

Metals-Industry Sourcing & Supply Chain in Mexico

How Mexico helps navigate tariff, labor & supply opportunities.

Thursday, December 5, 2024

11:00 AM EST

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a s s o c i a t e s

DRIVING COMPANY GROWTH IN CHINA, ASIA, MEXICO & CEE

Webinar Agenda

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Webinar Agenda

Part 1: **Brief Introduction of East West Associates**

- Webinar Series
- Introduction of Speakers

Part 2: Why are manufacturers relocating out of China? What are some critical considerations?

Part 3: East West Associates Case Studies

Part 4: Q&A Discussion

Part 5: Follow up

Introduction to East West Associates (EWA)

East West Associates

East West Associates advises manufacturing companies on establishing and improving international manufacturing operations and global supply chains.

China, Southeast Asia, Mexico & Poland/Central Eastern Europe

- GLOBAL MANUFACTURING & SUPPLY CHAIN FOOTPRINT
 - Global Manufacturing & Supply Chain Footprint
 - Global Manufacturing & Supply Chain Footprint Implementation
 - Global Site Selection
 - Identification & Qualification of Contract Manufacturing
 - Plant Rationalization / Consolidation / Relocation
 - Plant Closure Planning
 - Negotiation of Foreign Governmental Incentives
 - Project Management of Plant Construction & Relocation

Introduction to East West Associates (**EWA**)

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East West Associates advises manufacturing companies on establishing and improving international manufacturing operations and global supply chains.

China, Southeast Asia, Mexico & Poland/Central Eastern Europe

- OPERATIONAL & COMMERCIAL PERFORMANCE
 - Operational Diagnostics and Functional Reviews
 - Growth Potential and Development
 - M&A Due Diligence
 - Corporate Turnarounds & Restructurings

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- SUPPLY CHAIN
 - Global Supply Chain Assessment
 - Make VS. Buy Strategy
 - Set Up & Operate Sourcing Office
 - Supplier Identification & Qualification
 - Covert & Overt Supplier Investigations
 - Supplier Performance Improvement
 - Supplier Transition
 - Global Relocation Of Supply Chain

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China, Southeast Asia, Mexico & Poland/Central Eastern Europe

- HUMAN RESOURCES & RISK MANAGEMENT
 - Integrity Awareness Training
 - Interim General Management
 - Executive Search
 - Background Checks
 - Organizational Assessment & Implementation
 - Compensation & Benefits

EWA Executive-level Advisors in 5 Global Regions

East West Associates



East West Associates Representative Clients

East West Associates



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Driving Company Growth in China, Asia, Mexico & Poland/CEE

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Part 2: **Webinar Series** planning.

1. [November 12, 11am - 12pm webinar:](#)
Is Mexico an option for moving your US Operations?
2. [November 14, 11am - 12pm webinar:](#)
Setting up your Factory in Mexico: Operating Structures.
3. [November 20, 11am - 12pm webinar:](#)
Revealing Country Feasibility Studies
4. [December 3, 11am - 12pm webinar:](#)
Commercial & Operational Diagnosis of China Operations.
5. [December 5, 11am - 12pm webinar:](#)
Metal-industry Sourcing & Supply Chain in Mexico
6. [December 11, 11am - 12pm webinar:](#)
Global Manufacturing & Supply Chain Footprint Analysis & Implementation.

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Introduction of Speakers

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Carlos Flores, Senior Consultant, East West Associates Mexico

Zeferino Vázquez, Manufacturing and Sourcing Consultant, East West Associates Mexico

Dan McLeod, Director, East West Associates

Moderator: Alex Bryant, President of East West Associates

Introduction of Speakers

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Carlos Flores, Senior Consultant, East West Associates Mexico

Experienced leader in operations, sourcing, and sales of steel and stainless steels within Mexico and internationally.

Carlos' experience includes:

- Representing multiple international steel companies in Mexico
- Operation and sales of major Service Centers
- Experienced in import/export of steel and metals
- Downstream fabrication and finishing - primary operations, machining, stamping, surface finishes
- Industries worked include Oil & Gas, Semiconductors, Pre-engineered buildings, Mining, HVAC
- Companies worked for include Brooks, Villacero, Ferrostaal, NCI Building Systems

Introduction of Speakers

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Zeferino Vázquez, Manufacturing and Sourcing Consultant, East West Associates Mexico

Experienced manufacturing and supply chain based in Monterrey, Mexico with 25 years in industry.

Zeferino's experience includes:

- Sourcing and supply chain experience in steel, specialty steels, bright metals, red metals.
- Extensive work with downstream fabrication and finishing - machining, stamping, fabrication, surface finishes
- Industries worked include Oil & Gas, Semiconductors, White Goods, Industrial Automation
- International companies worked for include Halliburton, Honeywell, Sumitomo

Introduction of Speakers

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Dan McLeod, Director EWA Associates

Leads the Chemical Practice, driving operational projects in Central Eastern Europe, Mexico, Southeast Asia, and China.

Manages projects in site selection, product sourcing, design & plant construction management, operational improvements, and manufacturing footprint analysis

Previously Dan worked for a private American-owned international consulting company based in Shanghai where he assisted China-bound companies establish operations, site selection, engineering, design and plant construction management and start-up support.

Dan has a Bachelor of Science in Chemical Engineering from the University of Maine.

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Part 2: **Why are manufacturers relocating out of China? What are some critical considerations?**

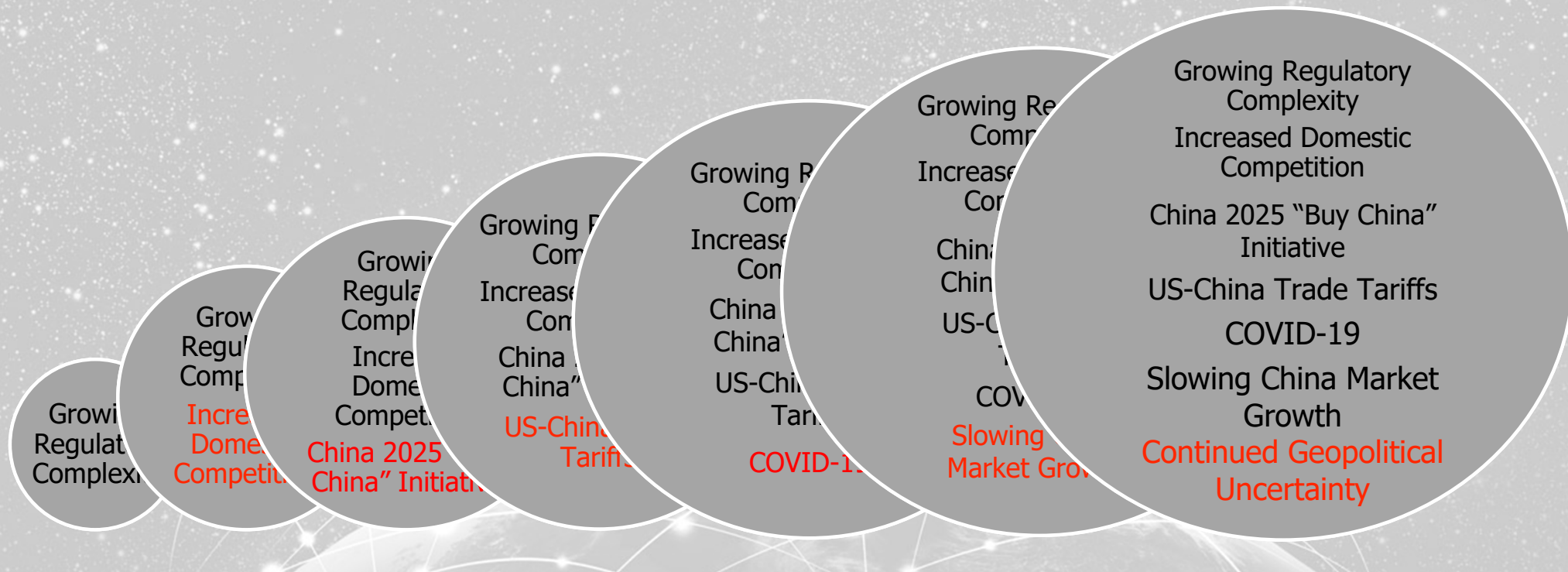
Part 3: East West Associates Case Studies

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Why are manufacturers relocating out of China? What are some critical considerations?

During the last 15 years, the economic challenges facing western companies operating in China have been continuously increasing and evolving:



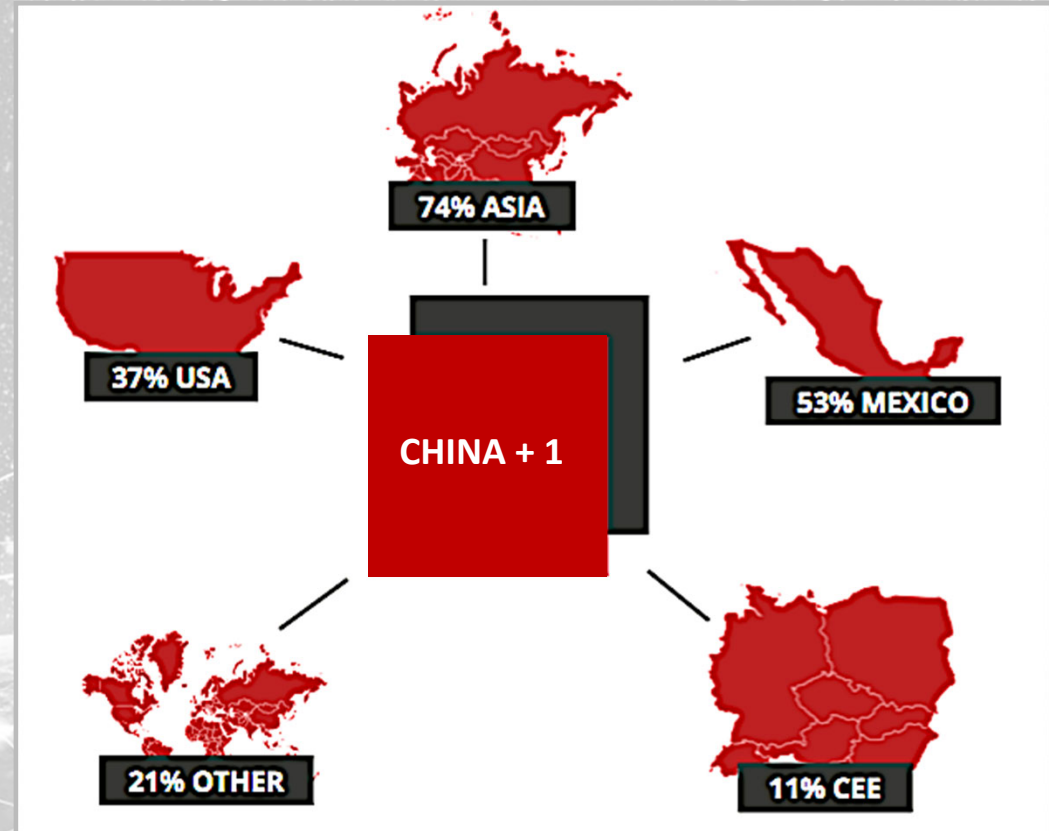
Why are manufacturers relocating out of China? What are some critical considerations?

To where are you considering or planning to relocate your China-based operations, (Multiple Responses Possible)

EWA Survey of 150 Manufacturers Operating in China

Diversification from China

- Alter the global business landscape
- Drive supply chain networks to alternative emerging markets
- Accelerated growth of emerging markets



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Establishing Supplier Base in Mexico

- Client was a US-based manufacturer of electronic equipment for industrial markets
- Factories in US and China. Operating in China since 2004
- China factory primarily supplying the domestic market, and sourcing components for US
- Initiated search for suppliers in Mexico driven by:
 - Tariffs
 - Logistics challenges – cost, transit times, container availability....
 - Geo-Political uncertainty
 - IP protection/control

Supplier Selection and Transition

1. First commodity evaluated – Metal Stampings
 - Well established supplier base near the border
 - 80/20 distribution of parts
2. Supplier Identification & Qualification
 - Identified potential manufacturers
 - Short list based on interviews, site visits, reputation
 - Develop and issue RFQ
3. Supplier Selection
 - Bid tabulation and evaluation
 - Coordinate client visits to top candidates
 - Support negotiations – logistics, terms, trade compliance
4. Supplier Transition
 - Attend trial runs
 - Forecasting, Scheduling, Material Planning

Background

- Client is a global elevator manufacturer, with manufacturing facilities in Europe, China and North America.
- Historically, the client focused on equipment for high rise buildings – the high end market segment.
- A decision was made to expand into the market for 5-15 story buildings, a less technically challenging but a more price-conscious segment.
- Client had made the decision to support this new business through their US operation.
- Client's factories in the US are capacity-constrained. If the product launch met expectations, they would not be able to meet demand.
- **EWA was engaged to identify and qualify contract manufacturers in Mexico, then support the client in Mexico through supplier set-up and product qualification.**

3rd Party Subcontractor & Supplier Transition

East West Associates Confidential



- EWA consultants in Mexico identified and interviewed electromechanical assembly contractors and key component suppliers in the Monterrey area.
- EWA developed and issued an RFQ package to contract manufacturers. Worked with suppliers on clarifications, and then collected, analyzed and tabulated results.
- EWA identified local suppliers of sheet metal cabinets and wire harnesses to supply the contractor.
- To ensure product would not be subject to duties, EWA analyzed domestic content and local value-add.
- An EWA project manager in Mexico coordinated quality testing, production planning, and production startup as an extension of the client's quality and manufacturing organizations.

3rd Party Subcontractor & Supplier Transition Case Study

East West Associates Confidential

- ✓ Client accepted the selected Contractor's quality systems and manufacturing processes.
- ✓ Client accepted Contractor's PPAP and Prototypes produced.
- ✓ Scale-up has completed for 1 of 3 products; remaining 2 are currently ramping up to planned production rates.



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Part 3: East West Associates "Feasibility Studies"

Part 4: **Q&A Discussion**

Part 5: Follow up

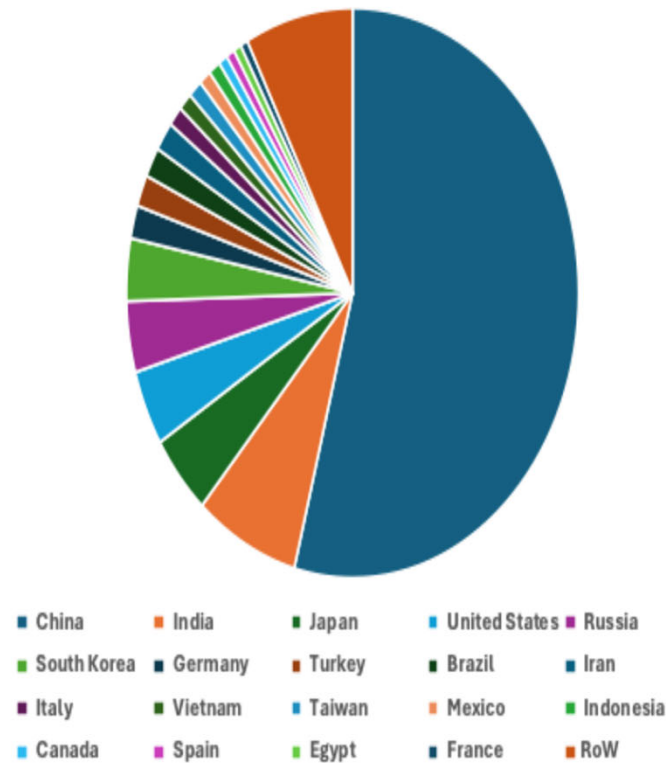
Q&A Discussion

1. How big is the steel industry in Mexico? How does it compare to the US?
2. Who are the largest steel manufacturers, and, generally, what are their specialties or biggest markets?
3. With growth in manufacturing in Mexico over the past 5-10 years have the domestic steel mills been able to add capacity? Are there any major expansions planned or underway?
4. Where are the major concentration of steel suppliers and fabricators? Are they there to serve specific industries (auto, white goods)?
5. How complicated is it to import special grades of steel into Mexico? How does that process work?
6. What are the roles of Service Centers in the supply chain?
7. We use a lot of aluminum castings and extruded parts. Are these available in Mexico?
8. Our company manufactures plumbing fixtures and uses brass and bronze. What is the availability of these materials?
9. We have been buying castings from a few Chinese suppliers for several years. Quality and service have been good, but most of the market is now in the US. What are my chances of finding capable sources in Mexico?
10. Which downstream manufacturing processes (castings, machining, stamping, surface finishes, etc.) are a good fit for Mexico? Which are difficult to find?
11. How safe is Mexico for my US-based management to visit, and for our Mexican employees to live and work?

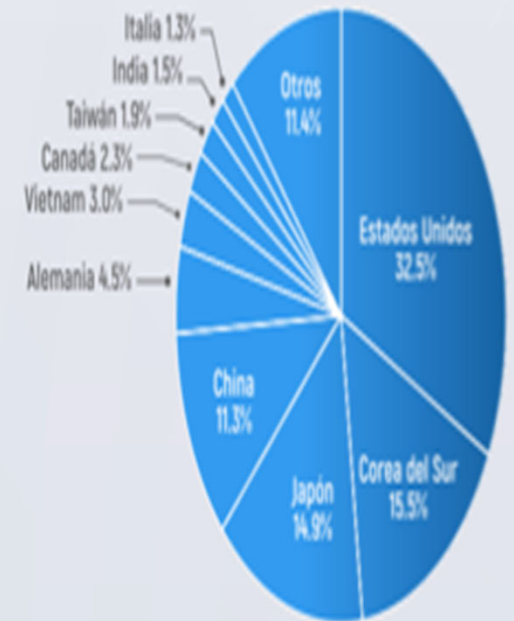
Mexico's Steel Industry

- Mexico ranks 15th in Steel Production at ~ 20MTPY
- Imports make up nearly 40 % of the steel used
 - China
 - USA
 - Japan
 - South Korea
- Challenged by high energy costs
- Primary Markets
 - White Goods
 - Construction
 - Automotive
- 78% of Exports to USA

Annual Steel Production

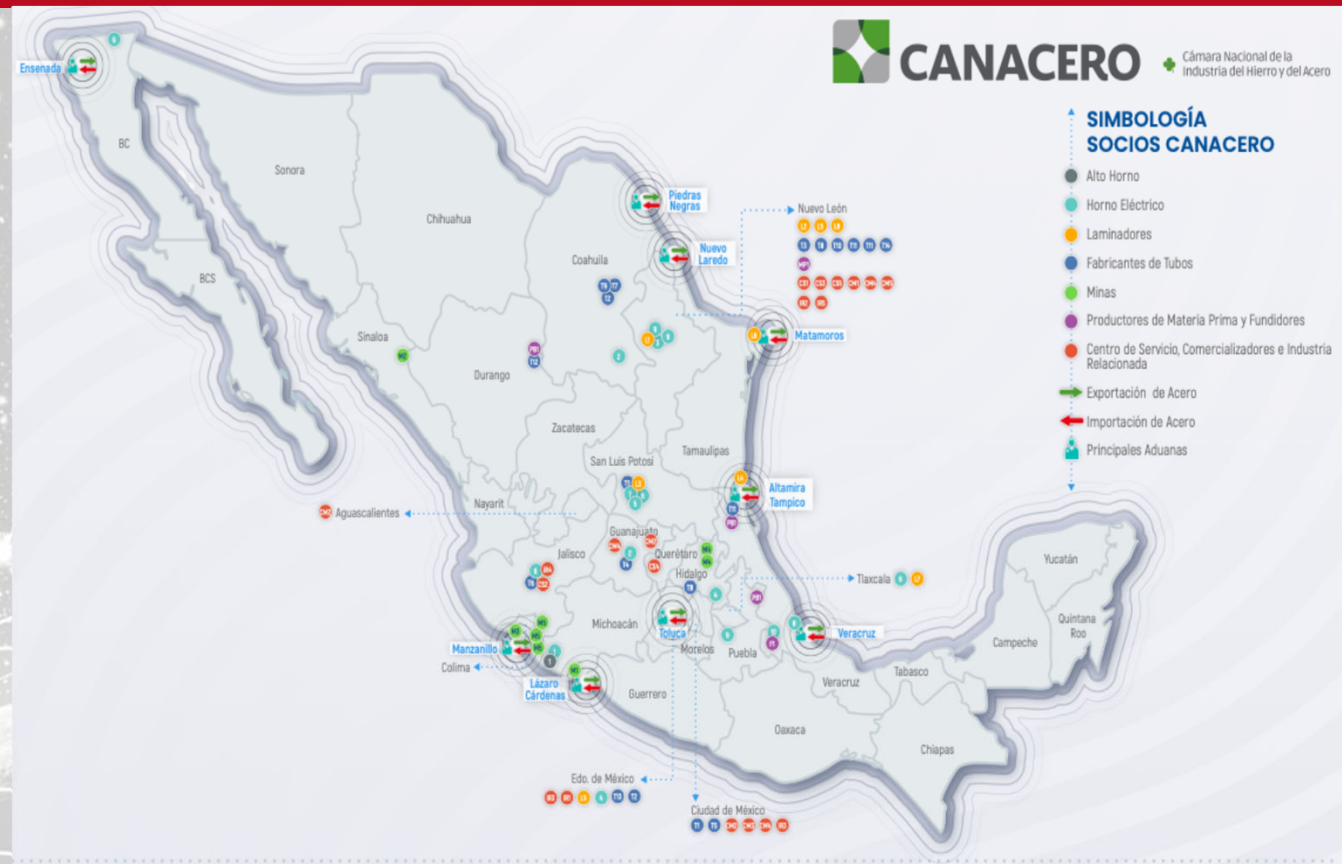


Importación de Productos Terminados, 2023
Principales países de origen



Mexico's Steel Industry

- Mills concentrated in northeast, west coast, central. Service Centers located near industrial centers.
- Five major manufacturers
 - AHMSA
 - Ternium
 - Deacero
 - Grupo Simec
 - ArcelorMittal



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Part 5: **Follow up**

- Participants will receive a webinar survey
- Webinar recording & PowerPoint will be provided in follow up email and available on EWA website (www.eastwestassoc.com)

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