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Risks Associated with Mexico are Overblown, Some Say

While Violence is Bad in a Few Areas, Most of Country is still an Attractive Sourcing Location

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Recent months have seen great concern over rising drug-related violence in Mexico, to the point where a U.S. Joint Forces Command report on worldwide security threats released in January said that Mexico is one of two countries (along with Pakistan) that "bear consideration for a rapid and sudden collapse." (See **Just How Risky has Mexico Become as a Sourcing Location?)**

While tourists and business people may certainly want to avoid Juarez and some of the other most violence-filled border towns, the overall risks are overstated, and Mexico remains an excellent sourcing location, says Al Brown, president of SupplyMex, Inc.

"Although violence does exist, it is primarily isolated to a few towns along the USA-Mexico border," Brown says, noting that all told the US has a bigger drug problem than Mexico.

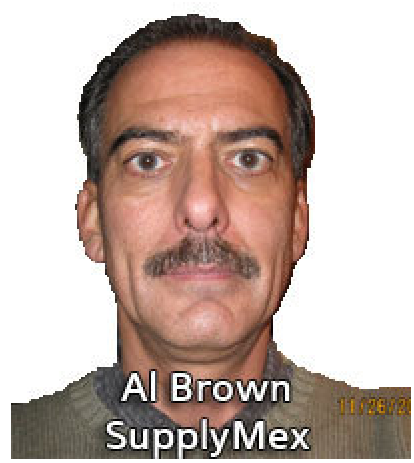
If you operate a plant along the US-Mexico border, Brown says that your risk of getting caught up in some of the violence increases – though that nearly all of the violence is between gang members themselves.

"If you are operating or sourcing just 100 miles south of the border, the risk is substantially reduced and almost unnoticeable," Brown says. "If a company is sourcing or has plant operations in these border towns, we do recommend a strategy to go a bit further south," he says.

Brown argues, as you might expect, that in many cases Mexican sourcing can deliver goods at a lower total landed cost than sourcing from China/Asia.

"If you are operating or sourcing just 100 miles south of the border, the risk is substantially reduced and almost unnoticeable," Brown says.

He said, for example, that he recently worked with a company that made wood-based products for the home. In that specific case, the process revealed that "after a couple of rounds of costing and pricing the products, Mexican sourcing could deliver at a unit price range of 1% below up to 3% above China across company's product family."



That was without considering the potential advantages of in terms of lead times, inventory, and supplier management costs, making the total cost from Mexico much less than the China option.

He says these advantages are especially attractive given the current economic downturn, providing companies great ability to link supply to demand.