

Introduction of electronic industry in mexico marketing essay



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Mexican electronic industry succeeds in the world markets. Mexico is a leading manufacturer of electronics and electronic devices in high-demand worldwide, such as cell phones, video game gadgets, computers and televisions, representing millions of dollars in exports and Foreign Direct Investment (FDI).

The industrial sector as a whole has benefited from trade liberalization; in 2000 it accounted for almost 90% of all export earnings.

Major Mexican industries include food and beverages, tobacco, chemicals, iron and steel, petroleum, mining, textiles, clothing, motor vehicles, consumer durables, tourism.

One of the fastest growing industries in México and currently ranked 4th worldwide as an IT services provider. Mexico has an average growth rate of 15% and a total market value of US\$4. 03 billion (2010).

History:

Mexico's electronic industry has a long history. Companies producing items such as modular circuits for telephony equipment, processing units, computer equipment, telephone switching apparatus or laptop computers, have been operating in Mexico since the 1970s. Firms like Burroughs and Motorola were the first to discover and make the most of Mexico's advantages. In the 1970s, both companies established maquiladora plants, giving birth to what 20 years later would become the Mexican Silicon Valley, in the city of Guadalajara.

Today, there are over 730 manufacturing plants related to the electronic industry in Mexico. Eight out of ten of the world's largest manufacturing service suppliers operate in the country, including firms such as Flextronics, Jabil Circuit, Celestica and Sanmina SCI. Maps generated by the Ministry of Economy, mark the location of the most representative industries.

Electronics is one of the fastest growing industries in Mexico in terms of export potential. Between 2003 and 2009, Mexican electronic industry exports registered an average annual growth of 17.1%. In 2010, the sector exported 71.4 billion dollars (bd), 20% more than the previous year, representing 28% of Mexican non-oil exports.

Currently, Mexico is the second largest supplier of electronic products to the US market, which comprises audio and video, telecommunications, computer equipment, and its parts. Mexico also exports to other important markets such as Canada, the Netherlands, Colombia, and Finland. It is also worth highlighting that Mexico is the third largest exporter of cell phones with sales of 9.8 billion dollars in 2009.

Mexican electronic industry succeeds in the world markets Success in audio and video Big international firms like Electrolux, ABB, Areva, Within the electronic industry sector in Mexico, TV manufacturing has become a high-tech cluster, in which flat screen TVs represent around 25% of Mexican electronic industry annual exports.

The most representative audio and video electronic companies are located in Mexico, such as Samsung, Sony, Sanyo, JVC and Pioneer. In 2009, Mexico was ranked as the world's largest exporter of flat screen TVs in the world, <https://assignbuster.com/introduction-of-electronic-industry-in-mexico-marketing-essay/>

above countries like China, Germany and the US. In 2010, Mexican exports of flat screen TV reached 17.4 billion, 12% growth compared to 2009.

Mexico has a wealth of modern and highly advanced industries that contributes a significant portion to its GDP.

Market overview

Mexico is currently the 2nd largest supplier of electronics to the US, after China. Mexico also became the world's largest producer of smart phones and the 2nd largest exporter of televisions. In 2011, the sector exported US\$75.4 billion.

This burgeoning industry has become the main economic activity in some cities such as Tijuana, Guadalajara and Ciudad Juarez. Under the maquila scheme these cities have propelled Mexico as the primary producer of electronic products demanded in the audio, video, computing, and commercial equipment markets. This has been achieved by having a manufacturing focus that has been shifted from high-volume low-mix, to low-volume high-mix products. The skilled workforce, strategic location, large suppliers and supply chains and logistics are the main reasons for locating in the country. Mexico is the country with the lowest industry component manufacturing costs, being 18.2% above other countries such as U. S., Canada, the Netherlands, France, Germany and Japan.

Between 2000 and 2010, Foreign Direct Investment (FDI) in the electronic sector registered a total of US\$20.55 billion, concentrating on the production of informatics process equipments and spare parts for

communication devices. In 2011, the Foreign Direct Investment totaled US\$616. 7 million.

Because of this and due to Mexico's young growing talent, each year more than 114, 000 students of engineering and technology related fields graduate from Mexican universities. Electric and electronic industries have had an important development in the country.

More than 90% of enterprises in Mexico are SME's and 65 to 70% of them haven't started implementing process automation due to a lack of technological and business cultures. Although there is a wide availability to finance IT equipment, most IT suppliers haven't paid attention to this niche market.

Beside this niche market, expenditure in IT by big companies (which invest approximately 60% of their expenses) and medium large companies (with IT average expenses between US\$50, 000 and US\$250, 000 according to IDC Latin Consultancy), help create a market whose demand seems to be in expansion as technology becomes part of everyday.

Key opportunities

The Mexican government launched an initiative in 2010 with the objective to turn Mexico into a manufacturing world center of electronic goods. By increasing electronic exports to up to US\$80 billion by 2011, and investing between US\$5 and 10 billion in the industry, the Mexican government would cause expectations that they are willing to invest in tackling the limitations of this sector.

By following the strategic activities of the program, Mexico will offer the following business opportunities to British Companies:

IT equipment for SMEs.

Training in English language for the electronics industry.

Investment in R & D.

Integration on wireless connectivity solutions regarding mobility, VoIP and servers.

Electronic consumption products such as MP3 players, mobile phones, PDAs, etc.

Wholesalers are promoting the migration to a specialised model of distribution focused on solutions like consultancy, outsourcing, technical support, etc. There is expected growth for storage consumables.

For equipment, the sectors with the biggest growth would be: multifunction equipment, digital cameras, handhelds, and telecomm equipment (voice and data).

2. 2 Role of Mexican Electronic industry

In 2010, Mexico's industrial production growth rate was the 58th highest in the world at 6 percent. Although industrial production in Mexico is beginning to show signs of slowing down, Mexico's Economy Minister Bruno Ferrari is relatively unconcerned; citing previous double-digit growth in the country and the market adjusting to those levels as the primary reasons behind a

lower industrial production growth rate. The country is expected (industrial production) to continue growing.”

Employment

Boost in FDI

Boosting Industrialization rate

Increasing Investment and Innovation make Consumer Electronics One of the Fastest Growing Industries in Mexico. Mexico's Flourishing Electronics Industry: 8 out of 10 of the World's Largest Electrical and Electronics Companies Are Doing Business in Mexico. Mexican Consumer Electronics Industry Second Largest Supplier of Electronics to the U. S. Market.

The electronics industry has also seen rapid expansion in Mexico in the last decade. Mexico is currently the 2nd largest supplier of electronics to the US - after China. In 2007, Mexico also became the world's largest producers of televisions and smart phones.

Due to their levels of investment, exports and employment generation, the electric and electronic industries have become strategic sectors of the Mexican economy and have positioned the country as an increasingly important player in the global markets.

The electronic industry is one of the key sectors of Mexico's economy. The country is well positioned as an assembler and exporter of electronic products and has become one of the world's major investment destinations.

Eight out of the 10 world's biggest electronic companies are established in Mexico. Major companies like Samsung, LG, Toshiba, Foxconn, Flextronics
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and Intel are working in the country and are investing not only in manufacturing plants but also in research and development-using Mexican talent.

From 2000 to 2011, Mexico's electronic industry reached almost 10.5 billion usd, with companies from the US and the Netherlands as major investors.

In 2011, the total production of Mexico's electronic industry reached a value of 62.77 billion US dollar. Mexico is one of the biggest markets for electronic products in America. In 2010, Mexico accounted for 8.7% of the consumption of electronic products in North America and it is estimated that the market will grow at an average annual rate of 3.3% from 2011 to 2020. In 2011, domestic sales of electronic products recorded 84.34 billion us dollar.

Meanwhile, Mexican exports of electronic products reached 71.14 billion us dollar in 2011. The major markets for Mexico's electronic industry are the US -accounting for 85% of the country's industry exports-, Canada, The Netherlands and Colombia. In 2011, Mexico had a significant share of the world's market for TVs, computers and mobile phones. The country was the world's largest exporter of flat screen TVs and the fourth largest of computers.

Mexico is one of the most important manufacturing hubs for the global electric and electronic industries, as well as a leading exporter of products from those sectors, which why it is on its way to become a world-class design, research and development center.

Mexico is Latin America's second largest producer of household appliances and, according to data from Global Trade Atlas (GTA), the country is the world's sixth largest exporter of household appliances, the largest exporter of flat screen TVs, refrigerators and freezers with a separate exterior door, and the fourth largest exporter of computers.

2.3 THE STRUCTURE OF MEXICO ELECTRONIC INDUSTRY

The main areas of Mexico's electronic information industry are computer-related goods (including software), communication equipment, electronic parts and household entertainment equipment.

Electronic Industry

Electronic parts-related investment made up 50% of the total investment in the electronic information industry. Promotion of the electronic parts industry is a part of Mexico's national industrial policy to raise the ratio of value added in the sector.

Mexico's software industry - 11% of the electronic information industry - (software products, system integration, software services, and others) growth has been rapid as demonstrated by a growth rate of 40% with sales of 390 billion yuan (approximately US\$48.8 billion) as of 2006.

Approved software companies have reached 11,660, increasing by over 1,000 per annum. There are roughly 1 million employees working in Mexico's software industry. Mexico's software exports have reached US\$35.9 billion

in 2005, though this was short of the US\$50 billion export goal set forth in the Tenth 5-Year Plan, which ended in 2005.

Factor in development of electronic industry:

Two important factors explain the boom in the development of Mexico's electric and electronics industries where over 730 manufacturing plants have set up shop.

Mexico is the country with the lowest component manufacturing costs in the industry, with an 18.2 percent savings compared to other industrial nations such as Canada, the Netherlands, the UK, France, Germany and Japan.

In addition, the skilled labor workforce is growing at a tremendous pace: each year, 114,000 students of engineering and technology-related fields graduate from Mexican universities.

Mexico's economy is host to one of the fastest growing electronics industries in the world, in terms of export potential and employment generation.

Currently, Mexico is the second largest supplier of electronics products to the U. S. market, which is made up of audio and video, telecommunications, computer equipment and its parts. In 2010, for instance, the sector exported 71.4 billion USD, 20 percent more than the previous year.

Mexico's Program for the Electronics and High Technology Industry Competitiveness (PCIEAT) has targeted the country to become one of the top five global exporters of electronic goods.

Behind these figures, several decades of development can be found, which have led to the consolidation of a production plant that today, in addition to <https://assignbuster.com/introduction-of-electronic-industry-in-mexico-marketing-essay/>

manufacturing activities, is focusing on research and development (R&D) of new solutions to meet the needs and demands of an evolving global market.

At first, Mexico's proximity to the US -the world's largest market for electrical and electronic sectors-, coupled with a number of advantages such as competitive production costs and highly-skilled human capital, attracted some of the industry's biggest players to the country.

Major transnational companies producing household appliances and electronics, saw in Mexico an opportunity to reduce production costs, easily enter the US market and, at the same time, gain space in a domestic market with promising growth prospects.

Today, these companies still consider Mexico as a strategic ally; but they are not alone. Mexican companies have achieved significant levels of development and are now competing globally with large multinationals.

In addition, the presence of large global firms in Mexico and the growth and internationalization of Mexican companies, encouraged the development and consolidation of a supply chain with companies that also have an important position in international markets.

Currently, the electric and electronic industries are facing new challenges. Concerned with environmental matters, consumers around the world are looking for safer and energy efficient products. Mexican industry has always stood out for its capacity to adapt to the market needs and it is likely to meet its new requirements with creative solutions.

So far, Mexico remains as one of the most attractive investment destinations for electric and electronic companies, and the country's production and exports keep growing at a constant rate. Numbers speak louder than words.

2. 4 List of electronics & IT companies of Mexico

Falco Electronics, electronics. electronic parts

Kyoto Electronics, consumer electronics

Lanix, consumer electronics, commercial electronics, electronic parts, contract manufacturer, ODM, OEM

Meebox, consumer electronics, commercial electronics

Semex, consumer electronics, electronic parts

Softtek, software, IT solutions

Texa, electronics, computer parts

Zonda Telecom, electronics, mobile telephones

Electronic item whose quality should be mandatory to check while production manufacturing: 310c6eb5-8d0b-487f-b2a5-160e03052a9b

2. 5 Strategies for rapid growth in Electronic industry: