

ESTABLISHING A LOCAL PRESENCE

Canadian firms that have been active in Mexico's construction sector stress that establishing a local presence is essential for success. This can mean retaining the services of a Mexican representative, agent or subcontractor; or establishing a strategic partnership with a Mexican firm. Alternatively a Canadian company may open its own office in Mexico. It is important to demonstrate a commitment to the market and assure clients that after-sales service will be available.

Canadian business people with experience in Mexico inevitably comment on the need to commit time to developing business there. It takes time to understand who the key players and buyers are in the industry and the building methods employed in Mexico. A firm must take a long-term approach to marketing in this highly competitive environment.

A local presence makes it easier to stay up-to-date on proposed construction projects. It is essential to know about them in advance of the materials procurement phase. A local agent or representative will maintain informal contacts within customers' organizations.

In order to overcome the transportation cost disadvantage, some firms may consider manufacturing all or part of their product in Mexico. A co-manufacturing agreement or a technology alliance with a Mexican company is a common way of doing this. Companies are advised to seek a strong local partner and to investigate Mexico's foreign investment regulations when considering this approach.

FINDING AN AGENT OR DISTRIBUTOR

Experienced distributors and agents for construction products are readily found in the three main commercial centres of Mexico City, Guadalajara and Monterrey. There are very few national distributors in the industry. Most representatives focus on a very localized region. Those that provide country-wide distribution are known to charge very high margins.

Some specialized distributors deal with very narrow ranges of construction products. Most distributors, however, deal with one of two classes of products:

- **obra negra.** Literally "black work". These are products used in the rough construction stage including steel, cement, glass, lumber, stone, roofing materials and some tools; and
- **acabados.** Finishing products. These include cabinetry, sanitary ware, wall and floor coverings, plumbing, air conditioning and other equipment.

For most products there are at least three levels in the distribution chain. At the highest level, distributors deal primarily with large construction companies. Second level distributors deal with small and medium-sized companies and often sell to the third level of distributors who sell to the informal construction industry.

