

Mexico Remains the Top Choice for Manufacturing ‘Near-Shoring,’ According to AlixPartners Survey of Senior Executives.

63% of those planning to source closer to home say Mexico is their top choice, vs. 19% for the U.S

NEW YORK (April 20, 2011) – Highlighting geographical proximity and improvements in transportation services, 63% of senior executives chose Mexico as the most attractive locale for re-sourcing manufacturing operations closer to the U.S. market, compared with just 19% who would re-source to the United States. That’s according to a recent poll of 80 C-level and other senior executives across more than 15 industries by AlixPartners LLP, the global business-advisory firm.

The survey also found that 9% of executives surveyed have already taken efforts to “near-shore” manufacturing operations and another 33% plan to do so within the next three years. Additionally, just 19% of those surveyed have experienced supply-chain disruptions in Mexico due to security issues.

“While safety and security in Mexico are certainly issues to be taken very seriously, our survey suggests that many companies believe these issues can be effectively dealt with,” said Foster Finley, managing director at AlixPartners and head of its Logistics & Distribution Practice. “As companies think about near-shoring production that was previously off-shored – to respond to rising labor costs overseas, exchange-rate changes, etc. – Mexico is obviously high on their lists.”

According to the survey, Mexico’s average ranking for attractiveness among those likely to near-shore was more than seven times that of Brazil’s and countries in Central America combined.

The survey also polled executives on plans to off-shore current U.S. operations, and found that 37% of respondents have already completed, or are in the process of off-shoring, while 27% expect to off-shore U.S. operations within the next three years. Of those who have off-shored or plan to off-shore, Mexico also topped the list as the most attractive locale, beating out the much-touted BRIC countries (topping China narrowly and India, Brazil and Eastern Europe by wide margins).

“Despite security concerns in Mexico, the country has a lot of appeal right now because of its proximity to North American demand and the continuing need of many companies to improve their working-capital positions,” said Chas Spence, a director in the Latin American Manufacturing Practice at AlixPartners. “That appeal could grow if fuel prices continue to rise globally.”

In terms of the expected advantages to be gained from near-shoring, lower freight costs, improved speed-to-market times and lower inventory costs were the top three reasons cited on average. Other reasons included “time-zone advantages” (easier management coordination, etc.) and improved “cultural alignment” with North American managers.

“In-transit inventory, in particular, was a high priority among those interviewed,” said Russ Dillion, a vice president in the Latin American Manufacturing Practice at AlixPartners. “Obviously, shipping products in from long distances eats up a lot of inventory expense, and that’s something companies would like to improve if possible.”

About the Study

The AlixPartners Executives’ Perspectives on Manufacturing Near-Shoring survey included an online poll of 80 C-level and other senior executives in manufacturing-oriented companies from more than 15 different industries conducted Jan. 24 to April 8, 2011.

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