

*Supplying Mexico's Maquiladora Industry:
"Total" e-Procurement Solutions Cross the Border*

**International Market Insight
May 29, 2003**

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Summary

As Mexico's maquiladora industry adjusts to tougher international competition, plants that have opted to continue working within Mexico's border states are striving to reduce operational expenses and improve productivity. In this attempt, plants are turning to new sourcing technologies, thus opening opportunities for U.S. companies that offer complete e-procurement programs. One of the areas that offer the most opportunities for the implementation of e-procurements is in the supply of maintenance, repair, and operations materials.

Maquiladoras Struggle to Reduce Operational Expenses

In the last two years, Northwest Mexico's maquiladora industry has faced the closure and relocation of over 400 plants, and the corresponding loss of over 70,000 jobs. Despite this scenario, significant opportunities remain available for U.S. exporters given the 1,236 maquilas established in Baja California and Sonora. These two regions alone represent a potential market of approximately US\$5.3 billion in imports.

Manufacturing plants operating in the border region are focused on reducing operational expenses and improving productivity. This shift in focus presents unique challenges for purchasing managers. Plants are now turning to new sourcing technologies, thus opening opportunities for U.S. companies that offer complete e-procurement programs. These programs currently have a unique fit with manufacturing plants since e-procurement can considerably reduce sourcing costs.

Total-e-procurement includes the capacity to use web-based systems that allow manufacturing plants to incorporate state-of-the-art procurement technology into their operations. This includes the ability to access online catalogs, online order processing and tracking, and automated workflows that significantly reduce the amount of time that purchasing managers spend sourcing and procuring materials.

MRO Materials Procurement Big Opportunity

One of the greatest opportunities for the implementation of these e-procurement programs is in supplying indirect materials (not directly related to the manufacturing of products) such as MRO (maintenance, repair and operations) materials. MROs are mostly repetitive, generic, high transaction items with low unit costs. According to purchasing agents, they spend as much as 80 percent of their time sourcing and purchasing these types of items and yet this task accounts for only 20 percent of the overall budget. This process involves a large number of buyers and covers numerous commodities.

Significance for U.S. Companies

Besides presenting significant opportunities for U.S. companies that provide total e-procurement solutions and technology, companies interested in establishing long-term relationships with Mexico's maquiladora industry should consider developing 'total' e-procurement programs that can offer manufacturing plants in Mexico relief in their costly and time-consuming sourcing tasks. This can be accomplished by focusing on optimizing the purchasing process for both the buyer and the supplier, and by combining technology, buying power, and information exchange.

EXPO COMM MEXICO 2004

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TELECOM & IT TRENDS MEXICO 2004

This International Market Insight, produced as part of the Telecom & IT Trends Mexico 2004 project, is one in a series of special reports on the telecommunications, Internet, and IT market in the country. Telecom & IT Trends Mexico 2004 is a collaborative project of the U.S. Commercial Service and the International Trade Administration's Office of Telecommunications Technology. We would like to acknowledge the participation and support of Select Mexico (www.select.com.mx) and Pyramid Research (www.pyramidresearch.com) for assistance provided in reviewing this report for accuracy and welcome the assistance of other qualified private-sector telecommunications research firms. This project, now in its second year, is in support of the USA Pavilion at EXPO COMM MEXICO 2004, a U.S. Department of Commerce certified trade show organized by E.J. Krause.

MEXICO: SECTORS OF OPPORTUNITY

This International Market Insight is also part of the series, *Mexico: Sectors of Opportunity*, which features market research reports detailing some of the most promising prospects for sales to Mexico, the United States' second largest trading partner.

For additional information on opportunities in the maquiladora sector, please contact:

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