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Capital

RESEARCH AND ANALYSIS

CASE STUDY:
Customs Agencies and Foreign Trade

In-depth Analysis of Trade and the Customs Situation in Mexico



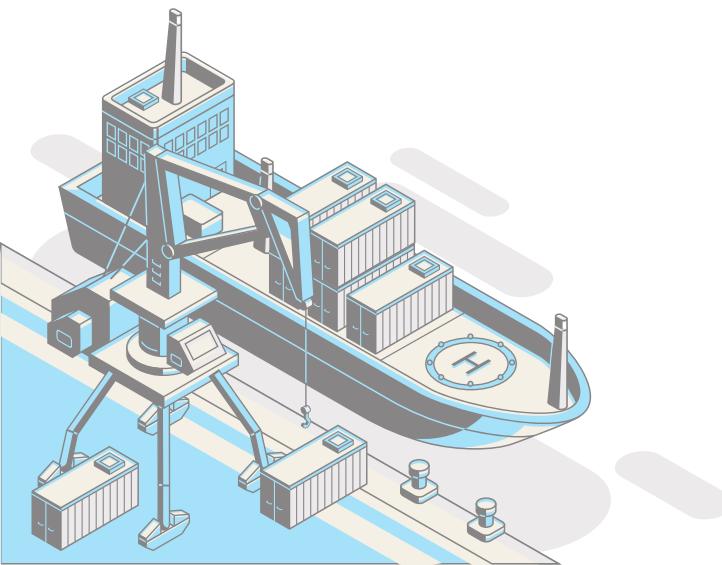
Case Study:

Customs Agencies and Foreign Trade

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Introduction

LAC was contacted by one of the largest customs agencies in the country to find out the viability of making an investment in the development of refrigeration and freezing chamber infrastructure for the commercial and industrial sector, at the port customs of the city of Manzanillo, Colima. In order to achieve this, a market study was carried out to gain a deeper understanding of the industry, the macro, and microeconomic context, and the foreign trade flows that are handled in this city.



Context

Manzanillo is one of the most important ports in Mexico. However, it lacks refrigeration and freezing chambers, as well as cold warehouses for products that require storage at low temperatures, both in the port and in the customs area. Annually, growth in the flow of goods has been sustained and the client found the idea of providing this service interesting. In order to achieve this, a careful evaluation of the different micro and macroeconomic factors that are involved was necessary, as well as of the products that contribute to this increase in demand. In consequence, the key access points for the types of goods that require refrigeration could be determined. In order to know if the port and the market were suitable for this investment, all of the foreign trade and flows in Mexico had to be mapped for 10 years, including the ports and border entrances. In this manner, it would be possible to gain an appreciation of the global panorama of commerce in Mexico, locate the different access points, identify the relevant dynamics that could affect the competitive environment, and catalog the variables that determine the probability that it will be used.

Solution

The research and analysis were focused on two areas: commercial (selection of products and industries of interest and analysis of growth over multiple years), and competitive (companies that provide the service and relevant dynamics derived from the general context). It was extremely important to know all of these aspects in order to determine the direction of the industry and what kind of actions the client should take to be prepared for any change in micro and macroeconomic trends. Other companies providing a similar private service were sought in order to design primary research resources and gather operational, cost, and service details. In addition, the target market and its various business units were defined, the most interesting market opportunities were analyzed and predictions were made of which industries would be of great interest to the national market in the future. Everything related to the items of interest in foreign trade that would use the service was also analyzed, as well as the production chains to define the types of products that would provide the best return on space rental (from food to chemicals that cannot be exposed to warm temperatures). Lastly, the intrinsic effects that different types of factors could have on port commercial dynamics were reviewed. All of this was carried out with the aim of building an objective and comprehensive panorama based on which the most appropriate investment decision could be made.

Findings and Results

Due to the nature of this case study and the agreements reached with the client that entail anonymity, the specific findings and results cannot be shared. Therefore, only certain general points are mentioned. If you are interested in knowing the findings and results that LAC can achieve in similar investigations, we invite you to find out about the other case studies.

Market Segment

Given the vast quantity and variety of merchandise sold in Mexico, a segmentation of relevant products was carried out, which was the framework of analysis used to assess the need for refrigerators. In this system of categorization, perishable and non-perishable food products stand out, as well as chemical substances.

The observed growth in the volume of cold storage products indicates that there will be a corresponding need to increase the service offer.

Competitors

Despite not having refrigeration facilities within the port, there is a wide range of private competitors that offer solutions for storing goods at controlled temperatures, as well as other highly relevant services for traders.

Investment

Public investment in the port of Veracruz was clearly higher than what was being allocated to Manzanillo. This suggests that it is a customs office of great interest for future investments.

The trends in the technology used by competitors are some of the forces that are changing the industry profoundly and this will continue in the foreseeable future.

Compare and Observe

In the port of Veracruz, the flow of relevant goods was more substantial in volume and growth, although, in comparison to the national average increase, the flow-through Manzanillo customs was also positive.

Conclusions and How LAC Can Help in Trade and Customs

Similarly, the conclusions of the study are protected by a confidentiality agreement with the client, therefore only some general conclusions are mentioned. If you are interested in finding out the conclusions that LAC can reach in a similar investigation, we invite you to take a look at other LAC case studies.

Based on this study, the client was provided with a clear overview of the customs sector specific to the use of refrigerators and the type of decisions that had to be taken to make the project highly competitive and effective. An in-depth account of each of the relevant components for the evaluation of the investment context was given.

If your industry is related to the dynamics of foreign trade, with LAC research and analysis you can:

- **Analyze** the national or state trade flows of any industry, sector, or product of your interest, both for import and export.
- **Delve** into the legal and commercial requirements to import or export, covering any country of origin and destination of the goods.
- **Know** the micro and macroeconomic elements that surround the industry or sector context, so that any decision you make is covered from all relevant angles.
- **Research** possible secondary suppliers for foreign trade, from logistics companies, customs agents, specialized warehouses or packaging partners.





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