Abstract

This thesis is the final thesis towards a Master's degree in the faculty of business at the University of Reykjavik, worked in collaboration with Atlantic Leather.

Atlantic Leather Icelandic is a company dedicated to the production of fish skin with years of experience primarily in the European market. An innovative product represents opportunities in new markets that are competitive. In their attempt for expansion, the company considers new horizons. Mexico is an interesting market because of its geography and other factors such as economic stability and size of its population. A Market analysis was conducted in order to provide valuable information of a new market for Atlantic Leather.

Keywords: Atlantic Leather, Mexico, Fish skin, Market analysis.
This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document I confirm and agree that I have read RU’s ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

Date and place                 Kennitala                 Signature
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INTRODUCTION

Today, commerce has become increasingly competitive in all fields. Quality, service and innovation are key parts for a company’s success. Within the textile industry, today we hear constantly about the quality of a product, alike as innovation and design, since these differences gradually have become more important factors for a company to compete in a market.

Any company that is involved in these areas is in a constant pursuit of creativity and innovation to get a competitive advantage that differentiates them from all competitors. To achieve these benefits, textile companies and designers have launched different products using a wide range of materials, both fabrics and leathers in order to attract customer's attention and thus achieve increasing their market share.

Atlantic Leather is an Icelandic company that produces fish skin for different purposes, but primarily for the apparel industry, without leaving aside accessories and ornaments. Today, the company has entered in a very few, but important European countries for the clothing industry. However, AL is seeking to broaden their horizons.

Textile companies have been expanding over the world through many products due to globalization and the easiness of access in foreign countries since there are many agreements and treaties to support the economy of a country. These treaties increase the motivation of producers to take the risk of trying to enter into a new country. The shortage or lack of a product in a new market could encourage a company to consider conducting a market analysis.

Countries have different trade policies depending on the product. For export of products abroad, you must follow certain models, patterns, and the procedures required by the foreign country’s policies in order to enter into a new market.

When a product is completely new in a market, there is a very high risk of failure; given the uncertainty of the market's reaction, lack of cultural match to the product, lack of knowledge or other factors.
This study will assess AL’s prospects for entering the Mexican market. Mexico has tried to grow a domestic textile industry based on new products such as exotic leathers for some years.

The purpose of this thesis is to analyze a market that can represent an attraction for a textile company looking to expand opportunities in a desire for growth, in order to make the best decisions considering all significant factors for the success of a product abroad. The thesis reinforces learned lessons in different courses regarding doing business abroad during my studies.

Additionally, the thesis will provide relevant data to foreign companies wishing to enter Mexico, gaining an overview of the country as a viable market.

**General Objective**
To conduct an analysis of Mexico to provide information to Atlantic Leather; and, according to the results obtained, to know whether the country is a feasible possibility for future AL in their quest to export its products into new markets.

**Specific objectives**

1. Identify the weaknesses of the company as a prospective exporter to Mexico
2. Determine what are the opportunities for the company in the Mexican market
3. Propose strategies for market entry

**Justification**
As a consequence of its size, economy and geographical position, Mexico can be not only a market that provides revenue, but also a country that fits as a strategy to gain access in the future to new markets due to its geographical position.

The introduction of a new product so novel for a society like in Mexico could facilitate the entry of skin fish not only into one country but also other new areas.

With the conclusion of this thesis, my knowledge in this area of international business has been strengthened on the basis of research and practice that took place during the whole
process. Similarly, the thesis has given me a broader view of each of the variables that are involved in the import-export of a product. It has provided me extent knowledge of each of the steps that must be considered when trying to expand to another location or region. At the same time, this knowledge should contribute in my future projects in a job.

The thesis contributes to the knowledge of students by showing an extensive analysis on a country, so that managers could take a right decision of expansion. Likewise, students can learn strategies to enter into a new market.
### Abreviation list

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AL</td>
<td>Atlantic Leather</td>
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<tr>
<td>ICC</td>
<td>International Chamber of Commerce</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
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<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Purchase</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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<td>EFTA</td>
<td>European Free Trade Association</td>
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<tr>
<td>CIA</td>
<td>Central Intelligence Agency</td>
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<td>US</td>
<td>United States</td>
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<tr>
<td>WEF</td>
<td>World Economic Forum</td>
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<tr>
<td>CPI</td>
<td>Corruption Perception Index</td>
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<td>TI</td>
<td>Transparency Intelligence</td>
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<tr>
<td>GM</td>
<td>Gobierno de Mexico</td>
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<tr>
<td>OECD</td>
<td>Economic Co-operation and Development</td>
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1 ABOUT ATLANTIC LEATHER

Atlantic leather is an Icelandic family business which has years of experience in the leather industry. Sigríður and Gunnsteinn Björnsson, Sigga and Gunni, as they are nicknamed, are currently running the business. Atlantic leather is also supported by an important group of solid investors, including Iceland´s New Business Venture Fund and Norðurströnd ehf. The company is a market leader in its field, specializing in fish skin for several different purposes for the apparel industry.

The foundation of Atlantic Leather marked the entry of fish leather products into foreign markets, presented as premium materials for a wide variety of merchandise. Over time, with great perseverance in their project, AL´s owners, managers and staff have succeeded in creating a very stable enterprise which is growing as years go by.

The company specializes in the production of high-quality fish leather and a high level of service. Atlantic leather was founded in 1994 as a spin-off of Lodskinn, which creates tanned sheep skins and had made notable headway in the tanning technology for fish skins since 1989. The company headquarters are in Skagafjörður, in the north of Iceland.

Atlantic leather provides a portfolio of products and services for clothing industry. The aim of this portfolio is to provide a new product in the fashion industry (naturally friendly). The AL´s products could be used for many different purposes in a huge variety of possibilities of any kind of style.

AL has been growing in reputation and has become known as one of the market leaders in the fish leather industry. The company has received numerous rewards for their ongoing good work. (AL)

Environmentally Sound Leather
For years Atlantic Leather has been producing fish leather from different diversities of fish commonly caught for food. For this reason, these materials are a by-product reclaimed from food processing activities, as the animals are not raised with the purpose of using their skins. The fishing stocks that AL sources are all robust and far from any risk of endangerment. By selecting fish leather hides from Atlantic Leather, manufacturers can offer consumers a stylish and popular item that is also environmentally sound. (AL)

*The Power of Nature*

Atlantic Leather trusts on the power of nature and its methods of producing fish leather. The AL’s tanning and coloration processes require plenty of hot water, which means that such production would generally be considered energy-intensive and even harmful to the environment. Nevertheless, AL uses only geothermal hot water, which is an efficient, environmentally-friendly renewable resource. Additionally, all electricity comes from a hydroelectric power station. (AL)

*Sourcing Raw Materials*

The use of fish leather has a long history, and after years of a continuous development, Atlantic Leather has recovered age-old skills and methods that largely had been lost. AL’s staff is proud of their success: to get leather of the highest quality.

Salmon swims wild in the North Atlantic Ocean but enters Icelandic rivers to breed. It is also farmed for food in marine pens in some fjords of Iceland, the Faroe Islands, Norway and elsewhere. The Wolfish is a deep-sea species caught for food in the fishing grounds around Iceland. Cod has been caught for food along Iceland's coast for centuries and today it is Iceland's most common marine export. On the other hand, Atlantic Leather purchases Nile Perch in Africa. This species is caught in Lake Victoria. (AL)

*Location*

Atlantic Leather has an ideal location to excel in fish leather production. It is located in a rural town called Sauðárkrókur, a small but very dynamic community on Iceland’s north
coast. The location is rich in geothermal hot water and renewable energy from a hydroelectric power station. Sauðárkrókur is the centre of commerce, education and culture in the Skagafjörður region.

1.1 THE COMPANY’S MISSION
The AL’s vision and mission is to run a company which is well organized in order to have a safe workplace to keep the AL’s staff happy, and thus produce quality leather and good service around it. AL wants to be a worthy part of the community of Skagafjörður as well as to keep themselves as a leader company in the fish leather industry. (AL, 2012)

To accomplish their vision Atlantic Leather is committed to:

- offer a unique and innovative product for the apparel industry
- keep researching and developing new methodologies in energy management
- to develop its trustworthy reputation and image
- keep its financial reliability, profits and growth.

1.1.1 Financial goals
During the last years of sales, Atlantic leather has seen good revenues considering such a new product for the world. In 2010, revenues reached the amount of 75 million ISK. After one year, incomes were higher, gaining 100 million ISK. Projecting a line for the next 5 years, Atlantic leather is considering revenues around 200 million ISK.

1.2 ATLANTIC LEATHER’S PRODUCTS
Fish leather is both durable and supple, with unique qualities by Mother Nature herself. Atlantic leather produces skins from four different types of fish. In addition to that, each type of fish leather also offers a variety of textures, colors and surface treatments.

AL places emphasis on quality on its products as well as a high level of service for its clients. AL works with large brands in the clothing industry as their client base like Prada, Dior, Nike, Ferragamo and Puma.
Atlantic Leather’s products are:

- Washable salmon leather
- Salmon leather panels
- Perch leather
- Wolfish leather
- Cod leather

Next pictures are examples of fish leather.
Wolfish bag

Salmon Leather belt
Fish leather is very soft, strong and thin compared to lamb skin. Atlantic leather has 850 different colors for salmon leathers, providing an important innovation. According to Maria Magnusdóttir (AL’s sales manager) this skin is the most sold. Atlantic Leather has different kind of fish leather in comparison to competitors which are only specialized in few products.

1.3 THE MARKET

Atlantic leather is positioned in a very few countries. Currently, Atlantic leather products have been sold in some European countries such as Italy, France, Germany, England, Finland (recently entered), Scandinavian countries and India.

AL has started to see new market opportunities considering some countries of the Americas, taking into account the strongest economies of this continent.

Mexico represents an important amount of population of the Americas. Mexico as a whole has over 100,000,000 inhabitants. Although Mexico is a large country, its characteristics could represent a possible entry into this country for AL.

1.3.1 Scope and limitations of the study

We will analyze different factors in Mexico that can provide a wider vision for AL and its possible incursion to the Mexican market. Thus, managers could have a better perspective on their decision-making.

Through the study, we will also identify the strengths and weaknesses of the company in relation to the entrance into Mexico.

As a limitation, we can name the country or area chosen for this study.

Time, since it is an important factor in obtaining results.

After getting the results, it will provide strategies to the company for its future plans to enter Mexico.
2 LITERATURE REVIEW

2.1 INTERNATIONAL TRADE AND GLOBALIZATION

The likely scenario for the year 2020, is one in which the interdependence of countries is almost complete from the economic, technological, cultural and political point of view. The globalization of the economy will be consolidated, and national borders will be just boundary marks of interpenetrated countries. The dynamism of international flows of goods, services, capital, labor and technology will come along with an important growth of the world production (Reca & Echeverría, 1998).

Although local, regional and national circumstances remain very important, what happens in any given country or locality is broadly determined by its role in systems of production, trade and consumption which have become global in scope (Knox, Agnew & McCarthy, 2003).

Given the multifaceted nature of globalization, it may seem parochial to talk about it as a single concept. In terms of business, globalization is now so extensive that companies operating and investing on a global scale and with global vision are decisively transforming patterns of trade and shaping organizations and the intersection between them.

Globalization is a top priority in the business world, commanding the energy, time and resources of countless corporations (Walker, Walker and Schmitz, 2003)

2.2 MODES OF ENTRY IN INTERNATIONAL BUSINESS

There are some basic decisions that the firm must takes before enter into a new market. Considering the AL’s characteristics, there are 2 modes of entry.

2.2.1 Direct Exporting

A firm becomes a direct exporter when it takes responsibility to export its own products. Normally, the direct exporter sells its products abroad through an independent local agent or supplier, or by specialist company representatives and affiliates. When a firm has this local presence, it usually shows more commitment to servicing a foreign market than indirect exporting (Tayeb, 2000).
Firms using this approach of entry are not negotiating directly to end users. Indeed, firms take complete responsibility for getting their goods into the markets by selling their products directly to local buyers and not going through intermediary companies. Normally, companies try to rely on either local sales representatives or distributors (Wild, Wild and Han, 2008).

The company selects the target market, looks for potential clients, contacts them, negotiates with them, sends all goods and finally, does the collection. This whole process involves inherent risk in any operation of exports, for example, the occurrence of accidents (fires, natural disasters, the sinking of a ship, among others) from production until delivery of goods at its final destination. Furthermore, exporters do not run the risk of receiving payment after their products are delivered. Accordingly, a number of export / import financing methods are designed to reduce the exporters and importers risk which are exposed. Hence, some export/import financing methods are designed to reduce the risk which exporters and importers are exposed (Wild, Wild and Han, 2008).

2.2.2 Indirect Exporting

The company sells in the domestic market to foreign visitants, which by their own risk, will export products and services, either as a product more elaborate or without changes, or include it into another product (Bradley, 2002).

According to Wild, Wild and Han (2008), this takes place when companies have few resources available to commit to exporting activities. Some more companies simply find exporting a discouraging task due to a lack of contacts and experience. Regarding these cases, Indirect Importing takes action. Considering an intermediary depends on many factors, as some issues should be measured such as the ratio of the exporter’s international sales to its total sales, the company’s available resources, and the growth rate of the target market. Next, several different types of intermediaries:

- Agents

- Export management companies
-Export trading companies

2.3 LEGAL ENVIRONMENT

The legal environment is one of the most important changes driving global business and international trade. The legal environment is a consequent from the political climate in a country, it also has three measurements to consider:

- The domestic laws of your home country
- The domestic laws of each of your foreign markets
- International law in general

Trade agreements among countries are strengthening in their levels of implementation and increasing in their scope (Iyer, 2009)

2.3.1 Tariffs between Mexico and Europe

A tariff is a tax on goods that are transported internationally. The most common is the import tariff, which is levied on goods transported into a country. Typically, governments use tariffs to raise revenue and protect local industry. At the same time these taxes decrease demand for the respective product whilst raising the price to the buyer (Rugman, Hodgetts, 1995)

According to Tayeb (2000) the tariff can be as follows:

Ad-valorem: it is used in most import tariffs and is expressed in percentage terms of the customs value of goods.

Specific tariff: This tariff is levied on a fixed unit amount based on weight, quantity, or other physical characteristics of the imported products, such as 70 cents per kilogram of oranges.

Compound tariff: This tariff is a combination of both, for example, 5% ad-valorem plus US$1.00 per square meter of polyester.
The goods must be identified when they pass through customs, and for that reason there are tariff classifications, which provide an standardization of criteria, facilitate the foreign trade’s studio, facilitate foreign trade and allow making statistics and controls (Bancomext, 2012)

### 2.3.2 Antidumping Laws

Countries want guaranteed competition by fair prices. Governments have executed antidumping laws to penalize foreign firms selling their products at “unfair” prices abroad (Mankiw, Swagel, 2005)

According to the Mexican Embassy in Denmark (2012), based on the Market Access Data Base from the EU, there are not any antidumping barriers to enter Mexico for fish leather.

### 2.3.3 Export/Import Licensing

Supposing that the export transaction has been approved by a Mexican government agency, AL would require an export license.

Requiring and issuing licenses to exporters is a way of regulating what products are being exported and, more importantly, to whom (Iyer, 2009).

### 2.3.4 Restrictive Trading Laws

All commerce is based on agreements in different ways. Obviously, some agreements may restrict competition on a market. The most evident are those involving price fixing and market sharing.

Agreements could contain restrictions on issues such as Prices or charges, terms or conditions of business, geographical areas of business, people with whom business may take place, quantities or types of goods to be produced or sold, manufacturing process to be used among others (The Times 100, business case studies, 2012).

### 2.4 PACKAGING AND LABELING REQUIREMENTS

Packaging is important in ensuring that the product is shipped in a safe container and that it arrives undamaged due to goods that are transported long distances or pass through
different climates from the one where they are manufactured (Rugman and Hodgetts, 1995).

2.4.1 Labeling
Bancomext (2012) indicates that all products of a shipment must be clearly identified, showing in each, in a legible, indelible and visible the following provided information:

- Name of packer
- Address
- Symbolic identification
- Name of product
- Name of variety
- Country of origin and region of production
- Category of the product
- Net weight in kilograms
- Storage Instructions

2.5 LOGISTICS
A country’s image and the cost of transporting materials and goods also play important roles in the assessment of national business environments.

The competitiveness of the products to be sold depends heavily on the different ways of transport and specifically its cost, transit time to move goods from origin to destination, the feasibility of delivery and finally, its security of the transport used.

The cost of transporting materials and finished goods affects any decision about where to locate manufacturing facilities. Some products cost very little to transport through the production and distribution process yet others cost a great deal. According to Wild, Wild
and Han (2008) logistics refers to the management of the physical flow of products from the point of origin as raw materials to end users as finished products. Logistics wed production activities to the activities needed to deliver products to buyers. It includes all modes of transportation.

2.6 INTERNATIONAL COMMERCE TERMS
There are two groups that point out the obligations terminus and rights purchased and the seller and which prevail in foreign trade operations. The purpose of the terms, is to facilitate foreign trade operations along with the integration of the international purchase agreement or equivalent (Bancomext, 2012).

These two groups are:

1 INCOTERMS (International Commercial Terms) of the International Chamber of Commerce (ICC).

2 The RAFTD (Revised definitions of U.S. foreign trade and developed with the support of the Chamber of Commerce of the United States of America)

The main objective of the INCOTERMS, according to Bancomext, is a set of rules and terms of facultative character, allowing agreed rights and obligations of both the seller and buyer in international business transactions, therefore, they can be used in purchase-selling contracts.

INCOTERMS are a basis for regulating commercial transactions, defining in detail the rights, responsibilities and obligations between the buyer and seller. Also referred directly to the transport that firms use and the place where the goods are delivered.

INCOTERMS regulate three basic aspects related to the place of delivery:

-Transfer of risk between seller and purchaser
- Costs to the buyer and seller
Documentation, paperwork and management before government authorities and private agents

INCOTERMS are classified by groups and type of transport to be used as is shown in the next list.

E=Exit (Departure)
F=Free (Main carriage unpaid)
C=Cost (main carriage paid)
D=Delivered (Arrival)

The terms that begin with the letters E and F are delivered in the country of origin and those that start with C and D are given in the country of destination.

Rules for Any Mode(s) of Transport:

The seven rules defined by Incoterms 2010 for any mode(s) of transportation are:

EXW – Ex Works (named place of delivery)
FCA – Free Carrier (named place of delivery)
CPT - Carriage Paid To (named place of destination)
CIP – Carriage and Insurance Paid to (named place of destination)
DAT – Delivered at Terminal (named terminal at port or place of destination)
DAP – Delivered at Place (named place of destination)
DDP – Delivered Duty Paid (named place of destination)
FAS – Free Alongside Ship (named port of shipment)
FOB – Free on Board (named port of shipment)
CFR – Cost and Freight (named port of destination)

CIF – Cost, Insurance and Freight (named port of destination)

Rules for Sea and Inland Waterway Transport

The four rules defined by Incoterms 2010 for International Trade where transportation is entirely conducted by water are:

FAS – free Alongside Ship (named port of shipment)

FOB – Free on Board (named port of shipment)

CFR – Cost and Freight (named port of destination)

CIF – Cost, Insurance and Freight (named port of destination)

(Wikipedia, 2012)

2.7 FINANCING METHODS

One of the most important issues for success of international trade is to choose the most trustworthy way of payment. There are different ways of making payments or receiving payments for goods, which are classified in function of the level of security for both parties (Wild, Wild and Han, 2008).

Next graphic shows the level of security according to Wild, Wild and Han Model.
According to the model above, within all forms of payments, Advance Payment and Letter of Credits provide a greater security for exporters.

Advance Payment: In this technique the importer pays an exporter for products before it is shipped. Normally, this method is common when both importers and exporters are unfamiliar with each other and the transaction is considerably small, or the buyer is unable to obtain credit due to a low credit rating at banks (Wild, Wild and Han, 2008).

The alternative method of payment that provides security to the exporter are the Letters of Credit, as the exporter will charge in his place, and the importer will receive the goods at the agreed point. The credit arrangements according to Bancomext (2012) are:

-Export Letters of Credit: This is a method allowing exporters, suppliers or beneficiaries to substitute their buyer’s credit with the loans provided by their importers, principals or
buyer’s banks, backed by documents related to goods or service sales, which must then act in accordance with all of the terms and conditions established in the Letter of Credit.

-Import Letters of Credit: These kinds of letters of credit are common instruments to guarantee that a business corporation (buyer / principal) will pay another (seller / beneficiary) and honor its payment obligations upon receiving certain documents regarding the sale of goods, which must be obeyed with all of the terms and conditions.

-Stand-by Letters of Credit and Contractual Guarantees: Stand-by Letters of Credit are flexible implements that are used to guarantee different obligations. Stand-by Letters of Credit or Independent Guarantees are usually used as instruments to assure compliance with international trade obligations.

Domestic Letters of Credit: These kinds of credit are used as payment instruments for business transactions in which the principal and the beneficiary live in the same country. They are defined as the conditioned payment order a loan institution (issuing bank) issues to guarantee that a business corporation (buyer / principal) will pay another (seller / beneficiary) and honor its payment obligations upon receiving certain papers regarding the sale of goods or services, which must comply with all of the terms and conditions previously established (Bancomext, 2012).

2.8 MARKET AGREEMENTS IN MEXICO
Globalization includes a comprehensive spread of a phenomenon. A company is considered as a Global firm when it initiates in a specific new territory, extends its operations through corporate groups and structures in other territories. Markets are where buyers and sellers meet. Considering a global market, buyers or sellers from one place can meet with buyers and sellers from another territory to initiate transactions (Braithwaite, Drahos, 2000). Economic globalization covers goods and services flow and the increasing mobility of capital. Trade liberalization has been of such magnitude that Mexico ranks as one of the most open economies in the world (see map).
The ability of Mexico to international business and size of trade liberalization can be assessed by a number of Free Trade Agreements (FTA). Over 11 agreements, Mexico practically has direct relations with 43 countries around the world, surpassing even big players such as the United States, China and Brazil. By signing the NAFTA, Mexico has sought to carry out regional or bilateral agreements that encourage the exchange of goods and services amongst the agreement’s countries.

These permits diversify international markets as well as increase the profitability of companies established in Mexico as companies will have access to inputs and final products from abroad at competitive prices.

Mexico has access to two economic powers in order to become a business center for the world by increasing trade relations. Mexico stands as an access to a potential market of over 60 per cent of the world GDP. With this, Mexico encourages the domestic industry through a solid and competitive export sector and increase opportunities and strategic alliances for the Mexican companies. (Government of Mexico, 2012)

To sum up, trade liberalization and trade agreements that Mexico has signed with different countries and areas of the world has influenced the economic growth, as they have generated new employment opportunities as well as increase the revenue through the growth of foreign trade, thus contributing to rising living standards.
2.8.1 The World Trade Organization

The World Trade Organization (WTO), based in Geneva, Switzerland, is made up of 146 member countries. Most of them are developing countries. The WTO is currently the host to new negotiations, under the “Doha Development Agenda” launched in 2001 (WTO, 2012) where countries have faced trade barriers and wanted them lowered, the negotiations have helped to open markets for trade. However, the WTO is not just about opening markets, the WTO establishes the rules used in the international trading system. It has such a high influence of the WTO that these rules often require that member countries change their intellectual property legislation, industrial and agricultural policies, basic service facility and very few times even their constitutions.

The WTO has been characterized as having a “mercantilist ethic” its agreements, forced through by political and economic pressure from major developed countries, institutionalized corporate access to the markets and resources of the developing world. In short, the WTO is a vital part of the globalization process and affects everyone’s lives. It comes with limitations on the ability of governments to endorse policies in the interest of their populations and effectively gives preference to trade and international commercial interest over people and international commitments and agreements directed at their benefit. (Tayeb, 2000)

2.8.2 The North American Free Trade Agreement

In 1990 Mexico began with the idea of forming a free trade agreement with The United States. Mexico’s core motivation in pursuing a Free Trade Agreement (FTA) with the United States was to give some stability to the Mexican economy and attract foreign direct investment (Villarreal, 2010). North America Free Trade Agreement (NAFTA) is a trilateral free trade deal active for the past 18 years, signed by governments from Mexico, the United States and Canada. The main issue of the agreement is to eliminate the huge majority of tariffs on products traded among Mexico, The United States and Canada. The terms of the agreement called for theses tariffs to be phased out gradually, and the final aspects of the deal weren’t fully implemented until January 1, 2008. The deal swept away export tariffs in several industries: agriculture has been a major focus, but tariffs have also
been reduced on items such as textiles and automobiles. NAFTA also implemented intellectual-property protections, established a dispute-resolution mechanism, and put into place regional labor and environmental safeguards, though some critics now lobby for stronger measures on this front (Council Foreign Relations, 2009).

Analysts cite economic growth in Mexico since NAFTA was implemented. Attributing this growth directly to the deal is a fuzzy process, and some experts say Mexican growth has underperformed expectations. Since 1994, Mexico’s GDP has increased at an average annual rate of 2.7 percent, below the average growth rates of 3.6 percent in the United States and Canada, respectively.

NAFTA does not possess international legal personality, and is not a member of the WTO (Weiler, 2001).

### 2.8.3 Mexico-Colombia

Since August 2011 was signed the G2 FTA between Mexico and Colombia. Albeit, Colombia and Mexico began their relations since time ago with the G3 including Venezuela, however, the last one decide to drop the agreement, leaving only the rest of participants.

Since the implementation of the first agreement with Mexico in 1996, Mexican exports to Colombia increased 12 times over, from 306 USD to 3.757 million USD. Having a growth of 1.100 per cent as well as imports which were multiplied 6. 5 times from 121 to 795 million USD. In other words, 550 per cent over. Nevertheless, outcomes have been more positive to Mexico. According to official statistics, Mexican exports to Colombia during 2010 were 3.760 billion USD and totaled imports from Colombia by 795 million USD. Currently, 92% of the tariffs are completely eliminated, leaving some subheadings for tax concessions and other subheadings excluded from the liberalization program, mostly belonging to the agricultural sector. (Tratados de Libre Comercio Colombia, 2012).
2.8.4 Mexico-Costa Rica

The Free Trade Agreement between Mexico and Costa Rica was signed in 1994. This agreement has a singular feature of being the first post-NAFTA Mexico signed, collecting the main statements of the agreement with Canada and the United States, although it is not a strict copy of the first one.

In regards to Mexican exports to Costa Rica, the leading products are medicine, televisions, paper and plastic covered paperboard and electrical conductors. Mexico has become the third largest supplier of Costa Rica.

Last year Mexico was placed as the third source of foreign investment in Costa Rica, only behind the United States and Canada. Mexican investment in Costa Rica, has earned $ 408 million in the years of the FTA. This investment is mainly in food and construction. Mexico has 82 companies registered with the Costa Rican capital. During this period, there has been an investment of 23 million USD from Costa Rica, making Costa Rica, the largest investor in Mexico from Central America. With 58% of the investments from this area in Mexico, bilateral trade increased by 1400% (La Economía, 2012)

2.8.5 Mexico-Nicaragua

Within 1998 to 2010, Mexican investment in Nicaragua was approximately 600 million USD in foreign direct investment (FDI). Mexico is considered one of the most important countries in the Social Economic development for Nicaragua. After the agreement had begun, there have been masses of technology and new permanent employments that were generated.

In late 1997 was signed a free trade agreement between Mexico and Nicaragua, allowing for this 10-year tariff for all products subject to trade between both countries, the objective of this treaty is not paying taxes of any kind, to exchange the products for export to each other.
This pact allows a commercial window to exchange the agreed products in order to flow freely all goods made in both Mexico and Nicaragua.

Nicaragua urges many Mexican products for opportunities, and its geographical situation is unsurpassable between these countries (CAMEXNIC)

**2.8.6 Mexico-Honduras-El Salvador-Guatemala**

Central America is a primary target for Mexican investment. Due to its geographical position, particularly for the South-Southeast of Mexico, Central America as a region represents an important market which imports over 48 billion dollars. Mexico's participation in this area is above 8% of its economy.

Central America is the fourth destination of Mexican investment in Latin America, with 5,200 million USD in sectors such as telecommunications, food, manufacturing, entertainment and energy.

The three main food products exported by Mexico to Central American countries are products containing milk solids, avocados and other food preparations. Products that stand out are flat screen televisions, medicine and crude petroleum oil (Mexican Embassy in Guatemala, 2012).

**2.8.7 Mexico-Uruguay**

As of July 15, 2004, there took effect the FTA signed between Mexico and Uruguay. This agreement is the first FTA where Mexico participates directly with a country within the MERCOSUR agreement. Expectations about this trade were considered to be important.

In 2008 Mexico was the tenth largest trading partner to Uruguay, and fourth among the countries of Latin America (after Argentina, Brazil and Venezuela), with a share of 2%. In 1999, Mexico was globally the partner at number 16 and 6th at the regional level with a share of 1.5%.
Mexican Investment accumulated in Uruguay is over 200 million USD. Uruguayan accumulated investment in Mexico is up 100 million USD (Mexican embassy in Uruguay, 2012).

2.8.8 Mexico-Chile

The agreement between Mexico and Chile is defined by the public and private sectors as one of the most successful FTA.

Since the agreement began, trade between both Mexico and Chile has almost been quadrupled from 1,202 million USD in 1999 to 3,998 million USD in 2008, thus, after Brazil and Argentina, Mexico has become the third largest Latin American country trading with Chile (Secretaria de Relaciones Exteriores de Chile, 2009).

In 2008 Chile imported 57.000 million USD from several countries, of which only 1.700 million USD came from Mexico, according to the Chilean vice minister of foreign commerce; Mexico had missed the agreement for Mexican exports into Chile.

According to Mexican secretary of agriculture Alberto Cárdenas Jiménez, the FTA between Mexico and Chile in 1999 has allowed the binational food trade register an annual average of 14.7%, reaching 631 million USD (CNN, 2009).

2.8.9 Mexico-Israel

On April 10, 2000 the Free Trade Agreement with Israel was signed in Mexico City, the nation from the Middle East that ranks as the largest investor in Mexico, concentrated mainly in the commercial sector, followed by manufacturing and service sector. This country represents a potentially large market for Mexico.

It is noteworthy that this treaty has not taken a real advantage so it is not even one percent of the total trade in Mexico.

The presence of small and medium enterprises in the Israeli market is practically null, even with the need among consumers on fields such as food processing, textiles, footwear, automotive, furniture and crafts (La Economía, 2012).
2.8.10 Mexico-Japan
This agreement had began since April 1st, 2005. Trade between Mexico and Japan in 1999 reached a close amount of 6,000 million USD. It was a considerable amount, it was not even close to the enormous potential to increase the exchange.

According to figures from the Ministry of Finance, Japan is the second largest trading partner after the United States. Japan is the main export destination to Mexico and the third destination of exports worldwide. This reflects both the great potential of the Japanese market as well as on the other hand, the importance as a trading partner. Mexico has a preferential trade with those countries which cover two thirds of the world GDP, including the three most important areas of the world, North America, Europe and Japan (la economia, 2012) (Government of Mexico, 2012).

2.8.11 Mexico-EFTA (European Free Trade Association)
Mexico and the European Free Trade Association (EFTA), composed by Iceland, Lichtenstein, Norway, and Switzerland, signed a free trade agreement in 2000. The agreement entered into force on July 1, 2001. This was the first FTA that the EFTA established with an overseas partner country. Since the beginning, Mexico and the EFTA have met at least a few times to explore possibilities of further trade integration, including agricultural and services trade. In September 2008, the two parties agreed to accept an adjustment on transportation in the agreement to facilitate the trade among both parties.

The agreement includes provisions on national treatment and market access for goods agriculture, rules of origin, safeguards and other provisions. During the first six years, the FTA reduced the average Mexican tariff on EFTA industrial goods from 8% to zero. Mexican industrial exports to the EFTA have been free of duty since the entry into force of the FTA. (EFTA, 2012).

2.9 IMPACT OF MEXICO´S MACRO ENVIRONMENT ON AL´S INTEREST IN THE MARKET
Manufacturers gain global scale economies and experience curve benefits in production, distribution, marketing and management by improving information and communications,
transportation and manufacturing technologies. In addition, the political economy of a new market and the integration of regional markets such as trade groups, have a great influence on the success of the international firm (Bradley, 2002)

![Diagram of International Firm and Influence Factors]

**Figure 2- Impact on the international firm**

According to this argument, Mexico is within each of the aspects that would interest the company in its expansion of a product. According to Dickens (2010) Mexico is an emerging economy, has good technology advances, as well as the market being quite flexible, a reason why Mexico has signed several trade agreements in the world.

**2.10 INTERNATIONAL MARKETING**

When a company enters new markets, both opportunities and threats arise, it becomes necessary to develop appropriate strategies for International Marketing in order to compete with other companies whilst providing value to customers (Bradley, 2002)

A lot of risk comes with spending internationally, and there are a few frequent pitfalls. The most common pitfalls occur due to inexperience with the new cultural environment, inability to adapt a product or service to local needs, and the lack of an effective distribution system (Iyer, 2009). Therefore, making the right decision could avoid these pitfalls.
When we talk about International Marketing, we refer to be able to decide which markets are the most appropriate to enter and to develop an entry strategy based on a sequence and time. The decision of a company of entering a new market is one of the most important issues to decide.

According to Bradley (2002), there are certain aspects that are beyond the control of a company in the International Marketing environment to compete and grow in a new market. These issues are:

- Customers
- Culture and values
- Resources
- Competitors
- Political economy
- Technology

According to Czinkota and Ronkainen (2007), International Marketing is “the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations.”

As this definition indicates, international marketing retains the basic marketing belief of “satisfaction” and “exchange”. In other words, international marketing is a tool used to improve one’s present position.

2.11 MARKET FRAGMENTATION AND CONSOLIDATION

According to Bradley (2002), market fragmentation is caused by a low-cost market entry and high exit costs, no experience curve effects, atypical cost structures and government interference in the market. Persistent differences in consumer tastes, differences in culture and languages, and a variation of technical standards also contribute (figure). Moreover, tariffs and non-tariff barriers force their manufacturers to think locally.
Markets are continuously fragmented and the companies have the need to consolidate them. According to Bradley (2002), the consolidation of markets could be established when:

- successful international firms introduce low-cost standardized products covering most market needs – This replaces many specialized products;

- large marketing expenditures forces less well-funded competitors to leave the market,

- companies pursue policies of acquiring competitors and rationalizing production capacity.

2.12 A MODEL OF INTERNATIONAL ENTRY AND EXPANSION
The entry of a product to a completely unknown market inevitably increases the risk of the company. Therefore, companies must prepare their activities and meet the needs and opportunities of new markets to become long-term participants. (Czinkota and Ronkainen, 2007).
Czinkota and Ronkainen provide a model of the international entry and expansion process which is shown below.

![Model of International entry and Expansion](image)

Figure 4- Model of International entry and Expansion

Normally, when a company steps forward into the internationalization process, there are a variety of stimuli. Profits are the biggest reason to be involved in International Marketing.

### 2.13 ADVANTAGES OF INTERNATIONAL MARKETING

When a company decides to expand globally, is with the purpose of doing business even stronger or more competitive. If a company wants to sell a product in a foreign country, then obviously, marketing is required on a global scale (Iyer, 2009) (buzzle.com).
The international marketing advantages to consider are:

1 Global Scope: Scope of this kind of marketing is so large that it becomes a unique experience.

2 Brand Image Consistency: Global marketing allows you to have a consistent image in every region that you choose to market.

3 Quick and Efficient Use of Ideas: A global entity is able to use a marketing idea and mold it into a strategy to implement on a global scale.

4 Uniformity in Marketing Practices: A global entity can keep some degree of uniformity in marketing throughout the world.

5 Cost Savings: International operation can provide cost savings for a company by helping them achieve certain economies of scale by expanding the production scale.

6 Differentiation: One of the potential benefits of international expansion though it is hard to calculate, is that the company will have to improve in order to compete internationally.

7 Location: One reason to expand internationally is simply to be somewhere else with favorable trade policies, with profit potential, with a new consumer base, with different competencies, with natural resource, with lower production cost.

2.14 DISADVANTAGES OF GLOBAL MARKETING

1 Inconsistency in Consumer Needs: An American consumer will be different from a South African. Global marketing should be able to address that.

2 Consumer Response Inconsistency: A consumer in one country may react differently as compared to a consumer in another country.

3 Country Specific Brand and Product: A Mexican might like a product to have a traditional touch, whereas a European might like to add a retro modern look to it. In this case, a global strategy is difficult to develop.
4 The Laws of the Land have to be considered: Original company policies may be according to the laws of home countries. The other country’s laws may be contradicted in these policies.

5 Infrastructural Differences: Infrastructure may be hampering the process in one country and accelerating in another. Global strategy cannot be consistent in such a scenario.
3 METHODOLOGY

This part refers to the used methodology to investigate the subject and reach the purpose of this project. It is organized as follows.

Firstly, objectives of the investigation are summarized to continue with the collecting data process, and subsequently to analyze information according to results and the Mexican Customs. Zikmund (2003) suggest a structure as a guide for the study, which was followed for this project and is divided in: research scope to develop, data collect and data analysis phase. Afterwards it defines the used research process for the data collection to develop the analysis. At the end of this chapter limitations are mentioned again.

3.1 RESEARCH OBJECTIVES

Analyze new markets that represent an opportunity for Atlantic Leather considering all the different issues to import a product to Mexico. The outline covers the analysis of one country to see whether opportunities are strong enough to import fish leather for clothes or ornamental accessories to Mexico due to its size and economical position.

3.2 PRIMARY AND SECONDARY RESOURCES

According to Zikmund (2003) secondary data, or historical data, are data formerly collected and gathered for some project other than the one at hand. It is subdivided essentially in documented data, data based in research and all the compiled information from multiple resources and companies which can provide data for a detailed purpose by selling it. Primary data is data collected and assembled specifically for the project at hand. Due to the structure of this project, the research is completely based in secondary information.

The main used resources to obtain the information of this project were provided by the Mexican Secretary of Economy (Secretaría de Economía, SE), governmental websites, custom brokerage agencies and information from local contacts in the target country.
3.3 DEVELOP OF THE RESEARCH OUTLINE
This part provides the needed resources for the project. Firstly it is started with obtaining information of the primary objectives and then step by step on how to introduce the product into the new market.

3.4 COMPANY ANALYSIS
To analyze the company were researched using the following points:

a) Legal Constitution. Atlantic leather is a stable company with years of experience in leather. The mission was already well determined and based at all needs.

b) Entrepreneurial mission. The mission was articulated according to the company´s objectives and goals to satisfy the demand of the product which was made by themselves.

c) Strengths and Weaknesses: Strengths and weaknesses were analyzed for Atlantic Leather. Also made by themselves.

3.5 PRODUCT ANALYSIS
The product was analyzed by the following:

a) Product characteristics.

b) Official Standards.

3.6 COUNTRY ANALYSIS
The country was analyzed by the following:

a) Background information of Mexico.

b) GDP

c) Inflation

d) Currency

f) Credit Ranking
g) Reports

h) The most problematic factors for doing business in Mexico

i) Corruption Index

j) Socio-cultural environment

k) Hofstede´s dimensions

l) PESTLE Analysis

m) Unemployment rate

n) Population below poverty line

o) Health expenditure

p) SWOT Analysis
4 COUNTRY & MARKET ANALYSIS

4.1 MEXICO

4.1.1 Contemporary History and Politics

Mexico has a history of three great civilizations – the Mayas, the Olmecs, and the Toltecs. Mexico was conquered in 1519-1521 by the Spanish under Hernán Cortés. Mexico gained independence in 1821 after 300 years after being ruled under conquerors. From 1821 to 1877, there were emperors, dictators, and an adequate amount of presidents to form a new government. In 1855, the Indian patriot Benito Juarez began a series of reforms, including the disestablishment of the Catholic Church, which owned a vast amount of property.

The Partido Nacional Revolucionario (PNR; National Revolutionary Party), dominated by reformist politicians and revolutionaries from northern Mexico, was established in 1929. This party had the control of the country for reminder of the century. It was renamed the Partido Revolucionario Institucional (PRI; Institutional Revolutionary Party). July 2, of 2000, Mexico lived a historical change. For the first time, the PRI lost the presidency, ending 71 years of a one-party rule. Elections are scheduled in July of the year 2012. The political landscape is under tension after the new president Felipe Calderón vowed a war against cartel drugs.

In August 1992 began negotiations regarding the North American Free Trade Agreement (NAFTA). Mexico would be part of this agreement eliminating trade barriers amongst Canada, the United States and Mexico, promoting a fair competition and increasing investment opportunities. NAFTA went into effect on January, 1994. (Encyclopedia of the Nations, 2012)

4.1.2 Geography

Mexico neighbors the United States of America on the north and Guatemala and Belize on the south. Mexico is the 14th largest country in the world with 1,964,375 square kilometers, considerably bigger than Iceland. Climate varies from tropical to desert as its terrain is described as mostly high, rugged mountains, low coastal plains, high plateaus, desert and forest. Regarding corn (maize), one of the world’s major grain crops, is thought to have
originated in Mexico. It is rich with petroleum, silver, copper and gold as they are some of their trademarks. (Central Intelligence Agency, 2012).

Mexico has a strategic location on southern border of the US.

4.1.3 The people

Mexico has a population of 114,975,406 people of whom a little less live in the metropolitan Mexico City area. Mexico City is the second-largest urban agglomeration in the western hemisphere, after São Paulo but before New York-Newark (US). There are some cities with over 1 million inhabitants in Mexico. Near 78% of the total population live in urban areas.

Mexico does not experience problems similar too many European countries where their population is growing old. The average age is 27.1 years. Considering this data, it makes Mexicans a very young population. The threat to their future economic growth is not as strong as in other countries as it will not increase the social bill in the future.

Ethnically the countrymen are diverse. Population is formed by mainly mestizos (Amerindian-Spanish) at over 60%, Amerindian or predominantly Amerindian 30%, white 9% and other 1%. Mexico has as a main language which is Spanish. Almost 92.7% of the population use Spanish as their main language. Around 5.7% are able to speak Spanish and indigenous languages and only 0.8 speak indigenous languages. In Mexico there are over 60 languages from mainly Mayan, Nahuatl and other families of dialects. Religion in Mexico can be divided into various groups, nevertheless Roman Catholic is the largest number with 76.5% of devotees. Followed by Protestants 5.2%, (Pentecostal 1.4%, other 3.8%). Jehovah’s Witnesses 1.1%, other 0.3%, unspecified 13.8%, none 3.1%.

Mexico’s educational system has improved little by little. Now, the country boasts a literacy of 86.1% and average school life expectancy of 14 years. Expenditures in 2007 to education was 4.8% of the GDP. Mexico is home to one the best considered universities in Latin America (Universidad Nacional Autónoma de México) and is within the 100 top universities in the world (CIA, 2012).
4.1.4 The Economy

Although Mexico does not have an income as high as first world economies, Mexicans enjoy GDP per capita relatively high comparing with many other developing countries. Mexico’s economy can be described as a free market economy, considered to have a mixture of modern and old-fashioned industry as well as agriculture which is now dominated by the private sector. Per capita income is roughly one third that of the US. Since 1994, after the implementation of the NAFTA, Mexico’s share of US imports has enlarged from 7% to 12%. Mexico has signed more than 50 free trade agreements with different countries including its neighbors in Central America, the European Free Trade Area, and Japan. Mexico’s GDP fall 6.2% in 2009 as world demand for exports dropped, asset prices tumbled and consequently remittances and investment declined. Mexico has seen through its exports a GDP positive growth during its last 2 years. Principally the country exports to the United States.

Mexico is strongly competitive in manufacturing, mainly textiles and clothing, iron and steel, petroleum, mining, motor vehicles and tourism. Needless to say Mexico excels in production of oil – until 2000, the Mexican government still took 37 percent of its revenue from the oil industry by the national company, Pemex, wheat, corn, rice, fruit, tomatoes; beef, poultry, dairy products; wood products. Mexico exports manufactured goods, oil products, silver, fruits, vegetables, coffee, and cotton for their main costumers, the US and Canada. On the other hand, the bigger imports to Mexico come from US 60%, China 6.6% and South Korea 5.2%, commodities such as metalworking, agricultural machinery, electrical equipment and car parts.

The administration of the current president Felipe Calderon faces many economic challenges, including improving the public education system, spending in infrastructure, modernizing labor laws, and finally fostering private investment in the energy sector (CIA, 2012).

Economic Factors
4.2 THE PURCHASING POWER

The next figure shows the increase of the purchasing power in Mexico.

![Figure 5- GDP Purchasing Power](image)

4.3 GDP (PPP)

Mexico´s GDP per capita (PPP) is still relatively low in comparison with the biggest players. In 2011 it was 15,100 USD, ranked number 81 (CIA, 2012).
4.4 GDP GROWTH
In the graph below the trend in the real GDP growth from 1999 until 2013 is shown. In 2013, the growth rate estimated to be 3.7 for Mexico compared with the world. The GDP growth rate for Mexico is projected to be 3.2 in 2016. (International Monetary Fund, 2012).

The downturn between 2007 and 2009 was mostly due to the global economic crisis. (CIA, 2010)

![Figure 7- GDP growth of Mexico](image)

4.5 INFLATION
In 1994, Mexico experienced its worst economical crisis. Inflation fluctuated greatly between 52% in 1995 to 19% in 1998. After this period of time, it began to decrease reaching 3% in 2006 and 2007 when it started to rise again reaching 6.6% in 2009 (International Monetary Fund, 2011)
The graph above shows the Mexican Peso’s yearly average exchange rate against the USD. The exchange rate has been relatively stable in the past ten years moving between 10 and 15 Pesos per USD (Oanda, 2012)
4.7 CREDIT RANKING
The credit risk ratings agencies Fitch, Moody’s and S&P rank Mexico as BBB+, Baa1 and BBB+ respectively. These ratings reflect that Mexico is on the line between being “lower medium grade and upper medium grade” (Political Risk Insurance Center, 2011).

Coface Credit Insurance estimates Mexico’s strengths to be

- Manufacturing sector sustained by the North American Free Trade Agreement
- Moderate foreign debt
- Relatively healthy banking sector
- Favorable demographics

Mexico’s weaknesses:

- Dependence on the USA for exports
- Vulnerability of public finances due to the decline of oil reserves.
- Socio-political obstacles to structural reforms (energy, telecoms, education, labor)
- Business environment undermined by bureaucracy (Coface, 2012)

4.8 REPORTS

4.8.1 Doing business in Mexico
The World Bank publishes each year the Doing Business Report, which includes business regulations within 183 economies. In the 2011 report, Mexico is ranked 53 out of 183 economies, falling down several places from the previous reports. There are several issues in a report about doing business in a country through their lifecycle. For starting a business,
Mexico is ranked 75\textsuperscript{th}, in dealing with construction permits 43\textsuperscript{rd}, in registering property 140\textsuperscript{th}, getting electricity 142\textsuperscript{nd}, getting credit 40\textsuperscript{th}, protecting investors 46\textsuperscript{th}, paying taxes 109\textsuperscript{th}, in trading across borders 59\textsuperscript{th}, in enforcing contracts 81\textsuperscript{st} and in resolving insolvency 24\textsuperscript{th}.

<table>
<thead>
<tr>
<th>Category</th>
<th>2011 Ranking</th>
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<tr>
<td>Ease of doing Business</td>
<td>35</td>
<td>53</td>
<td>-18</td>
</tr>
<tr>
<td>Bureaucracy/Legal</td>
<td></td>
<td></td>
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<tr>
<td>Starting Business</td>
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<td>75</td>
<td>-8</td>
</tr>
<tr>
<td>Dealing with construction</td>
<td>22</td>
<td>43</td>
<td>-21</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>81</td>
<td>81</td>
<td>No change</td>
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<tr>
<td>Taxes</td>
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</tr>
<tr>
<td>Paying taxes</td>
<td>107</td>
<td>109</td>
<td>-2</td>
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<tr>
<td>Other</td>
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<td></td>
<td></td>
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<tr>
<td>Trading Across Borders</td>
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<td>59</td>
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<tr>
<td>Getting Credit</td>
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<td>40</td>
<td>+6</td>
</tr>
<tr>
<td>Registering Property</td>
<td>105</td>
<td>140</td>
<td>-35</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>44</td>
<td>46</td>
<td>-2</td>
</tr>
</tbody>
</table>

Table 1- Doing Business Report (World Bank, 2012 p. 112)
As can be seen by these findings above, Mexico does not rank low, although it has been losing position in some categories. This reflects problems that Mexico is facing associated with doing business for reasons such as bureaucracy in the system and corruption problems. In the Doing Business Report there are limitations although it provides good references. There are some factors such as the economy’s proximity to large markets, security of property from theft, quality of infrastructure services and macroeconomic conditions are not shown in the assessment (The World Bank, 2011)

4.8.2 Global Competitiveness Report

The World Economic Forum (WEF) publishes the Global Competitiveness Report. The report considers 142 economies along 12 which are considered pillars encompass over 100 indicators. According to the World Economic Forum, competitiveness is defined as “the set of institutions, policies and factors that determine the level of productivity of a country”. Countries which ranked on the top in the 2012 Report are Switzerland, Singapore, Sweden, Finland, United States, Germany, Netherlands, Denmark, Japan and United Kingdom. China ranks 26th, India 56th and the bottom ranked country is Chad.

Mexico ranked 58th with a score of 4.29. The highest ranked country had a score of 5.74 and the lowest ranked country 2.97. The table below illustrates Mexico’s ranking and score of each pillar and category.

*Global Competitiveness Index-Mexico*

<table>
<thead>
<tr>
<th>Rank (out of 142)</th>
<th>Score (1-7)</th>
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<tr>
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<tr>
<td>Category</td>
<td>Score</td>
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<td>GCI 2011-2012</td>
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<tr>
<td>GCI 2010-2011</td>
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<td>GCI 2009-2010</td>
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<td>Basic Requirements</td>
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<td>1st pillar: Institutions</td>
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<tr>
<td>2nd pillar: Infrastructure</td>
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<tr>
<td>3rd pillar: Macroeconomic</td>
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<tr>
<td>4th: Health and primary</td>
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<td>5th pillar: Higher education</td>
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<td>Efficiency enhancers</td>
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<td>6th pillar: Goods market</td>
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<td>7th pillar: Labor market</td>
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<td>8th pillar: Financial market</td>
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<td>9th pillar: Technological</td>
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<td>10th: Market size</td>
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<td>Innovation and sophistication</td>
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<td>Pillar</td>
<td>Score</td>
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<td>--------</td>
<td>-------</td>
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<tr>
<td>11 th pillar: Business sophistication</td>
<td>56</td>
</tr>
<tr>
<td>12 th pillar: Innovation</td>
<td>63</td>
</tr>
</tbody>
</table>

Table 2- Global Competitiveness Index (WEF, 2012, p.259)

Considering a list of 15 factors, a survey was conducted to know the five most problematic factors for doing business in the country. The graph below represents the results.

4.9 THE MOST PROBLEMATIC FACTORS FOR DOING BUSINESS IN MEXICO

![Graph showing the most problematic factors for doing business in Mexico](image)

Figure 10- Most problematic factors for doing business in Mexico (WEF, 2011,p. 258)

4.10 CORRUPTION PERCEPTION INDEX

Transparency International (TI) publishes the Corruption Perception Index (CPI) every year. In 2011 Mexico ranked 100th out of 182 countries, scoring 3.0 out of 10, with a score of 10 representing a “very clean” country. In 2010 the country ranked 98th with a score of
3.1. New Zealand ranked 1st with 9.5 and Somalia at the bottom with a score of 1.0. The CPI’s information is collected from 13 institutions which measure views of corruption in the public sector. All the data is gathered from the views of observers from around the world, including experts living and working in the country evaluated. As corruption is an activity which involves illegalities, investigations or persecutions, it has become difficult to measure, thus the surveys principally measure perceptions. According to TI these perceptions have proven to be a trustworthy assessment of corruption (Transparency International, 2010) (Transparency International, 2011).

![Figure 11 - Corruption Perception Index 2011](image)

**4.11 SOCIO-CULTURAL ENVIRONMENT**

Mexico is a Latin American country conquered by Spaniards. There are several languages in Mexico because of its ancient history of old civilization, the predominant language is
Spanish due to the conquest. Mexico has some cultural influences from the US as both countries are neighbors and, therefore an important amount of Mexicans are living in the US. Immigration has become a political issue for the parties in US elections. On the other hand, Mexico perceives immigration to the US as an important economic and social release. The country is very dependent on the oil and remittances from Mexican citizens living in the US.

Through the history Mexico has had to fight against their northern neighbors. Today, Mexico is part of a trade agreement between Mexico, Canada and the US (NAFTA). With this agreement, Mexicans have gained growth in their economy. Only in 1994, the first year of the operation of NAFTA, both Mexico and the US trade US$42 billion worth of services and merchandise (CIA, 2012).

4.12 HOFSTEDE’S CULTURAL DIMENSIONS
Geert Hofstede, a researcher from the Netherlands, conducted research to classify countries along several dimensions. Surveys results displayed a culture ranked in Power Distance (PDI), Individualism (IDV), Masculinity (MAS), Uncertainty Avoidance (UAI), and in some cases Long-Term Orientation (LTO). Mexico compared with the world average as a much higher PDI, meaning that people accept a hierarchical order. Hierarchy in an organization is considering having centralization in it where subordinates expect to be told what to do. Mexico ranks considerably lower in UAI, representing that the culture is prepared to take some risk and are not uncomfortable with shapeless circumstances. Compared to the World Average, Mexico is more collectivistic and has a tendency to belong to groups that take care of them in exchange for loyalty. The society promotes closest relationships where everyone has a responsibility for members of the group they belong too. Mexico has a much higher PDI, higher UAI and higher Masculinity (MAS). A high score indicates that the society will be driven by competition, achievement and success (Hofstede, Mexico Geert Hofstede Cultural Dimensions Explained)
4.13 DEFINING PRODUCT PLACEMENT (PESTLE)
In order to analyze the macro-environment, it is important to identify the factors that might affect a number of variables for the firm’s supply and demand levels and its costs.

4.13.1 Political landscape
Mexico had one of the most significant changes in 2000, as the PRI (Institutional Revolutionary Party) lost the presidency of more than 70 years. PAN (National Action Party) takes possession of the government since that milestone in the history of Mexican Politics. However, at the municipal level in 2000, more than a half country was governed by the opposition (CIA, 2012). Elections are held every 6 years in Mexico. 2012 is a presidential election year. Next July, polls will be handled, where surveys states that the PRI’s candidate has an important advantage against his next competitors or parties. Mexico seems to decide to give confidence to the party that was in the presidency before 2000 for
almost 78 years, the PRI. Mexico enjoys an individual and political freedom. President is both the chief of state and head of government.

Mexican labor law is very protective and has its foundation in Article 123 of the Mexican Constitution and is implemented through federal laws, counting the Federal Labor law (Ley del Trabajo). The Social Security Law (Ley del Seguro Social), the law regulation the National Housing fund for workers (Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores) (GM, 2012)

4.13.2 Economic landscape
After the Mexican collapse in 1995, where inflation reached more than 50%, there has been an expected decrease. Considering an overview of the historic Mexican inflation, during the last ten years inflation in Mexico has been very similar (except 2008).

The exchange rate in Mexico changed in relation with the USD. It began in 2011 with 12.34 Mexican pesos / 1 USD and finished the year with an exchange rate of 13.77. In January 2012 the exchange rate began in 13.94 and decreased to 12.69 in late April.

According to the resolution by the Bank of Mexico (Banco de Mexico) published in March 23 of 1995 in the Official Journal of the Federation (Diario oficial de la federación), it reported the interest rate interbank equilibrium (Tasa de Interés Interbancaria de Equilibrio) for two different terms. Terms of 28 days vary from 7.9362 to 7.9275 percent whilst Interest rate in terms of 91 days is of 8.0100 percent (Bancomex, 2012).

4.13.3 Social landscape
According to estimates and projections of urban and rural population, Mexico will have an urban annual growth rate of 1.49% until 2015, 1.27% for the next period amongst 2015-2020 and finally 1.08% during the period 2020-2025. Considering the percentage of urban population growth in cities, in 2015 there will be 3 more cities over 1 million inhabitants than in 2010. Estimates for 2025 are considering 5 new cities over this number, reaching 19 cities in Mexico (United Nations, Department of Economic and Social Affairs)

Mexico has a slightly bigger female population than male as is shown in the next figure.
**Sex Ratio**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>At birth</td>
<td>1.05 male(s)/female</td>
</tr>
<tr>
<td>Under 15 years</td>
<td>1.04 male(s)/female</td>
</tr>
<tr>
<td>15-64 years</td>
<td>0.94 male(s)/male</td>
</tr>
<tr>
<td>65 years and over</td>
<td>0.81 male(s)/female</td>
</tr>
<tr>
<td>Total population</td>
<td>0.96 male</td>
</tr>
</tbody>
</table>

*Figure 13 – Sex ratio*

Next figure shows age structure of the country.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 years</td>
<td>28.2%</td>
<td>male 16,395,974/female 15,714,182</td>
</tr>
<tr>
<td>15-64 years</td>
<td>65.2%</td>
<td>male 35,842,495/female 38,309,528</td>
</tr>
<tr>
<td>65 years</td>
<td>6.6%</td>
<td>male 3,348,495/female 4,113,552</td>
</tr>
</tbody>
</table>

*Figure 14 – Age structure*
Mexico spends 13.8% of GDP on its health system, ranked number 3. (CIA, 2012)

4.13.4 Technological landscape
Aeromexico is part of skyteam after an agreement signed some years ago. Practically it is possible to fly to Mexico from international airports over the world any day of the year. There are 1,819 airports (ranked 3) in Mexico. Mexico City airport provides the main international service, however there are several more cities such as Guadalajara, Monterrey, Tijuana and Cancun where there are flights abroad constantly to specific places depending on their geographical position. One plain flight to Mexico from Europe is roughly 12 hours. (CIA, 2011)

In 1998, Mexico produced 176.05 billion Kilowatts of electricity. Of all electricity produced, 78 percent was produced from fossil fuels whilst 14 percent was hydro-electrical energy. At present, the telecommunication industry in Mexico has only one supplier-Telmex (Mexican Telephone or Telefonos de Mexico), owned by the Carlos Slim-company which provides internet service to a large part of the country (CIA, 2012).

4.13.4.1 Infrastructure
The road network in Mexico is efficient and is one of the most extensive in Latin America. All regions are linked by it. The most traveled motorways connect the 3 most populous cities (Mexico City, Guadalajara and Monterrey) in a triangular way. However, extensiveness had led to poor maintenance due to lack of government funds. The government granted concessions to companies to build toll roads improving the network but affecting traffic. Mass transit within Mexico is modest, nevertheless the bus services is extensive. The railway system within Mexico is widely to be made up of 30,952 kilometers of rail lines. Most of the Mexican companies do not use the railway system to transport cargo as they consider it ineffective and obsolete. Mexico has privatized not only airports and airlines but also seaports (Encyclopedia of the Nations, 2012)

4.13.4.2 Transportation
Buses in Mexico are of a high standard for traveling. Travelers can reach any place in the country using this method of transportation. Buses depart frequently and prices are quite reasonable for people. In 2005 Interjet was created with lower prices than those airlines on the market. Later, few companies were introduced into the market. There are 35 airports that carry 97 percent of passenger traffic (CIA, 2012)

4.13.5 Legal landscape
Due to Mexico’s trading agreements on three continents (or 4 depending the continental model), Mexico stands as a window to a potential market of over one million consumers.

Mexico has a variety of Free Trade Agreements with a hedge of 43 countries. Within agreements signed by Mexico are the North American Free Trade Agreement, the Free Trade Agreement with the EU and Latin American Integration Agreement (ALADI). Mexico was the first Latin American country to sign a partnership agreement with the EU. The agreement has established a Free Trade Area (FTA) between the EU and Mexico that has allowed an important growth in bilateral trade.

In 2005, Mexico and Iceland signed an agreement for the promotion and mutual protection of investments which has been in force since 2006. Likewise, in 2008 these two nations signed a tax treaty to avoid double taxation (EFTA, 2008).

4.13.6 Environmental Landscape
Mexico is within the 14 biggest countries in land over the globe with a total of 1,964,375 sq. Km and 20,430 sq. Km of water. It has a variety of climates, from tropical to desert. Mexico is located on the southern border of the US, what many consider as a strategic country for trading. (CIA, 2010)

Mexico is within the top ten of the most visited places in the world with an estimated number of international tourist arrivals of 22.4 million in 2010, having grown 4.4% since 2009. However, Mexico is number 13 in tourism expenditures (OMT). The most visited places in Mexico are Mexico City, Riviera Mayan, Cancun, Acapulco and Los Cabos. However, the three first cities or areas show an important difference against the followed
competitors. Mexico had a decrease in international arrivals in 2011 of -9.4% in relation with 2010.

The next chart shows the top ten countries visiting Mexico. This data was registered in April, 2011 (GM, 2012).

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>523,560</th>
<th>513,129</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Canada</td>
<td>139,990</td>
<td>149,572</td>
</tr>
<tr>
<td>3</td>
<td>United Kingdom</td>
<td>20,900</td>
<td>27,376</td>
</tr>
<tr>
<td>4</td>
<td>Spain</td>
<td>22,442</td>
<td>24,344</td>
</tr>
<tr>
<td>5</td>
<td>France</td>
<td>13,877</td>
<td>18,274</td>
</tr>
<tr>
<td>6</td>
<td>Argentina</td>
<td>13,762</td>
<td>15,542</td>
</tr>
<tr>
<td>7</td>
<td>Germany</td>
<td>12,295</td>
<td>14,929</td>
</tr>
<tr>
<td>8</td>
<td>Brazil</td>
<td>8,577</td>
<td>11,854</td>
</tr>
<tr>
<td>9</td>
<td>Colombia</td>
<td>5,944</td>
<td>10,010</td>
</tr>
<tr>
<td>10</td>
<td>Italia</td>
<td>9,192</td>
<td>9,778</td>
</tr>
</tbody>
</table>

**Figure 15 – Top ten of countries visiting Mexico**
In regards to pollution factors that can affect Atlantic Leather, there is no any barrier in the Mexican law. Regarding to production process, there has been some pollution from production of these products but not quiet severe.

4.14 UNEMPLOYMENT RATE

According to the Organisation for Economic Co-operation and Development (OECD, 2011), Mexico fares quite well: its rate of “open unemployment” so far this year has hovered around 4.8%. This is quite encouraging, since the average for the 31 OECD countries is around 8.7%.

The OECD members with the highest unemployment rates are Spain (19.7), Slovakia (14.1%), Ireland (13.2%), Portugal (10.8%), Hungary (10.4%) and France (10.1%).

The lowest rates are in South Korea (3.7%), Netherlands (4.1%), Austria (4.9%), Japan (5.1%), Luxemburg (5.4%) and Australia (5.4%).

![Figure 16 – Unemployment rate](image)

4.15 POPULATION BELOW POVERTY LINE

National poverty rate is the percentage of the population living below the national poverty line (The World Bank, 2012). National estimates are based on population-weighted subgroup estimates from household surveys. Population below the poverty line is shown in figure 17.
4.16 HEALTH CARE EXPENDITURE

Mexico has modified its health care expenditure during the past 20 years. In 1990, the spending was 4.4% of the GDP, reaching the year 2010 an average of 6.4% of the GDP. The following table can be observed showing the different changes year by year, along with two other countries where AL has entered into the market.

According to the OECD (2011), expenses were as follows:
5 SWOT ANALYSIS

To better understand some of the challenges and opportunities of what the Mexican market represents, it is helpful to evaluate the firm’s strengths and weaknesses and the project’s threats and opportunities. This analysis called SWOT Analysis is considered a good tool to analyze internal and external factors that can affect a business venture.

Atlantic Leather’s strengths are that the company has been making a name for itself and it is considered one of few key players in the fish leather industry because of the demand of its products by very important fashion brands. It is also considered a strength that fish leather is an innovative product as it is relatively new in the market, increasing the interest for it. AL’s weaknesses are first and foremost attributed in not having someone who speaks Spanish and know the culture directly. AL’s budget is 5-10 million Kr per year, around 45–85 thousand USD, and is invested after management considers the new market to be working. This could affect promotion due to all the money that is divided for all the current countries where AL is competing.

**Strengths**
- One of the few key players in the industry
- Innovative Product

**Weaknesses**
- Lack of Spanish speaker
- Culture unaware
- Low Marketing budget

**Opportunities**
- Environmental acceptance
- Few Players
- Innovative
- Location
- Economical situation
- First movers advantage
- Big market
- Relatively easy market entry

**Threats**
- Corruption
- Environmental acceptance
- Innovative
- Possible production
- Unknown
- Relatively Easy Market Entry
- Possible Political Change
Figure 19 - SWOT Analysis

There is not much competition in the niche leather industry in Mexico as of this moment, a factor that could be in favor of the company. Mexican designers are in bloom and are known for being creative and innovative, therefore more likely to try new material. It is relatively easy to enter Mexico due to non barriers to import leather according to Customs.

On the other hand, Mexico is in a position that can create opportunities for other markets like Latin American countries and the United States. Entering Mexico is not only possible because of its position, but also because of the fact that the markets are well connected within the region. The Mexican economy is stable and Mexican customers have a relatively medium high purchasing power compared to Latin American countries.

Even though Mexican designers are using other types of niche leather, three of the contacts interviewed, did not know of any company selling this specific type of niche leather. The product has been in small quantities but without promotion according to the interviews. Being the first one on the market with a specific product could give the opportunity to provide long-lasting benefits or competitive advantages if a good strategy is implemented.

Finally, there are not barriers under the Mexican laws to avoid entering to the country.

Within the threats we will find that Mexico has a high grade of corruption. During the last 6 years, Mexico has been decreasing in the corruption index. Now, Mexico ranks 100th out of 182 countries in 2011.

There is not much awareness (or null) of fish leather with Mexican design and Mexican consumers. The lack of product awareness is a disadvantage because there is a possibility that people might have some misunderstanding about the texture of fish leather, people usually connect fish with something wet and smelly. It is easy to access the Mexican market because of low entry barriers, the Mexican business environment, and other niche leather companies would not have problems to enter if there is demand for fish leather products.
Next July, Mexico will hold the presidential election. It might bring instability to the country.

6 RECOMMENDATIONS
Considering the strengths and weaknesses that the company faces to enter the Mexican market with respect to the SWOT analysis previously shown, some recommendations were made for AL.

6.1 CUSTOMERS AND CHANNELS
Research of potential customers and channels in Mexico were looked at mainly designers and designer universities. According to the interviews that were carried out, the fashion design colleges could represent an ideal channel for the fish leather product, by giving examples of the product from students who were interviewed all showed great interest in the product.

As mentioned before, the fish leather from Atlantic Leather is defined as a product niche market. Fish leather is not a common material for designers in Mexico. Principado Piel is a design studio and manufacturer of clothes with experience in exotic leathers. Principado Piel used fish leather some years ago, but they stopped due to the high price of the material. They used Mexican fish, and fish were too small for the production of this product. Furthermore, Mr. José Lopez, designer and manager of the company, mentioned the low demand of that product, however, it was never promoted.

The Instituto de Estudios Superiores de Moda de Casa Francia is an institution that has 10 years of experience. The school is a leader in Mexican fashion, as well as involved in organizing events where there are 2200 members registered. Its director, Ms. de Roma is also director of the Cultural Centre Scale (Scale Cultural Center) and a recognized fashion researcher. Ms. De Roma is a part of the chamber of the dress (Cámara del vestido) in Mexico. In addition, there are few universities in Mexico that offer a degree in design.

Atlantic Leather´s entry strategy into foreign markets is establishing working relationships with either experienced agents in the market or distributors. For Europe, most of the places have an agent (Atlantic Leather, 2011).
By using agents or distributors in foreign markets, Atlantic Leather is able to focus on development and design of its products and services. In the meanwhile the agents or distributors are in charge of selling the products and services. By using agents as a strategy into Mexico, Atlantic Leather is also able to lower the risk of cultural issues such as language barriers, cultural conflicts, and gain a competitive advantage over other companies that are not yet in the market. The downside of using an agent in Mexico is that the company gains limited knowledge of the market, and the company has to share revenues with their agents. By using agents the company also loses most of its control over the selling channel. Because of the downsides of using agents it is very important that the company performs due diligence when choosing agents to limit the risk factors of this market entry strategy.

6.2 DUE NEGLIGENCE
The Mexican Chamber of Commerce advises that companies that are finding partners in Mexico exercise the utmost caution and conduct thorough due diligence. When evaluating a Mexican partner the following things should be considered.

- Reputation
- Financial resources
- Willingness
- Ability to invest
- Industry expertise
- Regional coverage
- Credit worthiness

Atlantic Leather should consider the advantages of a small distributor as they may be ideal to implement a flexible distribution strategy. The important thing is that the distributor has a presence in the market and not the overall size. In the case of Atlantic Leather, one agent
is plentiful as there are few players in the market and the decision-making is limited mostly to Mexico City but the chamber advises that a regional approach is taken and different agent assigned in different regions.

New products development is critical to the life of most organizations as they adapt to their changing environment (Aaker, Kumar and Day, 2004), for this it is necessarily to follow recommendations from the 4 P’s.

6.3 PRODUCT
The customers of AL’s products will be mainly attracted by the innovation that can bring a new product on the market with these characteristics, along with the consciousness that the Mexican consumer has considering the use of animals close to extinction. There are some companies working with exotic skins with their products, but nevertheless, the number of companies of this type is of a very small number. Therefore, Atlantic Leather’s products are highly competitive against the demand for other products.

The product disrupts traditional markets, therefore there is a high risk by associating it with positioning the product.

6.4 PRICE
Atlantic Leather's skin leather products are priced from 7 to 9 EUR per sq. ft. The price is lower than other exotic leathers in Mexico such as blue ray or crocodile leather. This gives a competitive advantage in relation to its competitors. Mexican society is very sensitive to high prices of products and might be able to choose to buy a lower quality at lower prices (Roman). The AL's products are affordable and they are viewed within the company as a penetration strategy. The buyer of the AL's products pays all cost associated with importing the product whether the company decides working with an agent. This is especially convenient for AL as they do not have to consider costs like tariffs, import insurance and other related expenses.

6.5 PLACE
Entering the Mexican market alone might not be the best option. It might be that another approach has to be taken when thinking about the Mexican market. Mexican designers are
clustering in the Mexico City area and Guadalajara. Emanuel de Roman, a French designer with years of experience in the Mexican market states that designers are working in this area mostly because of opportunities.

6.6 PROMOTION
For promotion Atlantic Leather relies on attending trade shows to introduce their products and services to potential clients and agents. By attending Fashion fairs in Mexico, Atlantic Leather is able to come in close contact with its potential customers and resellers. Some of the most important trade shows in Mexico are shown below:

Feria de moda Internacional Guadalajara

IM Intermoda, the most important exhibition in the Latin American manufacturing industry, has 56 consecutive years in trade shows. It concentrates on more than 20,500 buyers (IM Intermoda)

Mercedes-Benz Fashion Week- Mexico City

Mercedes-Benz Fashion Mexico and DFashion COLOURS decided to merge to strengthen Mexican fashion. (Mercedes-Benz fashion Week Mexico)

Exintex Puebla, Mexico.

Another of the most important trade shows in Latin America that presents solutions, developments and business opportunities for the textile and clothing (Exintex)

Sapica

International Shoe Fair held in the city of Leon, Guanajuato. It is the first in importance in Latin America and the second on the continent. In this show the latest fashions and trends are put on display (Sapica).

According to the Mexican Internet Association (AMIPCI), in Mexico there are 40.6 million users, which could represent a promotional window for Atlantic Leather trying to promote their products in Mexico.
7 CONCLUSION

Through the analysis of the Mexican market, we could draw certain conclusions. First we analyze the company and AL’s products. In general all products are innovative in the clothing industry. However there is an important lack of culture for this product in developing countries. Although in the past a Mexican company had tried to work with the fish skin in Mexico, there was no success. But we cannot generalize, as there was not a market plan and promotion in place. I would say the Mexican market is still virgin.

The analysis helps us to build a strategy for the Mexican market considering the strengths and avoiding weaknesses. It would be prudent to use an agent instead of entering the market alone. AL should consider the possible political changes that may occur in the country in short. Atlantic Leather has good experience with agents.

I do believe Atlantic Leather has potential in Mexico if they find the right markets, and even small markets to enter step by step.
APPENDIX

In the process four interviews in Mexico were conducted who provided relevant information for the study. First interviewed was the director of El instituto de Estudios Superiores de Moda de Casa Francia, as well as director of El centro Cultural Escala, Ms. Emanuel de Roman.

Ms. Roman is a French designer with many years of experience in fashion industry over the world. Ms. Roman said that she participates organizing fashion events with a high number of members (2200 members), where the product can be promoted easily within the industry, as Mexican consumers do not know a product with these characteristics, so this could be a window for the products. In addition, Ms. Roman recommends finding a good agent. She does not know fish leather.

Mr. Efren Elizalde, Mexican designer with 10 years of experience said competence represents a high risk for any new product as Mexico has many different kinds of exotic leathers in the market, however, many of them are in the black market due to the awareness of Mexicans buying products of animals in danger. Within his years of experience he has seen how the market can change because of lower prices, including fake leather. When we asked him about his point of view about entering into Mexico, he replied the best way would be through an agent. He is not familiar with fish leather.

Mr. José López is a designer and owner of a manufacture company in Mexico, working with exotic leather. His company worked with fish leather in the past, however they used fish from Mexico which is too small, and therefore, more expensive. After few months they stopped production. He said that leather was very hard to sell it, it took months. They never promoted the product.

Finally, we interviewed Mr. Heriberto Amaro from the Chamber of Commerce in Mexico in regards to his experience with some foreign companies importing exotic leather such as crocodile and snake. He said all of them had been entered in the with an agent. In addition, he included advice which is included in the recommendation section.

MEMORANDUM
TO: Mr. Gunnsteinn Björnsson and Ms. María Magnúsdóttir.

From: José Omar Serralde Monreal, student at Reykjavik University.

Date: May 25, 2012.

Subject: Report

I have been assigned the task of carrying on an analysis of Mexico due to my participation in a group project last year for AL, which was very successful, as well as my Mexican nationality and better understanding of the Mexican culture. I hope provide the necessary support and information for further decision from AL’s managers with this report.

It is recommended that AL in its attempt to open a new market in Mexico considers the following steps:

1 Direct Exporting

2 Penetration Strategy
   - Mexico City first destination (the step to the institutes and fashion members)
   - Not only focus on fashion but also cars, furniture, etc.
   - Possible entry of one or two kind of leather

3 Promotion
   - Sales force
   - Trade shows
   - Open to advertisement; in specialized journals and internet

4 Same price.
I bid you farewell, thanking the confidence offered to make this studio. Any questions or doubts regarding the work please do not hesitate to let me know.

Sincerely

_______________________
José Omar Serralde Monreal
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