
Finding Reps “South Of The Border” Proving Doubly Difficult

It’s no small task for manufacturers to locate manufacturers’ representatives in any territory they’re looking to impact. The difficulty of that task is multiplied, however, when considering how to meet that challenge in Mexico.

That’s one of the major points made by MANA associate member Vince Lencioni, LGA Consulting, Mexico City, Mexico. As a matter of fact, the very existence of that challenge is one of the major reasons Lencioni and his company have joined MANA.

According to Lencioni, who also is an attorney, “There is no MANA in Mexico, and I think there needs to be one. We don’t have very sophisticated rep networks in Mexico. Generally, what-

ever exists has been very informally created. For instance, you’ll have an individual who formerly was an employee of a manufacturer. He’ll leave the employ of that company, taking his knowledge of the industry, and go out on his own to sell similar products or products that his former employer needed but weren’t readily available in the market.”

He continues that in the absence of any form of rep association such as MANA, there are some distributor and manufac-

turer associations, but there’s nothing to meet the needs of reps.

In partial response to that void, Lencioni explains that part of LGA Consulting’s goal is to “assist United States manufacturers who may be using reps in the United States and who recognize the fact they should be doing the same in Mexico — but haven’t had any success as yet.”

To that end, he explains that for more than 12 years, “We’ve been able to find those reps that may be ‘hiding in the grass.’” The consulting firm has served as the trade office for the State of Wisconsin, helping Wisconsin exporters find distributors and reps, having some contact with the Wisconsin Association of Manufacturers Agents, Inc. (WAMA) and its member companies.

“Since there’s no directory or formal database of reps in Mexico, we’ve been able to employ what I’d call a ‘backdoor approach,’ that is contacting manufacturers for suggestions, to finding reps that can best meet the needs of U.S. manufacturers.”



Vince Lencioni

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Rep-Finding Service

As an example of the type of service LGA Consulting provides for manufacturers seeking independent representation in Mexico, Lencioni provided a description of his firm’s agency-find services. A synopsis of those services includes a nine-step process:

- LGA sends a four-page questionnaire to the interested foreign company.
- The firm creates a one-page profile about the foreign company and its interest in Mexico and translates it into Spanish.
- LGA initiates contact with the foreign company in order to clarify points and to make certain that it understands the type of company and type of relationship that the company desires in Mexico.
- A critical mass of companies that appear to be good targets for the company in question is accumulated via search efforts.
- When a Mexican company confirms interest, LGA sends it a form along with the brochure/catalog of the foreign company.
- Once LGA receives the form from the Mexican company, it reconfirms the information.
- LGA takes the information from the Mexican company questionnaire and translates it into a functional profile in English. LGA then provides the foreign company with its general opinion of the Mexican company’s potential in the format. LGA contacts the foreign company to secure dates for a necessary visit to Mexico.
- LGA waits for confirmation of visit dates and schedules meetings.
- If, after the search is complete, it is determined that the candidate focus was incorrect, the firm will reopen the search and find additional candidates at no cost to the foreign company.

It is emphasized that the above is merely an outline of the distributor and representative search services that LGA Consulting provides for U.S. manufacturers. Also, as mentioned above, when finding representatives specifically, the “backdoor approach” is just as important or more important than the above, more traditional methodology. More detailed information concerning the consulting firm may be found on www.lgaconsulting.com.

Rep Finding Service

According to the consultant, “We’ll offer a service whereby we’ll locate reps by phone and request that they complete an English-language profile of their services/capabilities. A higher level of service that we provide calls for us to meet in person with the prospective rep. In addition, we’ll also ask for commercial references from companies that they conduct business with outside of Mexico.”

During the course of locating reps to work with U.S. manufacturers, Lencioni maintains that there’s also a certain amount of education that’s called for when working with U.S. companies. “There are a couple of misconceptions that must be addressed for any company new to working in Mexico. First there’s the matter of how important credit is, and second are perceptions concerning corporate/commercial law in the country.”

When discussing credit Lencioni makes the point that “U.S. manufacturers have to realize that when conducting business in Mexico, they can’t avoid credit issues and think that they’re going to be viable factors in the market over the long or even the short term.”

The consultant emphasized, “With many companies that operate internationally, their accounting people tend to be fairly ‘black-and-white’ when it comes to extending credit to foreign customers. Many U.S. companies especially may not want to hear that, but it’s a fact of life in Mexico, and it will affect a manufacturer’s success or lack of success here. The reason credit is so important here is that the majority of the banking institutions

won't extend credit to companies. As a result, they'll look to their suppliers for credit, which is where Mexican companies obtain over 60% of their financing. Credit is simply a competitive fact of life here. Don't misunderstand me; customers are still price-sensitive, but they may be even more credit-sensitive. That's something a manufacturer will have to come to terms with." Lencioni went on to say that with Mexican promissory notes, other guarantees, reasonably priced receivables insurance and checking U.S. commercial references, U.S. companies can extend credit to Mexican companies with the confidence that they will get paid. CFOs of international companies need to realize that the Mexico of today is a different Mexico than

that which suffered through the financial crises of the 1980s. While collections in Mexico without guarantees can still be long and tricky, collections with guarantees is a solid business strategy and not imprudent.

On the question of corporate/commercial law, Lencioni, a Mexican attorney, admits that there may be a perception that such law exists in Mexico, but that's not the case. "Mexico is hardly lawless, and it's certainly not Central America or China." As an example, he cites the fact that manufacturers can much more easily contract with a rep in Mexico than in Central America where such an agreement is tantamount to extending an employee contract. "Mexico is much more progressive than that.

Representation is not equivalent to employment and, in fact, it is very difficult to establish there is any type of employee relationship in Mexico."

Lencioni continues that another consideration U.S. manufacturers have when it comes to Mexico is the size of the market. "While Mexico may be the 12th largest market in the world, it is still finite compared to the United States. A real reality check for most manufacturers comes when they realize they'll have to be a little more creative when it comes to compensation for their reps and be willing to live with the fact there may be fewer opportunities than they're used to in the United States. While the nuts may be tougher to crack here, the effort is worth it." □

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