

Preparing to export to Mexico

Consultation and bespoke research

Visit great.gov.uk at: www.great.gov.uk/uk for guidance on how to research overseas markets as well as a range of other important issues for exporters.

Mexico is a large country. Each state has its own cultural practices and preferences. Different regions have different industry clusters. Therefore regional plans and good local research are likely to be needed, using both desk research and market visits.

You should determine whether:

- there is a market for your product or service
- your pricing is competitive
- to localise your product
- to adapt your business model

The questions listed below should help you to focus your thoughts. Your answers to them will highlight areas for further research and also suggest a way forward that is right for your company. You may then want to use this as a basis for developing a formal Mexico strategy, although this may not be necessary or appropriate for all companies:

Your aims

- Do you wish to buy from Mexico, sell to Mexico or both?
- Do you wish to establish your own company presence in Mexico (for example through partnering with a local company, establishing a Mexican subsidiary, registering as a foreign company, or licensing, franchising, direct or indirect exporting)?
- Do you need to be involved in Mexico at all?
- Do you see Mexico as part of a wider plan including e.g. other Latin-American markets?

Your company

- What are the unique selling points for your product or service?

- Do you know if there is a market for your product in Mexico?
- Do you know if you can be competitive in Mexico?
- Are your competitors already in Mexico? If so, what are they doing?
- Do you have the time and resources to handle the demands of communication, travel, product delivery and after-sales service?

Your knowledge

- Do you know how to secure payment for your products or service?
- Do you know where in Mexico you should start?
- Do you know how to locate and screen potential partners, agents or distributors?
- Have you carried out any Mexico-specific customer segmentation, and do you know how to best reach potential customers in-market?

It is unlikely that you will have the answers to all these questions at the outset and these 'knowledge gaps' should form the basis for further research and investigation. Some of these questions will require quantitative research in your sector, while others involve more contextual and cultural considerations. Talking to other people in your industry and regularly visiting Mexico will give you access to the most current advice, and such experience can often lead to new insights and form the basis for further research.

There are a number of trade shows held in Mexico each year – these can be useful to test product viability in the market. The Department for International Trade (DIT) Tradeshow Access Programme at: www.gov.uk/guidance/tradeshow-access-programme, provides funding in the form of grants for eligible businesses to attend overseas trade shows. The funding helps your business gain:

- market knowledge
- experience in attending and getting the most from overseas trade shows
- advice and support from trade experts

Visit the DIT events portal at: <https://events.trade.gov.uk/> to find upcoming events and missions in Mexico.

Find out more about marketing your goods and services for Mexico, at: www.great.gov.uk/uk.

Contact the DIT team in Mexico at: www.gov.uk/world/organisations/department-for-international-trade-mexico#contact-us, for events and company launches at Embassy locations.

Start-up considerations

If you are thinking of exporting to Mexico, an agent or a distributor can help.

The most common forms of operation in Mexico are:

- supply chain operations
- representative offices
- joint ventures
- shelter operations
- subcontracted manufacturing
- assistance from Mexican Federal and State Governments

Contact the DIT team in Mexico at: www.gov.uk/world/organisations/department-for-international-trade-mexico#contact-us, for help in finding partners, distributors and tax advisers before entering into agreements, as the tax and legal obligations of each business structure can differ.

Consult local lawyers and translators to avoid costly mistakes and ensure you start out in the way that is best suited to your sector of activity. The Embassy supplies lists of lawyers and translators on the website. Visit: <https://www.gov.uk/world/organisations/british-embassy-mexico-city>.

You may contact Nader, Hayaux & Goebel for legal enquiries: www.nhg.com.mx, or AST Language Services for translation: www.astlanguage.com

You should conduct due diligence checks once you have chosen your method of entry into the market.

If you want to establish a business relationship that goes beyond exporting, you will need to carry out further research. A thorough evaluation of your potential partner may be time consuming and expensive, but doing so will greatly reduce the risk of serious problems in the future.

Direct exports and sales in Mexico

Direct exports means you supply your products direct to the customer. You handle all the logistics of marketing, selling, sending overseas and getting paid.

Appointing a local agent or distributor is the most common method. You should look closely at their:

- local business reputation
- financial resources
- regional coverage
- marketing ability

It may be best to appoint a series of agents or distributors to cover different regions in Mexico.

DIT's trade specialists can help you identify local representatives for your products in Mexico. See: www.gov.uk/overseas-customers-export-opportunities.

Setting up a business entity in Mexico

The Mexican General Law of Mercantile Organizations (or Civil Code) regulates business entities.

Some of the most common types of businesses are:

- Sociedad Anonima (Corporation) ("SA")
- Sociedad Anonima de Capital Variable (Corporation with Variable Capital) ("SA de CV")
- Limited Liability Partnership (Sociedad de Responsabilidad Limitada) ("S de RL", or "S de RL de CV" if having variable capital)
- Civil Partnership (Sociedad Civil) ("SC")
- Civil Association (Asociación Civil) ("AC")

A foreign company may open a branch ("sucursal") in Mexico as an alternative to incorporating. This provides rights and responsibilities similar to those of a corporation, but requires approval from the National Foreign Investment Commission at the Secretaría de Economía (SE).

See: www.2006-2012.economia.gob.mx/trade-and-investment/direct-foreign-investment/national-registry-of-foreign-investment-rnei.

Taxation and legal obligations differ depending on which business structure you choose. It is therefore recommended you consult legal professionals in Mexico prior to establishing an office, to ensure you choose the way that is best suited to your sector of activity. Contact Nader, Hayaux & Goebel: www.nhg.com.mx

Online selling to Mexico

E-commerce in Mexico is in its infancy but shows significant growth potential as broadband penetration is slowly improving.

The three largest cities in Mexico have the highest density of Internet users – Mexico City, Guadalajara, and Monterrey, 75% of whom are under the age of 35.

Find out about DIT's E-Exporting programme at: www.gov.uk/guidance/e-exporting, which can help you export your products to Mexico.

Check out online marketplaces in Mexico at: <https://selling-online-overseas.export.great.gov.uk/>, where DIT has negotiated listings at better-than-commercial rates.

Licensing or franchising in Mexico

Franchising in Mexico, as in any other country, requires a long-term commitment. However, there are no barriers to franchisers of any products or services in Mexico, and the franchise sector in Mexico is growing fast. The Mexican franchise industry represents the fifth-largest franchise market in the world.

Franchise agreements must be registered with the Mexican Institute of Industrial Property (IMPI), at: www.gob.mx/imp (site not in English).

Useful contacts can be made at the International Franchise Fair, which Mexico hosts each year. See: www.fif.com.mx (site not in English).

For further information on franchising opportunities in Mexico, see the Mexican Franchise Association at: <http://franquiciasdemexico.org.mx/> (site not in English).

Visit the international section of the British Franchise Association at: www.thebfa.org/international for more information on franchising.

Getting finance to fulfil an export contract to Mexico

Globally, Mexico ranks highly, 5th out of 190 economies, in the World Bank's "Doing Business – ease of getting credit" report 2017. See: www.doingbusiness.org/data/exploreeconomies/mexico.

To make it easier to fulfil an export contract and grow your business, schemes are available to UK companies selling products and services to Mexico. Contact your bank or specialist financial organisation for assistance.

UK Export Finance (UKEF) has significant risk capacity to support exports to Mexico, see: www.gov.uk/guidance/country-cover-policy-and-indicators#mexico. Contact one of UKEF's export finance advisers at: www.gov.uk/government/publications/find-an-export-finance-manager for free and impartial advice on your finance options.

Getting paid in Mexico

It can be difficult to collect from Mexican buyers in cases of non-payment. Access to credit in Mexico is limited and costly. You should be cautious when negotiating contracts.

You may wish to talk to a specialist about finance, including how to get paid in Mexico. This could be a bank, accountants or you can contact the DIT team in Mexico at: www.gov.uk/world/organisations/department-for-international-trade-mexico to help you find a local financial adviser.

Your contract will specify the terms for payment. If there is any dispute you will need to go through the Mexican legal system for resolution, which can be slow and costly.

Payment risks in Mexico

UKEF helps UK companies get paid by insuring against buyer default.

You may have difficulty accessing foreign exchange. Be confident you will get paid for your export contract. Speak to one of UKEF's export finance advisers at: www.gov.uk/government/publications/find-an-export-finance-manager for free and impartial advice on your insurance options or contact one of UKEF's approved export insurance brokers at: www.gov.uk/government/publications/uk-export-finance-insurance-list-of-approved-brokers/export-insurance-approved-brokers.

Currency risks when exporting to Mexico

If you have not fixed your exchange rate you have not fixed your price.

You should consider whether the best option for you is to agree terms in Sterling, US Dollars or Mexican Pesos in any contract. You should also consider getting expert financial advice on exchange rates (sometimes called FX).

Sponsored By:

Airline / Corporate Travel Services



Strategy / Risk Consultancy Services



Bank / Financial Services



Hotels / Corporate Lodging



Law / Legal Services



Case Study



;

Contact IMA
International Market Advisor
IMA House
41A Spring Gardens
Buxton
Derbyshire
SK17 6BJ
United Kingdom
Email: info@ima.uk.com
General enquiries switchboard: +44 (0) 1298 79562
Website: www.DoingBusinessGuide.co.uk