



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...



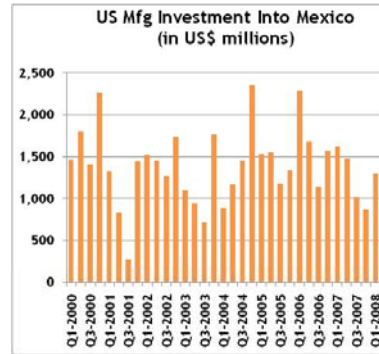
Breaking That Border Mindset

- 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

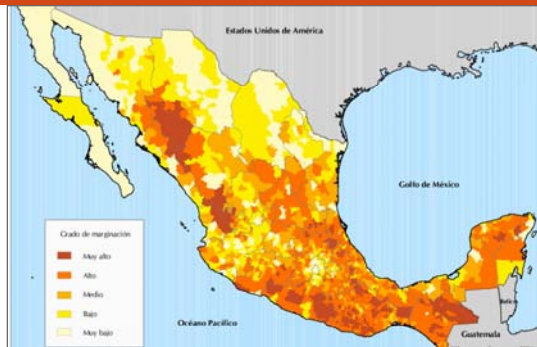


So...shown that maybe as Manufacturing Option, China's not necessarily the best option...

...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 1/2 of US Hispanic population



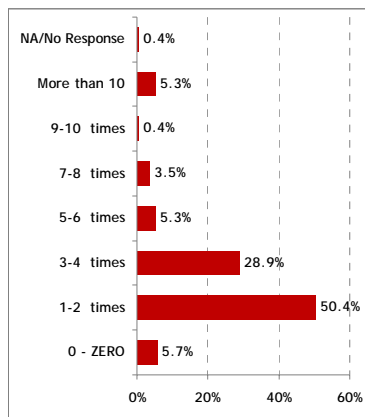
US & MX Crossborder Consumers

- 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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