Mexico.
4. A broker may specialize in certain products or commodities. A broker acts as an independent intermediary, paid on a commission basis, and, it may also provide assistance with documentation, labelling, packaging and marketing.