

# North American Management Briefs

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## You Should Know...

### Sounds Fishy

Twenty-five percent (25%) of the fish in US supermarkets are fraudulently labeled. DNA testing has revealed that desirable species such as red snapper, Atlantic cod, and wild salmon are often really catfish, thresher shark, and tilapia reports *The New York Times*.

**The Point:** That most consumers can't tell the difference raises a question.

### Maybe They Are Smart

*TheAtlantic.com* reports that the stock portfolios of members of the US House of Representatives outperformed the market by an average of 6% annually from 1985 through 2001. They also found that senators did even better from 2001 to 2008, significantly outperforming even hedge-fund managers.

**The Point:** Quite a coincidence.

### A Really Big Bang

A gang of German bank robbers trying to blow open an ATM machine miscalculated...and blew up the entire bank. The bank in the village of Malliss was reduced to rubble with cars more than 100 yards away being seriously damaged. The ATM machine was left completely intact.

**The Point:** Sounds like the old movie "The Gang That Couldn't Shoot Straight."

### June's Quote

*"Nearly all men can stand adversity, but if you want to test a man's character, give him power."*

Abraham Lincoln

## What About Mexico?

Looking for OUS opportunities? What about Mexico? Mexico certainly looks attractive with a population of 111 million; it's the 11<sup>th</sup> most populous country in the world. Its GDP was the 14<sup>th</sup> largest in 2010. Its workforce is educated and has an excellent work ethic, although is somewhat unionized.

It seems that Mexico as a business opportunity comes up every 10 years and then disappears just as quickly in the face of an oil crisis, the devaluation of the peso, violence due to drug gangs, etc.

DuPont, Chrysler, Sherwin-Williams, and others, however, have long operated profitable businesses in Mexico.

The question is then how to ascertain if there is an opportunity for you and quantify it. The answer is the same as in the US, via market research. There are many independent organizations that conduct market research in Mexico. Additionally, most US states have a trade office in Mexico City. Their job is to help US businesses located in their state penetrate the Mexican market. Most are quite knowledgeable. They will conduct surveys, competitive intelligence research, even recruit distributors and joint venture partners. Also, the USDC has excellent data available online.

The major industrial markets in Mexico are concentrated in three population centers (Mexico City, Guadalajara, and Monterey) and along the US border. They represent about half the country's GDP.

What about the business culture? It becomes more "Latin" the farther south you travel. From Monterey north the culture is "semi-

Americanized" in terms of business practices and relationships.

In Mexico City and to its south is almost the opposite. There they most typically do business only with someone they know well and trust personally. This means it's much more time consuming to identify partners and to establish relationships. It also provides a defensive advantage. It's difficult for your competitors to penetrate the market quickly.

Management? There are a substantial number of skilled, well educated, trustworthy, and highly motivated bilingual managers (many living in the US) and headhunters that specialize in finding them.

But isn't it dangerous? Well if you're involved in drug trafficking, most certainly. If not, the major business centers, despite the stories of kidnappings (which are very rare), are relatively safe. Just take the same precautions you would in any large American city.

**The Point:** There are always risks starting a business OUS. Mexico, however, offers an excellent combination of growth potential, geographic proximity to the US (Mexico City is closer to Chicago than Los Angeles), and a dearth of American competition.

### Countries with the Lowest Tax Rate (Total Taxes as % of GDP)

1	Mexico
2	Chile
3	US
4	Turkey
5	Korea
6	Ireland
7	Slovak Republic
8	Greece
9	Switzerland
10	Spain

Source: OECD and World Bank