

MARKET ENTRY STRATEGIES

Establishing a local presence is essential for effective entry into the Mexican plastics market. A joint venture with a Mexican firm is one way to do this quickly.

Canadian companies that have succeeded in Mexico almost always stress the need for personal contact. Mexicans like to do business with people they know, and a long-run local presence is usually essential. Partnering is an effective way to achieve this. This may be accomplished through an agent, a distributor, a joint venture or some other form of strategic alliance.

Sales in Mexico are usually made through local agents and representatives, generally operating on a commission basis, or through the Mexican affiliates of foreign companies. A decision should be taken on whether to use an agent, a joint venture or a licensing agreement with a Mexican company.

FINANCING

High value sales are usually made through letters of credit (L/Cs). Small value sales are either made in cash or with a 50 percent advance payment when the order is placed and 50 percent on delivery. It is important to find out the sales and financing practices of individual entities, particularly in the case of government agencies, since some of them are known to delay payment to suppliers for over 90 days. Collections have been particularly difficult since the devaluation of the peso in December 1994.

DISTRIBUTION

Distribution patterns tend to follow those used by *Petróleos Mexicanos (PEMEX)*, the national oil company, which will usually deliver to the clients' plant via rail. Private producers are usually close to *PEMEX* plants and tend to use the same rail system for delivery. Trucks are rarely used. Imports from or via the United States tend to be shipped by rail through Laredo or by sea to Veracruz.

New distribution networks will soon be developed now that *PEMEX* no longer has a monopoly on the distribution of secondary petrochemicals. Many of those interviewed commented that this was a very positive development, because *PEMEX* is notorious for unreliable service.