



**5 Business Models
to Start Manufacturing in Mexico**

Why Mexico is the Best Option for International Manufacturers?



- Open economy: more than 1.2 billion consumers in over 40 countries by having the largest network of free-trade and commercial agreements
- Competitive labor costs: highly skilled and technically proficient workforce
- Great connectivity offering seamless integration of global value chains
- Well-connected country: world class infrastructure that is continually developing
- A mature hub for manufacturing and a growing domestic market
- Solid macroeconomic environment and favorable economy performance
- Highest growth in labor compare to other emerging economies
- Legal certainty for intellectual property
- Optimize lead time: it takes 75% less time to transport goods to clients in North America versus Asia
- Avoid the uncertainty of China-US trade policy

Now that you decided to start distributing, assembling, or manufacturing operations in Mexico, you can choose from these options based on your needs:

5 Business Models to Start Manufacturing in Mexico



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***Money loves speed, and mistakes too...
Avoid costly mistakes partnering with
a local expert.***

1. Finding a Joint Venture Partnership

These are the characteristics of a joint venture partnership:

- Immediate start-up process
- Import and export transactions might be already in place
- Assistance from both companies' representatives
- Shared intellectual property (IP)
- Face liabilities in the event of legal issues or problems with the operations
- Proper proceeding with authorities and suppliers' background investigation
- Although the entrance cost is low, INCOME TAX and profit-sharing obligations must be put into effect
- Shared control of the operation



2. Acquiring an Existing Operation

These are the characteristics of acquiring an existing operation:

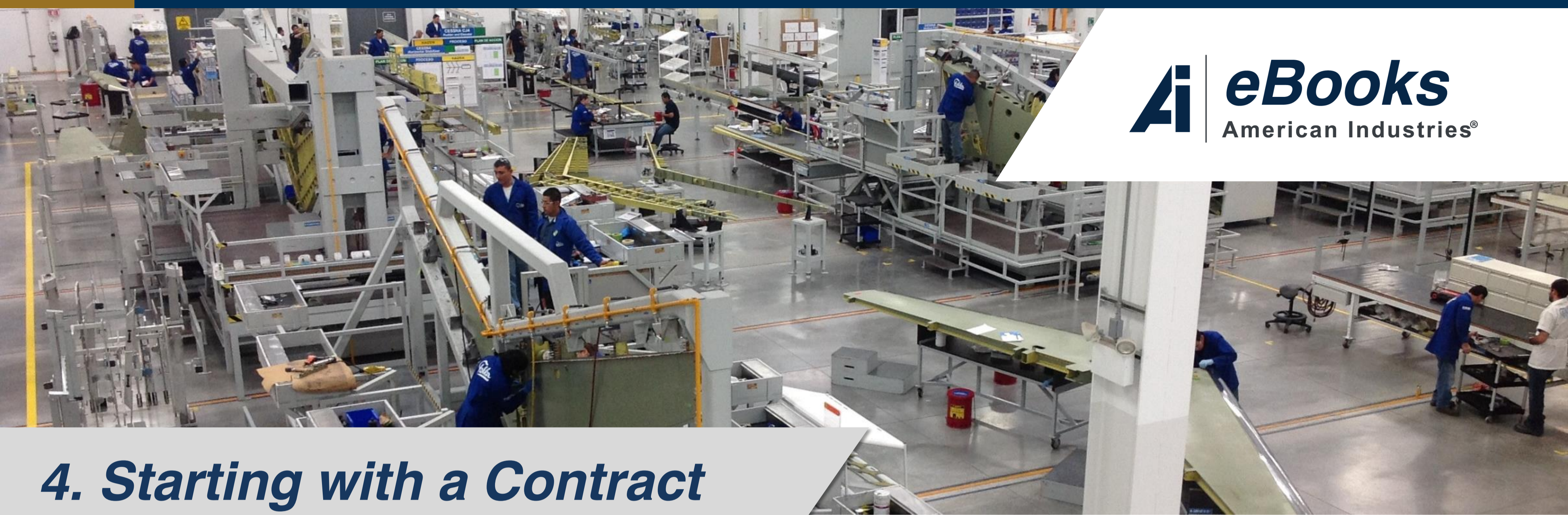
- Training employees and assisting them with the culture transition
- Although there is a low entrance cost, VAT, INCOME TAX, and profit-sharing obligations must be put into effect
- Proper proceeding with authorities, background check of the company, suppliers, clients, and employees
- Face liabilities in the event of legal issues or problems with the operation
- Full control of the operation
- Low risk sharing intellectual property (IP)



3. Starting with a Stand-Alone Operation

These are the characteristics of starting with a stand-alone operation:

- Costly learning curve for the local business culture
- High entrance cost = (16% VAT + income tax + profit-sharing) from the beginning
- High risk and liabilities for all legal, labor, fiscal, and customs start-up and operational permits
- Lack of local networking
- Real Estate, land ownership, use of land permits, and taxes administrative formalities
- No risk of sharing intellectual property (IP)
- Full control of the operation)



4. Starting with a Contract Manufacturing: Outsourcing

These are the characteristics of starting with a contract manufacturing:

- Low entrance cost and easy start
- Local network in place
- No risk of liabilities
- No control of the production
- Intellectual property at risk
- No control on efficiency, quality, deliveries, and costs of production



5. Starting with a Shelter Program

These are the characteristics of starting with a Shelter Program:

- Local networking in place with industrial associations, clusters, and local suppliers
- Academic infrastructure and understanding of government incentives
- Immediate access to the know-how of doing business in Mexico
- Start of operations in 9 weeks
- Optional legal entity
- Intellectual property safe at all times
- No liabilities in Mexico: labor, fiscal, legal, and other operational permits
- No VAT effect on your cash flow. Profit sharing is substituted by a fixed bonus.
- Full control of your operation

A man in a dark suit and tie stands on a high-rise building, looking out over a city at night. The city lights are visible in the background, and the man's silhouette is prominent against the sky. The overall tone is professional and forward-looking.

Mexico's Industrial Shelter Program

*Designed to make it easy for
your company to
start operations in Mexico*

By operating under American Industries® Shelter Program, you obtain the following benefits:

- Trouble-free access to operating in Mexico
- Allows you to focus 100% on your manufacturing operation
- Lower start-up cost than a stand-alone operation
- Quick start-up (in just 9 weeks)
- Minimal liability in fiscal, customs and human resources matters
- Minimum supervision required from headquarters for administrative functions
- Full compliance with Mexican laws and regulations
- Indirect purchasing: Maximize savings by taking advantage of our economies of scale
- On-going consulting services (human resources, fiscal and customs) included
- Robust IT platform
- ISO 9001-2015 certified

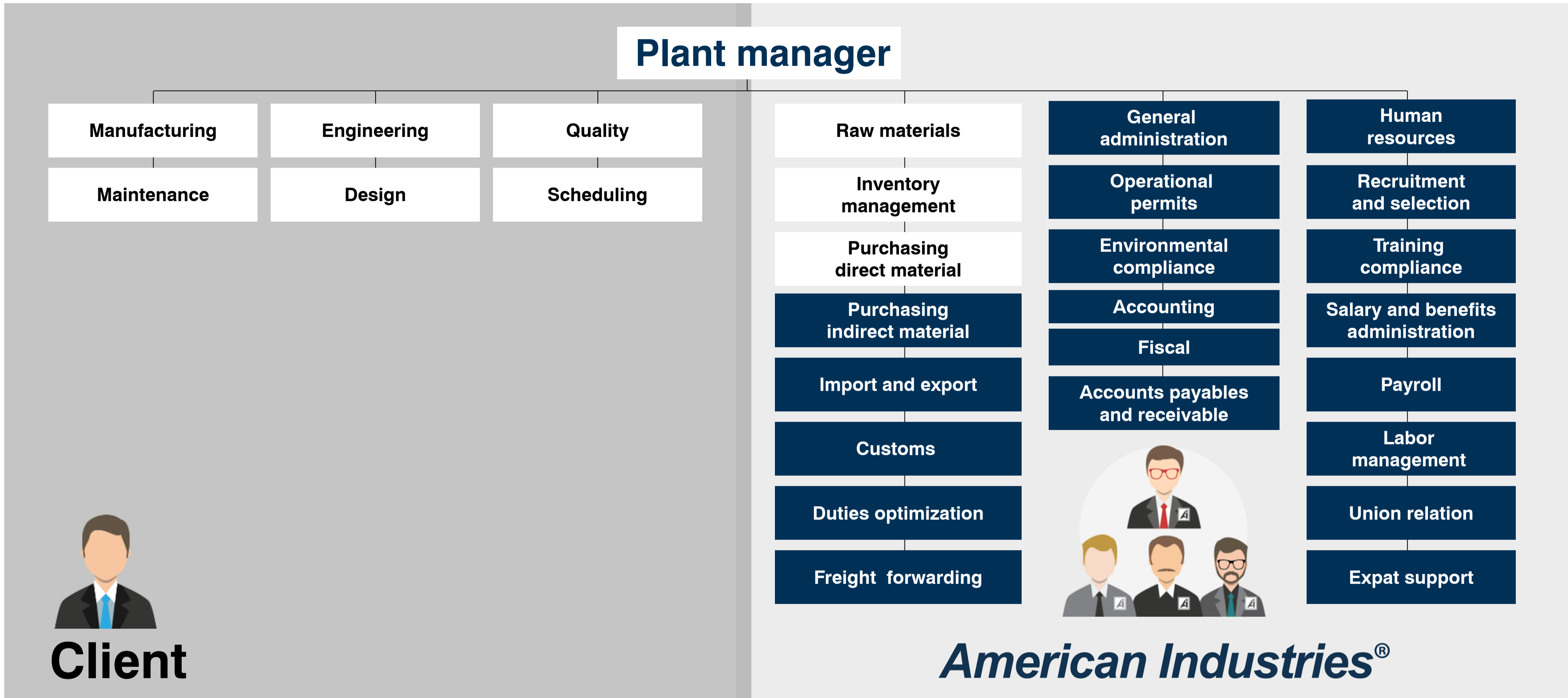
Amongst other benefits, the Shelter Program gives you the alternative to improve the total cost for your customers due to our free-trade agreements.

These are some of the legalities you will not have to worry about with the Shelter Program:

- Optimization and management of duties and taxes on raw materials, machinery, and equipment
- Customs clearance (northbound, southbound, and in-bond)
- Other Government Agencies permits, audits and certifications (FCC, FDA, USDA, HAZMAT)
- Freight forwarding
(Consolidating and warehousing)
- Mexican and US Customs Broker
- Customs software (required by law)
- Regulation compliance (permits)
- Adequate filling of legal documentation
- Labeling control system for equipment
- Proper reconciliation to save on duties
- Assistance to get certified by C-TPAT



The Shelter Program will help you by-pass all of these legalities so you can import and export your materials from your Mexican manufacturing plant.



In the white boxes of this diagram you can find the description of functions that you will be in charge in your new operation in Mexico, to meet your customers' needs. The blue boxes contain all the duties that a full Shelter Program cover.

One of the many advantages of this program, is that you will start operations in Mexico being entirely focused on sales, customer service, and production. You will not have to worry, nor face, any legal or administrative risks/liabilities on your start-up stage.



- ✓ You will get a tailored evaluation and roadmap to start operations in the regions that there might be potential for your business to grow in Mexico (like Chihuahua or Queretaro).
- ✓ You will get a tailored cost model where you will be able to compare the total cost of **your operation** per hour in each region.

- ✓ At this point we will coordinate business agendas in the selected regions for your operations in Mexico with industrial associations and clusters.
- ✓ As part of the agenda, you will be able to visit the Shelter's real estate facilities where you will be able to operate.
- ✓ Additionally, you will get a presentation of the different enabling services that you will get as part of the Incubator and you will be able to meet with government officials.

- ✓ At this stage you will get all permits for your operations.
- ✓ You will get your human resources hired and organized (including payroll management).
- ✓ You will get your machinery and equipment installed.
- ✓ You will get all your customs & logistics set up.
- ✓ You will get all paperwork and administrative tasks done so that you can start serving your clients from your new location.

You have already seen different types of costs that will have an impact on your distribution or manufacturing total operation cost. However, putting all the pieces together require more than just adding up numbers.

There might be a lot of hidden costs based on “small picture” assumptions, such as going to a certain location with the wrong type of skillset, suppliers, or infrastructure to support your operations or some differences in employees benefits depending on the region.

We suggest you get a **Complimentary Cost Model Simulation** where you can compare the total cost of doing business in key industrial regions in Mexico.

This cost model tailored to your project in Mexico, will include direct costs of:

- Direct and indirect labor
- Real estate and utilities
- Customs and Logistics
- Administrative, legal, and other indirect costs

Request yours at start@americanindustriessgroup.com



About American Industries Group

American Industries Group is a private Mexican company founded in 1976 which, through its Shelter Administrative Services and Industrial Real Estate, has contributed to the successful establishment of the manufacturing operations of more than 200 international companies in Mexico.

Value Proposition *“Why a Shelter?”*



We team up with the arriving company becoming their day-to-day administrative solution provider -human resources, accounting, fiscal, customs, logistics- so that our client can focus on key variables such as quality, productivity and on-time delivery.

We are present at all stages of your industrial business needs in Mexico:

Site Selection



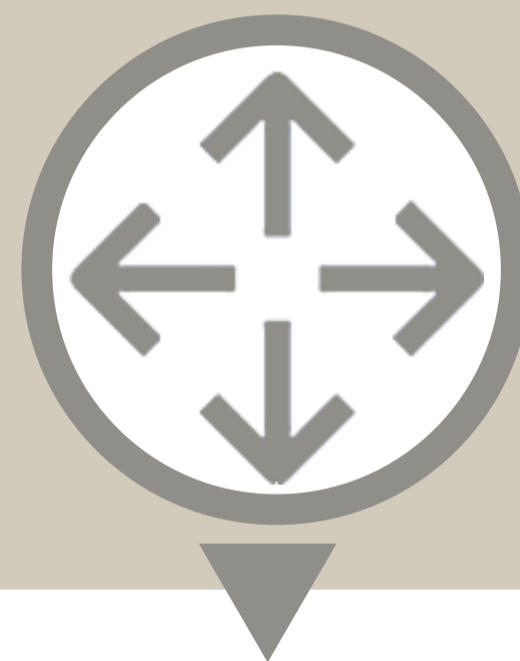
We help you find the right location for your operations in Mexico including the coordination of business agendas in different regions.

Start under a Shelter Program



We take care of all start up, legal, operational and environmental permits, human resources, customs, logistics, fiscal, accounting and all the administrative part of the business.

Expansion in other regions in Mexico



We help you grow your business by working together with industrial clusters and associations to promote your business in different regions in Mexico.

Supply chain divisions relocation



We help you to educate and relocate your foreign suppliers or other divisions near your operations in Mexico.

Aerospace

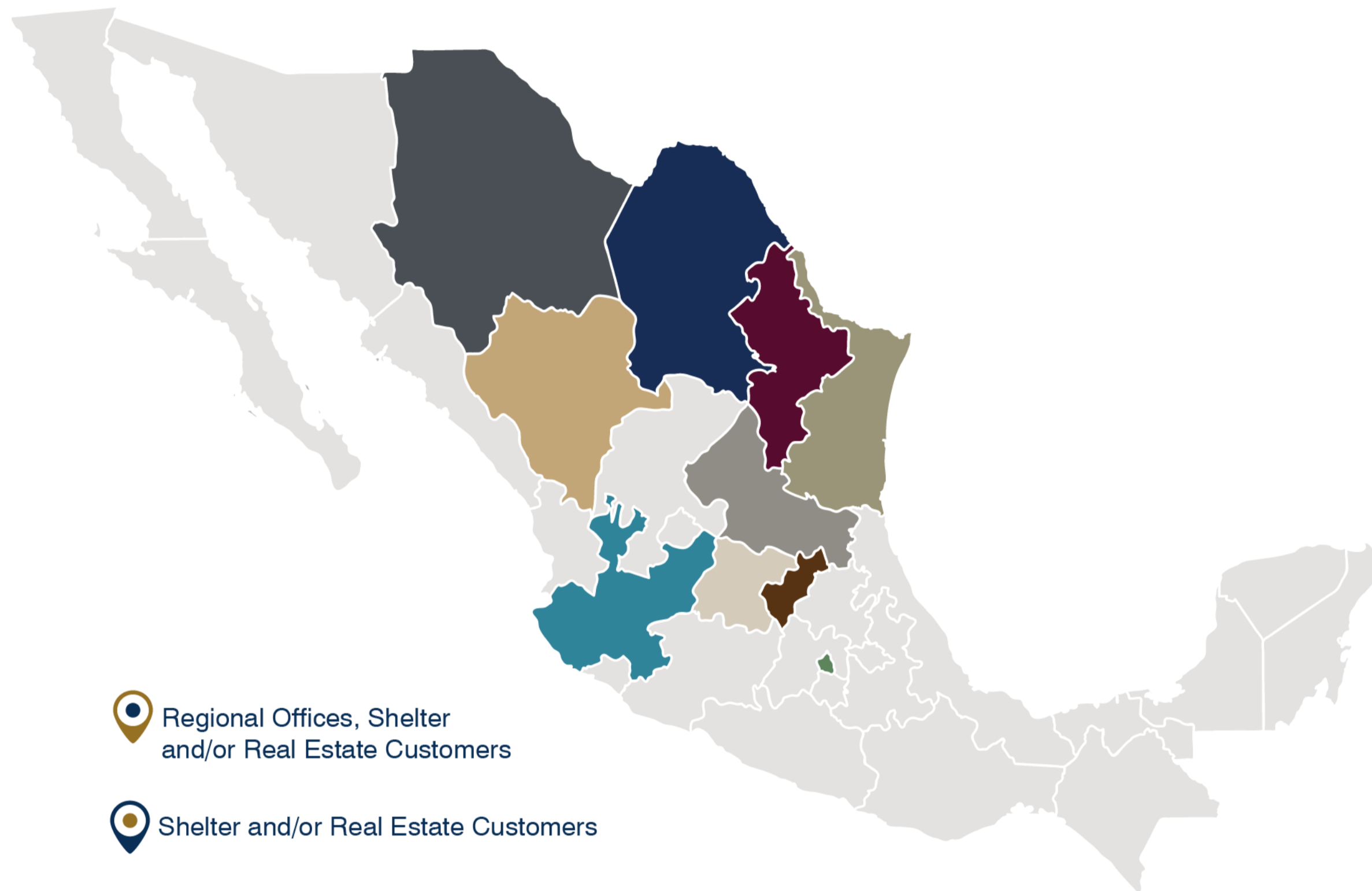


Automotive



Others





United States
 • El Paso
 • Laredo

Tamaulipas
 • Matamoros
 • Reynosa

Jalisco
 • Guadalajara

Chihuahua
 • Juarez
 • Chihuahua
 • Delicias
 • Camargo

Queretaro
 • Queretaro

San Luis Potosi
 • San Luis Potosi

Guanajuato
 • Silao

Mexico City
 • Mexico City

Nuevo Leon
 • Monterrey

Coahuila
 • Saltillo
 • Torreon

Durango
 • Gomez Palacio

Shelter and start-up services

- Over 16,000 headcount
- Over 30,000 trouble-free import and export transactions per year

Real Estate

- Over 13 million sq. ft. of developed and leased industrial space
- All our buildings are classified into Class A category
- 15 industrial parks

You can count on American Industries® expertise to start and maintain a successful operation by avoiding unnecessary problems and costly mistakes, while maximizing savings as much as possible.



American Industries[®]

Site Selection - Shelter Administrative Services - Industrial Real Estate

Visit us at www.americanindustriessgroup.com

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Partner for Success[®]