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Independent Manufacturers' Representatives and the Global Economy

Selling to the Manufacturing Sector
in Other Countries: Focus Mexico

Can Your Principal
Not Pay Commissions and
Enforce a Non-Compete?

MANA Recognizes
Long-Term Members

Selling to the Manufacturing Sector in Other Countries: Focus Mexico

BY ED JULINE

While being a manufacturers' agent or representative is a well-developed profession in the U.S. and Canada, the entire concept of outsourced sales forces is still mostly unknown in Mexico.

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Many of the reasons companies fail to sell their products in Mexico through reps fall into these categories:

- Being *unprepared* to pioneer a new market.
- Making *assumptions* about the market based on current paradigm.
- Not embracing that the new market uses a *different language*.
- Not accepting that the new market operates under a *different business and social culture*.
- Not understanding that the new market operates under *different business rules*.
- Failing to understand that the country is *not one country* but as diverse as the socio-economic and geographic regions of the home country.
- Ignorance to the *lack of infrastructure* that exists in other countries.

We have discovered four principal tactics for overcoming the possibilities of failure:

- **Invest in the intangibles** — Loyalty is very important to Mexicans and you must earn the trust of a Mexican buyer before you can even think about doing business with them. Relationships are just as valuable as anywhere else in the world, and without them you will not get anywhere. No one in Mexico buys anything without some level of basic relationship. Identifying and choosing trusted support channel partners (lawyers, accountants, logistics, etc.) is critical even though finding good ones is a special challenge in Mexico. You must create clichéd win-win transactions as a win-lose will hurt your reputation with your prospect and everyone your prospect knows. Mexico is very community focused, with communities defined by schools, families, and even having the same last name despite not actually being related. There is a saying in Mexico, “Más vale lo malo por conocido que lo bueno por conocer,” which loosely translates to “Better the devil you know than the devil you don’t.” This saying is very relevant when considering your investment in the intangibles.

- **Don’t give up!** — Doing business in Mexico will *always* take longer. We have an informal 18-month rule which says that if we receive a purchase order any sooner than 18 months from when we first contacted a customer, we must immediately attend a church service and give thanks for the miracle that has been bestowed upon us. This requires a lot of tenacity as well as the classic patience and persistence that applies to sales anywhere but

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Focus Mexico

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even more so Mexico. You will often feel like you will never get the sale and that is exactly when the purchase order will arrive to your inbox.

- **Be flexible** — You must always be ready to negotiate. It may seem like your first offer is never accepted, but negotiation is part of the process to ensure that you are acting in good faith. If you don't give at least a little, you will be seen as stubborn and domineering and no deal will be struck. You must be quick to action as you will invariably get the call saying that you can have the order if you can deliver a million parts by tomorrow. Processes to deal with last minute urgencies must be in place. And while loyalty and relationships are critical, short memories can forgive honest mistakes and curse deliberate malfeasance.
- **Teach** — Cost, quality and delivery are a basic ticket to entry and not differentiators. You will not win business in Mexico based on your superior performance in these areas. The average age of a buyer in Mexico is going to be less than a buyer in other countries. Showing your competency and expertise in your given field will be appreciated by the buyer as they are eager to learn.

Types of Buyers in Mexico

Buyers in Mexico can be classified into three basic levels. Each of these levels is not entirely exclusive and there can be some crossover, but the general classifications do help in deciding where to focus effort. The first level of buyer is a purchase order executor. This person is buying from an approved vendor list and is usually doing exactly what the ERP system is telling them to do. One can waste a lot of time with this type of buyer before they realize that there is no potential for changing suppliers via this person. The second type of buyer is a "local" sourcing buyer. This person is hired or put in their position with the strict direction to find "local" Mexican suppliers or in some cases NAFTA suppliers. While this type of buyer can become excited at first as they need your widget, they will become disappointed when they learn your manufacturing is not in Mexico or you present non-peso pricing.



These buyers can be very helpful though as they know who the global sourcing person is back at headquarters for multinational companies. Calling the global sourcing person at headquarters already knowing what she is looking for and the names of her kids and favorite movie can be an excellent way to initiate the customer intimacy required for becoming a supplier. The third type of buyer is a true global sourcing agent and is a Mexican who has been given global responsibility for a certain commodity or material group. These people can be very powerful allies as they will always be interested in Mexican suppliers as a start but then revert to foreign companies when Mexican suppliers cannot be found.

When hiring a salesperson in Mexico, there are certain human resources management strategies to take into consideration. It is our experience that a Mexican sales professional will often be well-versed on either the front end or the back end of the sales process, but rarely both. You will find excellent hunters who will walk an industrial park door-to-door looking for leads and requests for quotes, but when it comes to moving the deal along or closing the deal, their skills are lacking. There are also farmers who will sit on their five favorite accounts and bring many potential suppliers to those accounts but when the opportunities for a potential supplier dry up at those few accounts, they move on to the next supplier instead of hunting for new accounts. Finding self-motivated and self-disciplined sales professionals is more of a challenge than what you may be used to and people who you may consider full-time employees may be full-time employees for multiple companies. Err on the side of caution when looking to hire a sales professional in Mexico, and be aware that Mexican labor laws favor the employee.

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Negotiation is part of the process to ensure that you are acting in good faith.

There are a number of government resources to help U.S. and Canadian companies conduct business in Mexico. The Department of Commerce International Trade Administration (www.export.com) and the Government of Canada Trade Commissioner Service (www.international.gc.ca/global-markets-marches-mondiaux/sme-pme.aspx) are federal government services created to help companies export. Many U.S. states also have export assistance offices as well. Finally, any U.S. company exporting anywhere in the world should consider forming an Interest Charge Domestic International Sales Corporation (IC-DISC) which reduces the tax burden on profits gained from export sales (www.hawcpa.com/docs/default-source/default-document-library/disc_overview_final.pdf).



Ed Juline, CPMR, CSP, has been working in manufacturing operations and sales in Mexico for 15 years. When IBM decided to move the manufacturing from North Carolina to Guadalajara, Jalisco, they needed someone to lead the project. Juline raised his hand and said “I’ll do it!” After a successful transplant, he wasn’t quite done with Mexico, taking the severance that a non-manufacturing IBM was offering and going on to work for Nypro as the Dell Business Unit manager and then Pertek-Erler as plant manager. When MacDermid Autotype wanted to get into the Mexican market and searched LinkedIn for the keywords “Mexico Plastics Appliances,” Juline’s profile was at the top of the list. The transition to sales led to solicitations for representation from a number of companies wanting to sell into Mexico and Mexico Representation was formed.