

## Advantages and Challenges of Exporting to Mexico

Doing business in foreign markets can be both challenging and rewarding. Service firms need to understand both sides of the equation before they decide to move into Mexico.

### Advantages of Exporting to Mexico

- ↗ reduced dependency on the Canadian market
- ↗ higher sales volume
- ↗ better profit margins
- ↗ more effective use of capital
- ↗ prolonged service life
- ↗ lower development cost per unit
- ↗ acquisition of knowledge and experience



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### Advantages

- Reduced dependency on the Canadian market. A company is less vulnerable to fluctuations in the economy or specific markets if it diversifies.
- Higher sales volume. If the company faces a saturated market or aggressive competition in Canada, Mexico can provide a route for expansion. But fundamental competitive weaknesses will also apply in Mexico, which is attracting attention from suppliers around the world.
- Better profit margins. Export sales do not necessarily have to cover the same fixed cost burden as domestic sales, since they are incremental to the company's core business.
- More effective utilization of human and financial capital. A larger market provides better opportunities to ensure that key personnel are employed at their maximum productivity level.
- Prolonged service life. Since Mexico is still a developing nation, services that are nearing the end of their marketable life in Canada may find an export market that can extend their life. This situation is changing rapidly, however, as Mexico adopts state-of-the-art technology.
- Lower development costs per unit. Larger markets spread research and development costs over a larger base.