


MEXICO'S AUTOMOTIVE MANUFACTURING – INCENTIVES & BARRIERS

Examining What Encourages Automotive Suppliers to Produce in Mexico & Barriers Keeping Them Out



*Providing the framework for suppliers to capture
marketshare of the \$35 Billion industry*

Entrada Group

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SURVEY OVERVIEW

With margins tightening and competition intensifying, automotive manufacturers of all sizes are under pressure to minimize operating costs without sacrificing product quality or operational effectiveness. As a result, many are exploring cost-effective manufacturing locations. For many companies, Mexico has emerged as one such potential location. The survey sought opinions of companies that are both already in Mexico as well as opinions of those not currently manufacturing there, to look at common barriers.

This report from Entrada Group, a US-based company that helps manufacturers quickly establish highly productive operations in Mexico, is based on a web survey of auto manufacturers conducted in late 2015. Respondents were asked about their priorities and experiences, as well as their perceptions about operating in Mexico. Collectively, their responses illustrate some common perceptions about Mexico that don't always match the reality on the ground. We hope this report furthers your understanding of the opportunities and challenges Mexico presents.

ABOUT ENTRADA GROUP

For nearly two decades, Entrada Group has been guiding manufacturers from around the world in establishing their own operational footprint in Mexico in order to provide a competitive advantage. Entrada's turnkey system offers a fast track to the benefits of Mexico and allows our clients to fully focus on growth. Through Entrada's near-border and central Mexico manufacturing campuses, along with the support of our shared services teams, manufacturers are able to meet their Mexican corporate obligations, minimize costs and lessen exposure to risk.

SURVEY METHODOLOGY

- Web-based survey conducted June–December 2015.
- Survey was sponsored by Entrada Group and conceived, developed, and executed by Mach Media, an external research and media firm.
- Survey was single-blind: Entrada Group was identified, but recipients were not.

USING THIS REPORT

This report is divided into sections to help you glean quick insights. Each section presents statistical findings, and some include light analysis by Entrada Group. Survey responses may not total 100% due to rounding or multiple responses.

KEY FINDINGS: TOP 2 BARRIERS TO MEXICO

Data below solely from respondents not currently operating in Mexico (percentage indicating these are obstacles to Mexico operations).

1 SECURITY CONCERNS



56%
OF RESPONSE

2 LACK OF KNOWLEDGE OF REGIONS OF MEXICO



45%

ADDITIONAL KEY FINDINGS



A GLOBAL CUSTOMER HUB

The presence in Mexico of major automotive OEMs and Tier 1 suppliers from around the world, combined with the growth of non-automotive manufacturing, makes for a strong fit with most respondents' customer base.



HOPES AND WORRIES

Respondents are increasingly aware of the potential cost advantages of manufacturing in Mexico, but many have been deterred by a broad array of barriers to entry, from security to recruitment.

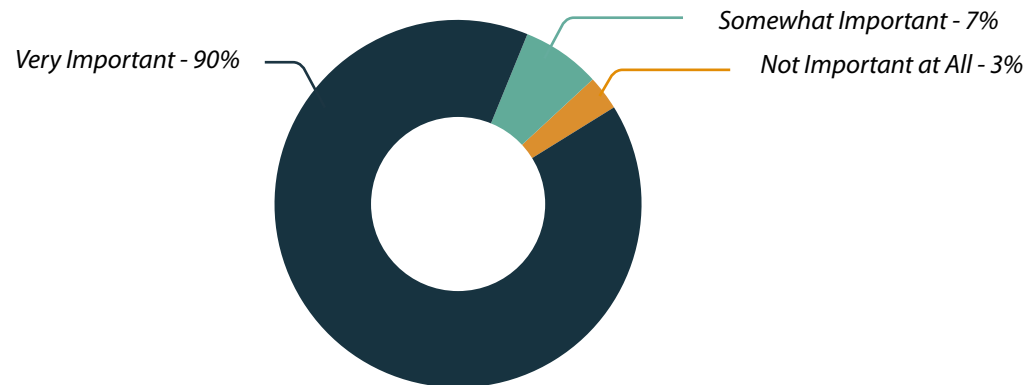


ROOM FOR IMPROVEMENT

Auto manufacturers with operations in Mexico are moderately pleased with their current supply chains but indicate significant room for improvement. That suggests a continuing opportunity for suppliers considering entry.

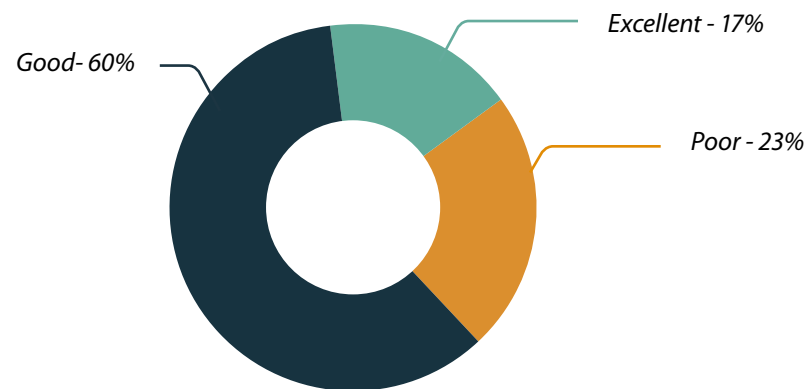
Q1

As a manufacturer with a production facility in Mexico, how important is it to have a strong, reliable supply base within Mexico?



Q2

How would you rate the quality of your local/regional Mexico supply chain?



* Replies are from companies that ARE currently operating in Mexico



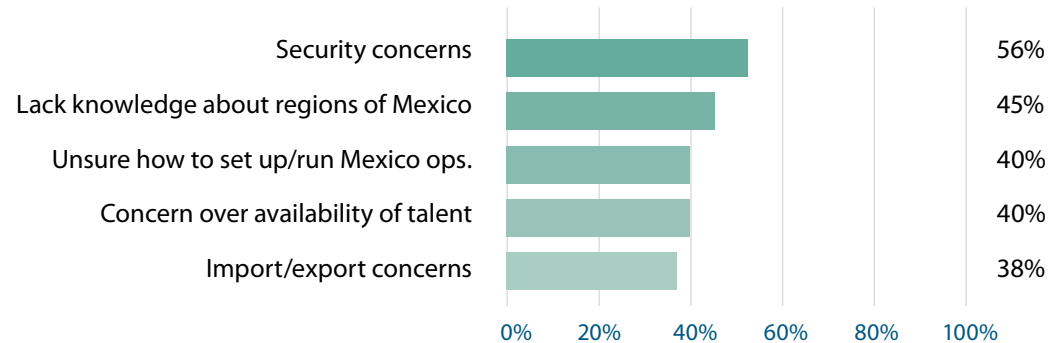
ENTRADA INSIGHT

Respondents from companies that already have operations in Mexico say a strong local supply chain is paramount to their success. And while most rate their supply chain favorably, only about one in six call it excellent and nearly a quarter consider it poor. This suggests plenty of room for improvement—and plenty of opportunity for suppliers that are considering establishing operations in Mexico.

Q3

If your business has no presence in Mexico, which of the following factors are discouraging entry? Choose all that apply.

(Top five answers shown.)



ENTRADA INSIGHT

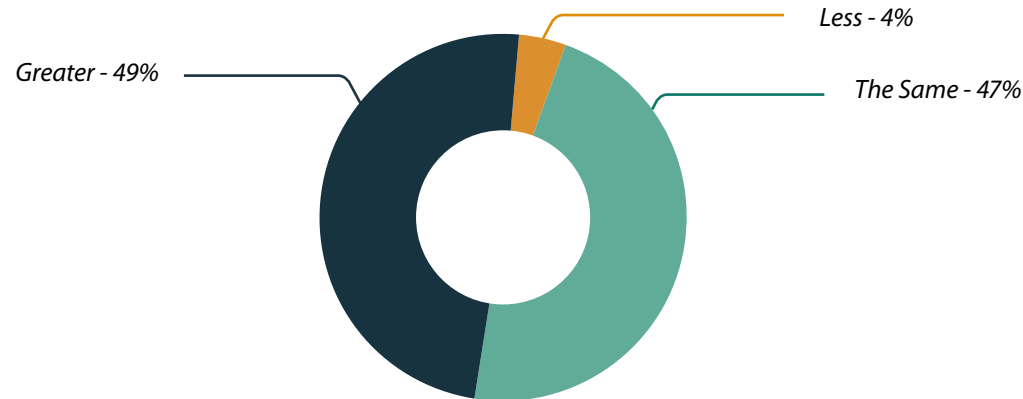
Over the past few years, growing numbers of manufacturers around the world have taken notice of the opportunities Mexico presents. In fact, many have heard that message directly from their customers. An abundance of free-trade agreements (12 agreements, encompassing 45 countries) and cost-effective production opportunities are at the heart of this growing interest.



* Replies are from companies that are NOT currently operating in Mexico

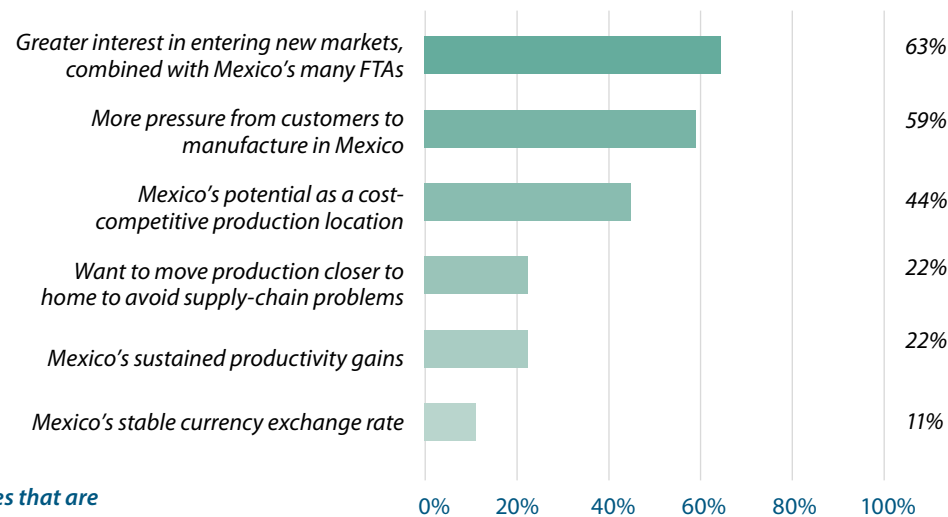
Q4

Compared to how you felt in 2012, is your interest in manufacturing in Mexico:



Q5

If your interest in producing in Mexico has increased since 2012, why? Choose all that apply.



* Replies are from companies that are NOT currently operating in Mexico

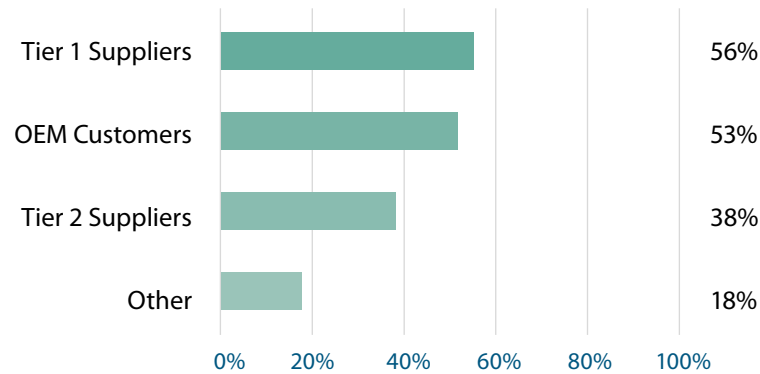


ENTRADA INSIGHT

Despite growing awareness of Mexico's potential advantages, many manufacturers have hesitated to establish operations there. No single concern dominates; instead, a diverse range of worries and uncertainties present a daunting challenge, particularly for smaller companies. By handling and taking responsibility for all services not related to production, Entrada Group addresses all of these concerns, enabling manufacturers to focus on high-quality production.

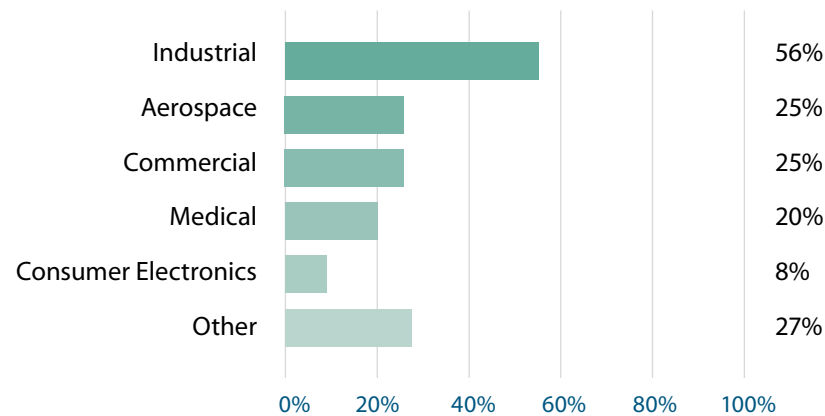
Q6

To what types of customers do you directly sell the products you make?



Q7

For which additional industries, beyond automotive, do you make products?



* Replies are from ALL respondents



ENTRADA INSIGHT

Most respondents supply to customers from a range of industries, not exclusively within the auto sector. Mexico hosts eight of the ten major global automotive OEMs, in addition to a strong network of Tier 1 suppliers. To stay ahead of ever-changing free-trade requirements, companies of all size aim to increase their percentage of value-added services/production in Mexico.

In addition, opportunities abound in other sectors where Mexico is a key manufacturing hub (industrial, aerospace, medical device, etc.).

Contact Us

NORTH AMERICA

JOHN PAUL MCDARIS

Director, Business Development

Tel (US): +1 512-300-8383

jpmcdaris@entradagroup.com

DOUG DONAHUE

VP, Business Development

Tel: +1 210-828-8300

ddonahue@entradagroup.com

