Medical Devices Industry in Mexico: a cost competitive strategy!
About American Industries Group

American Industries Group has helped over 200 global companies to successfully start up and grow distribution and manufacturing operations throughout Mexico since 1976 through Site Selection, Incubator Programs, Administrative “Shelter” services and Industrial Real Estate.

Shelter & Start-up Services
- 51 Customers currently served
- Over 11,000 Customer’s headcount
- Over 30,000 trouble-free import and export transactions per year

Real Estate
We have built over 12 M Sq. Ft. Portfolio in the most important industrial regions throughout Mexico, 9 Industrial parks and 105 buildings.
How we help aerospace companies to succeed in Mexico:

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 up under an Incubator 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.
What we’ll cover today:

- Reasons why Global Medical Device Manufacturers invest in Mexico
- How to become cost competitive by operating in Mexico
- Get a complimentary Strategy Session
Reasons why Global Medical Device Manufacturers invest in Mexico

1. Because there are more global competitors than ever before and you want to gain market share, especially in countries with young growing population.

2. Their Current Manufacturing Clients are in Mexico:

More than 400 companies already established in Mexico require their suppliers to be within a certain distance from their plants.
Reasons why Global Medical Device Manufacturers invest in Mexico

3. **Labor Cost Savings:**

Up to **80% savings in labor** positions that go from assembly operations to more qualified processes like CNC machining, welding, metal stamping, plastic injection molding, extrusion, metal finishing, clean room operations, etc.

Mexico is the most cost effective location for US companies as far as labor and freight

*US Manufacturing-Outsourcing Cost Index*
Talking about medical devices, Mexico is the US main supplier, the principal exporter in Latin America and holds the 11th exporter rank position at a global level.

Source: Global Trade Atlas
How to become more cost competitive by operating in Mexico

KEY INFORMATION AND QUESTIONS YOU NEED TO ASK BEFORE YOU START YOUR OPERATIONS IN MEXICO

✓ About finding the right location
✓ About finding skilled & affordable labor
✓ About finding local Suppliers
✓ About finding the right real estate facility
✓ About your business model to start operations in Mexico
About finding the right location

The major manufacturing states of medical devices are: Baja California, Chihuahua, the Federal District, Jalisco, Sonora, Nuevo León, Morelos, Tamaulipas and the state of Mexico.
Who is Manufacturing in Mexico?

The largest companies in the sector are: Johnson & Johnson, GE Healthcare, Siemens Healthcare, Cardinal Health, Medtronic and Baxter International, Conmed Corporation, Teleflex, Covidien, Bard, Corning Science, among others.
According to the National Institute of Statistics and Geography (INEGI), the medical device sector has more than 2,000 economic units.

The Secretariat of Economy accounts for approximately 400 exporter companies; most of them are dedicated to manufacturing and assembly.
Mexico’s Panamerican Industrial Corridor:

- Key location for companies serving both, East and west coast markets.
- Key locations for aerospace, automotive, medical devices, electronics and other manufacturing industries with companies such as Covidien, Arrow, Malinkrodt, Teleflex, Conmed, among many other important manufacturing companies.
- Regions like Juarez and Chihuahua
NAFTA HIGHWAY Industrial Corridor:

- Key location for companies mainly serving the US Midwest and east coast markets.
- Key locations for aerospace, automotive, medical devices, electronics and other manufacturing industries with companies like Corning Science, Bard, among many other important manufacturing companies.
- Regions like Reynosa, Monterrey, Querétaro, Guadalajara
Locating right on the US-Mexico border:

Cities like:

- Juarez – El Paso, TX. (Panamerican Highway):
  Immediate access to US I-10 and I-25
- Reynosa – McAllen, TX. (Nafta Highway):
  Immediate access to US I-10 and I-35

Key advantages of cities along the US-Mexico border:

- Ex-patriates and their families can live on the US side of the border.
- Reduced Inventories and freight costs due to US proximity.
- As fast as 1 day turnaround for remanufacturing processes.
Locating Close to the US-Mexico border:

Cities like:
- Chihuahua (Panamerican Highway)
- Monterrey (NAFTA Highway)

Key advantages of cities close to the US-Mexico border:
- Skilled labor for more complex manufacturing processes
- Opportunity to serve the currently established manufacturing base of Aerospace, Automotive and Medical Device OEMs, Tiers 1, 2 and 3.
GE Success Story

GE expects invested more than 60 million USD in Mexico in the 2010-2012 period. This investment was directed to the transfer of production lines to assemble medical products, motors and turbines for energy generation. The company has highlighted the advantages of establishing itself in Mexico which include: qualified manpower, ease of opening new businesses and logistical costs.
Locating in Central Mexico

Regions like Queretaro, San Luis Potosí, Silao-Guanajuato, Guadalajara, etc.

Key advantages of cities in Central Mexico:

- Immediate access to OEMs
- Immediate access 70 million consumers in a 250 mile radius
- Closeness to Sea Ports connecting to Asia and Europe: Manzanillo and Lazaro Cardenas Sea Ports.
Conmed Success Story

Conmed Corporation decided to start up their medical device manufacturing plant in Chihuahua, at first with simple assembly jobs. Now with more than 600 employees and in their transition to bring more production lines, they pride themselves of having invested in Mexico at the right time.
About finding skilled and affordable labor

Here are some questions that we need to understand!

✓ Will the cost and skills be the same throughout Mexico? **NO**

✓ What are the skills you will need for your process?

✓ What expertise will you need to meet your customer’s quality standards?

✓ What academic and training support will you need from technical schools and training centers?
Medical Devices Quality in Mexico

The medical devices being produced exclusively in Mexico comply with the strictest quality standards such as ISO 9000, FDA, Six Sigma, Lean Manufacturing, 5 Ss (sorting, straightening, systematic cleaning, standardizing, and sustaining) and Balanced Scorecard, among others.
Find Skilled and affordable labor

Here are some criteria that you will need to consider in order to find the right labor for your operations:

• Determine local market wages & benefits
• Help you monitor turnover & absenteeism
• Academic infrastructure and training programs
• Local quality assurance expertise for medical devices
• FDA approval knowledge for manufacturing, packaging and labeling.
• Proper documentation of OSHAs
• Union Relationship Management
About finding Suppliers in Mexico

Here are some questions that we need to understand!

Will there be adequate tool & repair shops in the city you decide to establish? That will depend on your process and requirements.

Something important to consider: if you require your current supplier to relocate their distribution or manufacturing operations to Mexico, you can ask for help, incentives and support from a soft landing facilitator.
About finding the right real estate facility in Mexico

Make sure you find a facility with the following criteria:

✓ Will you have the right logistics infrastructure (railroad, highways, cargo airports)?

✓ Will you have the right utilities for your operation (energy, natural gas, water, sewage, etc)?

✓ Will you require a specific height for stacking or number and size of docks?

✓ Will you be close to the labor pool?

✓ Will you lease or buy?

All of these items will have a direct impact on your short and long term cost.
About your business model to start operations in Mexico

5 Business models to choose from:

- Finding a Joint Venture Partner
- Acquiring an existing operation
- Starting up with a Stand Alone operation
- Contract Manufacturing
- Starting up with a Shelter Program
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- They might be experts to do business in Mexico: permits, local suppliers, clients and labor.
- They might speed up your start up process due to local networking.
- They might be well connected to help you import & export.
- You will not have full control of your operation.
- You have the risk of losing your intellectual property.
- You will face liabilities in Mexico in case of any mistakes or problems with the operations.
- You have to do your due diligence and background check of the Company, clients, performance and their individual partners.
About your business model to start operations in Mexico

5 Business models to choose from:

Finding a Joint Venture Partner

✓ Acquiring an existing operation

Starting up with a Stand Alone operation

Contract Manufacturing

Starting up with a Shelter Program

- Employees will already have the needed training for your process.
- Legal and operational permits might already be compliant.
- High entrance cost + 16% VAT + Income tax from the beginning.
- You will be responsible for all the previous and ongoing legal and operational liabilities.
- You have to do your due diligence and background check of the Company, clients, local suppliers and performance.
- You will have to educate your current suppliers on how to export and deliver their goods to your Mexican operation.
- You will have to understand how to facilitate all the immigration permits and transition for all your expatriates and their families into Mexico.
About your business model to start operations in Mexico

5 Business models to choose from:

Finding a Joint Venture Partner

Acquiring an existing operation

Starting up with a Stand Alone operation

Contract Manufacturing

Starting up with a Shelter Program

– You will have full control of your operation.
– High entrance cost + 16% VAT + Income tax from the beginning.
– High and costly learning curve.
– Lack of local networking.
– High risk and liabilities for all legal, labor, fiscal and customs start-up and operational permits (functions that are not your core business).
– You have to do your due diligence of your real estate land ownership, use of land permit and taxes.
– You will have to educate your current suppliers on how to export and deliver their goods to your Mexican operation.
– You will have to understand how to facilitate all the immigration permits and transition for all your expatriates and their families into Mexico.
About your business model to start operations in Mexico

5 Business models to choose from:

Finding a Joint Venture Partner

Acquiring an existing operation

Starting up with a Stand Alone operation

✔ Contract Manufacturing

Starting up with a Shelter Program

- You will never have control of your production.
- You risk your intellectual property.
- No control on efficiencies and costs of production.
About your business model to start operations in Mexico

5 Business models to choose from:

Finding a Joint Venture Partner

Acquiring an existing operation

Starting up with a Stand Alone operation

Contract Manufacturing

✔ Starting up with a Shelter Program

- You will have immediate access to the know who in Mexico (local networking with industrial associations, clusters, local suppliers, academic infrastructure, government)
- You will have immediate access to the know-how to do business in Mexico.
- You will get free assistance to find the most cost-effective real estate facility in Mexico.
- You have full control of your operation.
- You can start up in less than 9 weeks and you can choose to not have a legal entity in Mexico.
- No liabilities in Mexico: labor, fiscal, legal and other operational permits.
- No VAT effect on your cash flow.
- No Income tax for the first 4 years of operations in Mexico.
- You will get assistance with all your customs and logistics coordination to import machinery, equipment and raw materials and then to export finished goods to your clients.
- You will get assistance with all the immigration permits and transition for all your expatriates and their families into 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.”
How does a Shelter look like?

This diagram shows the functions that you will need to perform in your new business operations in Mexico to serve your clients. The Shelter program takes full responsibility of the blue side of the business.

- Management to direct operations.
- Machinery & equipment.
- Raw materials.
- Full control over distribution, production and quality.

Your Company

American Industries
Importation and exportation of raw materials.

You will get help to bring raw materials in and finished product out, hassle free:

- Duties and taxes on raw materials & machinery and equipment
- Alternative to improve total cost for your Customers: Free Trade Agreements
- Clearance: Northbound, southbound, in-bond, OGA (FCC, FDA, USDA, HAZMAT)
- Freight forwarding: Consolidation & warehousing
- Mexican & US custom broker
- Customs software (required by law)
- Regulation compliance (permits)
- Adequate filing of legal documents
- 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
10 things to look for in a Shelter Program

Make sure you get the following benefits:

1. Free Site Selection Analysis with a Cost Model comparing different regions
2. Flexible commitment: on any size project (headcount or Sq. Ft.)
3. No entrance or exit fee at the termination of your contract (with coordinated exit strategies)
4. Fast and worry free start-up operations (9 weeks)
5. Flexibility on how to operate in Mexico: incorporated or not Incorporated
6. Tax Savings: how to avoid the VAT impact on cash flow and how to be exempt of INCOME TAX
7. Billing transparency & no mark ups on purchasing in Mexico
8. Full Compliance Assistance: fiscal, customs, labor and environmental (no red tape and no administrative risk or liabilities)
9. CUSTOMS CERTIFIED PROGRAM: quick processing on cross-border transactions
10. Ask for full administrative support: it will allow you to concentrate 100% on your manufacturing operation, not on human resources recruitment, looking for suppliers and so on.
Shelter Program

In summary...

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.
Will YOU Be Our Next Success Story?

At American Industries Group we are on a Mission:

To help Medical Device Manufacturers to increase their PROFITABILITY by establishing operations in Mexico in the most cost effective location.
What’s Next?  
Sign Up for a Complimentary Strategy Session

What you’ll get:

A committed partner to help you find the best location in Mexico

Confidential Assistance to find the right location

We’ll help you find the industrial facility you need where you need it or we’ll help you get it built-to-suit your specifications

A total cost per hour estimate depending on the following criteria:
- Number of employees
- Size of your real estate facility
- Cross-border transportation
- Overhead

A comparison of the total cost per hour of different regions

Sign up now to get your free site Strategy Session at:
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