

MEXICAN SUBSIDIARY

CONNORS BROS. LTD.

Connors Bros. Ltd., part of the Weston Group, is the largest processor of canned sardines and herring in North America with annual sales of over C \$250 million. It is the sole producer of canned sardines in Canada and its Brunswick brand is the Canadian market leader. The company operates production facilities in New Brunswick, Maine and Scotland.

Connors Bros. products are marketed in more than 40 countries around the globe. Vice President of International Sales, Vince Taddeo, says that the company initially saw Mexico as an opportunity for a joint venture to supply Mexican fish products to the local and export markets. But the Mexican sardine fishery declined between 1990 and 1992, and the age and condition of local processing facilities was also a problem. So the company shifted emphasis towards supplying Mexico with Brunswick products from Canada.

Taste testing and test marketing indicated that the product would be well accepted in Mexico, although it had to be adapted for local tastes. The brand was launched in the fall of 1992. The launch focused on higher income urban customers. The product is positioned as an affordable premium quality product, with pricing about 15 percent above domestic product. Marketing is accompanied by a range of advertising and promotion activities, including television commercials, feature pricing, recipe booklets and point-of-sale flyers and demonstrations.

Connors first entered the Mexican market with agents, but was dissatisfied with the results. The agents involved could not finance inventories, an adequate level of advertising, product placement or other necessary detail work. As a result, a wholly-owned Mexican subsidiary was formed. This company receives Brunswick product and deals directly with a large Mexican distributor.

Mr. Taddeo stresses that the choice of a distributor is one of the most important decisions in entering the Mexican market. He notes that Connors made their mistakes in the beginning, first experimenting with smaller agents. The decision to pick one major distributor rather than split the business between two or three smaller companies has proven to be a good move.

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DIRECT RETAIL

Direct retail sales are a new but growing phenomenon in Mexico. Traditionally, the postal system has been grossly inefficient and the phones unreliable. This deprives direct marketers of their two most important tools. Customer lists are not readily available and only about 4 million Mexicans hold credit cards.

In spite of these hurdles, the direct marketing industry in Mexico has grown since the peso crisis. The *Asociación Mexicana de Mercadotecnia Directa (AMMD)*, Mexican Association of Direct Marketing, ended 1996 with 300 members. According to media reports, it is projecting 500 members by the end of 1997. Several American direct marketing firms have moved into Mexico and have reported response rates at triple the typical American level. One observer attributes this phenomenon to the fact that Mexicans do not receive much mail, and certainly not much junk mail, so they tend to read mailed advertising. Commercial mailers can speed up service by pre-sorting mail and delivering it direct to postal substations. Mexico's telephone system is gradually improving since it has been privatized and deregulated. And telemarketers have found that unlike their northern neighbours, Mexicans are too polite to hang up on the caller.

Mexican marketing specialists say that high-end retail products can do well using catalogues and private deliveries. For example, Victoria's Secret distributes exclusively by catalogue in Mexico and delivers within 48 hours by courier from the United States. In the principal cities, personal messenger services can be hired for as little as US \$0.50 per delivery if the volume is substantial.

SUBSIDIARY COMPANIES

Some companies have international reputations and receive unsolicited inquiries from Mexican buyers. Some monitor bid requests from government entities. Some have met Mexican buyers at trade shows in Canada. Others have been successful in advertising in Mexican media, dealing with enquiries from Canada and sending sales personnel to Mexico to negotiate contracts. For the most part, these approaches are most effective for small-volume, high-value sales of highly technical equipment or services, or for large sales of bulk commodities.

Companies who are seeking a more sustained market, or a broader mix of clients often elect to set up a marketing office in Mexico. This requires that they set up a Mexican subsidiary, because only persons or corporations resident in Mexico, and holding a *Registro Federal de Causantes (RFC)*, taxation registration number, can import into that country.