

CHAPTER 7. AGENTS AND DISTRIBUTORS

For smaller companies that have never exported, the use of intermediaries such as an agent, a foreign distributor, or a Canadian trading house, is likely to be an effective way of entering the Mexican market. This is particularly true if some or all of the following conditions apply:

- the firm is unfamiliar with Mexico;
- it plans to make only small or intermittent export sales;
- it sells a low-cost, mass-produced product;
- the Mexican market for the product has a large number of end-users and high sales potential;
- the product requires extensive on-site training and support;
- the company is not able to provide after-sales service or customer support; or
- the product is normally sold through distributors in Mexico.

AGENTS AND REPRESENTATIVES

Most Canadian companies currently exporting to Mexico are focussed on selling capital goods, machinery, equipment, or components for assembly. A preferred and quite common approach for such companies is to enter into a relationship with a Mexican agent.

Agents obtain and transmit orders from customers, and receive a commission from the exporter in return for their efforts. The agent sells at prices you set and does not normally stock your product. If you use an agent, however, remember that the risk associated with loss or nonpayment, and the responsibility for service and warranty remain with you, the Canadian exporter. Manufacturers' representatives are specialized agents who generally operate within a given geographic territory and sell related lines of manufactured goods to a specific group of customers.

Agents solicit business on behalf of their principals but do not take title to goods. Many of them specialize in a particular product line or industrial sector where they have built up a network of contacts. In selecting an agent, key considerations include the regions covered, product lines handled, knowledge of the product,

BOVAR INC.

Bovar is a Calgary-based company specializing in pollution control and waste disposal technology. Its entry into Mexico, through a subsidiary, Bovar Engineered Products, was largely driven by appreciation of that country's huge and growing market. Mexico is a leading producer and refiner of oil and natural gas, activities that can have a negative impact on the environment. The country's recent interest in pollution monitoring and control represents a tremendous opportunity for companies such as Bovar.

As a leading-edge manufacturer of engineered and specialized environmental technologies, Bovar knew that it was in a strong position to compete in Mexico. It also knew that if it did not move to take advantage of this opportunity, other companies would. A chance to participate in a trade show was the event that opened the door. It took time, however, for the company to develop the opportunity. Representatives participated in a trade mission in 1984 but they did not make their first sale until 1987.

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