

Digging Deep: How Global Equipment Giants Navigate Mexico's Mining Market



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Introduction

In 2022, the US mining and oil and gas field machinery manufacturing sector achieved a total value of USD 3.4 billion. Notably, Mexico stands as the second largest buyer. The nation's significance, contributing over 25% of the world's silver output, and its 53 underground mining facilities positions it as a critical market for underground mining equipment.

Given the robust nature of its mining sector, manufacturers worldwide compete to capture a portion of the Mexican market. Notable participants include Komatsu of Japan, Sandvik and Epiroc of Sweden, Caterpillar of the US, and MacLean Engineering of Canada, all striving to enhance their offerings and secure a more significant market share in this fiercely competitive industry.

The vast size of the country and the decentralized nature of mining operations present a distribution challenge for selling mining machinery across diverse regions in Mexico. This article aims to explore the leading distributors and strategies employed by companies in the mining machinery industry, with the goal of understanding how to succeed in this market.



Direct Sales vs. Distributor Networks

The mining sector in Mexico encounters unique challenges, including the considerable distances between operations and the varying sizes of mining companies. This calls for adaptable approaches to distribution.

Large mining companies with substantial capital investments and complex needs typically benefit from a direct sales models. Companies like Komatsu and Epiroc often work directly with Grupo México and other major mining players, tailoring their offerings to meet the specific demands of these large-scale operations. This enables manufacturers to maintain close relationships with valued clients and provide customized solutions.

On the other hand, local distributors play a crucial role in reaching smaller mining operations, particularly those in remote regions. These distributors manage not only sales but also after-sales support, providing spare parts, maintenance, and technical services. Caterpillar, for instance, heavily relies on distributors like Madisa and Tracsa, which are responsible for sales and servicing across the country.

Komatsu



Komatsu operates in Mexico through its subsidiary, Komatsu Maquinarias México, which is responsible for sales, maintenance, and technical support within the country. By maintaining direct control over its sales and after-sales services, the company ensures that its equipment receives the necessary support, providing clients with a seamless experience from purchase to service.

Revenue Sources: Komatsu generates revenue from direct machinery sales, after-sales services (maintenance, spare parts), and equipment rentals.

Sales Structure: Komatsu maintains a centralized sales force through Komatsu Maquinarias México, which handles key accounts and builds long-term relationships with large mining companies.

Distribution Setup: By operating directly in Mexico, Komatsu retains full control over distribution, ensuring consistency in service quality and support across the country. This setup allows them to handle after-sales services without relying heavily on third-party distributors.

Sandvik



Sandvik uses a hybrid model, relying on authorized distributors to serve smaller clients and maintaining direct sales relationships with larger mining companies. The company excels in providing aftermarket services to ensure that customers have access to the tools, parts, and services they need to keep their operations running.

Sandvik's distributors sell consumables such as drilling tools and spare parts. The company directly manages large projects that require high-value equipment or customized solutions. This approach allows Sandvik to serve both major mining players and smaller, more remote operations.

Revenue Sources: Revenue comes from direct sales of high-value mining equipment, along with a steady stream of income from consumables (drilling tools, spare parts) and aftermarket services.

Sales Structure: Sandvik's sales force is split between direct sales teams for large projects and partnerships with local distributors for smaller clients. The company invests heavily in supporting its distributors with training and technical expertise.

Distribution Setup: Sandvik relies on local distributors for smaller mining operations, which enables the company to offer comprehensive aftermarket services without having to manage smaller accounts directly. The distributors play a crucial role in keeping the equipment operational and ensuring parts availability.



Epiroc

Epiroc has implemented a hybrid model that integrates direct sales with dedicated local distributors. For major equipment sales, it nurtures close relationships with large mining companies, while distributors handle after-sales services for smaller clients. Epiroc provides direct sales and technical support for large mining operations, ensuring that its automation and underground mining equipment meet the specific needs of major industry players. The company's network of distributors plays a crucial role in managing spare parts, repairs, and ongoing service needs, particularly in smaller operations where companies may not have the resources to handle equipment maintenance internally.

Revenue Sources: Epiroc's revenue is largely driven by the sale of automation and underground mining equipment, with significant contributions from parts, maintenance, and service agreements.

Sales Structure: Epiroc has a dedicated sales force that focuses on high-value mining projects. Its distributors help expand its reach to smaller operations, particularly for aftermarket services like maintenance and repairs.

Distribution Setup: Epiroc's network of distributors is designed to ensure regional coverage for after-sales support, ensuring that even small or remote mining operations have access to spare parts, repairs, and ongoing technical assistance.



Caterpillar

Caterpillar relies heavily on its distributor network for sales and after-sales services, unlike some of its competitors. Madisa and Tracsa are two of Caterpillar's main distributors in Mexico, responsible for equipment sales, spare parts, repairs, and customer training. Madisa, the largest distributor, ensures the availability of Caterpillar's heavy machinery across Mexico, serving various industries such as mining, construction, and oil and gas. Tracsa, another major distributor, focuses on sales and service in specific regions, ensuring that even smaller mining operations have access to necessary equipment and services. This distributor-heavy approach enables Caterpillar to maintain a strong presence in Mexico without the need for a large direct sales force, allowing the company to reach a diverse range of clients.

Revenue Sources: Caterpillar generates revenue from the sale of mining and construction equipment, along with a significant portion coming from aftermarket services, including parts, repairs, and maintenance. Equipment rentals also contribute to the revenue stream.

Sales Structure: Caterpillar relies on distributors to handle the bulk of its sales and support, enabling the company to maintain a wide geographic reach without a large direct sales force. Caterpillar's distributors are trained to handle the sales and technical aspects of the business.

Distribution Setup: The distributor-heavy model allows Caterpillar to leverage the expertise of local companies like Madisa and Tracsa, who ensure that clients receive support, repairs, and technical training.



MacLean Engineering

MacLean Engineering primarily utilizes direct sales to engage with larger mining operations. Their products, including battery-electric vehicles for underground mining, are designed to enhance safety and productivity while reducing environmental impact. In addition to direct sales, MacLean partners with local service providers to ensure that clients have access to spare parts and technical support. This ensures that their customers receive the attention they need for their underground mining operations.

Revenue Sources: MacLean's revenue is largely driven by the sale of specialized underground mining equipment and its associated maintenance services. The company also partners with local providers to ensure clients receive spare parts and technical support.

Sales Structure: MacLean's sales team focuses on building direct relationships with large mining operators, offering custom solutions for their underground operations.

Distribution Setup: While MacLean primarily engages in direct sales, it partners with local service providers to manage the after-sales aspects of their business, ensuring customers have access to parts and technical expertise in Mexico's mining regions.

A SNAPSHOT OF LOCAL DISTRIBUTORS

Trasca

Revenue:

Estimated at USD 600 million

Headcount:

Around 1,300

Headquarters:

Tlaquepaque, Jalisco

Services/Products Offered:

Trasca is a Caterpillar distributor, providing machinery sales, rentals, and services. It serves industries such as mining and construction.

Value Proposition:

Trasca's emphasizes technical support and operator training to maximize the efficiency of their equipment.

Madisa

Revenue:

Estimated at USD 33 million

Headcount:

Around 1,200

Headquarters:

Monterrey, Nuevo León

Services/Products Offered:

Madisa is Mexico's largest Caterpillar distributor, offering sales, rentals, and services with a focus on heavy machinery for mining and other industries.

Value Proposition:

Madisa provides aftermarket services, including maintenance, repairs, and operator training.

Grupo México

Revenue:

Estimated at USD 14.3 billion

Headcount:

Around 30,000

Headquarters:

Mexico City

Services/Products Offered:

Grupo México specializes in copper and silver production, operating across mining, transportation, and infrastructure sectors.

Value Proposition:

Grupo México's operations allow it to control every stage of production, from mining to processing and logistics, which gives it a competitive edge in cost efficiency and resource management.

Mining for Gold: After-Sales

In Mexico's mining sector, having effective distribution models and after-sales services is crucial for ensuring operational efficiency and minimizing downtime. Mining operations, especially those in remote locations, depend greatly on the availability of spare parts, repair services, and technical support. For global mining equipment manufacturers, providing comprehensive after-sales support can be the difference between success and failure in this highly competitive market.

The Role of Local Distributors

Local distributors play an essential role in delivering after-sales services that global manufacturers may not be able to provide on their own. These distributors are crucial not only for selling equipment but also for providing:

- **Routine maintenance:** Regular servicing of machinery to prevent breakdowns.
- **Efficient logistics for spare parts:** Ensuring parts are available quickly, reducing equipment downtime.
- **Prompt repair services:** Rapid response to breakdowns, especially in remote areas.
- **Comprehensive training for machine operators:** Distributors often offer training programs that help customers maximize the efficiency of their equipment.

For companies such as Caterpillar, which depend heavily on distributors like Madisa and Tracsa, these distributors' local expertise and accessibility are crucial. They guarantee that customers receive quick and reliable service, especially in remote mining regions where downtime can result in significant financial losses.

Komatsu's In-House After-Sales Support

Unlike Caterpillar, Komatsu operates directly in Mexico through Komatsu Maquinarias México. This allows them to have complete control over sales and after-sales services. This model enables Komatsu to provide in-house technicians and a dedicated support team for major mining clients such as Grupo México.

- **In-house Technicians:** Komatsu employs its own team of technicians who are trained to handle complex repairs and maintenance on-site, providing quicker response times compared to outsourced services. By having its own technicians in-country, Komatsu ensures greater consistency in service quality, particularly for high-value clients.
- **Comprehensive Service Contracts:** Komatsu often includes maintenance contracts with its equipment sales, ensuring that customers have ongoing support through scheduled maintenance and real-time technical assistance.

Sandvik and Epiroc: Direct Sales and Distributor Networks

Both Sandvik and Epiroc combine direct sales for large-scale projects with distributor networks to handle smaller or regional customers. Their distributors are integral to providing aftermarket services, including:

- **Technical support:** Distributors provide field engineers with service equipment, especially in remote areas. They also handle the stocking and delivery of essential parts, particularly for consumables like drilling tools.

Epiroc, for example, ensures that its distributors are trained to handle advanced technologies such as automated drilling systems and other digital solutions. This level of technical competence is essential for meeting the mining industry's evolving demands, particularly in automation and digital monitoring.

MacLean Engineering's Direct After-Sales Strategy

For companies like MacLean Engineering, which primarily rely on direct sales to larger mining operations, after-sales support is managed through a combination of in-house teams and local service providers. MacLean's strategy focuses on providing direct, tailored services to customers, especially in the underground mining sector.

- **In-House Support:** MacLean deploys its own technical teams to handle the more specialized aspects of underground mining equipment, such as repairs and maintenance of battery-electric vehicles.
- **Local Partners:** While MacLean maintains direct relationships with its customers, it partners with local service providers to manage day-to-day repairs and parts logistics. This hybrid approach allows them to maintain their specialized focus while ensuring localized support for equipment.

The Importance of Speed and Localized Expertise

In remote mining areas of Mexico, having a rapid response capability is crucial. Local distributors and in-house service teams need to quickly address breakdowns or equipment malfunctions because downtime in remote mines can lead to significant operational losses. Companies like Caterpillar, with established distributors such as Madisa, have a competitive edge in these regions.

Their distributors provide on-site repairs and operator training, ensuring that customers have prompt access to the support they require. For companies without a distributor network, like Komatsu or MacLean, the focus is on establishing in-house service teams that can directly address customer needs. This provides a higher level of control over service quality but may potentially lead to longer response times in remote locations.

Balancing Direct Control and Local Partnerships

Companies like Sandvik and Epiroc can balance direct control over their high-value clients with local partnerships for smaller operations. These companies can ensure that parts and services are available even in the most challenging environments by leveraging local distributors. Meanwhile, Komatsu and MacLean rely more on their in-house teams, which allows them to maintain close relationships with their customers but can sometimes present logistical challenges in hard-to-reach areas.

Navigating the Market

The Mexican mining industry faces unique challenges that require a balanced approach to distribution. Successful companies in this market are those that strike the right balance between directly selling to large clients and establishing partnerships with distributors for smaller, more remote operations. Companies like Caterpillar, Sandvik, and Epiroc have effectively utilized their local distributors not only to provide equipment but also to offer essential after-sales support, ensuring the smooth operation of mining activities in Mexico.

Smaller or new entrants in the mining machinery market should consider the following:

- **Strong Local Partnerships:** Companies without a direct presence in Mexico need to invest in establishing strong partnerships with local distributors who understand the market's complexities. The success of Caterpillar and Sandvik shows that having local expertise on the ground is crucial for both delivering equipment and providing ongoing support.
- **After-Sales as a Competitive Advantage:** In a market where mining operations are often located in remote areas, providing timely after-sales support is a key factor that sets companies apart. Those who invest in logistics for spare parts, technical support teams, and training programs will have a competitive advantage in attracting clients.

Mexico is a global leader in silver and mineral production, so mining equipment manufacturers need to adapt to new demands such as automation and sustainable technologies. Offering high-quality machinery is not enough, though; success in the Mexican market requires a robust after-sales strategy and the ability to manage relationships across a diverse client base. This way, identifying the ideal distributors and defining the best approach to after-sales become urgent topics for mining equipment providers that want to take part in the Mexican market.

About Emerging Strategy

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