

MEXICAN DISTRIBUTOR

GS COMUNICACIONES

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In this rapidly-changing high technology business, another major responsibility of a Mexican distributor of imported products is to inform end users about new product lines. There is a time lag between the introduction of new technologies in Canada and Mexico and it is important to avoid a premature product launch. The key is to keep key clients informed about what is in the development pipeline long before the product is actually introduced to the Mexican market.

Financing is also a major issue for Mexican distributors, according to Ms. Ledesma. The Mexican market is highly dependent on trade credit, because no one has adequate working capital. This means that if GS's clients are slow to pay, then they are limited in their ability to pay Newbridge or Nortel. GS has a credit line with both suppliers but the lines can be inadequate if end users are slow to pay. This factor, more than any other, slows down the distribution process in Mexico.

Technical support, on the other hand, has not been a problem. Both Nortel and Newbridge have offices in Mexico City with well-trained staff available to give technical support. Also, GS sends its own engineers on two- to four-week training courses to Ottawa. Providing support can be a bigger problem for exporters who do not have support staff in Mexico.

Product availability has sometimes limited business opportunities. Mexican demand for high technology products is erratic and is, therefore, difficult to predict. Sales can be lost due to "stock outs," because Mexican distributors keep only minimal inventories.

According to industry observers, the success of this particular distribution arrangement is partly due to the fact that GS and its two Canadian suppliers have developed a working synergy and have streamlined their communications. It also helps that the product is both high value and low weight, and can be shipped by air, minimizing stocking problems in Mexico. And finally, both Newbridge and Nortel are well-respected brand names in a market where Canadian brands are generally not well known.

MANUFACTURERS

Many Mexican manufacturers act as resellers of imported products. They do this to fill gaps in their product lines. In most Mexican industries, the level of technology lags far behind Canada and the US, and manufacturers have difficulty producing high-quality products for the domestic market. If they have agreements with distributors or large retailers to provide full lines, they prefer to fill gaps themselves rather than have their customers go to competitors. This practice is common, for example, in the textile industry. The products are not necessarily identified as imports. Demand from manufacturers is usually for specialized products or those requiring high technology production processes. Another consideration is the cost of raw materials. One Mexican manufacturer of men's ties imports silk ties from Canada, because the low cost of Mexican labour is more than offset by the waste of expensive imported silk caused by poor quality control. Through a cross-marketing agreement, the Canadian tie manufacturer imports low-cost polyester ties from the Mexican manufacturer.

LICENSING

Some products have special value because of their unique design or a proprietary technology that was used to make them. In some cases, they can be manufactured in Mexico more efficiently than they can be imported from Canada. Licensing allows the Canadian firm to sell its intellectual property, without exporting the product. Raw materials and technological or management services may also be imported from Canada on an ongoing basis. There are also many ways for companies to cross-license or co-manufacture each other's products.

Mexico liberalized its franchising law in 1990, and this form of licensing has grown rapidly since then. Previously, the 1982 Transfer of Technology Law gave franchisees substantial rights beyond those set out in the franchise agreement. The government began to change its policies in January 1990, and in June 1991, the *Ley de Fomento y Protección de la Propiedad Industrial*, Promotion and Protection of Industrial Property Law, went into effect. The new law recognized franchises as a form of licensing, and all of the earlier restrictions were repealed. Government regulation of franchises was discontinued and the parties are now free to make their own arrangements, which are binding on the franchisee. Industrial secrets and intellectual property are fully recognized in Mexican law.