

Whitepaper: Is My Business a Good Fit for Mexico?

To better understand if your product or company is a good fit for manufacturing with NovaLink in Mexico, we have provided a short list of items and practices that unfortunately do not translate well for manufacturing in Mexico.

Introduction

You have a great idea for a company, along with a great product, that you are sure the public is going to love. Like many businesses with great ideas, your company is faced with a seemingly giant hurdle: getting your product manufactured and out to the public. To overcome this hurdle, you may want to consider having the manufacturing for your product done in Mexico to become a more lean and cost-efficient organization.

This is a good idea, as the benefits of doing manufacturing in Mexico are numerous: inexpensive labor, quality production, low-cost startup and proximity to your markets in the United States just being a few.

Before your company begins the transition of business manufacturing to a nearshore partner like NovaLink, one should consider all the factors and advantages in getting the production started and most importantly; whether manufacturing in Mexico is a good fit for your business. If you have further questions, please complete the form at the bottom of this page.

The Mexico Advantage

Just as many US corporations such as Ford, Nike, Patagonia and Eddie Bauer have realized, doing business in Mexico is an advantage not only for American companies, which can save costs and use a greater portion of their profits for research and product development, but also to the American consumer, which can afford to purchase products manufactured in Mexico at a premium rate, which manufacturing countries in other companies across the Pacific such as China and India are unable to provide.

Combine this with a large, educated and inexpensive labor force and you begin to understand why Bloomberg believes that Mexico is a "Global manufacturing power...which makes it more attractive for companies to locate or expand plants there."

The labor force most used in Mexico, The Maquiladoras, is one of the most attractive benefits of manufacturing products in Mexico.

Executive Summary

- While manufacturing in Mexico is one of the best, most sound business decisions for companies looking to establish manufacturing at an affordable rate, there are some limitations as to what may be manufactured there.
- Mexico has one of the most skilled & educated labor forces as well as one of the most affordable, which provides the ability for companies to pass the savings of their products on to the American consumer.
- Not all products that may be manufactured are a good fit for Mexico. Simple products that require little labor, skill, assembly, innovation or that can be automated are generally not a good fit for manufacturing in Mexico. If a machine can do most of the work, then it may make more sense to manufacture in the United States or across the Pacific in China.
- It makes sense to partner with a nearshore manufacturing partner like NovaLink that can help you determine if your product is a good fit, and how to get your operations started quickly.

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Maquiladoras are capable of manufacturing high-quality products across a wide variety of industries: Textiles, Electronics, Aviation/Automotive and Furniture are all industries in which the Maquiladoras excel in producing high-quality products.

Is My Business a Good Fit for Manufacturing in Mexico?

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Mexican manufacturing is not suited to factory-line labor: products requiring assembly or hand-customization, such as sewing or cutting fabric or a skilled, trainable workforce, such as electronics, is also better suited to Mexico.

How quickly you need your product to your markets can also play a large role: if getting products made and out to markets quickly and efficiently is not a problem (although few companies would say this is true) then perhaps moving production across the Pacific to China, where the turnaround time can be almost three times compared to Mexico, might be an option for you.

Simply put, if you could benefit by moving your manufacturing processes across the Pacific to India or China, then you can benefit from moving them south to a nearshore partner such as Mexico. Very few products that require skill currently being made in the Far East can also be made in Mexico as well. In addition, you gain the benefits of proximity, time zone, ease of access, lead times and customization of product and scheduling when you outsource in Mexico.

Things to Consider Before Moving Manufacturing to Mexico

Although the prospect of getting your manufacturing in Mexico for your product may seem daunting, there is good news: NovaLink has the process of setting up manufacturing in Mexico down to a precise science.

Whether you are a large corporation or a small business trying to get off the ground, NovaLink has the software, facilities and manpower to get your business up and running quickly and efficiently with minimal cost.

With NovaLink prepared to handle the business logistics, all that is left is to consider the administrative, and in some cases, legal issues, that must be considered before taking the step to working with a nearshore partner. These include:

- Determining the corporate and tax structure most appropriate for a proposed venture in Mexico based on its needs, expectations, and area of business.
- Procuring the proper immigration documentation, as well as the necessary Federal and State licensing.
- Fulfilling the necessary Federal and State registrations.
- Advising the company on the requisite bookkeeping which must be followed.
- Advising the company on various labor law issues.

All of these issues can be conveniently handled by engaging the advice of an experienced Mexican corporate attorney in the United States.

There are many, many advantages to manufacturing in Mexico with NovaLink. Understanding if your business is best suited for nearshore manufacturing as opposed to the Far East should be the least of your worries.

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About NovaLink

In its 30th year of operation, NovaLink is a U.S.-based near shore manufacturing solution with two manufacturing facilities in Mexico and one distribution center in the U.S. As a cost-effective outsourcing extension to a variety of companies, both in size and industry, NovaLink has the expertise to manage the labor force and day-to-day production and distribution for its clients. For more information, please visit <http://www.novalinkmx.com/>