

RETAIL CHALLENGES AND TRENDS IN MEXICO

CORPORATE GOVERNANCE AND REGULATORY COMPLIANCE



The Importance of Due Diligence Prior to the Purchase or Lease of Real Estate Destined to Minor Retail Trade

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In the realm of retail, every company faces a series of challenges when selecting the distribution channel for offering its products and services.

One of the most recurrent challenges, in contrast to online sales, is physical points of sale. These can be located within commercial complexes or follow the independent model known as ‘stand-alone,’ where the store operates individually in a location with direct street access.

Consequently, the first step in choosing a stand-alone distribution channel is to secure a suitable physical space to display products and services to the general public. Additionally, it is essential to determine whether the planned activities in that space require authorizations, licenses, or permits to legally operate.

However, the lack of anticipation in obtaining licenses and permits can lead to significant risks. These inconveniences can divert efforts intended for sales and customer service, as legal and administrative issues with local authorities need to be addressed. In extreme situations, this could even result in the permanent closure of the establishment.

Therefore, it is fundamental to consider the process of obtaining licenses and permits well in advance. This becomes critically important to ensure that operations flow without interruptions. On a national level and especially at the municipal level, the obtaining of a variety of authorizations, registrations, licenses, and permits will be necessary.

As a result, it is essential to identify the legal provisions that apply in the municipality and state where the business is located, as

these rules will dictate the guidelines regarding the information that will be necessary to outline the framework of obligations that apply to the business and eventually to secure the required licenses and permits.

However, our recommendation prior to using real property for a specific purpose is to initiate a process known as ‘due diligence’. In this process, we ensure that the project or operation we plan to carry out is compatible with the relevant regulations in the area, specifically zoning regulations contained in planning instruments, known as urban development plans and programs.

Even concerning construction, it is essential to clearly identify what can and cannot be built, and to show that the existing construction indeed may lawfully exist because it has the necessary construction permits.

Having considered these aspects, can you imagine leasing or acquiring a property, only to later discover that it is not suitable for the business due to usage restrictions? This situation could lead to significant problems. Another scenario that frequently occurs is starting a renovation, only for authorities to shut down the work for days or even weeks due to the absence of proper authorizations.

In order to avoid these kinds of setbacks, it is essential to determine which regulations are relevant in our specific case, obtain the necessary authorizations outlined in these regulations, and thus prevent unnecessary expenses and complications.





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