



# Mexico way

## LATIN AMERICA

Mexico represents a key territory in the developing markets in Central America.

Martin Sack, managing director of Leschaco

Mexicana, explains what drew the company to enter the market and reports on how the chemicals sector is faring

Leschaco came to Mexico in 1998 at the invitation of one of its major global customers, which was investing significantly in new production sites in the country. “For this kind of project logistics they needed one of their well-known specialists, so Leschaco signed the contract abroad under the condition that we would open an office in Mexico,” says Martin Sack. “Since then we were able to very successfully develop our business in Mexico. Today we have over 120 employees and several offices. On a global level,

Leschaco is still a privately owned company with 42 separate companies and more than 1,800 employees in more than 20 countries.

When Leschaco arrived in Mexico, there were about 80 companies active in freight forwarding. Fifteen years later, that number has risen to more than 300 companies with another 300 to 400 indirectly linked to the market. More international players have come in and small and medium-sized national companies have been established. “Today Mexico has a completely developed, open market as in Asia and Europe.” Sack says.

In 2013 Leschaco Mexicana was among the top three group subsidiaries outside its home market of Germany in terms of revenue and development. “We have been able to develop and grow our business in Mexico year after year, independent of external economic influence,” says Sack. “This growth will continue in Mexico for the next 10 to 15 years without major problems. Mexico has a strategic geographic location due to its proximity to the US and its important trade relationships with most countries in Latin America. We see a lot of potential when it comes to future growth between Mexico and Latin America. Leschaco is focusing both on development inside Mexico, as well as growing our influence in US and Latin America.”

## Chemical opportunity

“When we arrived in Mexico, we immediately recognised that there was no main logistics provider for the chemical industry,” Sack says. “We worked hard to become this kind of dedicated and specialised service provider for the chemical industry, which requires having specific knowledge and educated employees, and several specialised products. Also due to globalisation we needed to be proactive and prepared for fast growth, which means taking internal measurements to prepare for this growth. Customers’ demands are changing from day to day, and therefore we need to be much closer to our customers than 15 years ago. As our customers’ businesses become more complicated they are no longer looking for a service contract, they are looking for real partnerships.

“We are developing in-house and in-plant presence with our employees in Mexico,” Sack continues. “We already have Leschaco Mexicana employees present in seven companies working directly with customers. Leschaco is taking more control of the supply chain and implementing key account management activities, so our customers can focus on their core businesses.”

Leschaco’s traditional services are in international transport and the coordination of trade by sea, air, road and rail. This includes documentation and customs clearance. Importantly for the chemical industry, the group also offers a fleet of tank

containers for the transport of liquids.

In addition, Leschaco has invested in its internal global operational systems, which provides clients with more visibility about their shipments. It also ensures that data input is in compliance with regulatory requirements, wherever in the world goods are being shipped – an important consideration in the chemicals sector.

### Investment needed

But there is much that can be done to help local industry, Sack reckons. “Mexico needs more investment in transport infrastructure. Overland transport is very important in Mexico because of its huge traffic with the US. We have an insufficient highway network and need a better railway system. Rail has huge potential for the chemical markets, and some chemical industry customers are using the railways for long-distance transport into the US. We would like to see more railway development inside



Martin Sack: optimistic about Mexico

Mexico to improve efficiency when it comes to time, flexibility and costs. Delays and inefficient processes at ports and airports also impede the transport industry. The new government and future governments must invest in this development.”

Indeed, the Mexican government announced a new National Infrastructure Plan in 2013, but Sack maintains that its implementation will be key. “The new

government is willing to take this important step into the future, but we need more time to evaluate the proposed projects, which will be a huge undertaking. We are optimistic that Mexico overall has a unique strategic geographic position. If our government puts these programmes in place, we will have a positive future,” he says.

Overall, though, Leschaco is optimistic about its business in Mexico. Sack says: “Leschaco Mexicana will most likely double in size in the next five years. We are well recognised in the Mexican market and see a lot of opportunities independent to the general growth of the country. If the country is able to grow at a higher level than in the past five to seven years, we will see an even more positive picture with growth rates for our business in the 10 to 20 per cent range. As the country grows, there will be additional demands on the logistics sector, so we will be flexible and adapt to these demands.”

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