Quick Introducción…

- Quién Soy?
  - Crossborder Group Inc. (San Diego-Tijuana)
    - Crossborder consulting & market entry firm focused on the US-Mexico Border & Mexico
  - Kenn Morris, President/CEO
    - Over 15 years of border and Mexico market research for business and public policy
    - Honored to be member of US-Mexico Border District Export Council

Why Re-Examine Border Market?

- Too often, US companies overlook opportunities in Mexico and along the US-Mexico border region
  - "Border Mindset" – belief we already know Mexico: illegal immigration, narcos, poverty
  - Mythology of relaxed land of beaches and tequila…
  - Mindset blocks today's reality…

Breaking That Border Mindset

- Myths vs. Facts:
  - "Trade & Maquiladoras Dying": *Not true… Mexico is still #1 export market for LA & SD Counties ($12.8B in 2006)…*
  - "China's Cheaper": *In the past, yes…but, in 2008 and beyond, not necessarily…*
  - "Poor Consumer Market": *Not as big as Asia, but still sizable (110M consumers) and binational opportunities…*

US-MX Trade & Investment

- US-Mexico trade (though challenged by China & weakened dollar) still significant: *$250B+ in 2007*
- California exports alone: *$18B+*
- US manufacturing investment also continuing: approximately $1.3B per Quarter…
  - Clearly challenged by slowing economy…

China Cheaper? Not Necessarily…

- Early-2000's: China's labor costs were 20%-30% of MX…
  - *Rising Yuan, increased labor demands and taxes on foreign operations: China's Costs Have Gone Up…*
  - *Boston Consulting Group: by 2010, China's mfg labor costs will be only 20-25% lower than Mexico's…*
- Mexico still relatively cost-effective:
  - *Example: $10-$15/hour is total burdened rate in Tijuana*
    - *Compared to $45-$60/hour for mfg in the US…*
  - *Declining peso (12:1US$) has meant 20% reduction in costs*
    - *Client Example: weekly peso-payroll dropped from US$7700 to US$6300*

Total Cost: Consider Logistics Too

Considering total cost & time to ship products into the ultimate market may give MX the advantage…

Sample Product	Freight Cost per Unit – China	Freight Cost per Unit – Mexico	Advantage
Refrigerator	$100 (20%)	$49 (10%)	Mexico
Stove	$58 (13%)	$28 (6%)	Mexico
DVD Player	$1.50 (1%)	$0.73 (.5%)	China

Source: Boston Consulting Group

So…shown that maybe as Manufacturing Option, China's not necessarily the best option…

…what about Mexico as Export Market?

Consumers: MX Not Homogenous

- Approximately 110 million consumers…
- Despite perceptions, Mexican Borderlands have some of the highest proportion of upper-earners in workforce…
- Many of these have visas to visit the US…

Opportunity: *La Tercera Nación*

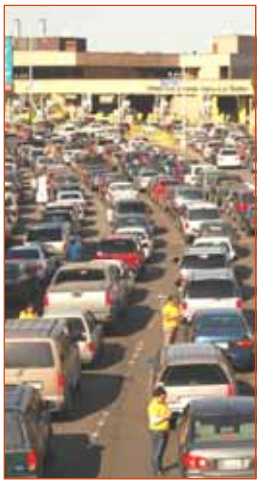
- US States
  - Texas
  - New Mexico
  - Arizona
  - California
- Mexico States
  - Tamaulipas
  - Nuevo León
  - Coahuila
  - Chihuahua
  - Sonora
  - Baja CA

Spanish Speaking Marketplace

- Not as big as China…but 36 million Spanish speaking (19M in MX, 17M in US) consumers presents unique opportunity
- US portion of "Tercera Nacion": nearly ½ of US Hispanic population

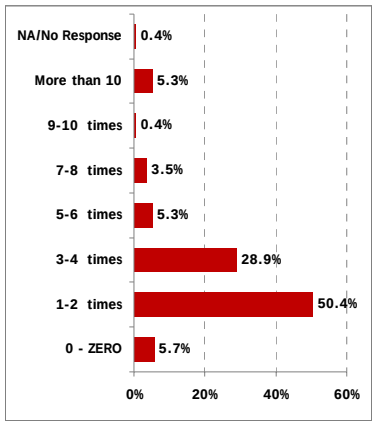
US & MX Crossborder Consumers

- Depending on MX state, 20-35% of population has visa (can cross)
- Tend to be mid- and upper-earners
- Very familiar with US brands and stores
- Tend to cross on regular basis – about 18-20 million US-MX border crossings monthly



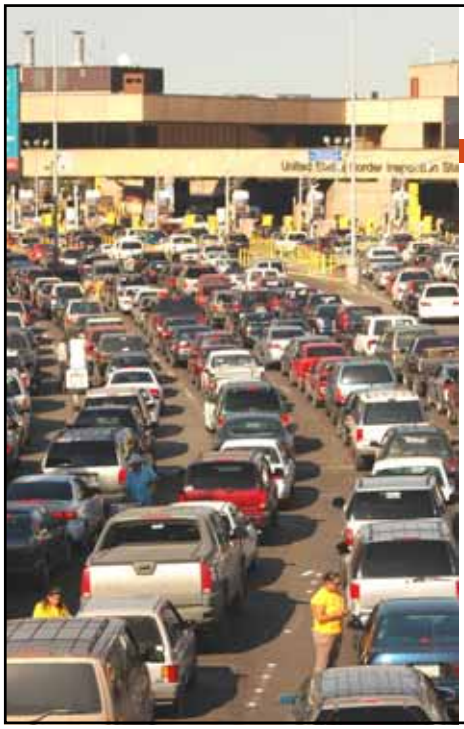
Crossborder Consumers - Shopping

- MX-Residing Crossborder Consumers shop in the US on a regular basis
  - About 15% more than weekly
  - Nearly 80% more 1-4 times per month
  - Expenditure: borderwide ranges from $110-160 per trip (average)…
  - *$25-30 million per day…*



My Goal Today:

to provide a few facts on an often-overlooked opportunity just 2-3 hours south of Los Angeles (and 15 min. south of downtown San Diego)…



Important to "tear down" the Border Mindset, re-examine the real opportunities, and take advantage of your US-Mexico, nearshore potential

Thank you & Gracias!

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