

The Market Entry Modes Followed by Mexican Companies in Japan

by

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Certification of Originality

I, MATEOS MONTEALVO Yanet (52116004) hereby declare that the contents of this Independent Final Report are original and true, and have not been submitted at any other university or educational institution for the award of degree or diploma. All the information derived from other published or unpublished sources has been cited and acknowledged appropriately.

MATEOS MONTEALVO Yanet
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Summary

Mexico has entered a phase where it needs to start considering new alternatives on international trade. Although, it won't occur in the short term, Mexico could consider diversification to Japan, thus, to demonstrate that it's possible, this paper researches and presents the Mexican companies established in Japan. The purpose of this research is to identify the market entry modes followed by the Mexican companies currently operating in Japan as means to provide a primary insight for other companies who want diversification in Japan. Therefore, the main research question is what are the market entry modes followed by the Mexican companies with presence in Japan?

This internationalization has taken place in the context of Mexico's economy transformation into an export-oriented economy, the integration with the United States and Canada (NAFTA); and the growing bilateral trade relationship between Mexico and Japan. As well as other specific factors of the companies themselves, which influenced the selection of their market entry modes and their results.

The methodology of this research is based on the collection and qualitative analysis of secondary data from the organization's official websites and reports, online magazines and newspapers, government publications and industry statistics. This research describes and analyses the various market entry modes followed by eight Mexican companies with presence in Japan.

This research concludes that these companies chose their market entry modes in Japan, mainly based on their own characteristics. Overall, the Mexican companies positioned themselves in the country, and some of them continued their diversification in other Asian countries such as China, South Korea and Taiwan.

Key words: Mexican companies, Japan, internationalization, market entry modes.

CHAPTER - I - INTRODUCTION

In the late 1980s, Mexico's economy underwent a transformation into an export-oriented economy when the government began to liberalize its trade policy and adopt measures for a new economic reform (Stratfor, 2015). As a result, nowadays, more than 90% of Mexican trade is made under 12 free trade agreements that give access to 46 countries (including America, Europe, and Asia); 32 promotion and protection of investments agreements; plus 9 partial scope and economic complementation agreements (Paullier, 2017). All together, they allow Mexico to access a potential market of more than 1 billion consumers and 60% of the global GDP. However, more than 80% of the Mexican exports (one third of Mexico's GDP) go to the United States (Paullier, 2017). This high percentage is partially due to the North American Free Trade Agreement (NAFTA) that came into force in 1994 (Villamil, 2017).

In spite of the recent export diversification to Canada, Brazil, Spain, and China, the United States is still Mexico's largest source of foreign direct investment (Cacelín, 2016). Nevertheless, after Donald Trump became the US president in 2017, the trade relationship between Mexico and the United States is filled with uncertainty since he plans to build a wall along the US–Mexico border, renegotiate NAFTA, and adopt more protectionist policies (Laudicina, Peterson, 2017). Even more, he has frequently criticized American companies for having or planning to establish operations in Mexico, so he is pursuing policies like 35% import tariff to incentivize them to stay in their country (Quittner, 2016). Consequently, Mexico enters a new phase where it needs to start considering alternatives on trade.

Overall, Mexico could consider diversification to regions that offer same volume and value of the U.S. market, such as Asia (China and Japan mainly) and Europe (Paullier, 2017). But if we contemplate the potential market in Asia, which has 60% of the world population, then we can't ignore China's dominance in the region. In fact, Mexico registered a trade deficit around 120 billion dollars with Asia in 2015 (Moreno, 2017). On the other hand, the European Union was the second export destination in 2016, ahead of Canada (NAFTA partner), China and Japan (Paullier, 2017).

Now, after seven years of negotiation, the signing of the Trans-Pacific Partnership (TPP) (Holmes, 2017) is going to extend Mexico's market to six new countries: Vietnam, Singapore, New Zealand, Malaysia, Brunei, and Australia. Even though, Mexico already has trade agreements with four countries of the TPP (Canada, Chile, Japan and Peru), these ten countries represent almost three quarters of Mexico's foreign trade, and they are the source of more than half of the investment received by the country since 1999 (Castro, 2017). Though, we still don't know when will the TPP come into force, certainly this has showed the possibility and reality of other markets.

Despite the opportunities to dissociate at some extent the exports and the economic cycle of a single market, it's still difficult for Mexico to leave its best customer for one that remains thousands of kilometers away. Even if it's good to diversify, this doesn't mean that Mexico can just replace the existing market, hence the diversification won't occur in the short-term, but rather in the medium and long-term. Thus, to demonstrate that it's possible for Mexico to diversify into the alternative markets mentioned above, I decided to research and present the Mexican companies established in Japan. Therefore, the purpose of this research is to identify the market entry modes followed by the Mexican companies currently

operating in Japan as means to provide a primary insight for other companies who want diversification in Japan.

Although, Japan might seem like a big challenge for Mexico because of the limited knowledge about the country, yet, the country is changing and Mexicans should also change their perspective since Japan is a country with a huge market that could create new business opportunities. The fears of what the interaction with Japan means to the Mexican companies must be overcome to progress consistently. So, what can the Mexican companies do to invest in Japan, given that the entry barriers are quite large and the culture is so distant from ours? To answer this question, I propose that observing the Mexican companies already established in Japan as a starting point may help to exhibit the potential of this market and the necessary steps to follow for other companies. Therefore, the main research question for my investigation is what are the market entry modes followed by the Mexican companies with presence in Japan?

This paper is divided in seven sections: Chapter I presents the background, motivation and the purpose of the research, besides it includes the main research question, and the research structure. Chapter II describes the relationship between Mexico and Japan. Chapter III reviews relevant concepts and theories such as the definition of internationalization, and explains important aspects that companies need to consider such as where, when, and how. Also, it presents the theoretical framework based in the Choice of Entry Modes: A Decision Model by Peng (2014), and reviews the various market entry modes. Chapter IV describes the research design and the data collection methodology. Chapter V describes the market entry modes followed Mexican companies with presence in Japan, meanwhile Chapter VI examines them. Finally, Chapter VII offers some conclusions evaluating the routes and preferences of the Mexican companies in Japan, and the results of their international activities.

CHAPTER - II - MEXICO-JAPAN RELATIONS

Mexico and Japan share 403 years of friendship and cooperation, this relationship started with Hasekura Tsunenaga, who arrived in the country with the objective of establishing contact and promoting direct trade between Japan and the New Spain (Mexico). Later, the Treaty of Friendship, Commerce, and Navigation between Mexico and Japan was signed in 1888. It was the first treaty offering equal terms for Japan with a Western country, and a precedent that allowed the Meiji Government to renegotiate unequal treaties for Japan with the West. (Camarena, Esteves, Inclán, & Meléndez, 2017).

In 2004, the Mexico-Japan Economic Partnership Agreement (EPA) was signed with the intention to improve the access of imports and exports as well as to promote investments for both countries. It included quotas for some Mexican products to enter the Japanese market with lower tariffs and allowed the Japanese companies established in Mexico to compete on equal terms with European and American companies operating in the country (Embassy of Mexico in Japan, 2016). At the same time, the agreement set the foundations for a new strategy in the region by four main lines of action: First, use the exports to develop opportunities for Mexican products and to increase their presence in Asia, particularly in the Japanese market. Second, use the imports to strengthen the national production with suppliers at lower cost and advanced technology. Third, attract investment to promote the production in strategic sectors. Fourth, use the bilateral cooperation to take advantage of the benefits provided by the agreement. (Camarena et al., 2017). This agreement became the basis for Japan to negotiate other economic partnership agreements, with both Latin American and

Asian countries. Likewise, the EPA became the basis for Mexican entrepreneurs to explore business opportunities in Japan and Asia. (Camarena, Esteves, Inclán, & Meléndez, 2017).

As a result, Japan has become Mexico's third most important trading partner after the NAFTA partners (Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food [SAGARPA], 2017), and the second most important market for Mexican agricultural exports such as fruits, vegetables, meat and fish products (Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food [SAGARPA], 2015). In fact, between 2000 and 2015 (See Appendix A & B), the Mexican exports to Japan grew 224% (ProMéxico, 2017). In 2015, some of the Mexican leading exports in Japan were the avocado, melon, persian lemon, fresh mango, asparagus, bluefin tuna and frozen sardine (SAGARPA, 2015).

On the other hand, Japan has also become the country's main Asian investor, between 1999 and 2016, Japan has been de 7th largest source of foreign direct investment to Mexico (ProMéxico, 2016). "There is no other country where Japanese investment and businesses are growing as rapidly as they are in Mexico, says Ambassador from Japan to Mexico, Akira Yamada" (ProMéxico, 2016, p.10). By the end of 2015, there were 937 Japanese companies, and 9,437 Japanese citizens in Mexico (Camarena et al., 2017), nowadays, there are more than 1,000 Japanese companies operating in Mexico (ProMéxico, 2016). According to the Embassy of Mexico in Japan (2016), the main Japanese companies with presence in Mexico are: Mitsui (e. 1955), Itochu (e. 1956), Nissan (e. 1962), Mitsubishi (e. 1962), Sumitomo (e. 1967), Honda (e.1985), Toyota (e. 2002), and Mazda (e. 2014).

As we can observe, the relationship between Mexico and Japan is still in developing. The increasing Japanese investment has revealed a high interest in Mexico, particularly regarding the automotive industry, since the country has an attractive domestic market, low wages, and is also considered as a platform to export to other markets in America, Europe,

and Asia. On the contrary, Mexico seems more like a passive counterpart despite the current opportunities for a successful diversification of external economic relations and the opening of niche markets in the Asia-Pacific region.

Moreover, it's necessary to recognize that just as for Japan the relationship with Mexico became the link between the Americas and the European Union; Mexico's relationship with Japan could also become the connection with the Asia-Pacific region. Unfortunately, there still seems to be skepticism and lack of identification of possibilities to establish a viable business in Japan. The challenge isn't only to consolidate Japan as an export platform for Mexican companies, but to continue to offer an attractive market for them. However, to expect a considerable improvement of the bilateral relations in a short term can lead to a failed attempt. The absence of a thorough knowledge of the industrial policies of the different business sectors in Japan could prevent Mexican companies from foreseeing what could be a new business opportunity.

CHAPTER - III - LITERATURE REVIEW

3.1. Internationalization

According to Johnson et al. (2014), the internationalization is a form of diversification, but into new geographical markets. In other words, it's a process by which a company creates the necessary conditions to enter a foreign market. Thus, the internationalization implies a long-term process, it isn't enough to have a temporary presence in the territory, but to establish completely in the economy of another country. But, why companies wish to internationalize? Overall, the reasons for internationalization are based on the benefits that the companies can obtain if their strategies succeed abroad (Peng, 2014). For example, some of the expected benefits are the access to bigger markets (e.g. global customers), reduction of operating costs (e.g. economies of scale), increase of returns on investments, increase of opportunities for learning (shares knowledge and learning), and creation of competitive advantages provided by the specific location (e.g. natural resources) (Johnson et al.,2014).

Nevertheless, there is an intrinsic disadvantage that foreign companies experience in host countries because of their non-native status. First, foreign companies must learn the formal and informal rules of the country. Second, customers can discriminate foreign companies either formally and or informally (e.g. activist protests against the company). Therefore, to avoid the problem of foreignness, the companies must use a large amount of capabilities and resources (Peng, 2014). In addition, before going abroad, managers must consider the company size and the size of the other country's domestic market (Peng, 2014).

Ultimately, not every company is ready to venture overseas. In fact, this may have a negative effect to the overall performance of smaller companies (Peng, 2014).

3.2. Where, When, and How?

If internationalization takes place, then the companies must make a series of decisions regarding the aspects (2W1H): where, when, and how (Peng, 2014).

For instance, the dimension of “where” is related to the specific advantages of the location, such as regional skilled labor forces, regional specialized suppliers and buyers. In addition, the companies must consider the cultural and institutional distance. The cultural distance is the difference between two cultures along some identifiable dimensions like individualism. Meanwhile, the institutional distance refers to the degree of similarities or dissimilarities between the regulatory, normative, and cognitive institutions of the two countries (Peng, 2014). As a result, during the first phase of internationalization, some companies prefer to enter culturally or geographically close countries, and later enter those who are more distant (Johanson & Vahlne, 1977, 1990).

On the other hand, the dimension of “when” is related to whether the company wants to become a first mover or a late mover. While the first movers may gain advantage over the competitors (e.g. proprietary technology), being the first ones is not a guarantee for success. Although timing is very important, this isn’t the only reason for the success or failure of a foreign entry strategy (Peng, 2014).

Finally, the dimension of “how” is related to the experience and commitment of the company. The demonstration of commitment discourages potential entrants to enter the

market and reassures local customers and suppliers. But it limits the flexibility of the strategy if the company decides to go to other places. Even though, the companies also learn through their experience in host countries, the lack of strong commitment may lead to difficulties in obtaining both market share and first mover advantages (Peng, 2014).

3.3. The Choice of Entry Modes: A Decision Model

The dimension of “how” is also related to how to enter a foreign market, among the numerous market entry modes, companies are unlikely to consider all of them at the same time. Given the complexity of the foreign entry decisions, they must prioritize by considering only a few key variables first, and contemplate other variables later. Therefore, this research follows a decision model that guides specific steps for foreign market entries (Peng, 2014). The decision model is shown below. (See Figure 1)

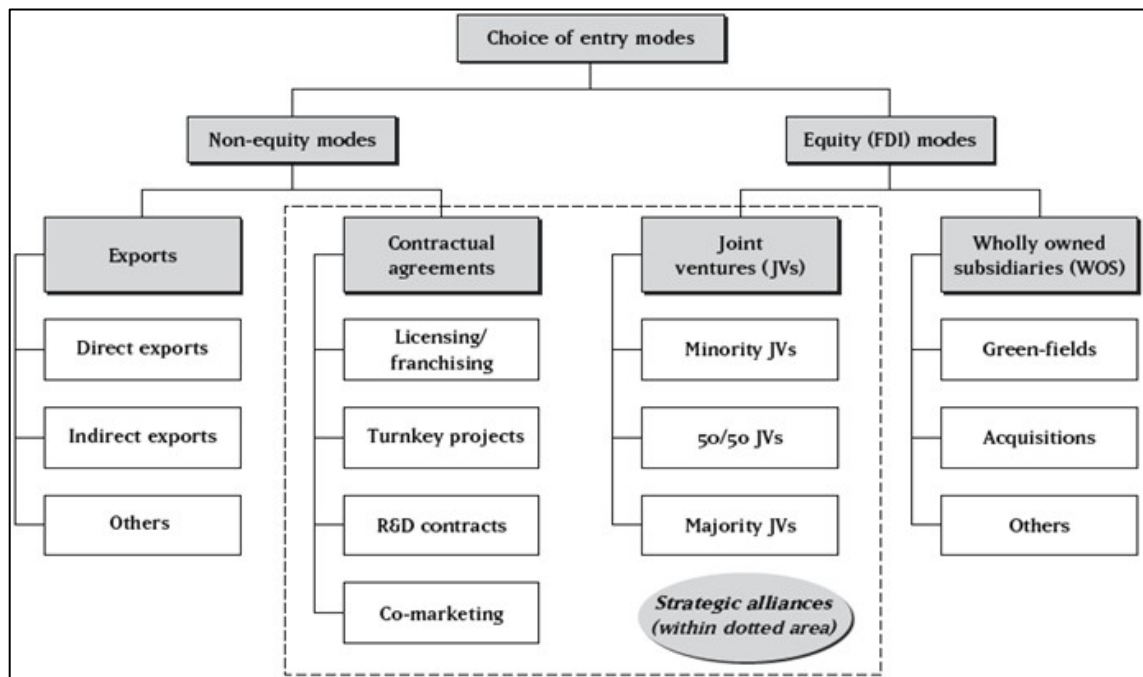


Figure 1. The Choice of Entry Modes: A Decision Model (Peng, 2014, p.177).

In the first step, the decision model focuses on the equity (ownership) issue, thus the companies must consider the scale of entry (small-scale VS large-scale). In general, non-equity modes indicate relatively smaller commitment to foreign markets, whereas equity modes reflect relatively larger commitment. In addition, equity modes use the establishment of independent organizations overseas (partially or wholly owned), while non-equity modes don't require such independent establishments. This first stage is crucial because it differentiates a multinational company from a non-multinational. In fact, multinational companies enter foreign markets via equity modes through foreign direct investment (Peng, 2014). Therefore, they have direct control over their activities abroad. Contrary to the foreign portfolio investment (FPI), where a company doesn't have foreign direct investment, but still can participate in international business through non-equity modes (Maverick, 2015).

After deciding between the equity or non-equity modes, then second step makes the actual selection of the market entry mode: exports, contractual agreements, joint ventures (JVs), and wholly own subsidiaries (WOS) (Peng, 2014). As we can observe, all types of non-equity based contractual agreements and equity based joint ventures can be considered as strategic alliances (within dotted area in Figure 1). These strategic alliances are voluntary agreements of cooperation between companies (Peng, 2014).

3.4. Market Entry Modes.

For the non-equity modes, the companies can choose between exports and contractual agreements. If the decision is to export, then the next consideration is whether to follow the direct exports or indirect exports. Direct exports are the most basic market entry mode by

concentrating the production in the home country and providing better control over the distribution. This market entry mode essentially treats foreign demand as an extension of domestic demand, and the company is directed towards designing and producing first and foremost for the domestic market. While direct exports may work with low export volumes, this isn't ideal when the company has many foreign buyers. In addition, direct exports may provoke protectionism, potentially generating antidumping actions (e.g. pricing policy) (Peng, 2014).

On the other side, the indirect exports as the name suggests, exports through domestically based export intermediaries. This market entry mode benefits from the economies of scale, and is relatively less worrisome for the companies. However, third parties (e.g. export trading companies) may not share the same objectives as the companies. Nevertheless, companies choose these intermediates mainly because of information asymmetries concerning foreign markets. Still, intermediates aren't interested in reducing these asymmetries. Moreover, intermediates may want to monopolize the communication with the foreign market and even repackage the products with their own brand (Peng, 2014).

The next group of non-equity modes involves four types of contractual agreements: licensing or franchising, turnkey projects, research and development agreements, and co-marketing. In the licensing or franchising, the licensor or franchisor sells the rights to intellectual property such as patents and know-how to the licensee or franchisee for a royalty fee. Then, the companies don't have to bear the full costs and risks associated with foreign expansion, but they don't have strict control over production and marketing (Peng, 2014).

On the other hand, in turnkey projects, companies pay contractors to design and construct new facilities and train personnel abroad. After the project completion, these contractors hand "the key" to facilities ready for operations to the companies (build-transfer),

hence the term “turnkey”. This market entry mode allows companies to earn returns from processing technology (e.g. construction) in countries where foreign direct investment is restricted. Also, turnkey projects don’t allow long-term presence after the key is handed to the companies. Therefore, the contractors who want to obtain a long-term presence often use the build-operate-transfer (BOT). As the name suggests, after building the facility they can operate for a period before transferring the operations to the company (Peng, 2014).

On the contrary, the research and development contracts refer to outsourcing agreements in R&D between companies. For example, company A agrees to perform certain R&D project for company B. Generally, the companies consider the best locations for certain innovations at relatively low costs, which is why these contracts are difficult to negotiate and enforce. While delivery time and costs are relatively easy to negotiate, quality is often hard to assess. In addition, such contracts may create competitors since companies that rely too much on outsiders to perform R&D activities may lose some of their core R&D capabilities in the long run (Peng, 2014). Lastly, the co-marketing refers to the efforts among several companies to jointly market their products and services (e.g. McDonald’s toys based on movies), which main advantage is the ability to reach more customers, but with limited control and coordination (Peng, 2014).

For the equity (FDI) modes, the companies can choose between joint ventures (JVs), and wholly own subsidiaries (WOS). While an alliance is two or more companies working together and operating independently without creating a new company, the joint venture is a new organization created by two or more parent companies which hold partial equity ownership. Besides, the joint ventures have three principal forms: minority JV (less than 50% equity), 50/50 JV (equal equity), and majority (more than 50% equity). In general, this market entry mode allows the company to share costs, risks and profits with local partners, so the

companies possess a certain degree of control. Also, the company gains access to knowledge about the host country, while the local firms benefits from the company's technology, capital, and management. Moreover, a joint venture may be politically more acceptable in host countries. However, they often involve partners with different backgrounds and with different goals, so conflicts are expected. Furthermore, effective equity and operational control may be difficult to achieve since everything must be negotiated. Ultimately, the companies don't obtain the strict control over the foreign subsidiary that may be needed for global coordination (Peng, 2014).

On the other hand, the wholly owned subsidiary is defined as a subsidiary located in a foreign country that is entirely owned by the parent company. There are two main types: green-fields, and acquisitions. The green-fields operation means building factories and offices from scratch, which provides three advantages: First, it gives the companies complete equity and management control, thus eliminating the difficulties associated with joint ventures. Second, the undivided control leads to better protection of propriety technology. Third, it allows central coordination, for example, the subsidiary is ordered to give money to the parent company. Though, they tend to be quite expensive and risky, not only financially but also politically (e.g. nationalistic sentiments) (Peng, 2014).

On the contrary, the acquisition is the purchase of most, if not all, of a company by another company. As part of the exchange, acquisitions may result in a parent-subsidiary relationship or may be the prelude to a merger, which creates a unique disadvantage: post-acquisition integration problems. Although, this market entry mode shares all the benefits of green-fields and wholly owned subsidiary, plus two more advantages: adding new capacity, and faster entry speed. (Peng, 2014).

CHAPTER - IV - RESEARCH METHODOLOGY

This research will focus on the market entry modes followed by the Mexican companies established in Japan. The first step was to determine what companies are currently operating in the country, for which I used the public data provided online by the Ministry of Foreign Affairs of Mexico. Thus, I identified the following Mexican companies according to the Embassy of Mexico in Japan (2016): Rassini (e. 1996), SuKarne (e. 2004), Aeromexico (e. 2006), Bocar (e. 2008), KidZania (e. 2008), Metalsa (e. 2008), Altex, (e. 2009), and Mexichem (e. 2011) (See Figure 2).

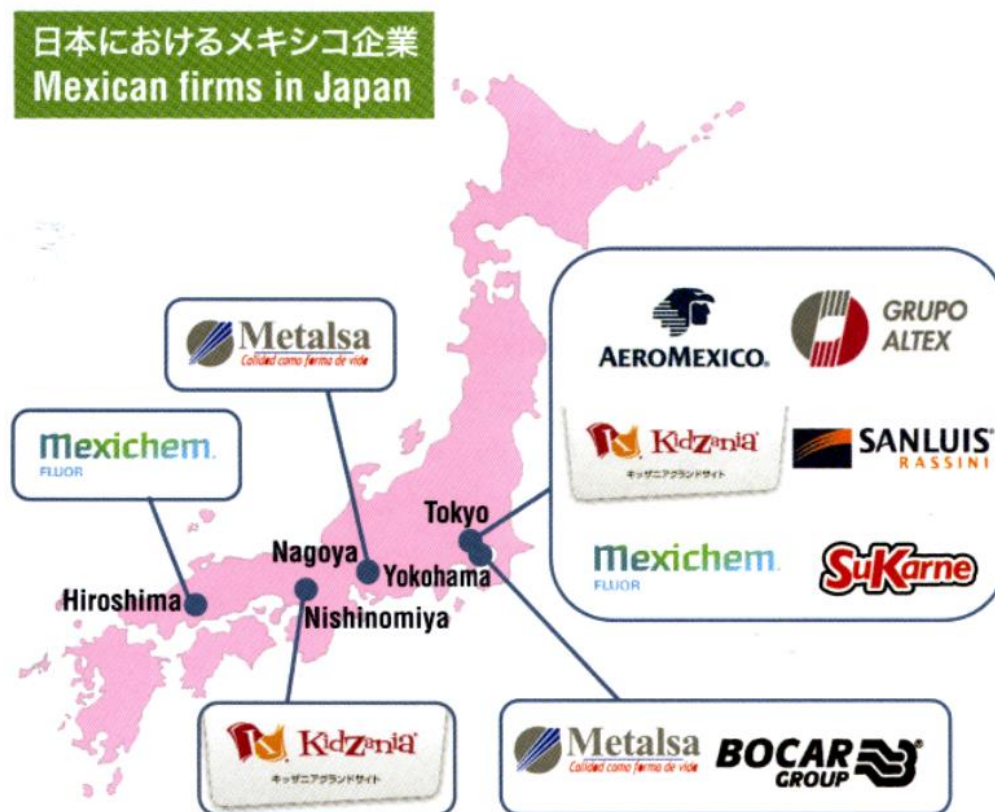


Figure 2. Mexican firms in Japan (Representative Offices of Mexico's Secretary of Economy, 2013).

The next action was to collect and review the already published information of each company since the beginning of their operations in Japan until their establishment. Therefore, the methodology of this research is based on the qualitative analysis of secondary data over that specific period from the organization's official websites and reports, online magazines and newspapers, government publications and industry statistics. This research describes and analyses the various market entry modes followed by eight Mexican companies with presence in Japan.

Lastly, I compiled the acquired information from the companies' official websites, governmental resources, and online media in a table presented in the Discussion section (See Table 1). The objective was to present the key data about each company as well as an overview of the literature and how the related concepts were manifested. Whereas the Findings section begins with a brief description of the companies' operations and other relevant topics such as cultural, environmental, regulatory or health requirements to provide the context of their operations. Then, to describe and explain the selected market entry modes, I recount the steps of the development and establishment of the Mexican companies in Japan.

The major problem for this research was the lack of information available about specific facts concerning the internationalization process of each company due to their confidentiality regarding sensitive information for their businesses, hence more specific information isn't included. Nevertheless, the exploratory nature of this research may serve as a significant starting point for future investigations and analysis related to understanding the business relations between Mexico and Japan.

CHAPTER - V - FINDINGS

5.1. Rassini.

Rassini is a designer and producer of vehicle parts such as leaf springs and coil springs, rubber bushings and brake discs, drums and hubs used in all types of vehicles, from the light commercial vehicles pickups, encompassing passenger, to trucks and buses (Rassini-NHK Automotive, 2016). The company formerly known as SANLUIS Rassini is an OEM's supplier (Original Equipment Manufacturer) to world's largest automakers such as Chrysler, Daimler, Fiat, Ford, General Motors, Maserati, Mercedes Benz, Mitsubishi, Nissan, Scania, Tesla, Toyota and Volkswagen, among others; has eight production plants, as well as four technology centers strategically located in Mexico, the United States and Brazil, and employs more than 5,800 people in these countries (Rassini, 2015).

Rassini's internationalization began with the acquisition of two Brazilian companies dedicated to the production of suspensions, Fabrini in Sao Paulo and NHK Cimebra in Rio de Janeiro, which joint sales were over \$ 50 million and had almost 60% market share in the country. Since NHK Spring was the owner of NHK Cimebra, and to avoid competition between them, the partners decided, alongside Nissho Iwai, also Japanese, to share ownership and go together into the Brazilian market with Fabrini. This strategic alliance enable Rassini to have access to first-line technology in suspensions from the Japanese company. While NHK Spring would strengthen its presence in the region. At the end, Rassini could manufacture auto parts in partnership with NHK Spring. (Sanluis Corporación, 2011).

In 1996, Fabrini (See Figure 3) became a joint venture company between Rassini and NHK Spring (NHK Spring Co., Ltd., 2016). During that time, Rassini also established a liaison office in Tokyo, Japan; made partnerships with Brembo S.p.A. of Italy for the high technology brake systems, and Hendrickson International of the United States in the interest of suspensions for heavy trucks (Rassini, 2001).



Figure 3. Fabrini in Brazil (Rassini-NHK Automotive, 2016).

In 1998, Rassini made another strategic alliance with NHK Spring, Fabrini and NHK Cimebra were merged and Rassini-NHK Autopeças (RNA: Rassini-NHK Automotive) was established (NHK Spring Co., Ltd., 2016). Now, most vehicles in Brazil circulate with springs manufactured by RNA and marketed under the Fabrini and NHK brands, which guarantee durability and top performance. All RNA springs, Fabrini or NHK brands are tested, identified and packaged before going directly to assembly lines of the main automakers in Brazil and overseas. Their quality is ratified, approved and certified by the strictest quality assurance systems, such as the ISO/TS 16949:2009 (Rassini-NHK Automotive, 2016) Ultimately, this company helped the Mexican automotive market to become the number one vehicle producer in Latin America (Rassini, 2014).

5.2. SuKarne.

SuKarne is Mexico's largest beef producer; their products are available across 40,000 outlets and grocery stores, including retail chains, butchers and variety of restaurants in country. Its value chain covers all the stages of the beef production process, from cattle breeding to its marketing in packages of seasoned cuts. Besides the quality of its products, SuKarne meets the specifications, and individual preferences of consumers in each of the markets, hence the products are processed and packaged according to the customers' needs and requirements. (SuKarne, 2017). The company exports the largest percentage of beef, pork and chicken from Mexico to nine countries (Japan, United States, Korea, Angola, Russia, China, Canada and Chile), and is in the process of obtaining certifications needed to export to several new markets (SuKarne, 2017).

In 2004, SuKarne Japan Inc was created to attend more directly and efficiently to the distribution of their beef and pork products in Japan with the purpose to satisfy the needs of Japanese consumers (e.g. organic products). This sales office is in Chiyoda and wholesales meat products such as frozen boneless beef (SuKarne, 2017). At the beginning, the Asian market didn't have a specific standard, but established a prior process for analysis-observation to authorize exports to the country. Japan and Korea, allowed importation only with the Federal Inspection Type (TIF) certification (without the USDA). The most important was that the product specifications meet the health criteria. Exporting to the United States was more complex because of the USDA certification. The main cause for not receiving the certification was due to the diseases in animals. Nevertheless, this market could be more

profitable the Asian market. On the other hand, Mexico didn't have a specific agreement on meat trade with the European market (Génesis Consultoría, 2009).

The American division of SuKarne, Global Viz Cattle Corporation, founded in 1992, handled the beef exports to Japan, through contracts made in Compton, California (Flanigan, 2009). For the distribution in Asia (Japan and Korea), the general delivery procedure was the "door to door" mode (See Figure 4), which started from the production plant to the buyer's warehouses (Génesis Consultoría, 2009).

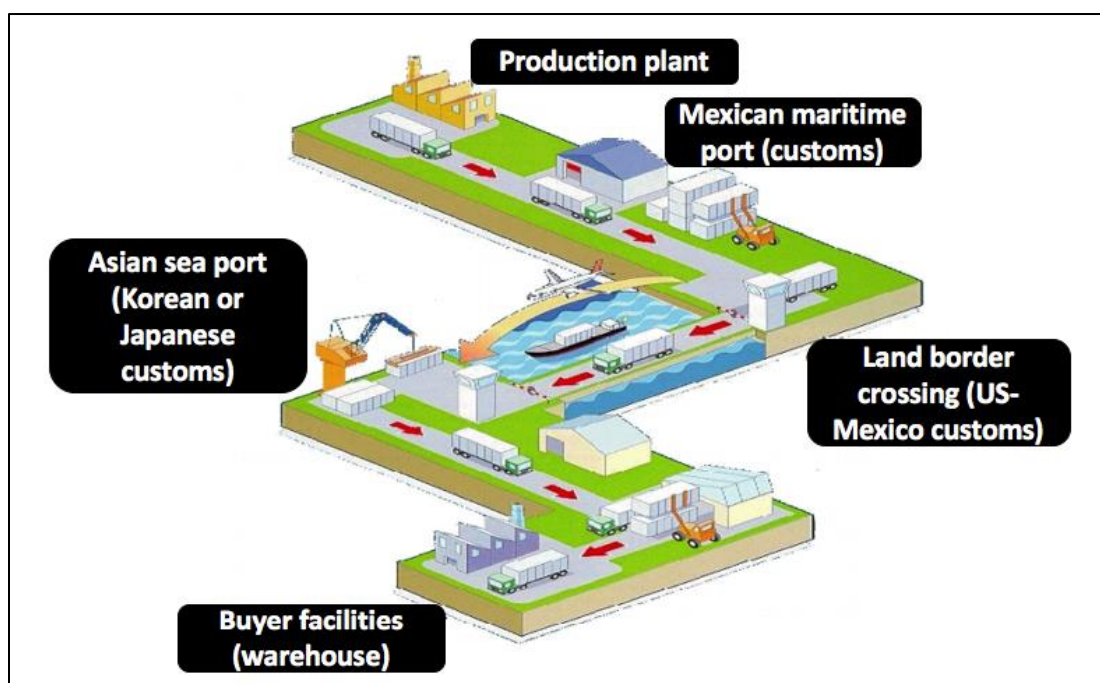


Figure. 4 The delivery procedure of "door to door" (Adapted from Génesis Consultoría, 2009).

Although in Japan there was a tendency to prefer products produced in the country, after the financial crisis in 2008, consumers were more interested in low prices. At the same time, the United States was banned from the market because of the "mad cow" disease.

These factors allowed the SuKarne products to cover 76% of the beef exports to the United States and Japan, which accounted for nearly 200 million dollars in exports sales (ProMexico, 2016). In fact, since the Japan-Mexico EPA in 2005, the Mexican beef exports to Japan increased from 1,772 tons to 17,403 tons between 2005 and 2011 (TheMeatSite News Desk, 2012).

5.3. Aeromexico.

Aeromexico is a Mexican airline primarily focused on business travelers (e.g. Premier Business Class), who operates more than 600 daily flights over 90 destinations: 24 United States and Canada, 8 Central America & Caribbean, 4 Europe, 7 South America, 3 Asia (Aeromexico, 2017). In 2006, Aeromexico decided to cover routes at greater distances, and continued with the fleet renewal by acquiring four Boeing 777 aircrafts (Aerolineas mexicanas, n.d.). The Boeing 777 (See figure 5), had a capacity for 277 passengers, and was the biggest commercial airplane at the time (Aeromexico, 2015). Their objective was to replace the missing company TAESA, which operated flights to Asia in 1995 (Aerolineas mexicanas, n.d.).



Figure 5. Boeing-777, the first aircraft fully designed by computer (Aeromexico, 2015).

At the end of the year, the airline started operations on the Mexico City-Tokyo route with two frequencies per week, Mondays and Thursdays, and with a stopover in Tijuana. The cost of the round trip was 1,789 dollars leaving from Mexico City or 813 dollars from Tijuana. The menu on board was western and Japanese, which was made by the gourmet company Tori Tori (Inestia, 2006). In addition, the company established ticket offices in Tokyo, Japan with Japanese staff to provide customized service for the customers (ProMexico, 2016).

In 2012, Aeromexico acquired up to 100 aircrafts, which represented the largest investment (11 billion dollars) in the history of Mexican aviation (Aeromexico, 2015). The acquisition included the Boeing 787-8 Dreamliner (See figure 6), which had capacity for 243 seats (32 Premier Class seats), and advanced technology (e.g. individual touch screen). (Vassant, 2006). In, 2013, due to the demand of Mexico City-Tokyo, they changed the Boeing 777 with the Boeing 787-8 Dreamliner (CAPA Centre for Aviation, 2017).



Figure 6. Interior of the Boeing 787-8 Dreamliner (Aeromexico, 2015).

In 2014, Aeromexico switched the stopover from Tijuana to Monterrey, because the Mexican and Japanese automotive industry facilities were located in that area. At that time, Aeromexico mainly competed against U.S. carriers in the Japan-Mexico route (CAPA Centre for Aviation, 2015).

Now all their flights in Asia are operated with Boeing 787-8 Dreamliner, the same aircraft used by Japan's All Nippon Airways to provide daily nonstop services to Mexico City since 2017. Likewise, Aeromexico also offers daily flights from Monterrey, Mexico City, Tijuana, Guadalajara, León, and Cancún to Narita (Japan) in response to the growing demand in the Mexico-Japan market. In fact, passenger traffic between Mexico and Japan (Aeromexico carried 66%, ANA carried 34%) has more than doubled for both leisure and business segments from 2012 to 2016 (See Appendix C & D). Four years ago, Aeromexico had only five weekly flights to Asia (CAPA Centre for Aviation, 2017), but now, Japan (load factor 89%) and China (load factor 73.9%) only have direct flights to Mexico operated by Aeromexico (De La Rosa, 2017).

5.4. Bocar.

Bocar is a manufacturer of aluminum engine systems and plastic components for the automotive industry. It has three business divisions: Bocar, Plastictec, and Auma. The first makes complex automotive assembly applications and high-quality precision parts of plastic or aluminum; the second develops and produces plastic injection molding parts for engines, trunks, automotive interiors and exteriors. While the last one, develops and produces high pressure and gravity casting products in aluminum. In addition, the company has a wide range of services and products for the automotive industry as a development partner and full service supplier. As a result, Bocar is one of the few producers of aluminum or plastic series products to specific requirements, thus supplying hybrid solutions in plastic and aluminum (Bocar, 2015).

At present, Bocar has over 6,500 employees, 11 manufacturing plants in Mexico, development and sales offices in Mexico, United States, Germany and Japan, plus, a just-in-time logistic center in the United States (Auma Engineered Products, K.K., 2017) and successful partnerships with: General Motors, Ford, Volkswagen, Nissan, Toyota, Honda, Fiat, BMW, Audi, and Chrysler (Bocar, 2015).

In 2004, Bocar AP was established in Yokohama, Japan as a satellite office for Japanese automotive customers. By 2015, Bocar established the Japanese corporation AUMA Engineered Products (AEP KK) at Minatomirai in Yokohama city (See Figure 7). This location was selected due to the good accessibility not only for Tokyo area but also all over Japan provided by the Haneda airport (Auma Engineered Products, K.K., 2017) For the establishment of AEP KK, Bocar consulted JETRO Invest Japan Business Support Center

(IBSC) about the visa, registration, tax matters and labor affairs; as well as regarding the human resources, real estate, logistics, and referral to municipalities (Japan External Trade Organization [JETRO], 2017).



Figure 7. BOCAR, S.A. de C.V. (Japan External Trade Organization [JETRO], 2017).

The company's main reason for establishing in Japan was to expand its international business and operations across the Asia-Pacific region through deals with Japanese automobile OEM's (Japan External Trade Organization [JETRO], 2017). Since, the logistics between Mexico and the United States were becoming more complex. For instance, the auto parts in Mexico are divided between Mexican market (51%) and the U.S. market (47%), then sent to distribution centers. Therefore, only 2% of the total auto parts is sent to other countries (Automotive Logistics, 2017).

Consequently, BOCAR created a bridge for the communication between the customers in the Asia-Pacific region (particularly Japan) and the plants in Mexico. Now, it can contact directly to its customers, while keeping the efforts to provide innovative technical supports by utilizing its own global network (Bocar, 2017).

5.5. KidZania.

KidZania is a Mexican chain of entertainment centers currently operating in 24 locations worldwide in 19 countries (See Appendix E), where children of 2 to 14 years old can experience over 100 adult-like jobs, and get paid with “kidZos” to shop and pay for other services in a kid-sized city with fabricated replica of a typical urban environment with buildings like hospitals, police station, fire station, etc. These indoor theme parks are located inside malls and have a physical space of 80,000-square foot. The key component of their “realistic role-play” is the integration of real-world companies that vary by location (See Figure 8) and represent a mix of multi-national and local, country-specific institutions (KidZania, 2017).



Figure 8. Courier Service Yamato Transport at KidZania Tokyo (KidZania Tokyo, 2017).

In 2004, after a failed attempt to go the United States, the company turned to Asia, a decision that became the turning point of KidZania (Palacios, 2016). At that time, Einosuke Sumitani, heard about KidZania and visited the facility in Mexico (Keio University, 2009).

During his visit, he saw the children's excitement and thought that KidZania could make a big difference in Japanese society (Keio University, 2009). After half a year later, Suminatni, who had previously obtained licenses (e.g. Kentucky Fried Chicken) for Japan, decided to sign a licensing agreement with the Mexican company and founded Kids City Japan K.K. In 2006, Sumitani opened the third Kidzania in Tokyo's Toyosu district, receiving more than 800,000 visitors far above its annual target of 500,000 visitors. In 2007, to improve the services, he planned to also offer full guidance completely in English in the next three years (Terada, 2007).

In 2008, Xavier López Ancona, president and CEO of Kidzania, decided to operate all international parks as franchises. As part of their internationalization, the company initially known as "*La Ciudad de los Niños*" changed its name to one that could be used worldwide (e.g. KidZania Tokyo). KidZania is the result of combining 3 words that represent their fundamental principles: "Kid" is the abbreviation of the German word "Kinder", which means "children". The suffix "ania", which means "land of" in Latin; then both are joined by a letter "Z", which refers to the word "zanya" that means "cool" in English. So, the meaning of KidZania could be translated as "Land of cool children". (La ciudad de los niños cambia de nombre, 2008)

By 2009, the fifth KidZania opened at Lalaport Koshien in Nishinomiya (KidZania, 2017). While Kidzania Tokyo received more than 950,000 visitors per year (expansion, 2009). Though most activities are in Japanese, a limited number are now conducted in English every day (Kidzania, 2017). According to Lopez Ancona, Kidzania Tokyo "has become a model for other cities" (Kidzania se multiplica en Asia, 2009). They even considered opening other KidZanias in Yokohama, Nagoya, Kyoto and Fukuoka. (Keio University, 2009).

5.6. Metalsa.

Metalsa is a manufacturer of structural components for passenger cars, light trucks and commercial vehicles that include light duty and space frames, suspension and body structural stampings and assemblies as well as chassis frames, heavy duty side rails and cross members for heavy trucks and buses. The company has presence in the United States, Mexico, Germany, Brazil, China, India, Budapest, Japan, Argentina, the United Kingdom, South Africa and Thailand. It offers quality, differentiated services and innovation, competitiveness and customization to each customer (Metalsa S.A. de C.V., 2017).

Metalsa supplies to companies such as BMW, Chrysler, Daimler, Ford, General Motors, Nissan, Paccar, Toyota, Volvo, Volkswagen, among others (Mondragón, 2017). Currently, Metalsa occupies the fourth place as producer of chassis in the United States (Herrera, 2017). Metalsa produces 38% of its global sales in Mexico, while 20% stays in the country and the rest is exported to the United States and Canada. Due to the volume of production, Metalsa occupies the first place as the chassis manufacturer and the second place as the trucks producer of in the United States (Mondragón, 2017).

In 2008, Metalsa Japan K.K. was established in Yokohama, Kanagawa, and two years later, the company established its fully-owned subsidiary in Nagoya, Aichi. In addition to their Yokohama office, it added a new office in full operation as a connection between their customers and overseas operations. It was conveniently located for their customer Toyota. Now, Metalsa Japan manufactures automobile frames (e.g. autotruck) and suspension parts, providing technical support for orders abroad (Greater Nagoya Initiative Center [GNIC], 2010).

Metalsa has obtained support from organizations such as ProMéxico, as well as valuable information provided by embassies and consulates when they exported to new markets. Moreover, the support from national banks has also been very important. The company has credit lines with the National Bank of Foreign Trade (Bancomext) and Export Development Canada (EDC). In addition, since 2005 it has the support of *Nacional Financiera* (Nafin) through the program of *Cadenas Productivas*. However, some problems for exporting include the documentation and authorizations, which are a challenge in foreign trade. Also, the high costs related to the national highway system (Mondragón, 2017).

During the 2017 Toyota Global Suppliers Convention in Nagoya, Japan, Metalsa was recognized by with the Regional Contribution Award (See Figure 9) for outstanding contribution in chassis frame manufacturing (for safety, quality, delivery and various projects) to Toyota in North America. Metalsa was the only Mexican supplier to be recognized for their efforts during the Event (Metalsa S.A. de C.V., 2017).



Figure 9. Regional Contribution Award (Metalsa S.A. de C.V., 2017)

5.7. Altex.

Altex specializes in food manufacturing and trading processed fruits and vegetables. The company has positioned as a strategic supplier within the international food industry, thanks to its multiple certifications that support its quality. In addition, Altex uses a group of agronomists to advice the farmers in Mexico. Later, the quality group monitors the compliance with the international requirements. Also, in their analysis laboratories, they perform physicochemical, microbiological, organoleptic and functionality studies, to guarantee food safety and security in all processes and products (Grupo Altex, 2013).


Currently, Altex has 9 plants in Mexico, which are dedicated to the production and processing of fruits and vegetables. Also, it has commercial offices in Spain, Japan, and the United States (Altex Asia, Co. Ltd., 2017). Altex exports most of its processed products, hence ensuring quality and supply is essential, through its main brands Next, Xtra and Citrex to more than 25 countries, including the countries with the highest quality requirements in the world. Most of exports are destined to the United States, Canada, Europe and Japan (Grupo Altex, 2013). For instance, Xtra Congelados Naturales produces about 100 thousand tons of vegetables per year, and all the production is for export, while 90% goes to the United States, the rest goes to Japan and Canada (Castro, 2016).

In 2009, Altex started exporting to Japan, thus ALTEX ASIA K.K. was established in Tokyo, Japan after complied with one of the most demanding regulations in the world. For example, when importing frozen vegetables, the main relevant regulations to consider are the Food Sanitation Act, and the JAS (Japanese Agricultural Standards) Law (Japan External Trade Organization [JETRO], 2011). The specifications and standards for foods, the

inspection procedures (e.g. plant inspection) and allergy labeling specifications (e.g. orange, kiwi fruit, peach, apples and banana) are set under the Food Sanitation Act. On the other side, the JAS Law ensures that the products such as foods and drinks have a certain quality and are produced by specific methods (Ministry of Agriculture, Forestry and Fisheries [MAFF], n.d.) Thus, they must follow the quality labeling by the JAS system, among other regulations (Japan External Trade Organization [JETRO], 2010).

Furthermore, to guarantee the quality of the final product, the raw material had to comply with the standards demanded by the Japanese market. "The Japanese customer is more demanding because it requires very particular aspects, because it's a demanding market and we see potential to keep growing. Guanajuato is well positioned with the export of broccoli (See figure 10) and that has helped us to enter other markets, explained Gerardo Manuel Arias Herrero, CEO of Xtra Congelados" (Castro, 2016). As a result, ALTEX ASIA commercial policy is the detailed adaptation of its products to the Japanese market (ProMexico, 2017). This sales office is an importer from Japan, and specializes in frozen fruits, frozen vegetables, frozen concentrated juice, fruits cups and farmed tuna (Altex Asia, Co. Ltd., 2017).

Frozen Brocoli



Our Broccoli is harvested at mid west part of Mexico. It has thick broccoli flavor, and also contains a lot of Vitamin elements. We process just after harvested to keep the freshness of the vegetable. You can eat this either of after cooked, and just after defrosting.

詳細情報

Variety	Marathon, Legacy
Harvest Season	Year-Round
Origin	Mexico
Specifications	Size : Spears 100 - 125 mm Midium 32 - 50 mm Forze Method : IQF
Storage	Keep frozen at -18 degrees Celsius
Shelf life	Two years since packing date for unopened product if properly handled and stored at the recomended temperature
Presentations	10kg Bulk Carton and also we use polyesthylene bag inside the bulk box
Manufacture	Processed in EXTRA CONGELADOS, Grupo Altex's freozen processing plant. XTRA CONGELADOS applies FDA 's title 21, title 100 and GMP's practices in processing line which allow them to provide high quality products. XTRA CONGELADOS also satisfy NSF and SQF.

Figure 10. Frozen Brocoli (Altex Asia, Co. Ltd., 2017).

5.8. Mexichem.

Mexichem is one of the biggest producers of plastic pipes and connections worldwide and one of the largest chemical and petrochemical companies in Latin America. It has operations in over 30 countries with more than 18,000 employees; holds over 120 production facilities, 2 fluorite mines, 8 training academies, 16 research and development laboratories and 2 technology & innovation centers (Mexichem, 2017).

Mexichem is based on a triple bottom line strategy, a vertically integrated business model and strategic acquisitions. The company has three business groups: Fluent Business Group, which manufactures a diverse group of products that provide essential services (from water to data) through their pipe systems and conduits. Vinyl Business Group that offers valuable industrial compounds (e.g. PVC) used to manufacture a wide range of products (e.g. water pipes). Fluor Business Group, a global supplier of fluorine products, technologies and services (Mexichem, 2017).

In 2010, Mexichem acquired INEOS Fluor Japan Ltd., a Japanese plant of the British chemical group INEOS (See Figure 11), the facility was located at Mihara, Hiroshima. (JETRO Santiago, 2005). At that time, INEOS Fluor was the world leader in the fluoride chemistry, specialized in fluoride products technology and services to many sectors and industries, such as pharmaceuticals, automotive, refrigeration, and air conditioning. The plant was integrated into Mexichem Fluor, the agreement included its international businesses and fluorochemical assets located in the United Kingdom, the United States, Japan and Taiwan (Mexichem, 2010). As a result, Mexichem became a global leader in the fluorine chemical segment, particularly in the production of refrigerant and medical gases (Mexichem, 2017).



Figure 11. INEOS Group's INEOS Fluor facility at Mihara, Hiroshima.
(Mexichem Fluor Japan Limited, n.d.).

In 2011, Mexichem acquired Showa Denko's inactive hydrofluorocarbon plant in Kawasaki, Japan (Reisch, 2011). The plant had a production capacity of 10,000 metric tons per annum, and could produce type R-125 or R-134a refrigerants (Mexichem completes acquisition, 2011). So, the company restarted the production of R-125 with the objective of becoming the sole producer in Asia, outside of China (Mexichem adquiere una planta, 2011). Ultimately, Mexichem became the number one in fluorite (79% market share), and the number two in R-134a (30% market share) in Japan (Reisch, 2011).

Nowadays, Mexichem's Fluor subsidiary in Japan offers fluorocarbons under the brand of KLEA refrigerants. The sales office is in Tokyo and they distribute to the Asian-Pacific Region. First, the products are filled in Japan, then packaged in a Taiwan factory, and finally sent to repacking centers (agents and third party distributors) in several countries of the region. Currently, Mexichem has only one R-134a plant in Japan. They supply almost all the volume used for automobile air conditioners in Japan and export it to the auto parts and equipment manufacturing market in the region (Mexichem Fluor Japan Limited, n.d.).

CHAPTER - V – DISCUSSION

During the internationalization process of the Mexican companies, they made a series of decisions regarding the aspects (2W1H): where, when, and how (Peng, 2014). First, concerning the decision of “where”, despite Japan being a country who is culturally and geographically more distant to Mexico, the companies sought its location specific advantages, such as geographical features, which provided access to the Asia-Pacific region as well as regional specialized suppliers and assets, but above all, beneficial market conditions for their businesses. Second, regarding the decision of “when”, companies like Rassini, SuKarne, Kidzania, and Mexichem became first movers, while the others became late movers, such as Aeromexico, which was the second Mexican airline who operated flights to Asia. Likewise, Bocar, Metalsa and Altex had its predecessors in the food and automotive industry. Lastly, regarding the decision of “how”, then what are the market entry modes followed by the Mexican companies with presence in Japan? The answer is a combination of both equity (FDI) and non-equity modes.

Although there is a slightly higher preference for the non-equity modes since five companies chose the following market entry modes: four companies followed the direct exports, which could be related to Mexico’s economy transformation into an export-oriented economy; while the last one followed the licensing and franchising. Whereas out of the three remaining companies who followed the equity modes, two companies chose the acquisitions, and the last one chose a Joint Venture. Moreover, despite the non-equity modes indicating relatively smaller commitment to foreign markets, yet, the activities of these companies

demonstrated a high commitment to the Japanese Market. Otherwise, they couldn't have successfully established in Japan.

In the Findings section, we can observe how the market entry modes were valued based on factors such as the company's capabilities or the maturity of the market. If the company's own resources allowed a slower growth in the Japanese market, but more direct implementation, then they followed the non-equity modes. On the contrary, when there was a rapid growth in the Japanese market, then they followed the equity modes since alliances with local partners are a way of sharing risks and benefits. The choice of one or another market entry mode also implied the application of a plan to initiate the process of internationalization in a specific business sector.

Though, in some cases the market entry modes seem predetermined by the industry in which the company lies. Particularly with the companies in the food and automotive industries, which might have followed the direct exports because of the type of products that they produced, since they didn't need to install new plants in the Japanese market. These companies internationalized through the establishment of sales offices, tech centers, and liaison offices that not only distributed their products, but also contributed to position their products in Japan. Furthermore, the preferential tariffs and quotas provided by the EPA might have also influenced their decision to follow the most basic entry mode. Even though, exporting is considered to provide an easy access to the market, in fact, these companies spent a long time acquiring the necessary certifications and qualifications to be able to access the Japanese Market.

Overall, the market entry modes implemented by the Mexican companies are quite comprehensive, since they included different combinations of the market entry modes. For example, the internationalization of Rassini is the result of significant joint ventures (strategic

alliances), acquisitions and mergers of companies. Since the company's main purpose was to acquire or ally with local companies who offered either high technology or distribution capacity. At the same time, their joint ventures between competitors within the same industry increased their market power.

In general, three aspects had influenced the selection of their market entry modes and their results. First, Mexico's economy transformation into an export-oriented economy, and the integration with the United States and Canada (NAFTA). Second, the growing bilateral trade relationship between Mexico and Japan. Third, the factors specific to the companies themselves.

In the Automotive industry, the trade between Mexico and the United States (NAFTA) developed complex logistics for the distribution of auto parts. In addition, the United States has become one of the most important markets for the industry. On the other side, the trade between Mexico and Japan (EPA) has promoted the partnership with the Japanese automotive companies in the country. As a result, two of the Mexican companies mainly followed the non-equity modes (small-scale), and the other one followed the equity modes (large-scale).

In the case of Metalsa and Bocar, their direct exports from Mexico to Japan achieved different results. For instance, Bocar only established a sales office in Tokyo and didn't expand into the Asia-Pacific Region. However, Metalsa, opened a Tech Centre in Nagoya to become closer to one of its customers (Toyota), and later expanded to China, India, and Thailand. On the other hand, thanks to the joint venture with NHK Spring, Rassini could access first-line technology in suspensions. Although the company also didn't expand into the Asia-Pacific Region, the liaison office in Tokyo became a communication channel between the headquarters in Mexico and the parties in Japan.

In the Food industry, while the NAFTA promoted the exports to the United States and Canada, the EPA promoted the exports to Japan. Moreover, both the United States and Japan became important markets for the industry. Consequently, the two Mexican companies followed the non-equity modes (small-scale). Ultimately, the multiple certifications required to export their products to the Japanese market, highly contributed to increase their quality in both national and international markets.

In the case of SuKarne and Altex, their direct exports from Mexico to Japan achieved different results. While Altex didn't expand into the Asia-Pacific Region, SuKarne expanded to China, Russia and South Korea. Nevertheless, the level of requirements to export in Asia were relatively easier to obtain for SuKarne, in comparison with those needed for Altex.

In the Airline industry, the trade between Mexico and Japan has increased the demand of flights in both countries. Though, the NAFTA and the EPA didn't provide direct benefits to the company, they stimulated the leisure and business trips between the countries. As a result, Aeromexico mainly followed the equity modes (large-scale). The acquisition of four Boeing 777 aircrafts also allowed the company to expand to China and South Korea.

In the Chemical industry, the NAFTA and the EPA also didn't provide direct benefits to the company. Nevertheless, Japan provided access to both the Asia-Pacific Region and key resources. Thus, Mexichem followed the equity modes (large-scale). The acquisition of the Hiroshima facility also allowed the company to expand to China, India, Oman and Taiwan.

In the Entertainment industry, the U.S. market was very attractive, but highly competitive. However, the NAFTA and the EPA didn't provide direct benefits to the company. Yet, Japan provided access to the market in the Asia-Pacific Region. Thus,

KidZania mainly followed the equity modes (large-scale). The license agreement and the franchise allowed the company to expand to several Asian countries.

Lastly, the findings show how the Mexican companies deliberately aimed at Japan as means to become a global leader in their respective areas of operation. The common denominator of all these Mexican companies was targeting Japan first in Asia. Although, three (Rassini, Bocar, Altex) of them didn't expand to other markets in Asia, yet, they consolidated its position in the country. On the other hand, four (SuKarne, Aeromexico, Metalsa, Mexichem) of them achieved further expansion between 2 to 4 countries in the Asia-Pacific region. While KidZania was the only one who reached 11 more locations (See Table 1).

No.	Company	Founded in Mexico	Industry	Description	Location in Japan	Established in Japan	Market Entry Modes	Location in Other Asian Countries
1	Rassini	1979	Automotive	Manufacturing of auto parts in partnership with NHK Spring.	Tokyo	1996	Joint Venture with Japanese company, NHK Spring. Liaison Office in Tokyo.	-
2	SuKarne	1969	Food	Import and distribution of beef, pork, and chicken.	Tokyo	2004	Direct Exports from Mexico to Sales Office in Tokyo.	China Russia South Korea
3	Aeromexico	1988	Airline	Daily flights from Mexico (Monterrey, Mexico city, Tijuana, Guadalajara, León, Cancún) to Japan (Narita).	Tokyo	2006	Asset Acquisition: four Boeing 777 aircrafts. Established ticket offices with Japanese staff.	China South Korea
4	Bocar	1967	Automotive	Import and distribution of aluminum engine systems and plastic components for the automotive industry.	Yokohama	2008	Direct Exports from Mexico to Sales Office in Yokohama.	-
5	KidZania	1999	Entertainment	Family entertainment center where children (2-14 aged) can experience adult-like jobs. Though most activities are in Japanese, a limited number are conducted in English every day.	Tokyo Nishinomiya	2008	2006 Licensing agreement: Kids City Japan K.K 2008 KidZania Franchise. 2009 KidZania Koshien/	India Kuwait Malaysia Philippines Russia Saudi Arabia Singapore South Korea Thailand Turkey UAE
6	Metalsa	1956	Automotive	Import and distribution of structural components for the light and commercial vehicles.	Yokohama Nagoya	2008	Direct Exports from Mexico to: 2008 Commercial office in Yokohama. 2010 Tech Centre in Nagoya.	China India Thailand
7	Altex	1989	Food	Import and distribution of frozen fruits and vegetables, frozen concentrated juice, fruits cups and farmed tuna.	Tokyo	2009	Direct Exports from Mexico to Sales Office in Tokyo.	-
8	Mexichem	1953	Chemical	Manufacturing of Fluor products, branded as KLEA refrigerants.	Tokyo Hiroshima	2011	2010 Acquired INEOS Fluor facility at Mihara, Hiroshima. 2011 Mexichem Japan (Hiroshima-subsiidiary) and Sales Office in Tokyo.	China India Oman Taiwan

Table 1. Mexican companies in Japan and their market entry modes.

CHAPTER - VI – CONCLUSIONS

Overall, the eight Mexican companies were motivated by the growing interest in emerging markets and the changing consumer behavior in Japan. Although, Mexican companies have seen Japan as a very difficult market to access and to operate, in the last twelve years, new programs and organizations have been established to facilitate the market access and the operations in certain industries. These eight Mexican companies currently operating in Japan are proving that there exist more possibilities for other companies, when they have a clear understanding of the market, operations, and distribution processes.

This research concludes that there are two major challenges for Mexico in Japan, first is the diversification of industries, then is the integration of the Mexican SMEs in the country. Although, Mexican companies have gradually expanded in different industries, such as airline, entertainment and chemical industries; the rest of them are in the automotive and food industries. On the other hand, Mexican SMEs still face some difficulties to initiate operations in Japan.

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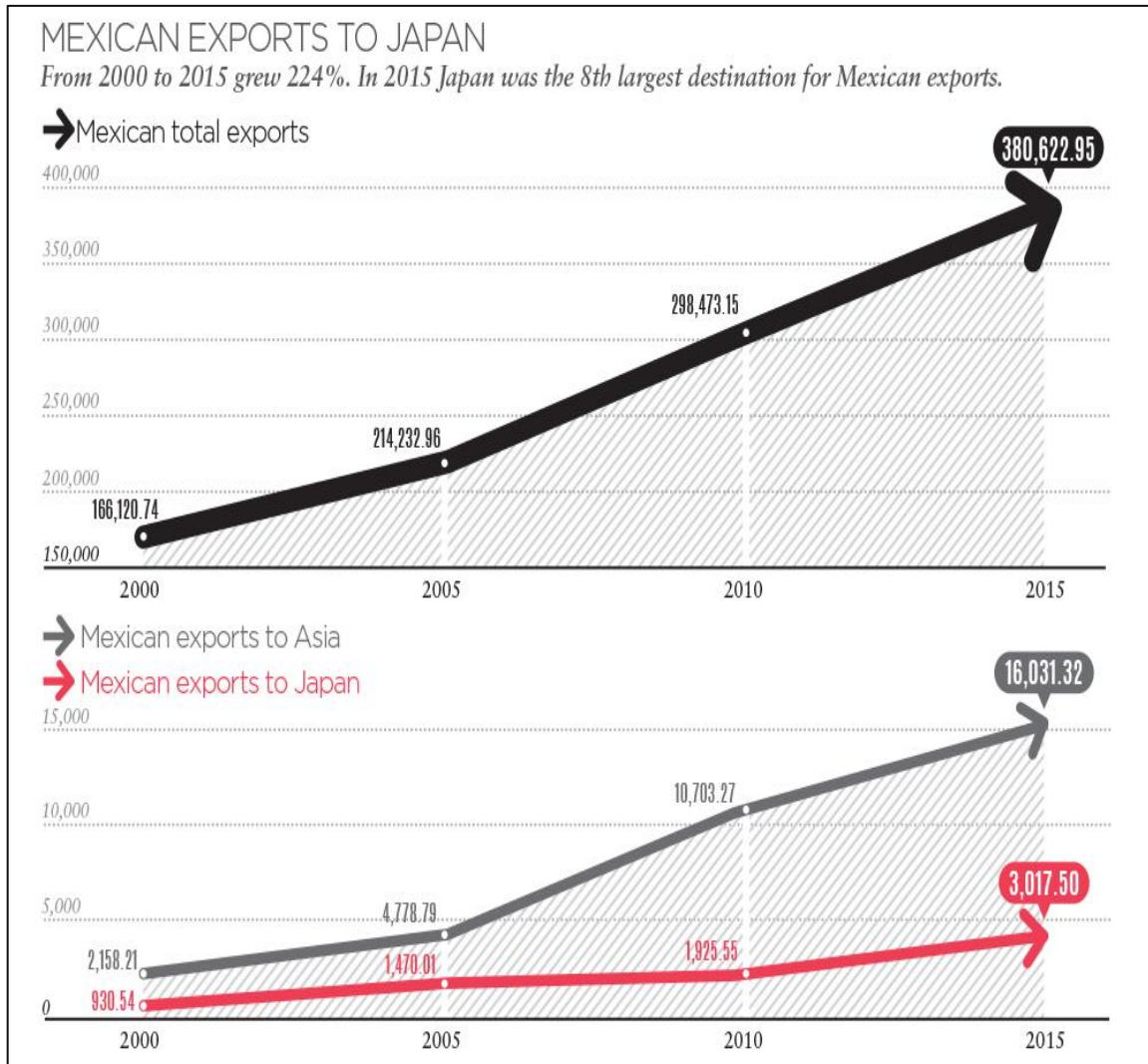
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Appendices

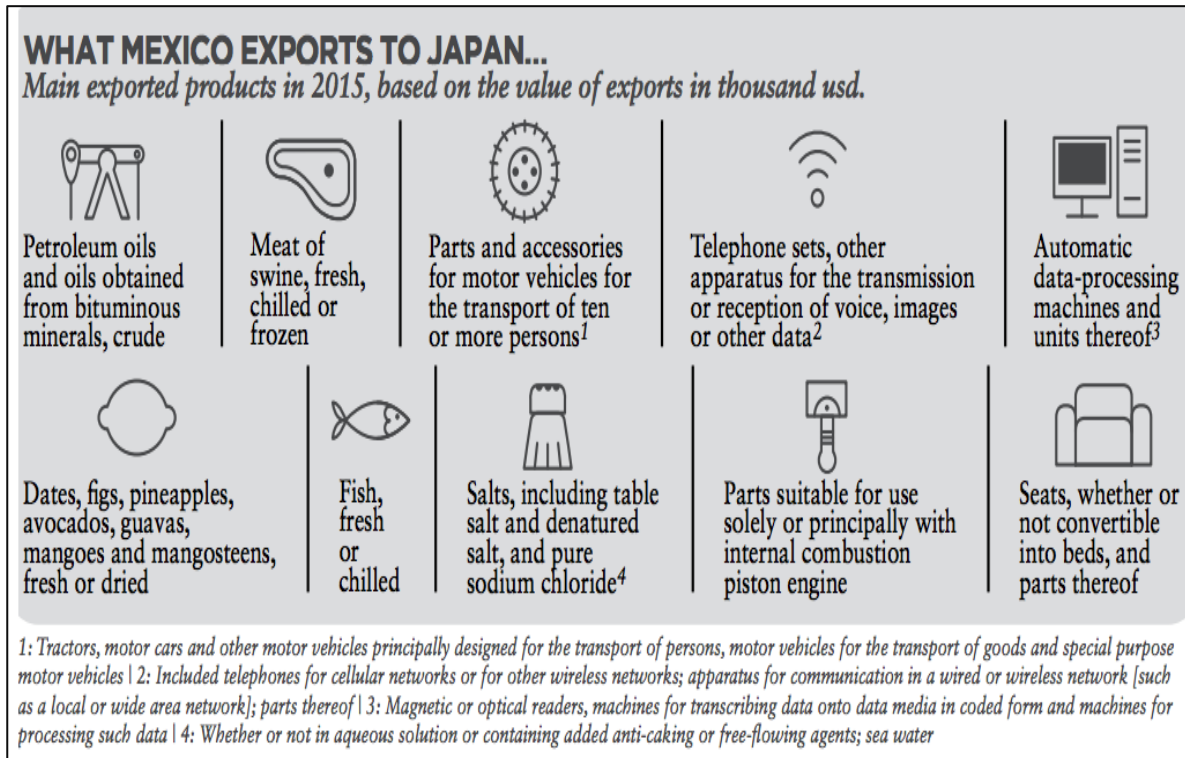
Appendix A



Mexican exports to Japan and Asia from 2000 to 2015.

Sources: ProMéxico with data from Trade Map, Banco de México and the Ministry of Economy *Million USD, data for 2016 from January to September
Promexico the sun rises

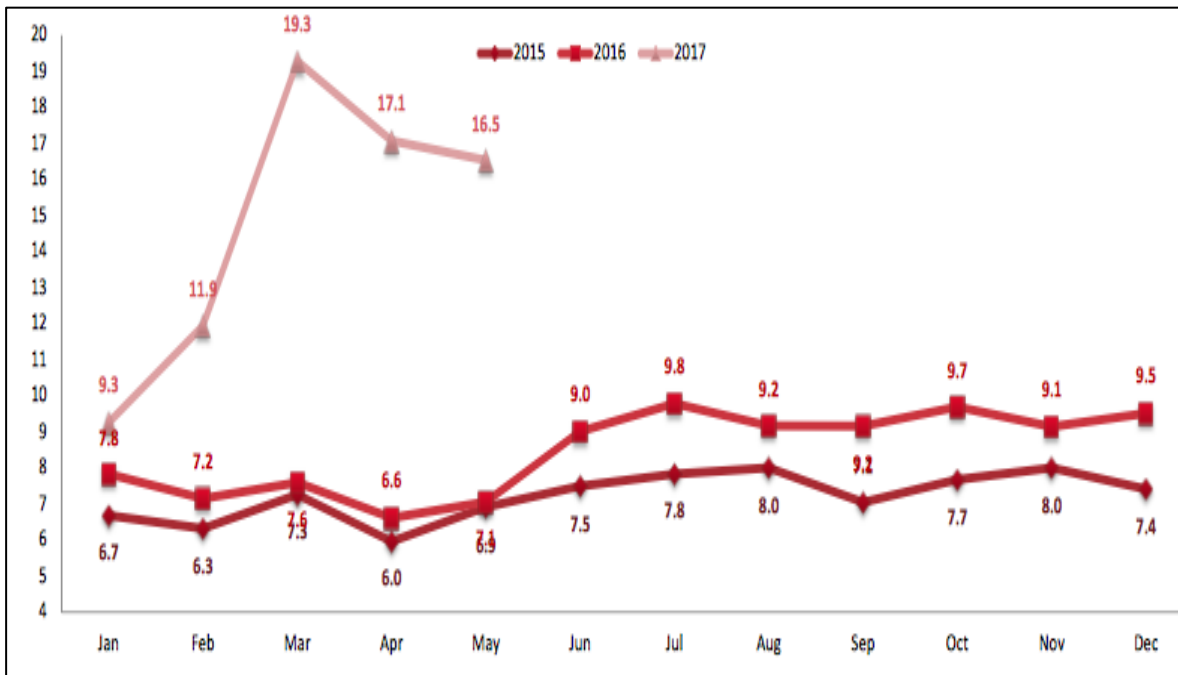
Appendix B



What Mexico Exports to Japan: main exported products in 2015.

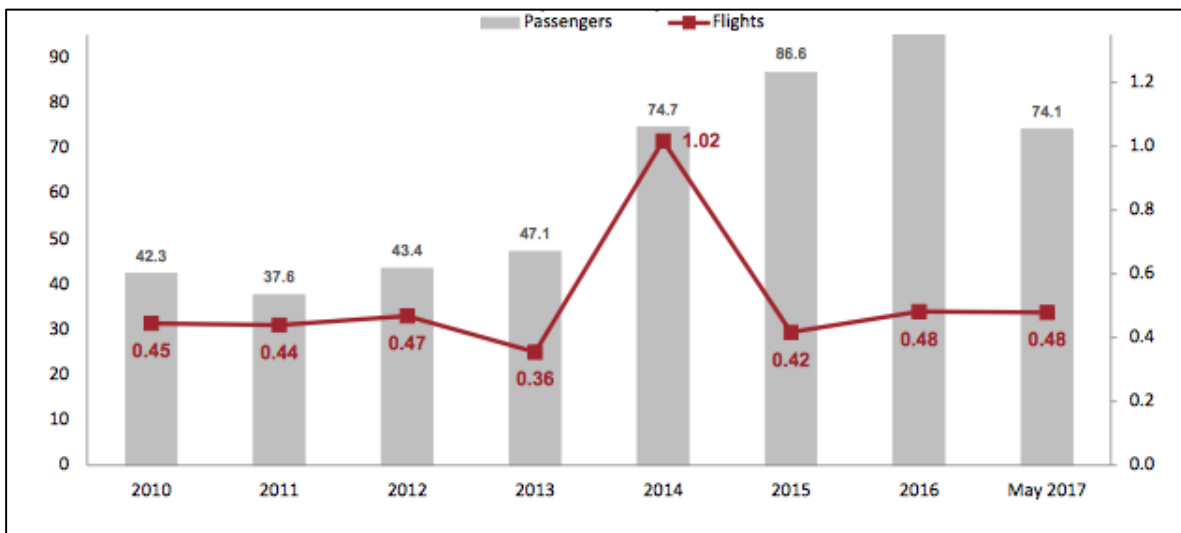
Sources: ProMéxico with data from Trade Map, Banco de México and the Ministry of Economy *Million USD, data for 2016 from January to September
 Promexico the sun rises

Appendix C



Mexico-Japan monthly passenger traffic (in thousands): Jan-2015 to May-2017. Source: Mexico SCT. CAPA 2017

Appendix D



Mexico-Japan annual passenger traffic (in thousands): 2010 to 5M2017.
Source: Mexico SCT. CAPA 2017

Appendix E



KidZania franchise licenses over the world. Source: KidZania's official website.



Coming soon KidZanias franchise licenses over the world. Source: KidZania's official website.