

ply "cores" would probably produce the best results.

Filters and Batteries

The market for filters and batteries is dominated by Mexican manufacturers. One company makes all three brands of Mexican batteries. There are two filter makers: *Continental* and *Groeling*. Local production has been fostered by trade barriers that will be removed under the NAFTA, and this will create opportunities for Canadian manufacturers.

Tires

Mexico has six tire manufacturers, operating 11 plants. Four of the companies are foreign-owned. The plants are old and inefficient, and will probably close as trade barriers fall. Tires are already one of the largest categories of imported parts. According to the *Industria Nacional de Autopartes (INA)*, National Auto Parts Industry, cumulative imports of car, bus and tractor tires totalled US \$550 million between 1989 and April of 1993. The most common tire brands are Goodyear, Uniroyal, *Coronado* and Michelin.

Accessories

Accessories is a rapidly growing segment of the Mexican automotive parts aftermarket. In 1990, the market was valued at US \$422 million with import penetration of about 20 percent. Market growth is projected at 12 percent for the next few years. Mexico exported about US \$36.8 worth of accessories in 1990, amounting to about 10 percent of local production.

Garage Equipment and Tools

The rapid growth of automobile sales and the pressure for improved efficiency have created a substantial and growing demand for garage equipment and tools. Liberalized trade policies have eased the import restrictions on this equipment. In 1989, a mandatory program of environmental controls and twice-yearly vehicle testing was implemented in

Mexico City. This has spurred a heavy demand for gas analyzers and other diagnostic equipment. As a result, consumption of repair and maintenance equipment has risen by 12 percent annually since 1989 and is expected to grow at eight percent until 1995.

Almost all diagnostic equipment used in Mexican garages is imported from the U.S. The dominant companies are Bear, Hunter, FMC and Sun. Import penetration is expected to fall to about two-thirds as local production capability increases. The market for mechanics tools is underdeveloped and may provide a niche market of interest to small, specialized Canadian companies.

COMPETITION

Canadian exporters of aftermarket parts face competition mainly from the Mexican parts industry and from the Original Equipment Manufacturers (OEMs). The competition is stiff, because Canadian producers are not generally configured for the Mexican market. About 40 percent of 1992 car sales were two models: Volkswagen Beetles and Nissan Tsurus. The competitive situation will improve as Mexico's vehicle fleet is gradually upgraded to incorporate more modern technology.

Mexican parts manufacturers have survived because of strong protective measures that are now being phased out. To remain competitive, they will increasingly have to form technology alliances or other joint ventures with foreign firms. This represents a major opportunity for Canadian-owned parts companies that are free to enter the Mexican market.

MARKET ENTRY STRATEGIES

Agents and Distributors

The most common method of moving into the Mexican market is for the Canadian company to enter into an agreement with an agent or a distributor. An agent acts on behalf of the Canadian company and has the power to make binding agreements. A distributor, on the other hand, acts on its own account. A distributor cannot bind the Canadian supplier, and exercises a great deal of discretion over how the goods will be re-sold. Typically, the distributor takes title to the goods, but they may also be handled on consignment. Contracts may include provision for customer support and warranties, but unlike the agency contract, there is no general obligation on the distributor's part to act in the best interests of the Canadian supplier.

Co-manufacturing

Some Canadian companies enter the Mexican market through co-manufacturing arrangements with local producers. The product is manufactured in Mexico using some combination of design, technology, materials or components supplied by the Canadian partner. Terms of the agreement can range from simple toll manufacturing, whereby the Mexican partner does the work for a fee, to joint ventures where both partners share the risks.

Trade Shows

Attending trade shows in Mexico is a very effective way to make contacts. The best shows are those sponsored by local trade associations or by Canadian or U.S. industry organizations. The Canadian Embassy in Mexico City and the trade office in Monterrey can also be helpful.

Companies that have succeeded in Mexico generally offer the same advice: prepare carefully, develop local partnerships, and be prepared to do business 'the Mexican way'. For

