



Manufacturing

# EXECUTIVE PERSPECTIVES ON NEAR-SHORING

## *Manufacturers look to Mexico for lower costs and increased speed to market*

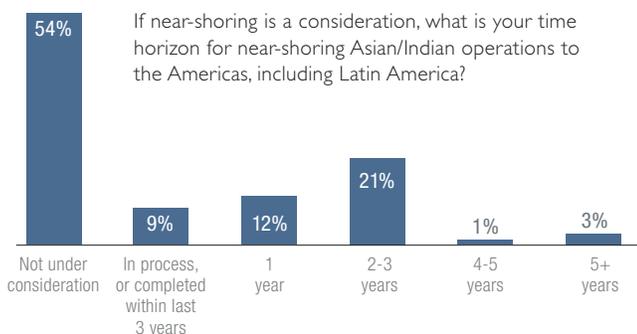
**A**mid rising wages in Asian countries, rising fuel costs, and extended supply chain risks, companies that sell into the U.S. market are actively considering near-shoring. *The AlixPartners Executives' Perspectives on Manufacturing Near-Shoring*<sup>1</sup> finds that Mexico has emerged as the top choice among companies considering relocating their already off-shored operations closer to home. Though security risks are a clear concern among respondents, relatively few

have actually experienced supply chain disruption in Mexico. Moreover, executives appear moderately optimistic about the future of the country's security problems; 50% expect at least modest improvement in safety and security issues.

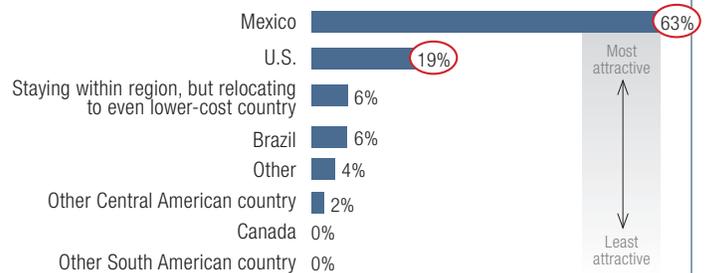
### **Near-shoring vs. Off-shoring**

According to the survey, 42% of respondents indicate they are currently near-shoring or will be within the next three years (figure 1). The top reasons cited

**FIGURE 1: Timelines for Near-Shoring Plans**



**FIGURE 2: Attractiveness for Near-Shoring, By Region**



*Note: Most of Brazil's manufacturing demand is consumed in Brazil, not exported for U.S. consumption*

<sup>1</sup> The AlixPartners survey polled 80 C-level and senior executives in international, manufacturing-oriented companies that sell into the U.S. market from more than 15 different industries. Polling took place between January 25 and April 4, 2011.

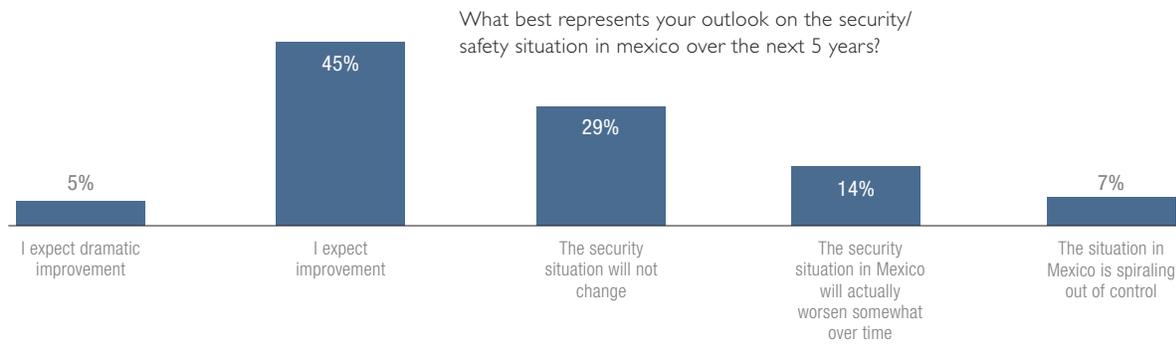
include: lower freight costs, lower inventory (in-transit) costs, and improved speed-to-market. And, among those actively considering near-shoring, Mexico is by far the most attractive location, ranking considerably higher than any other country in the Americas (figure 2).

Among those companies considering off-shoring current U.S. operations, Mexico (43%) is the number one choice, with China (30%) alone in second place.

**Concerns about Security in Mexico**

Those surveyed cite safety and security as their primary concern with off-shoring, but only 19% have experienced supply-chain disruption in Mexico as a result of these issues. And fully half expect the situation in Mexico to improve over the next five years (figure 3), indicating that while safety and security in Mexico must be taken very seriously, many companies believe these risks can be mitigated effectively.

FIGURE 3: Outlooks on Security in Mexico



**The Emerging Location of Choice**

Despite security concerns in Mexico, the country appeals to manufacturers seeking to decrease supply chain costs and improve speed to market through near-shoring production that was previously

off-shored. Mexico's proximity to the North American market also means lower inventory costs, easier management coordination and improved cultural alignment with North American managers.

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