

## ENTRY STRATEGIES

The research for this report has indicated that a potentially lucrative market for wastewater technology, equipment, and services exists in Mexico. Nevertheless, Canadian companies interested in pursuing opportunities will need to tailor services to the market: quality wastewater solutions offered with a local presence.

Given market demands, the entry strategy prepared by Canadian companies will have a significant effect on their success in the market. Careful consideration should be given to several important factors:

### Local Presence:

Mexican buyers repeatedly indicated that they prefer wastewater goods and services suppliers with a local presence. Geographical proximity is important for two reasons: ease of recourse if technology doesn't perform to expectations, and ability to provide support services.

Potential buyers are generally purchasing "problem solutions", as opposed to stand alone equipment or technology. There is an expectation that vendors must take responsibility for their product. Several companies indicated a requirement for performance guarantees; even those companies that did not state such a preference suggested that suppliers must be able to problem solve as the need arises. In many cases buyers would prefer vendors to provide maintenance services.

Several options exist for gaining a market presence. The two simplest possibilities are the establishment of a local office or the use of a Mexican distributor. Nevertheless, companies that make the effort to develop a strategic alliance with a Mexican firm will be well rewarded. The choice of partner will be dependent upon several factors. Please see the following table for additional comments on potential partner choices.

Potential partners include construction and engineering companies, equipment distributors or Mexican wastewater companies. Obviously, the choice of partner is dependent on overall strategy. A target market of large companies is more appropriate with an engineering partner: these companies are looking for advanced solutions with detailed design that may need to be integrated into complicated production processes. Additionally, smaller

## Mexican Firms Surveyed

In an effort to identify potential partners for Canadian companies, Mexican firms were asked to name the five best wastewater goods and services providers currently active in the Mexican market. The following chart identifies companies named more than once, and frequency with which they were named.

Atlatic	7
Degremount	5
ICA	4
Degussa	2
ITMA	2
ICAIS	2
IMASA	3
Sistemas Alotrópicos	2
ITESM	4

An additional 42 companies were named once. The wide range of responses indicates that the market is highly dispersed. Few companies are developing a reputation for excellence on a national scale. For example, potential buyers located in Monterrey frequently mentioned local suppliers; the same is true of Guadalajara and Mexico City. This phenomenon is largely a result of the preference for local service, as well as lack of detailed awareness of the wastewater field.

companies that sell wastewater treatment may not even be able to obtain access to such a customer.

Choice of target industry will also have a bearing on the partner chosen. For example, capacity expansions are expected in the autsparts industry (short and medium term) and the chemical/petrochemical industry (long term). Construction companies capable of building industrial plants of this kind may also prove to be effective partners.

Many Mexican companies suggested that they would prefer to visit an installation already built by the vendor. While this is a considerable barrier for a Canadian supplier, it can be overcome by partnering with a Mexican company already active in the field. However, the market holds a sense of distrust for many suppliers of wastewater equipment and services. Many buyers are particularly wary of Mexican suppliers; there is an overall sense that most Mexican companies do not have the experience or resources to provide effective wastewater solutions. Only a few larger companies - Atlatic and Buffete are two examples - have managed to overcome this barrier. Canadian companies must choose their partners with extreme care. A reputation for quality work is critical.