



MEXICO IT

STAY CLOSE. GO FURTHER .

Mexico: Nearshore Leadership Amid Shifting Realities

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Summary

Although economies across Latin America and elsewhere are slowing, Mexico is set to deliver positive, stable growth in 2016. As it does, the IT outsourcing industry is helping to spur overall economic growth. Within the industry though, significant changes are taking place, necessitating clear understanding of emerging technology industries and markets in Mexico. This report aims to inform investors, service providers, and stakeholders alike.

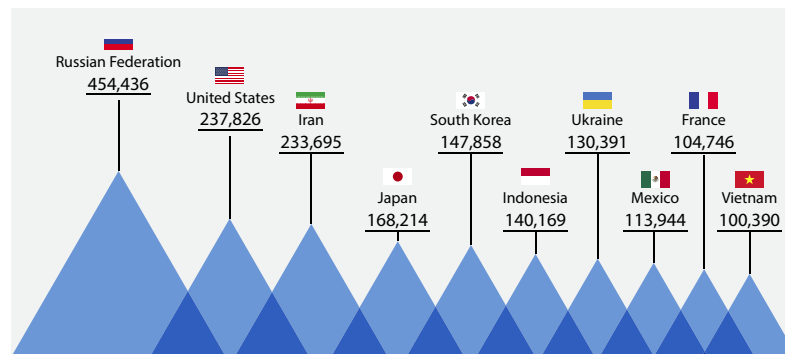
Here are the key findings, informed by primary research that included interviews with outsourcing industry leaders as well as a survey conducted among 123 senior-level outsourcing professionals in November 2015:

- Mexico's IT outsourcing industry is expected to continue on a strong growth trajectory, bucking global and regional economic headwinds.
- Despite negative portrayals of Mexico by international media outlets, international business leaders favor the country because of its strategic geographic location, large tech talent pool, and track record of sound macroeconomic management.
- The classical logic of nearshore investment—proximity, time-zone alignment, business cultural affinity—is strengthening in light of technological change and shifting geo-economic realities. This bolsters the case for Mexico vis-à-vis offshore markets.
- Currency weakness since 2014 has been a blessing in disguise for many vendors.
- Detailed analysis of Mexico's strength as a software development and business process destination, as well as analysis of trends within Mexico's largest markets.
- Recommendations: Accelerating early stage reforms and scaling up trial programs.

Demographic Background

Mexico led much of the world in population growth in the 20th century, and life expectancy increased from 35.5 years in 1930 to 75 years by the early 2000s. Currently Mexico is enjoying a healthy demographic trend of young work force and a population with increased life expectancy. But by 2040 1 in 4 Mexicans will be 70 years or older. One challenge over the next two decades is capturing the skills of the aging population, especially English-language skills, and ensuring these skills transfer to younger generations. Beyond this, Mexico is in a strong position to meet global demands for technology services, in large part because of the continued success that universities across the country have enjoyed in producing engineers and other technical graduates.

Countries with the Most Engineering Graduates



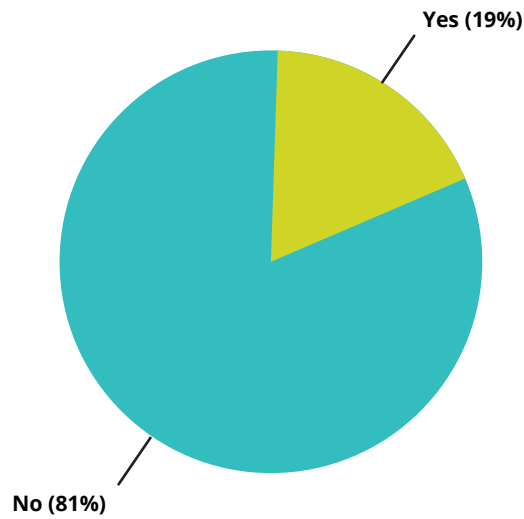
Sources: Statista, with data drawn from OECD (2014), World Economic Forum (2015). Data not reported for China and India.

Economic Growth And Macroeconomic Stability

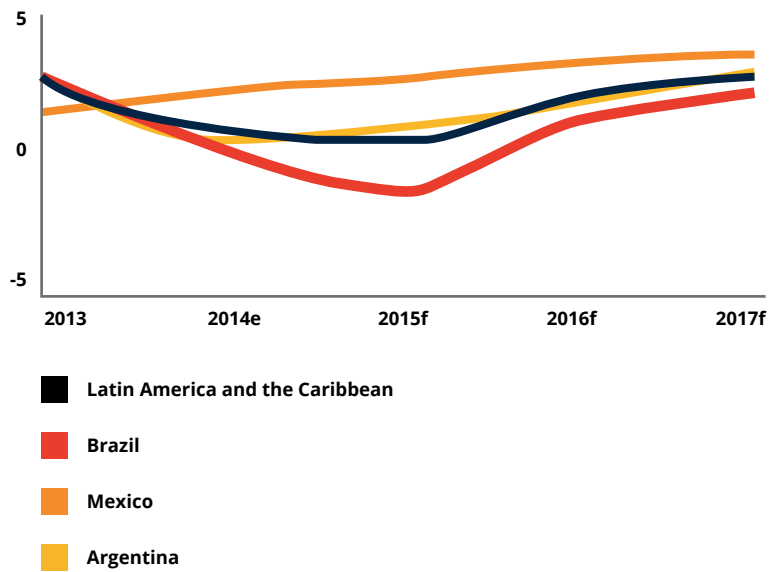
President Enrique Pena Nieto's reform agenda is built around the December 2012 'Pact for Mexico,' which has been signed by all of Mexico's major political parties. The agenda promises to liberalize energy and telecommunications, among other sectors. As foreign investment enters into crucial but historically restricted areas of the economy, the reforms are likely to bolster economic growth over the long run. This will help Mexico's economy notch sound GDP growth of 3.0% or better in 2016 and 2017, according to the OECD, a growth rate that will eclipse that of the United States, Latin America and the Caribbean as a whole². Mexico's growth rate will also far outpace Brazil's, and in fact the Brazilian economy is expected remain in recession through 2016. Export volumes to the United States will anchor the Mexican economy's positive economic growth.

Latin America as a region slipped into recession in 2015. Meanwhile, economic growth in the developed world varies between precarious in the European Union to slow but steady in the United States. Yet, despite signs of a regional slowdown, over 80% of outsourcing professionals remain upbeat about Mexico.

Will medium-term economic slowdown across Latin America affect your willingness to invest in Mexico?



Real GDP Growth (%)



Source: World Bank

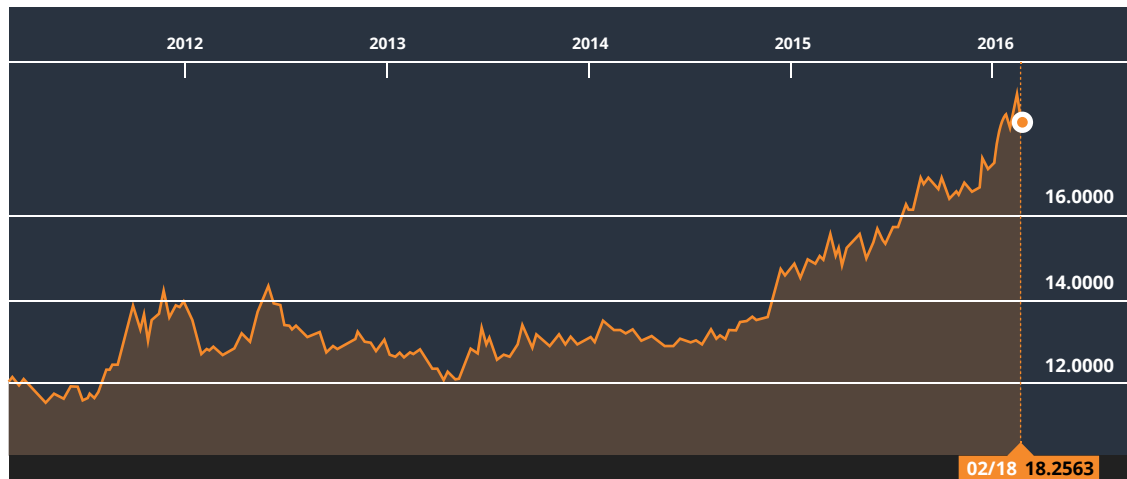
In this subdued real GDP growth environment, Mexico will be the Latin American growth leader, forecast to contribute 1.6% to the global economy in 2016, according to Boston Consulting Group. As such, Mexico will be the only Latin American country to add more than 1% to global growth, and it will contribute more to global growth than France, Spain, Turkey or Poland.

Peso Weakness

From mid-2014 thru the beginning of 2016 the Mexican peso has weakened significantly against its main global benchmark, the U.S. dollar. Whereas the dollar fetched 12-14 pesos from 2010-2013, in 2014-2015 the peso's value in international exchange declined. As of February 2016, it took more than 18 pesos to buy a dollar. During the slump, Mexican exports became more competitive, providing a tailwind to growth of the business process outsourcing (BPO) and information technology outsourcing (ITO) sectors. These conditions are likely to persist well into 2016.

In time, dollar strength could impact contracts negotiations between service buyers and sellers. Or, as in the past when persistent currency weakness in emerging markets ate into profit margins, the service quality of existing contracts sometimes decreased. However, this potential sticking point is unlikely to affect many ITO/BPO contracts in Mexico, in part because of the industry trend toward shorter-term contracts.

Exchange Rate for U.S. Dollar to Mexican Peso, 2012-Feb. 2016



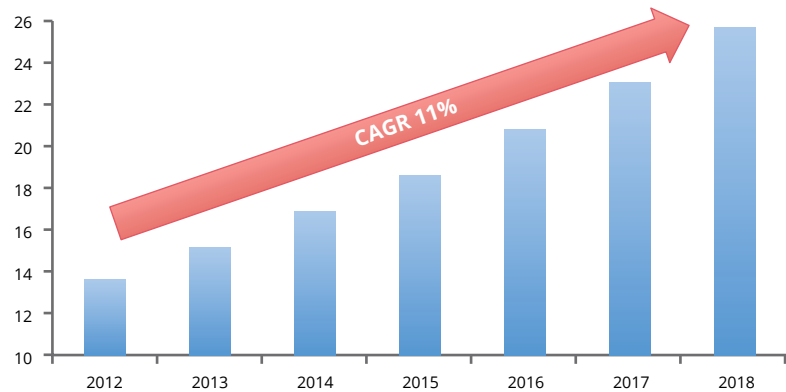
Source: Bloomberg

Mexico as a Nearshore Destination

Mexico's BPO/ITO sector is expected to enjoy compound annual growth of 11% through 2018. This will exceed the regional growth rate

Mexico's IT outsourcing and business process outsourcing industries will enjoy a combined compound annual growth (CAGR) of 11% through 2018, continuing a trend that began in 2012. As a result, Mexico's ITO/BPO industry will approach \$26 billion in value by the end of 2018. At the same time, Mexican BPO/ITO will outpace the industry growth rate in Latin America.

Mexico's BPO and ITO Industry (USD, Billions)

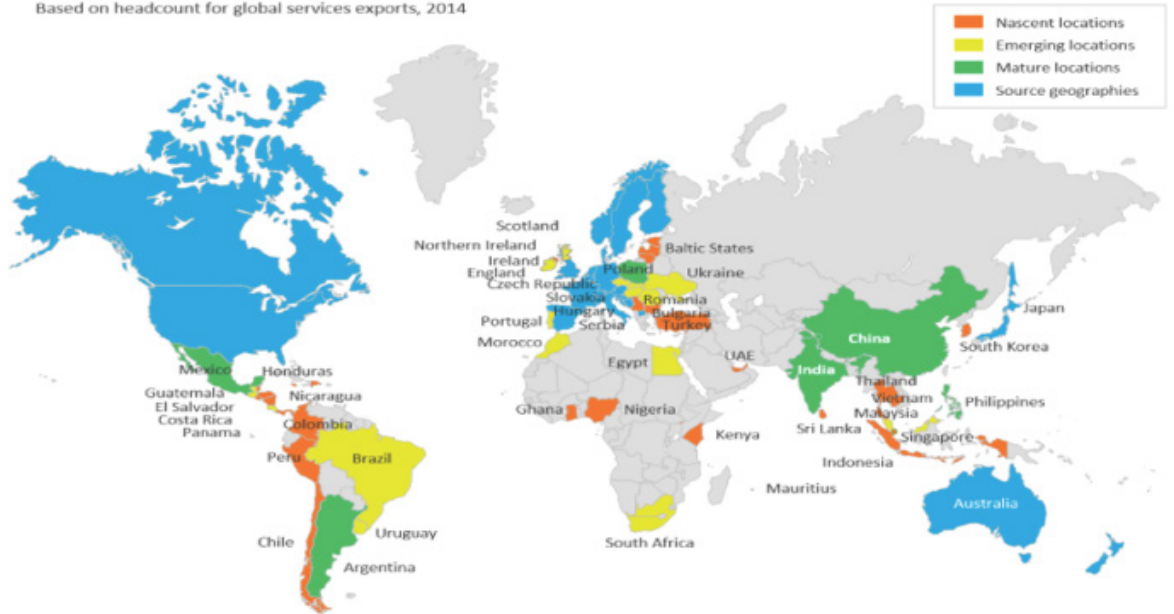


Source: Everest Research, Nearshore Americas Research

Everest Group classifies Mexico as a “mature” location for services exports, alongside Argentina, Poland, China and India.

Global services market heatmap

Based on headcount for global services exports, 2014



Everest Group Global Locations Annual Report 2015: Resurgence of Activity Amidst Evolving Propositions

However, beneath the headline continuity of annual growth, Mexico's ITO/BPO industry has experienced volatility. A spurt of foreign investment in 2012-2013 was followed by regional and emerging market economic headwinds from 2013-2015. This volatility may well continue. GDP growth will remain reliant on U.S. demand, while exports will be checked by slow growth in Latin America and incomplete access to Asian markets. And, going forward, ITO/BPO development will take place amid a shift in business process models, from human-intensive activities to automation-driven cost optimization. Hence, revenue growth may become a less reliable barometer of employment in the BPO space.

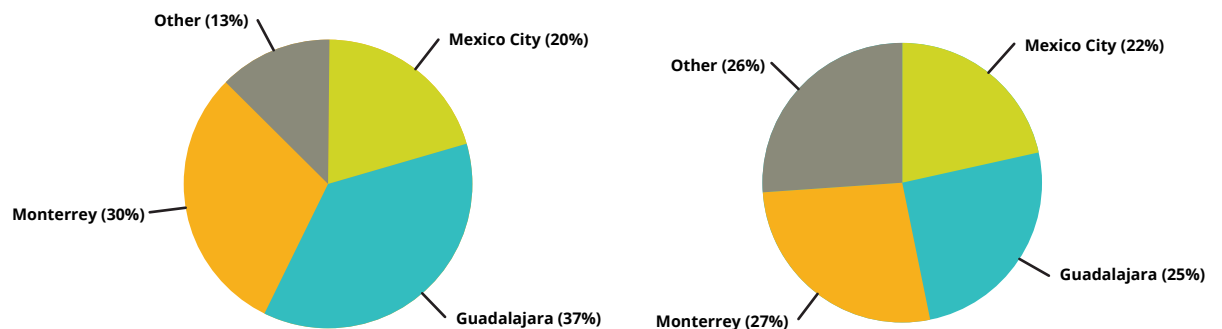
Mexico's Alignment with Global Outsourcing Trends

Historically, the case for outsourcing has relied on a firms' ability to employ talent abroad at wages below that paid at home—labor arbitrage. In the technology and business process domain, this has advantaged the likes of India, China and the Philippines. Because these countries possessed a relative abundance of workers, operations located in these Asian markets were able to deliver services at a lower unit cost because of the lower real wage.

This impelled Mexico and other Latin American markets to distinguish themselves in global services through a series of delivery attributes that combined arbitrage opportunities vis-à-vis the U.S. market with specific 'nearshore' advantages: time-zone alignment, proximity, and business culture affinity.

During the first era of outsourcing, Mexico built a reputation as an attractive location for ITO/BPO investment. In part, Mexico's reputation owes to smooth fulfillment of contracts, which in turn was facilitated by factors such as the country's large pool of tech graduates and time-zone alignments. These factors, complemented by a business ethos that matched that found in the United States, ensured timely diagnosis and resolution of problems. "Mexico has benefited from the legacy of doing nearshore contact center work," says Peter Ryan, principal analyst at Ovum. By the early 2000s, every major global outsourcer had established operations in the country.

What is Mexico's best city for software development and programming?



Note: Within "other" the most common answer was Queretaro, equating to roughly 4% of total responses. For all responses, see Appendix.

Despite a widely held view that Guadalajara is the best place for software development, in 2015 wages for programmers were lower in Mexico City.

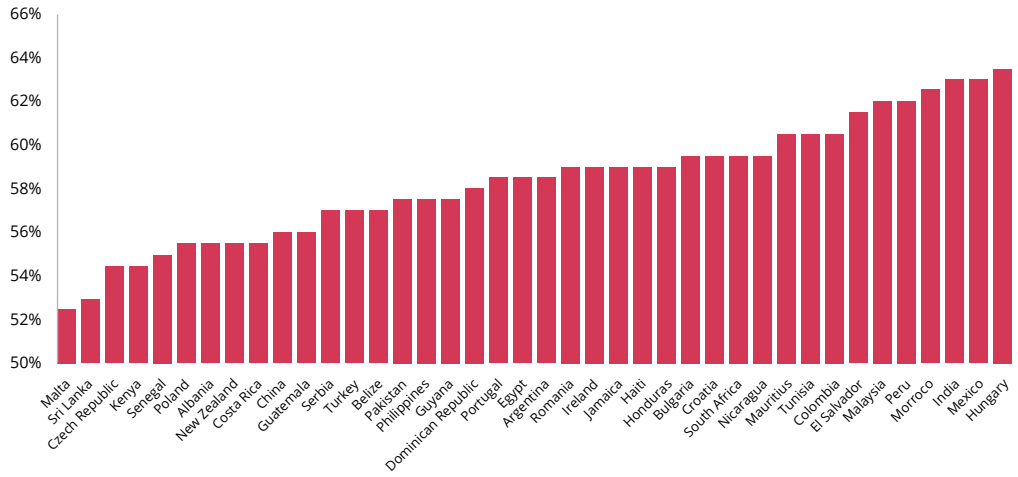
Guadalajara has become a favorite destination for software development firms looking to deliver from Mexico. Over the past decade, the city's reputation as delivery destination has been bolstered by the positive experiences of global ITO firms, including many from India that eyed Guadalajara as a base for expanding operations across the Latin American market. In 2016 and beyond, the concentration of software firms in Guadalajara may gradually decrease, as firms move toward Mexico City in order to take advantage of lower wages.

Business Process Outsourcing

Mexico is perhaps the only country that can rival India in terms of the ability to deliver the entire gamut of outsourcing services from 3 or more cities.

The even distribution of responses is indicative of Mexico's strength as a global BPO destination: there are multiple cities positioned for BPO, and work force skills demanded by the industry is distributed throughout numerous parts of the country. Shifts in the mix between the major markets, and the growth of second-tier locales such as Queretaro, only attests to Mexico's ability to rebalance internally, delivering from different destinations in a manner that prevents individual markets from overheating. Few others countries can deliver the full gamut of technology and business process outsourcing services from so many destinations. This is a key source of stability over the long run.

If you were to outsource, or currently do outsource, your call center abroad, what countries would you consider or not consider based on the following locations?

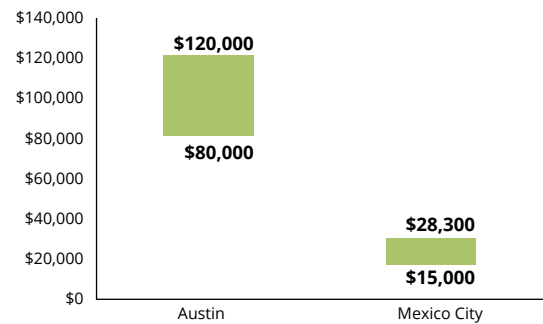
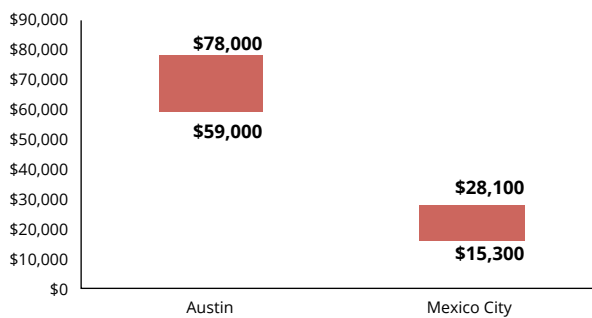


Source: Ovum Research

According to the classical nearshore schema, Mexico remains a competitive destination. In 2015, the average front-end developer earned \$64,353 a year in Austin, Texas, while in Mexico City the average front-end earned \$21,895. There is a larger wage advantage for back-end developers: In Austin the average back-end developers earns \$91,440 and in Mexico City the average back-end developer earns \$21,529.

Front-end Developer Wages, 25-75% Range

Back-end Developer Wages, 25-75% Range

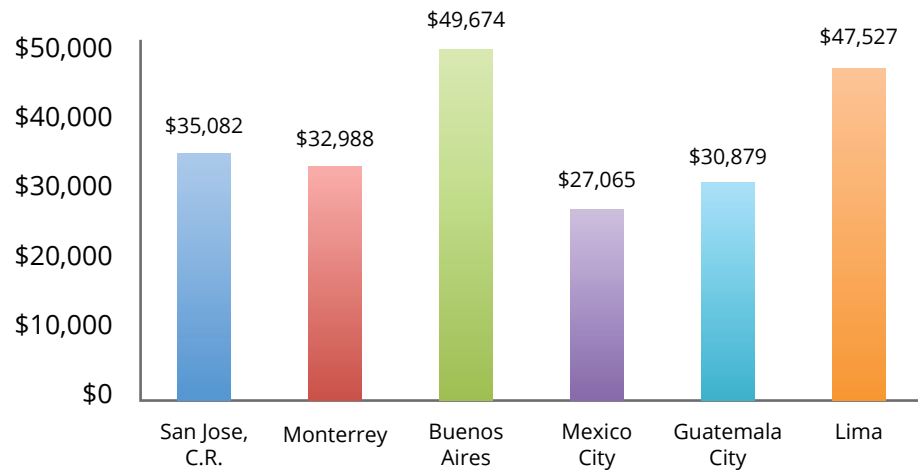


Source: Austin data from payscale.com. Mexico City data from Nearshore Americas Research.

Mexico is an unusually attractive market for firms looking to hire software developers for complex projects.

Mexico's appeal as an arbitrage opportunity is not only evident when compared to high-wage markets such as the United States, but also when compared to other Latin American markets. While arbitrage opportunities presented in many markets are fewer in number and smaller in benefit than was the case in the past, when it comes to software development Mexico represents a unique value proposition. As research by Nearshore Americas notes, Mexico is an attractive market for firms looking to hire software developers and other IT professionals.

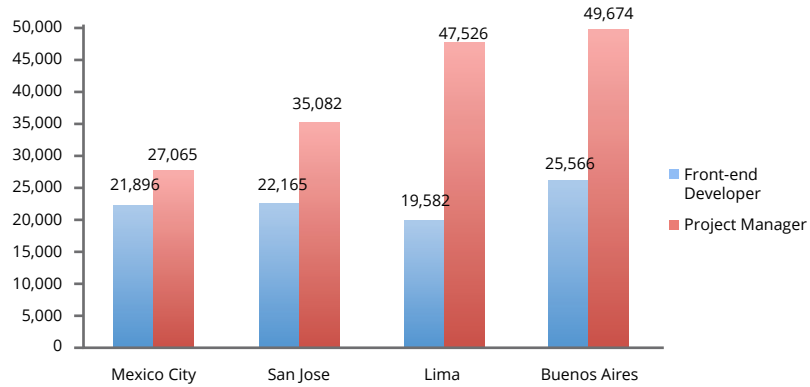
Average Salary, Project Manager



Source: Nearshore Americas Research.

Moreover, Mexico's wage competitiveness vis-à-vis other Latin American markets actually increases as the IT role ascends the wage ladder. So, while front-end and back-end developers may make similar salaries across much of the region, wages vary more widely for more experienced professionals. For instance, project managers typically command the highest non-executive salaries at software development firms, the average project manager in Monterrey makes just under \$33,000 a year, while the same professional in Buenos Aires makes 50% more at \$49,700.⁷

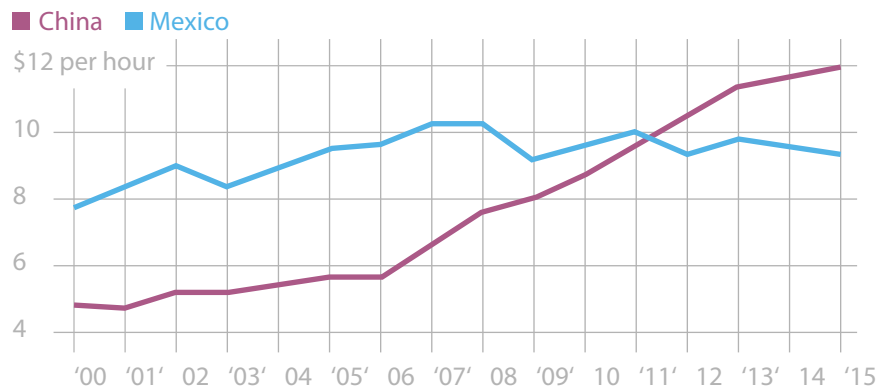
Average Salary (USD)



Source: Nearshore Americas Research

Mexico as an outsourcing destination will continue to offer U.S. firms wage arbitrage opportunities until at least 2030, according to one forecast by Everest Group. This is a singular benefit in a world where the outsourcing calculus has changed, owing in part to wage growth eroding the differential between offshore and nearshore. Five years ago, offshore represented a savings of 20% or more compared to nearshore. Since then though, the savings differential has narrowed considerably, tipping in favor of nearshore for select verticals. This is most clearly the case when comparing wages in China versus those in Mexico.

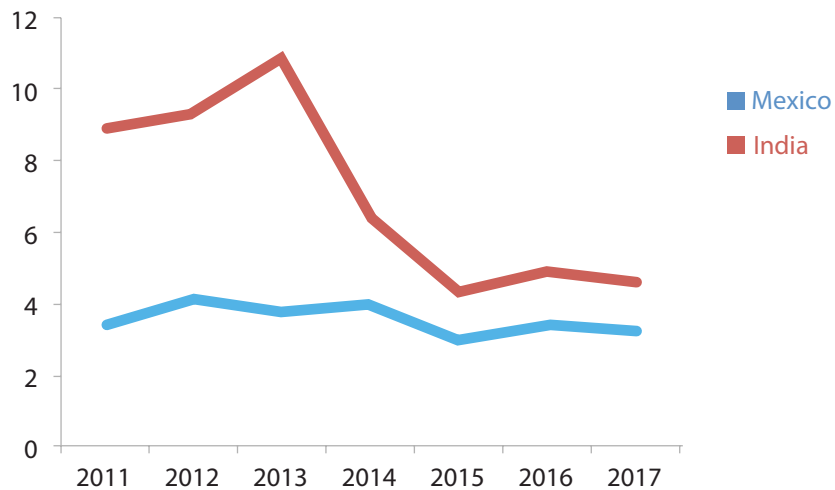
Productivity-adjusted labor rate



Source: Quartz Atlas. Data from Boston Consulting Group.

The trend playing out in India is more specific to the outsourcing industry. Since 2012 inflation in India has dropped by more than half, thanks largely to exogenous factors, especially the fall in oil prices. But inflationary pressures continue to mount in India's ITO/BPO space. Salaries for software engineers are rising far faster than wages in other sectors of the economy, and this is due in part to a recent wave of venture capital that has eyes on Indian tech startups. A junior-level software developer in India made \$25,000 in 2013, but by late 2015 the same professional commanded a salary of \$45,000, according to the Wall Street Journal.

Annual CPI (Inflation): 2011-2017



Source: OECD. 2016-17 are OECD estimates.

By contrast, junior-level software developers in Mexico's larger markets make around \$21,000 a year. Crucially, this salary range is moving broadly in line with the Mexican economy's overall level of inflation, around 3-4% a year through 2017. Hence, Mexico stands to gain from the fact that it offers a more stable wage environment than markets like India.

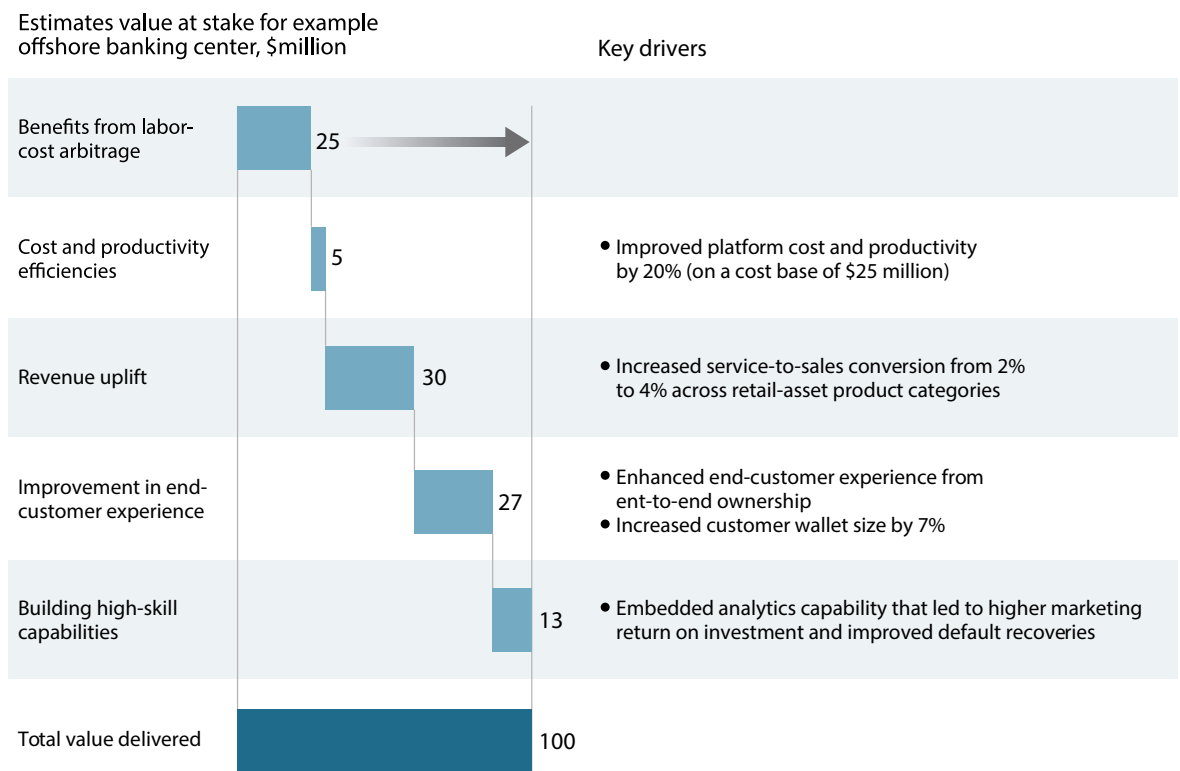
Technological Impacts on BPO/ITO

Technology is changing the way business processes are managed. Many companies are just beginning to harness technologies such as cloud computing, automation-based CRM, and predictive analytics. "The BPO industry is becoming more focused on delivering strategic business impact, not just operating cost reductions," Alexandre Colcher, Accenture's BPO lead for Latin America, told Global Delivery Report in 2014. Colcher went on to note that in recent years leading service providers have demonstrated greater business

value by incorporating automation of services, and the greater use of technology in business processes. As deployment of these technologies becomes widespread, the BPO and ITO landscape will permanently change. This promises enhanced efficiency for service buyers, while displacing providers that fail to adjust. In order to stay competitive call centers, regardless of their location, will need agents who are adept at managing end-to-end processes that result in better customer service. Simultaneously, contact centers will need to devise and scale up operations that generate revenue, such as product sales. By McKinsey's estimate, these combined methods—improvement in end-customer experience and revenue uplift—account for twice the total value in an offshore call center setting as the value attained from labor arbitrage.

An Illustration of the Changing Value Proposition of BPO:

Value From Other Sources is 3-5 Times that Generated from Labor-Cost Arbitrage



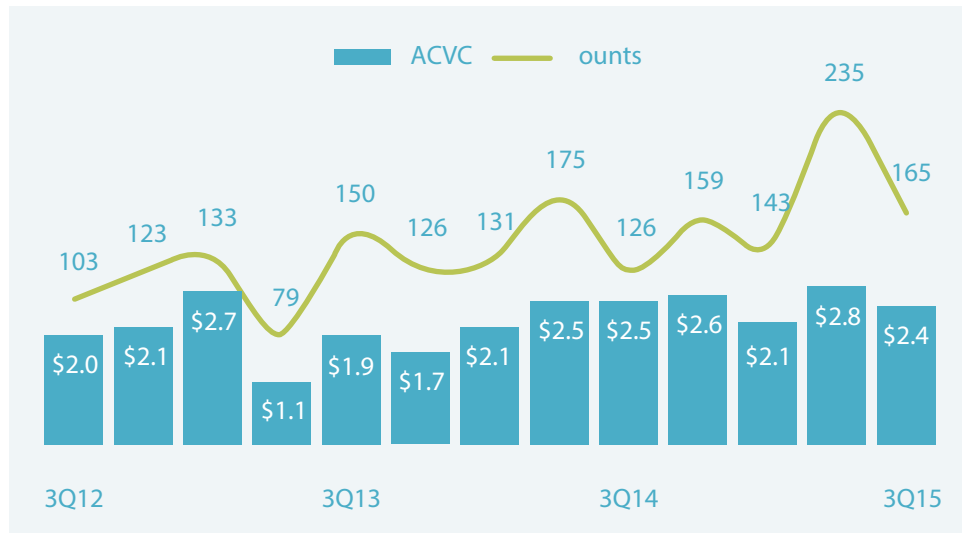
Source: McKinsey, *Business Technology*, No. 32 (Winter 2013), p. 18.

BPO Shift to Shorter, More Frequent Contracts

During the early adoption stage of new technologies, when new systems are only partly integrated and efficiency gains have yet to be fully realized, the nature of outsourcing contracts is changing. Today more outsourcing contracts than ever are being negotiated, yet the overall revenue from these contracts is generally flat. As noted in the ISG Outsourcing Index, the value of outsourcing contracts awarded in the Americas during the third quarter of 2015 fell by 1% y/y; meanwhile, the number of contracts increased by 31% y/y. More contracts are being negotiated for shorter durations, which reduces the service providers' exposure to miscalculations over labor deployment.

ISG Outsourcing Index, Third Quarter 2015

Americas Quarterly ACV (\$B)* and Counts



Source: ISG

Two prominent factors are fueling the trend to shorter, more frequent contracts. First, service providers are growing intolerant of budgeting time for cultural transitions. Second, the pace of technological change could make profitable process enterprises obsolete in a few years' time. Mexico enters this environment from a position of strength, bolstered by a sound macroeconomic environment, early exposure to new technologies, and deep understanding of how to realize efficiency. The churn of contracts offers Mexico opportunities to take over contracts from other destinations.



With short contracts there is much less time available for the “cultural transition” necessary for many employees to learn to work with their Indian counterparts. Therefore, service provider (or service process) dissatisfaction may not be resolved before it is time to start looking at new providers

This is an advantage for companies based in Mexico. With much shorter and smaller transition timeframes and costs, Mexican companies can more quickly demonstrate value - key in a short contract! The expensive, weeks-long trips to India are replaced by same-day trips to Mexico (sans culture training). The ability to ramp-up more quickly means quicker time to market for project deliverables.

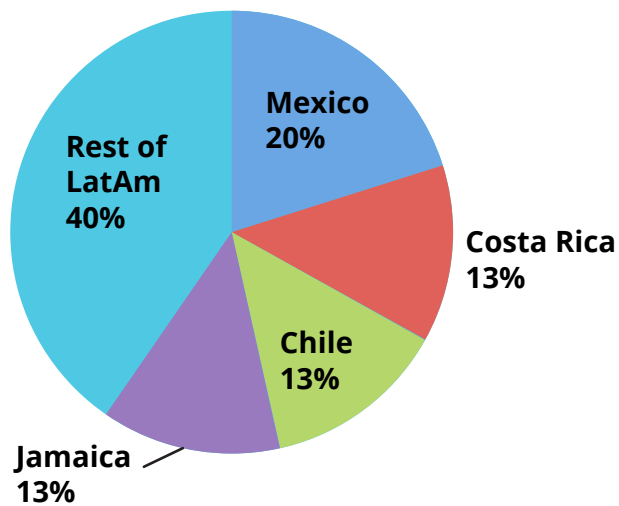
The turnover of contracts is an opportunity for Mexico’s domestic vendors to win over contracts from larger multinational vendors. With many buy-side firms looking at Mexico as a more feasible and desirable sourcing option, Mexican service providers need to be poised and prepared to handle the re-sourced demand coming their way.

—Jon Butler, Principal with ISG

Also, fewer call centers are opening across Latin America. Whereas 38 new centers—both captive and third-party operated—commenced operation in 2014, only 30 are projected to open across the region in 2015. This pattern suggests cyclical consolidation. Despite the mixed outlook for the region as a whole, the creation rate of call centers in Mexico underlines the industry’s confidence in the market as a hub for call center services.

Thankstothe country’s large pool of tech talent and solid macroeconomic foundation, wages for software developers in Mexico continue to increase by single digit percentages annually, a key source of stability.

New Call Centers in Latin America, First Half of 2015

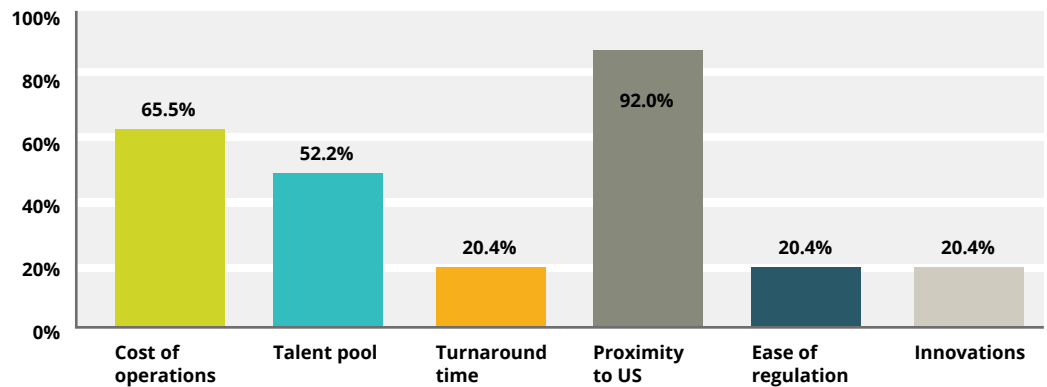


Source: Everest Group, Global Locations Annual Report—2015.

Nearshore Advantages to 2020

Mexico's classical advantages as a nearshore destination continue to resonate throughout the BPO/ITO sector. However, these features are being transformed in light of technological change and geo-economic realities. As Mexico moves forward to 2020, the challenge for the BPO/ITO sector will be to demonstrate higher total value through greater degrees of innovation that will aid overall economic competitiveness.

What Are Mexico's Most Attractive Qualities as an Outsourcing Destination?



Attribute	Classical Advantage	"To 2020" Advantage
Time-zone alignment	Conference calls	Agile methodologies
Proximity	Same day round-trip visits	Silicon Valley grows south
Business culture affinity	Same holidays	Exploiting nascent tech trends
Free Trade Agreements	NAFTA	TPP, Pacific Alliance

Nearshore characteristics are broken down below, with a focus on how those characteristics are likely to take shape in the years ahead.

- Time zone alignment continues to set Mexico apart from global competitors.

- As cloud-based systems are adopted by companies in the United States, the IT stack will go from a set of layers that are periodically updated to a stack where solutions are updated continually and across infrastructure.

- Agile methodologies allow developer teams to prioritize functionalities with higher business value, incorporating active client communication in the project. Arguably the major drawback leads to greater use of Agile, as opposed to Waterfall, is that product quality suffers if there is poor client participation. However, in Mexico's case the proximity and time zone alignment with the U.S. helps prevent such a breakdown.

- Free trade agreements: Since 1994 NAFTA has helped anchor the Mexican economy to that of America and Canada. At the same time, NAFTA trade regulations helped make Mexico a globally competitive export market, the likes of which few other markets can match. NAFTA continues to serve as a differentiator and unique source of development available to Mexico. Two recent trends in particular reflect Mexico's status as a NAFTA member. First, the advent of shelter services. Shelter services rely on working with a local partner to enjoy complete control of operations—values, corporate culture, complete control of intellectual property—without the risk of direct incorporation liabilities. Second, increased concern of intellectual property theft. NAFTA includes strict provisions on IP theft that ensures Mexican workers undergo background checks.

- As these features boost Mexico's BPO/ITO delivery to the U.S., new free trade agreements will expand Mexico's export potential to new markets. The Trans-Pacific Partnership offers defensive benefits to Mexico by assuring that other trade partners cannot develop an export channel that is not also available to Mexico. At the same time the trade deal offers Mexico the opportunity to export to un-penetrated Asian Pacific markets.

- Proximity and time zone alignment can be difficult to parse when it comes to assigning credit for synchronized delivery results.

- Mobile applications rely on UX and UI design, which means programmers must work seamlessly with stakeholders in order to ensure that end users have the best possible user experience. Major time zone differences frequently disrupt workflows. As a result, offshore development of mobile apps is riskier and exposed to poor end user results. Mexico's position as source of mobile app development is enhanced because of its time zone alignment and proximity to the United States.

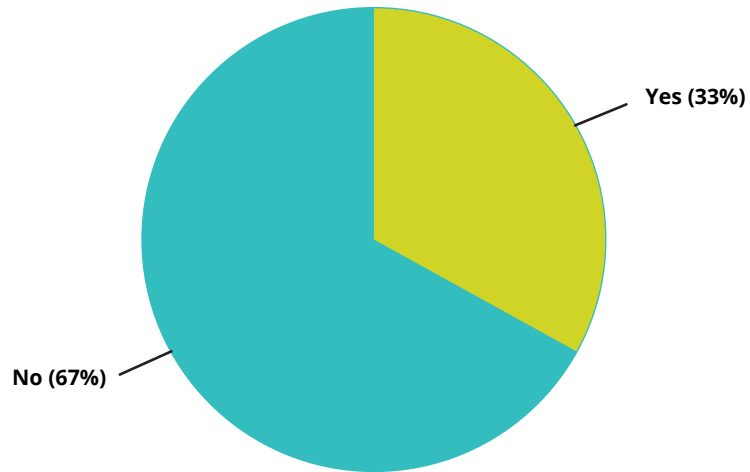
- Proximity: Mexico's strategic geography has improved. The United States is expected to be the fastest growing developed market through at least 2016. This will only boost Mexican exports in general. And while it is unlikely that firms will turn away from investment in Mexico because of U.S. growth, it may entice some outsourcing firms to target Mexico as a delivery destination.



Agile enables more loosely coupled development organization, so teams don't have to be in the same room. However, cultural affinity, time zone and physical proximity are still much needed if Agile is really going to "work." Agile tools allow team members to work collaboratively but they have to be on-line at the same time, and be able to communicate well. I think this trend will work in Mexico's favor - last week we had a client meeting in LA and the dev team and I left Guadalajara at 7am and we were at a strategy meeting in Santa Monica by 10. Did a full day of work and was back in my Mexican home by 9:30 that night.

—Andy Kieffer, General Partner at Agave Labs, Guadalajara

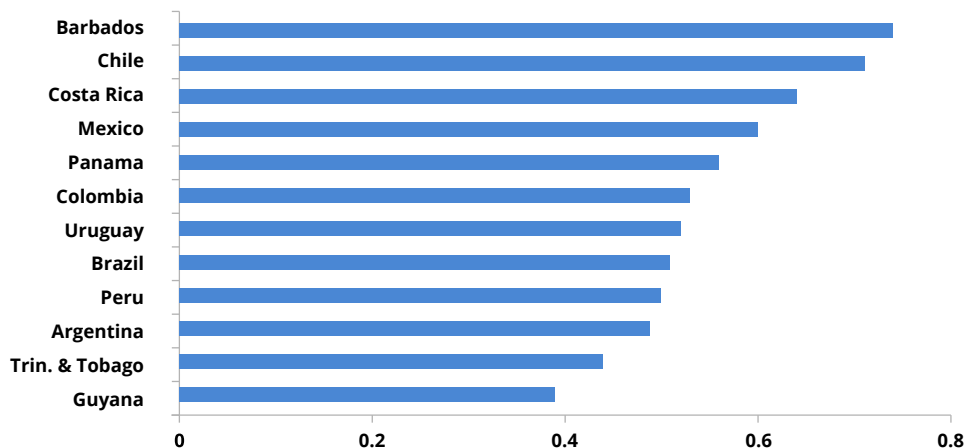
Will medium-term economic growth in the United States affect your willingness to invest in Mexico?



- America’s tech hubs are becoming closer to Mexico.
- Silicon Valley is drawing in Mexican university graduates, many of whom return to Mexico, while the U.S. tech industry as a whole has gravitated over the course of the past generation from the East Coast to Silicon Valley in California, and now to hubs like Austin, Texas. This proximity is leading to collaboration with Mexican developer teams and entrepreneurs. Mexico will benefit from greater exposure to cutting-edge tech trends. In turn, this will bleed over into innovation as Silicon Valley grows south.

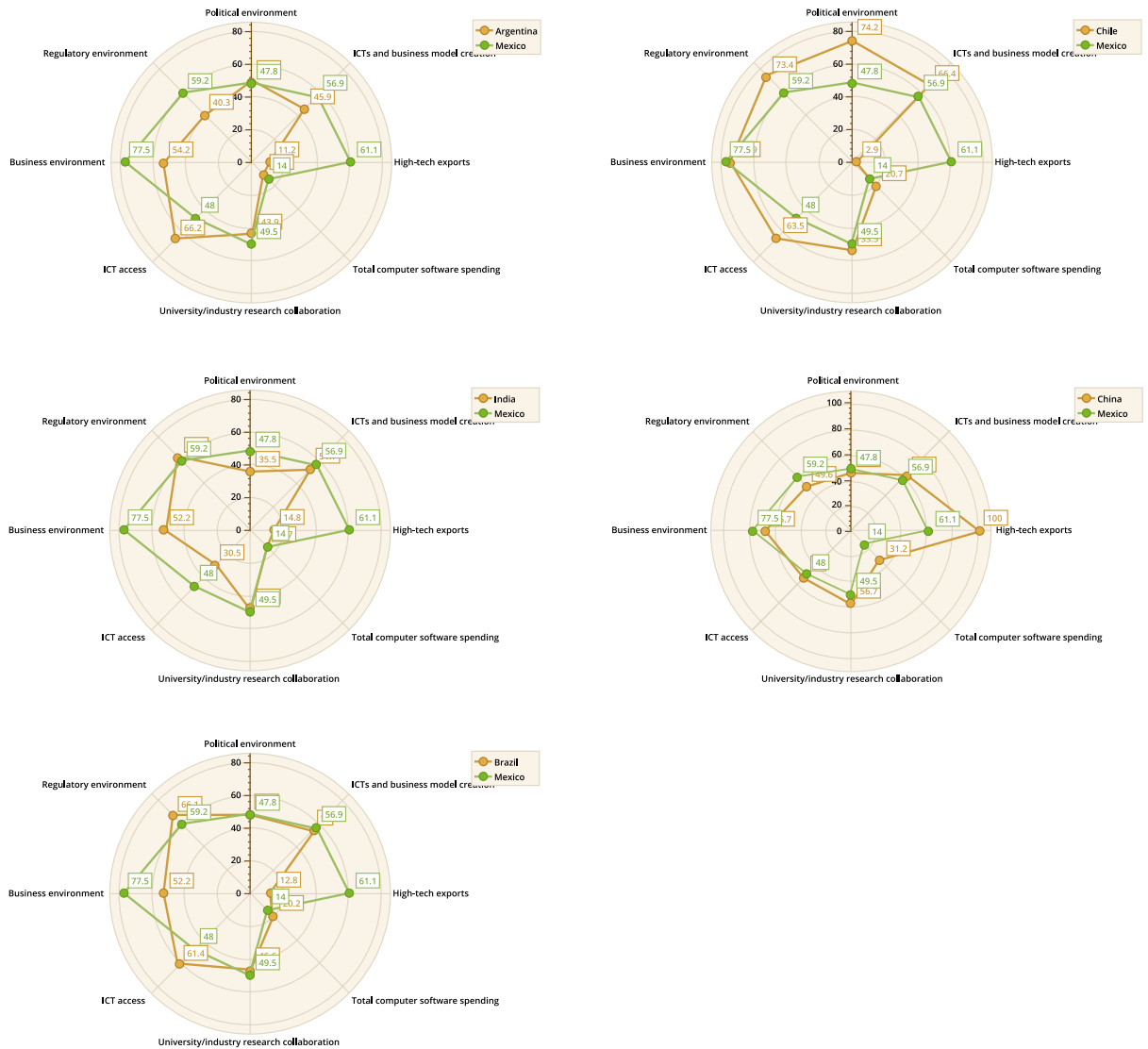
Accelerating Pace of Innovation

Global Innovation Index Ranking



The foundation for this innovation is Mexico's educational system, which, alongside the willingness of the country to open itself up to global trade flows, serves to incorporate global best practices and helps firms in Mexico to devise improvements to existing business processes and technology.

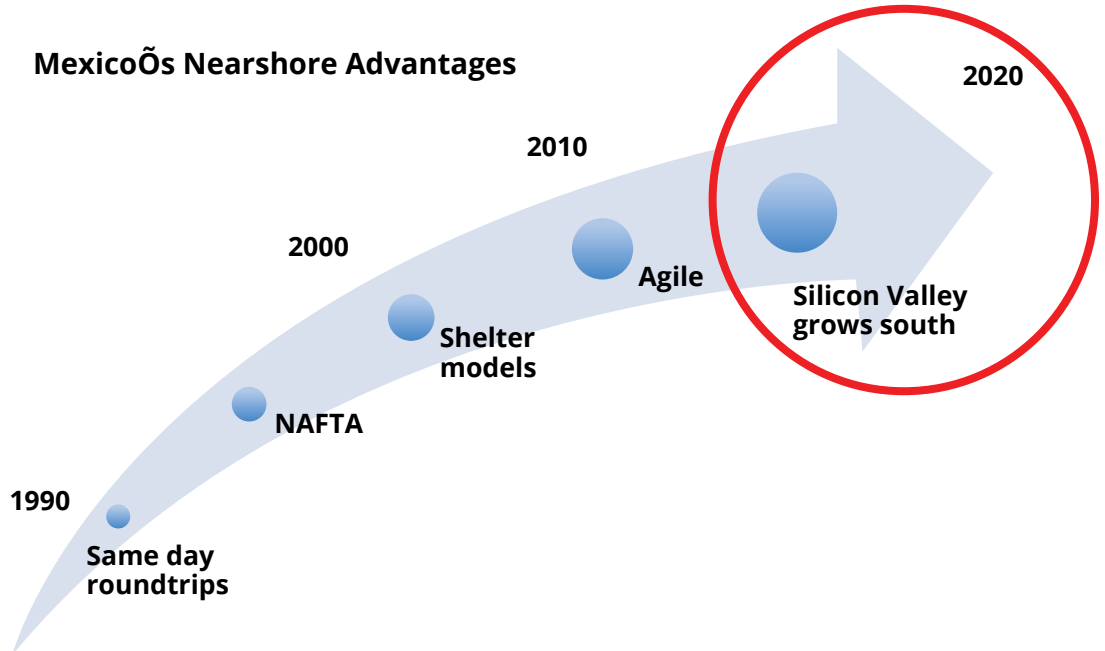
Global Innovation Index Scores, 2015.



Source: <https://www.globalinnovationindex.org/content/page/data-analysis/>

“To 2020” Advantages

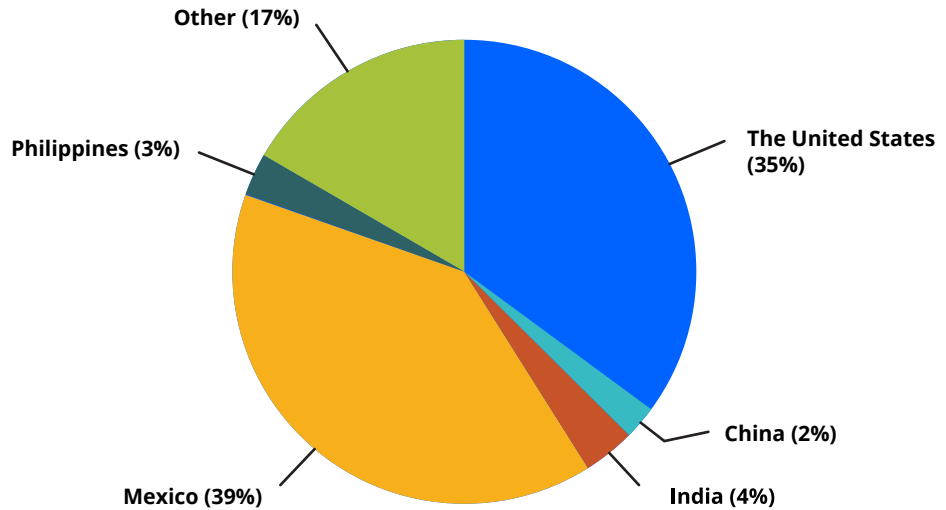
Mexico’s tech outsourcing growth will be qualitatively different from previous eras. Whereas in the past classical advantages delivered results based on efficiency and standardized performance metrics, going forward firms will exhibit a greater degree of innovation, which promises dynamic gains.



Policy Recommendations

Mexico is in a strong position as the outsourcing industry transitions away from human-based business processes toward a digital future. The country’s strengths are reflected in a highly respected and attractive business environment, large tech talent pool, unrivaled strategic geography, and increasingly innovative tech sector. Combined, these features will make Mexico a leading market for outsourcing investment through the remainder of the decade.

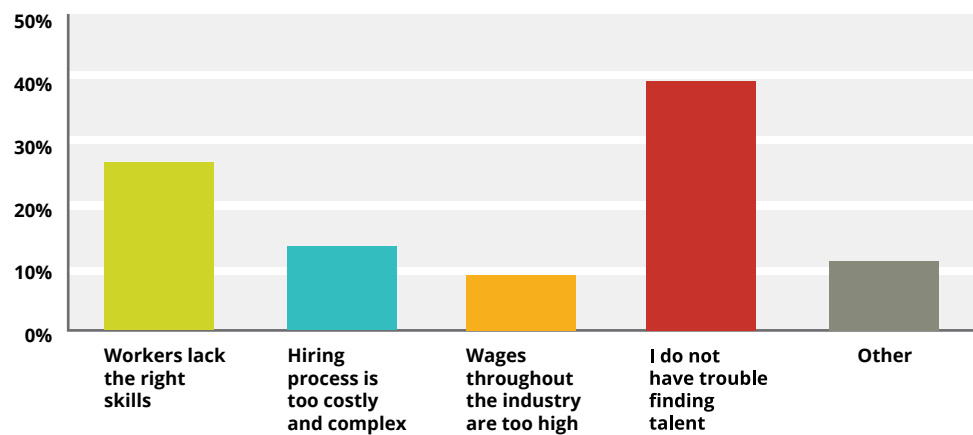
Over the next 5 years, where do you plan to expand operations most aggressively?



Note: Of the 17% of respondents who selected "other," 70.5% named a Latin American country or sub-region; the remaining 29.5% named a European market. For details, see Appendix.

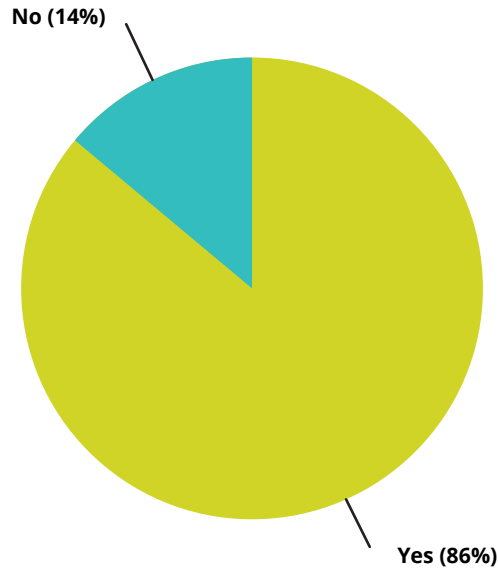
This leadership is also reflected in the high degree of satisfaction among outsourcing professionals who currently operate in Mexico.

What is your biggest challenge when it comes to finding talent in Mexico?



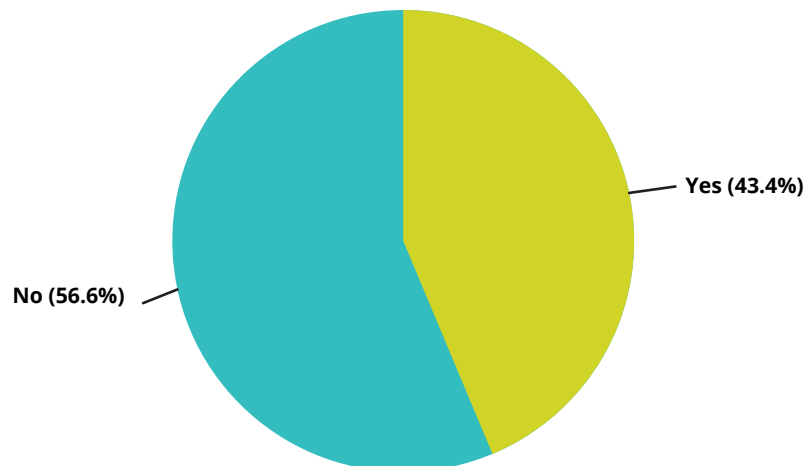
Note: 'Other' responses are found in Appendix.

Does Mexico's IT infrastructure meet your firms' needs?



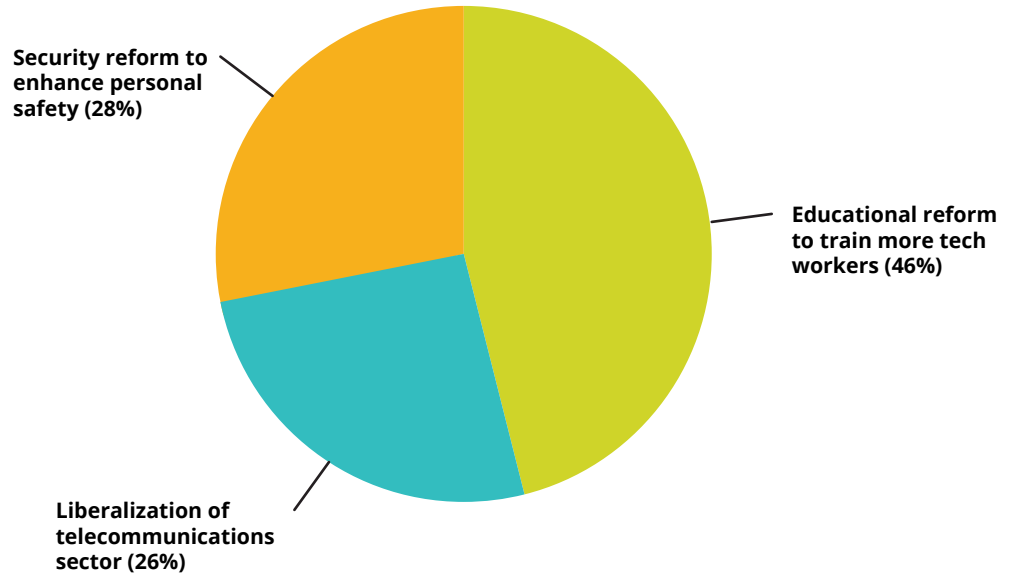
Mexico faces personal security challenges, mainly stemming from drug gang violence. While the violence poses an acute problem, many outsourcing professionals regard Mexico's violence as more localized or regional in nature, and the outsourcing community continues to regard Mexico as an attractive business environment.

Are you concerned about your own physical security or the physical security of your firms' employees in Mexico?



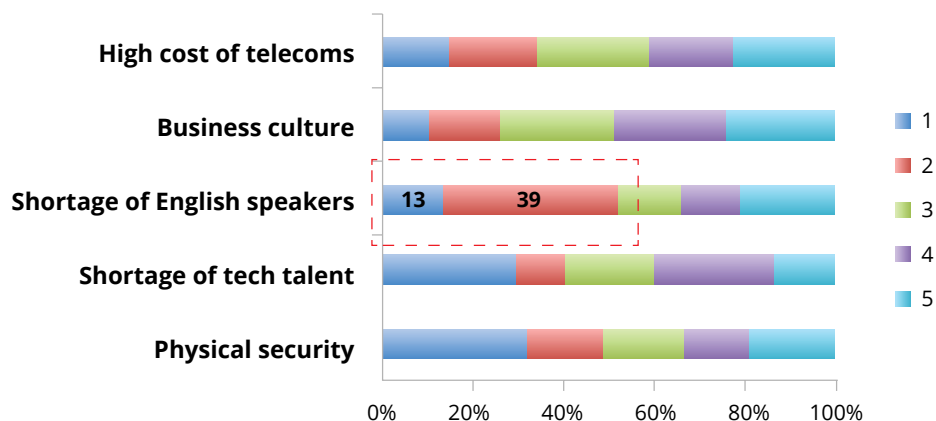
So while personal security remains a concern, business leaders consider workforce challenges as a larger overarching problem.

What structural reforms does Mexico need to complete in order to become a world leader in IT outsourcing and BPO?



Further, workforce challenges can be broken down to English language skills and technical skills.

Considering the major hubs of Mexico City, Guadalajara and Monterrey, rank the challenges that Mexico faces. (1=most serious challenge)



When it comes to ranking business challenges, outsourcing professionals are relatively more concerned about the shortage of English speakers.

52.4% of respondents reported that a shortage of English speakers was one of their top two challenges when doing business in Mexico.

Many Mexicans grasp the English language at a low-proficiency level, but there is a shortage of English speakers at higher levels of proficiency. This is a constraint to economic development generally, and to the growth of the ITO/BPO sector in particular. Beyond ranking English-language training as a problem and a priority for reform, outsourcing professionals responded to the survey by commenting, for example:

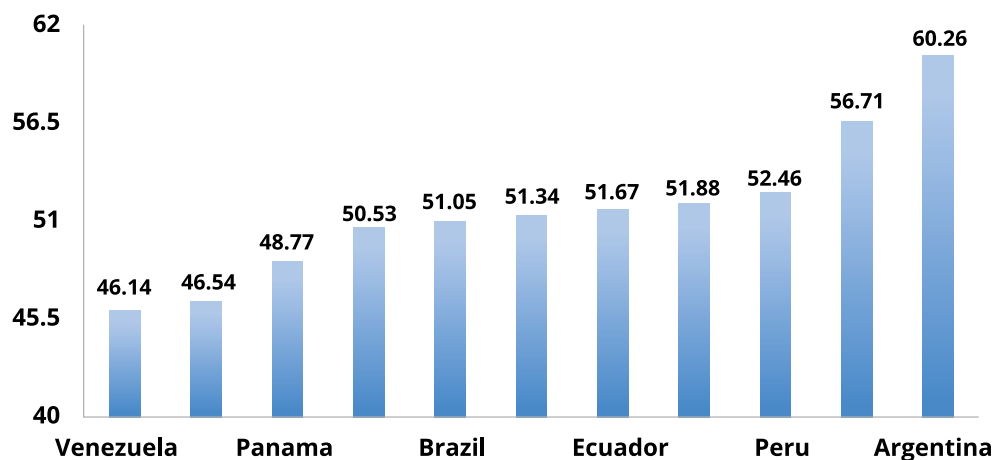
“English and context education.”

“[English] Language and culture to better understand context.”

“High-end English skills can sometimes still be a problem.”

“Technical skills + language skills (English).”

EF English Proficiency Index Scores

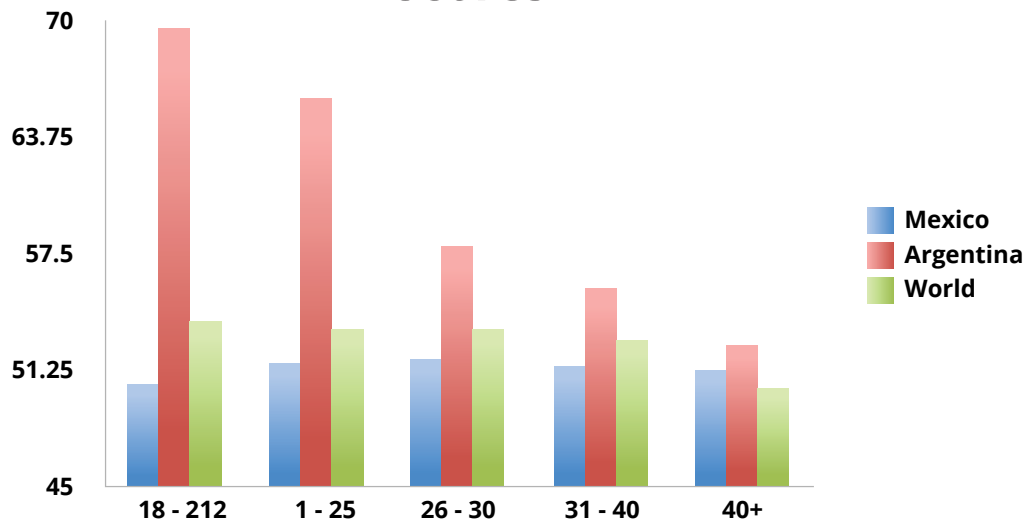


Source: Data from EducationFirst English Proficiency Index (2015)

Mexico trails the world EPI score for ages 18-40, and lags yet further behind Latin America’s regional leader, Argentina. The gap narrows among English speakers age 40-plus, but Mexico also scores relatively lower among younger age groups. As a result, Argentina’s strongest generation of English speakers are just beginning their careers, while Mexico’s best segment of English speakers is more than halfway toward retirement.

In order for Mexico to make the most of its strengths, and for the country to solidify its status as a leader in the global BPO/ITO market, early-stage educational reforms must be carried through to completion.

EF English Proficiency Index Scores



In order to reassert the importance of English, policymakers must remind themselves that English is a global language, not just the language of a neighboring market. And while the U.S. is likely to remain the source destination for Mexican industry for years to come, Mexico also stands to expand its service exports along the Pacific, including such English-language countries as TPP members Canada, New Zealand, Australia and Singapore.

Not only are policymakers aware of this challenge, but Mexico already has programs aimed at redressing the shortcoming. In 2014 Mexico launched Project 100000, which aims to send 100,000 Mexican students to the United States for short-term language study by 2018. Even so, Mexico should be prepared to double down on Project 100000. Based on early results and feedback, Mexico should be prepared to invest more heavily in the program, setting more ambitious goals for the number of students offered English-language study opportunities, and extending goals through 2020 and 2025.

Appendix: Mexico Next Generation Survey Responses

Nearshore Americas conducted a survey of 123 senior-level outsourcing professionals in November 2015. Below are the results:

What are Mexico's most attractive qualities as a destination?

Answer Choices	Responses	
Cost of operations	65.5%	74
Talent pool	52.2%	59
Turnaround time	20.4%	23
Proximity to US	92.0%	104
Ease of regulations	20.4%	23
Innovation	20.4%	23
Total Respondents: 113		

Does Mexico's IT infrastructure meet your firms' needs?

Answer Choices	Responses	
Yes (86%)	86%	95
No (14%)	14%	15
Total		110

Your operations in Mexico primarily service which market?

Answer Choices	Responses	
Mexico's domestic market	17%	18
The United States	56%	60
Latin America	13%	14
Numerous markets across continents	14%	15
Total		107

What is Mexico's best location for business process outsourcing?

Answer Choices	Responses	
Mexico City	21.50%	23
Guadalajara	25.23%	27
Monterrey	27.10%	29
Other (please specify)	26.17%	28
Total		107

Other Responses: Sonora; Queretaro (4); Puebla (2); Aguascalientes, Tijuana, Tijuana/Baja California (2); Hermosillo (2); Cancun, Quintana Roo/Yucatan; Chihuahua (2); "Hubs around Universities with strong IT communities in multiple states"; Nogales; Merida (2), Nuevo Laredo, Tamaulipas, "The 3 cities: Mexico, Guadalajara and Monterrey"; "The secondary markets, e.g., Leon, Aguascalientes"; Michoacan; Guanajuato.

What is Mexico's best city for software development and programming?

Answer Choices	Responses	
Mexico City (20%)	20.39%	21
Guadalajara (37%)	36.89%	38
Monterrey (30%)	30.10%	31
Other (13%)	16.62%	13
Total		103

Other Responses: Queretaro (2); Aguascalientes (and Guadalajara); "Not sure - most likely Mexico City:" Hermosillo; Cancun; "Hubs in University anchored cities with strong IT community"; Tijuana/Baja California; Aguascalientes; Morelia; Merida and Puebla

What reforms does Mexico need to complete in order to become a world leader in IT outsourcing and BPO?

Answer Choices	Responses	
Educational reform to train more tech workers (46%)	46.00%	46
Liberalization of telecommunications sector (26%)	26.00%	26
Security reform to enhance personal safety (28%)	28.00%	28
Total		100

Comments: “Reduce corruption within legal systems”; “Labor reform to flexibilize work and severance schemes”; “Less taxes on payroll, or more flexible options”; “eliminate corruption”; “Build a wall”; “Security concerns need to be diminished by non-Mexicans. Otherwise it doesn’t carry much weight”; “Labor laws need to change more flexibility to employer”; “Stop corruption in government institutions”; “English and context education”; “It is a combination of the above”; “Upgrade broadband capacity and reliability”; “Rule of law, corruption eradication, more post graduate and industry training”; “Education, but will not come thru the Education Reform as it is currently stated”; “Tax reform to simplify and improve taxes”; “As Mr. Castaneda has written—structural political reform”

In terms of finding talent in Mexico, what is your biggest challenge?

Answer Choices	Responses	
Workers lack the right skills	26.73%	27
Hiring process is too costly and complex	13.86%	14
Wages throughout the industry are too high	8.91%	9
I do not have trouble finding talent	39.60%	40
Other	10.89%	11
Total		101

Other Responses: “High-end English skills can sometimes still be a problem”; “Universities must step up to the challenges and needs”; “Technical skills + language skills (English)”; “We are able to find decent talent, but it takes time and the process is getting difficult due to the competition”; “Language and culture to better understand context”; “Safety”; “Spoken English language proficiency”; “Difficulty in finding Sr. skilled management”; “Lack of solid English language skills”; “Language skills at times”

Over the next 5 years, in which markets do you plan to expand operations most aggressively?

Answer Choices	Responses	
The United States (35%)	35.29%	36
China (2%)	1.96%	2
India (4%)	3.92%	4
Mexico (39%)	39.22%	40
Philippines (3%)	2.94%	3
Other (17%)	16.67%	17
Total		101

Other Responses: Latin America (4); South America (2); Central America (4); El Salvador; Honduras; Brazil; UK / Europe, Canada, and also U.S.; Latin America not Mexico; China, Mexico and the USA; Nordic Nations; Eastern Europe; None.

Considering the major hubs of Mexico City, Guadalajara and Monterrey, rank the challenges that Mexico faces. (1 = most serious challenge)

	1	2	3	4	5	Total	Score
Physical security	32.14%	16.67%	17.86%	14.29%	19.05%	84	3.29
Shortage of tech talent	29.63%	11.11%	19.75%	25.93%	13.58%	81	3.17
Shortage of English speakers	13.41%	39.02%	13.41%	13.41%	20.73%	82	3.11
Business culture	10.23%	15.91%	25.00%	25.00%	23.86%	88	2.64
High cost of telecommunications	14.89%	19.15%	25.53%	18.09%	22.34%	94	2.86

Will medium-term economic slowdown across Latin America affect your willingness to invest in Mexico?

Answer Choices	Responses	
Yes (19%)	18.81%	19
No (81%)	81.19%	82
Total		101

Will medium-term economic growth in the United States affect your willingness to invest in Mexico?

Answer Choices	Responses	
Yes (33%)	33.33%	33
No (67%)	66.67%	66
Total		99

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