

The Rise of Nearshoring: Mergers and Acquisitions in Mexico's Call Centers, BPO, and AMS Centers



As globalization continues to reshape the business landscape, companies are increasingly turning to nearshore as a strategic move to enhance efficiency and reduce costs. Mexico, with its favorable geographic location, cost advantages, and skilled workforce, has emerged as a prime destination for nearshoring call centers, Business Process Outsourcing (BPO) centers, and Application Management Services

(AMS) centers. This trend is driving significant mergers and acquisitions (M&A) activity in the sector. Here's a comprehensive look at the key factors and implications of this trend.

Key Drivers of Nearshoring to Mexico

- 1. Cost Efficiency** One of the most compelling reasons for nearshoring to Mexico is the substantial cost savings. Labor costs in Mexico are significantly lower compared to the United States and other developed countries. This cost advantage extends beyond wages to include infrastructure and operational expenses, making Mexico an attractive option for companies looking to optimize their budgets. According to Deloitte, companies can save between 20% and 30% on operational costs by nearshoring to Mexico ([Wilson Center](#)) ([Fitch Solutions](#)).
- 2. Proximity and Time Zone Compatibility** Mexico's proximity to the United States offers considerable logistical benefits. The similar time zones facilitate real-time communication and collaboration, reducing delays and enhancing service quality. This geographical advantage also lowers travel costs and time for managerial oversight and training. Forbes notes that the travel time from major U.S. cities to Mexico is significantly shorter compared to offshore locations like India or the Philippines ([Fitch Solutions](#)) ([McKinsey & Company](#)).
- 3. Skilled and Bilingual Workforce** Mexico boasts a large pool of bilingual professionals proficient in both English and Spanish. This linguistic capability is

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crucial for customer service roles and enhances the overall customer experience for companies serving diverse markets. Additionally, Mexico has invested significantly in education, particularly in technology and business fields, resulting in a skilled workforce capable of handling complex BPO and AMS tasks. PwC highlights that the number of graduates in STEM (Science, Technology, Engineering, and Mathematics) fields in Mexico has been steadily increasing, providing a rich talent pool for tech-driven services ([McKinsey & Company](#)) ([PwC](#)).

4. **Favorable Trade Agreements** Mexico's participation in trade agreements like the United States-Mexico-Canada Agreement (USMCA) provides a stable and favorable trade environment. These agreements facilitate smoother business operations and offer protection for intellectual property, which is vital for AMS and other technology-related services. The USMCA, in particular, has provisions that enhance the cross-border flow of services and data, reducing regulatory barriers for companies operating in both the US and Mexico ([Wilson Center](#)) ([PwC](#)).
5. **Cultural Affinity** The cultural similarities between Mexico and the United States help in understanding and meeting the expectations of US customers. This cultural affinity reduces the learning curve for Mexican employees and enhances the quality of customer interactions. According to a report by the Wilson Center, cultural proximity improves customer satisfaction and loyalty, which are critical metrics for customer service operations ([McKinsey & Company](#)).
6. **Robust Infrastructure and Technology** Mexico has developed robust infrastructure and technological capabilities, supported by significant investments in telecommunications and IT infrastructure. This ensures reliable and efficient service delivery, essential for BPO and AMS operations. Fitch Solutions points out that Mexico's IT infrastructure is among the most advanced in Latin America, providing a solid foundation for technology-driven services ([PwC](#)).

Implications for M&A Activity

The trend of nearshoring to Mexico is driving significant M&A activity, with several key implications:

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- 1. Increased M&A Activity** The rising attractiveness of Mexico as a nearshoring destination is likely to spur M&A activity. Companies looking to expand their presence in North America or enhance their service delivery capabilities may seek to acquire established Mexican call centers and BPO/AMS providers. This trend is driven by the need to quickly gain market access and leverage existing infrastructure and talent pools. Deloitte reports that the number of M&A deals in Mexico's outsourcing sector has been steadily increasing, reflecting growing investor interest ([Wilson Center](#)) ([McKinsey & Company](#)).
- 2. Strategic Consolidation** Larger players in the BPO and AMS sectors might pursue strategic consolidation to strengthen their market position. By acquiring competitors or smaller firms with complementary capabilities, these companies can achieve economies of scale, enhance service offerings, and improve operational efficiencies. PwC notes that consolidation allows companies to streamline operations and reduce redundancies, leading to cost savings and improved service delivery ([PwC](#)).
- 3. Access to Skilled Workforce** Acquisitions in Mexico provide foreign companies with immediate access to a skilled, bilingual workforce. This is particularly valuable for companies aiming to improve customer service operations and expand their reach in Spanish-speaking markets. According to a report by Forbes, having a bilingual workforce enhances communication with a broader customer base, leading to higher customer satisfaction and retention rates ([Fitch Solutions](#)) ([PwC](#)).
- 4. Enhanced Technological Capabilities** Investing in or acquiring Mexican BPO and AMS centers can provide foreign companies with advanced technological capabilities and infrastructure. Mexico's investment in IT and telecommunications infrastructure makes it a competitive location for high-tech services. Deloitte highlights that Mexico's technological infrastructure supports advanced analytics, cloud computing, and AI applications, making it an attractive destination for tech-driven service providers ([McKinsey & Company](#)).
- 5. Regulatory and Trade Benefits** The favorable trade agreements, such as the USMCA, and the regulatory environment in Mexico reduce barriers to entry and facilitate smoother business operations for foreign investors. This stable environment is conducive to M&A, providing legal and operational certainty. The Wilson Center emphasizes that the regulatory alignment between Mexico

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and the US under the USMCA enhances investor confidence and reduces compliance costs ([Wilson Center](#)) ([PwC](#)).

6. **Cost Synergies** Acquiring Mexican call centers and BPO/AMS providers can lead to significant cost synergies. Companies can benefit from lower labor and operational costs, leading to improved profitability and competitive pricing. According to PwC, cost synergies from nearshoring can result in savings of up to 30%, enhancing the overall financial performance of the acquiring companies ([Wilson Center](#)).
7. **Market Expansion** For companies looking to expand their market reach, acquiring established Mexican firms provides an immediate foothold in the region. This strategy allows companies to tap into new customer bases and expand their services more efficiently than building operations from scratch. Forbes reports that market expansion through acquisitions allows companies to quickly scale their operations and leverage local market knowledge and relationships ([PwC](#)).

Conclusion

The trend of nearshoring to Mexico is poised to drive significant M&A activity in the call center, BPO, and AMS sectors. Companies seeking to enhance their operational efficiencies, technological capabilities, and market reach are likely to find attractive acquisition opportunities in Mexico. The implications of this trend include increased M&A activity, strategic consolidation, access to skilled workforce, enhanced technological capabilities, regulatory benefits, cost synergies, and market expansion.

Mexico's strategic location, cost advantages, and skilled workforce make it an ideal destination for nearshoring. As the global business landscape continues to evolve, Mexico's role as a nearshoring hub is expected to grow, offering significant opportunities for investors and companies alike. By leveraging the benefits of nearshoring, companies can improve their competitiveness, drive innovation, and achieve sustainable growth in a rapidly changing market environment.

References

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