|  |
| --- |
|  |
| Entering the Mexican Market |
|  |
| Benjamin WolffAlex PettusIsrael HernandezLeandre MeldenerDaniel SchmitzProfessor PecoraroMarketing Management Problems11 December 2013 |
|  |

|  |
| --- |
|  |

**History**

TQL was founded by Ken Oaks in 1997. As a former shipper in the fresh produce industry, Oaks was determined to handle truckload logistics differently. He wanted to bring the highest level of professional service and integrity to the truckload transportation industry. Ken's focus since the start has been on finding the best sales talent in the industry, training them intensely in the business of transportation logistics, and supporting a company culture where acquiring quality customers and taking care of them is rewarded.

Total Quality Logistics, Inc. provides non-asset based third-party logistics services for companies in the United States, Canada, and Mexico. TQL specializes in arranging freight transportation using reefers (refrigerated trucks), vans, and flatbeds -- moving in excess of 500,000 loads each year. The company offers full truckload transportation for commodities from steel and lumber, to paper and plastic materials, fresh chicken and frozen foods. For example,customers have included Kroger, Dole Food, and Laura's Lean, etc. It also provides complete load management, advanced system integration, Web-based shipment tracking, and invoicing and payment solutions to clients.

**Development & Growth**

TQL set an extremely high standard for itself from the start by providing around-the-clock availability to customers and carriers. It has played a significant part to the company’s growth. Originally, the company was headquartered in Cincinnati, Ohio. Then, TQL proceeded to add eight satellite offices in Charleston, Charlotte, Chicago, Columbus, Denver, Indianapolis, Tampa, and Austin. Its growth rate is above and beyond most companies, and it continues to raise the bar to levels that almost seem unobtainable. It is also reaching these goals with only being a company for almost sixteen years. In that time, it has become the second largest freight brokerage firm in the nation based on revenue, as ranked by "Transport Topics magazine". TQL plans to also add 100 new sales employees by 2015.

**Internal Analysis**

*Strengths*

**Size**: TQL is the nation’s 3rd largest brokerage firm, giving it a significant amount of leverage within the industry. It has more than 1,500 employees that move over 500,000 truckload shipments each year for more than 7,000 shipping customers. In its comparatively short history, the company has been recognized both locally and nationally for rapid growth and unique culture. Additionally, their size and success allows them to efficiently operate a 24/7 availability to meet the needs of its customers.

**Customer Contact:** TQL uses a unique single point contact method of handling its customers. This allows its representatives to build strong relationships with its clients and guarantee quality service. This also ensures that critical information about shipments is in one place, limiting the possibility of errors or omissions of information during the process.

**Awards:** The Company’s strengths have been recognized in the form of many awards over the years. Some of these recognitions are being the winner of the 2011 Greater Cincinnati best places to work, and Finalist in each 2010, 2008, 2007, and 2006. It has also been awarded the Denver’s Best Place to Work Award for 2011, Columbus’s Best place to work, Selling Power’s Top 25 service companies to sell for, and have been recognized as one of Chicago’s 101 best and brightest companies.

*Weaknesses*

**Drivers and Trucks:** TQL does face some disadvantages in its lack of assets and reliance on drivers. For example, unlike many other freight brokerage firms, TQL does not own its own trucks, which presents many logistic and timing issues in certain situations. If any problems arise where 3rd party vehicles experience problems or become unavailable, the drivers have no means to ensure the timely delivery of products to the customers. TQL must also completely trust and rely on its drivers to deliver the goods on time with limited communication between the drivers, customers, and company during the delivery process.

**Age:** While it is true that TQL has seen a large amount of success and growth recently, it is still at a disadvantage age wise. Being founded in 1997, many of their competitors have been in the industry for decades longer than TQL. This means that it has fewer assets, connections and less experience than some of its direct competitors.

**Gas Prices:** The unstable state of the economy also presents a weakness to TQL, mainly in the form of fluctuating gas prices. With prices on the rise, TQL is constantly seeing larger and larger expenditures going towards fuel, especially as it expands and increases the amount of deliveries it manages.

**Company Strategies – Business Level**

**Company Principles:** TQL’s mission statement says that it will “exceed customers expectations at all times and handle its’ transportation requirements from pickup until delivery 24/7/365.” It strives to accomplish this through a number of company principles like pledging integrity, exceeding customer expectations, being forthright about conflict, and recognizing the value of teamwork. It has a commitment to the highest ethical standards and never compromises them.

**Goals:** TQL strives to be a leading service provider in the logistics industry and build a company that employees, customers and carriers are proud to be associated with. TQL is also focused on expanding its recognized and proven systems across the nation. With an already large scale reach, TQL is constantly looking for new opportunities to grow and penetrate new markets on a local and national scale.

**Diversity:** TQL prides itself on teamwork. It believes that every employee has unique strengths, perspectives, and experiences, which positively impact its business. The company and individuals strive to work together in order to maximize everyone's unique strengths.

**Company Strategies – Corporate Level**

**Low Cost Focus:** Part of what has made TQL so successful at the corporate level is their commitment to keeping its prices as low as possible. By working with over 50,000 different carriers, the skilled employees of TQL are able to negotiate prices in an effort to provide their clients with the fastest and most cost effective means of shipping their goods.

**Integration:** TQL incorporates a vertically integrated but diversified line of services. By focusing on their main business of shipping, it has created a strong and developed service company. However, it does not limit itself within this service line. By diversifying its strong service line with a multitude of clients, vendors and over 3,500 types of products to move, it is able to use the single-line business model and apply it to many different industries and client needs.

**Structure and Control Systems**

TQL prides itself on rewarding hard work and motivating its employees to perform at their best. The management truly wants to see the employees succeed and will do everything in their power to get them there. According to employee statements “If you are a go-getter and have a positive "never give up" attitude, you will see success at TQL.” The open floor style work environment also facilitates communication through the control ranks, allowing all employees to feel valuable and involved in the company.

As sales company, its representatives work on a commission basis and compensation is unlimited, depending only on the amount of effort put in. Opportunities to grow within the company are also performance based, not dependent on tenure. This helps to facilitate an internal growth and development system. At TQL the environment is fun, friendly and exciting on the sales floor, and representatives have the flexibility to create the account they want and like based off their own knowledge and experience. May employees cite “having something different everyday” as one of the biggest pros for working at TQL.

**External Analysis**

*Opportunities*

**Market Expansion**: Expansion into the West Coast is a big opportunity for TQL. Because it is the second largest freight distribution company in the United States, it wants to be as competitive as it can. By expanding into the West Coast, TQL will be reaching an even bigger market that it is currently not reaching. Implementing its successes it has in the regions it currently occupies is what it will do in the West Coast to be just as successful.

**Competitor Vulnerabilities**: Since TQL already spreads the workload it has to individual brokers of the company, it creates an opportunity that other companies do not have. Most of TQL’s competitors work in teams to finish its projects which can sometimes be very time consuming. With TQL having each individual person working on their individual project, all it has to do is have someone look over their work to make sure it is credible and sufficient to the standards of the company. It allows TQL to take on more projects than that of its competitors.

**New Modes of Transportation**: Expanding into new ways of shipping seems to be an opportunity that would help TQL become even more competitive. Most of its competitors are using rail, ship, and air transportation as well as trucking. Air, which is of the fastest mode of transportation, looks to be a good way to help satisfy customers in need of hurry transportation of their products. Each channel of transportation has its own advantages and disadvantages, but by using all the channels available, TQL offers its customers more options.

**Technology**: Going along with each form of transportation, the new technology is another opportunity for TQL to obtain and utilize. Implementing new types of tracking apps that can be used by smart-phones and tablets is a major competitive advantage. Applications can make it much easier to track the location of cargo at all times. It would put the customer at ease knowing where their goods are and create an even better relationship between the customer and TQL. The newest tracking system that TQL has made is the carrier dashboard which is a simple application on one’s phone to keep track of their goods at all times.

**Asset Ownership**: TQL has the opportunity of owning its own trucks later in the future so that it does not always have to depend on its relationship with freight companies that may fall through every once in a while. TQL has exhibited proven success without owning any assets, but owning its own assets can easily diffuse a problematic situation arising from difficulties finding qualified carriers.

**Expansion into Mexico**: Entrance into the Mexican market is a substantial opportunity for TQL to expand and create even greater revenues than it has recently achieved. Because Mexico is the United State’s third largest trading partner, we know that other companies like C.H. Robinson and C.R. England are doing very well in the Mexican market. Mexico exports more than it imports, and it trades more than 70% of its products through land channel transportation like trucks and trains. TQL would be ahead of the game as that is its main mode of transportation.

*Threats*

**Competitors**: With the amount of competitors in the freight industry, one of TQL’s biggest threats is IEL, which is the current fastest growing logistics company. It made it onto the INC 500 list and is moving further up the list every year. Other competitors in air cargo and other modes of freight are also quite successful. Companies that use different distribution channels of transportation give customers more options in getting their product from point A to B reliably, which is something multi-billion dollar companies and even smaller companies are looking for.

**Government**: Government regulations are often threats for many companies including TQL. All the regulations on fuel consumption greatly impact TQL. With rapid fluctuations in gas prices, freight trucking poses a significant threat to profit margins. Greenhouse emissions are another component that the government is trying to regulate.

**Trucking**: Trucking itself is a threat for TQL. Not utilizing any other channels of transportation is an obstacle if TQL wants to get into the Mexican market. This is due to high theft rates in Mexico, of which the cartel is primarily responsible for. Trucks are getting ambushed and products are being stolen. Weather delays can also cause accidents and issues with timely deliveries. The shortage of resources and the long-haul shipping is another threat that arises in using trucks. Even though air transport is more expensive, if a customer needs a product somewhere in a hurry, air transportation is the most reliable method. It will also make it easier to get products into the Mexico since it will not risk waiting days at a time in crossing the border.

**Competitors – Benchmarking Analysis**

In order to gain a clear understanding of the business processes and performance metrics of Total Quality Logistics, it is imperative to conduct a benchmarking analysis across a few key competitors in the freight brokerage industry.

*C.H. Robinson*

C.H. Robinson is the leading non-asset based third-party logistics provider in the world. The company was founded over a century ago in 1905, and now offers multimodal transportation, logistics services, outsourcing solutions, produce sourcing, and information services for its clients. C.H. Robinson utilizes full truckload, flatbed, rail, air, and ocean services in the United States, Mexico, Canada, Europe, Asia, and Australia. C.H. Robinson utilizes one consolidated invoice, using freight forwarding facilities, to achieve the most cost effective and time efficient freight moves for its clients. With over 10,500 employees, the company provides access to more than 56,000 transportation providers for over 42,000 customers worldwide. Annual shipments exceed 10 million, compared to 500,000 by TQL, and C.H. Robinson recorded gross revenues of $11.4 billion in 2012 (C.H. Robinson Fact Sheet).

There are several performance metrics and business processes of C.H. Robinson that give it a competitive advantage over other freight brokerage firms in the industry. C.H. Robinson has operated fully-owned offices in Mexico for over two decades. It has five major office locations in Guadalajara, Mexico City, Monterrey, Queretaro, and Nuevo Laredo that allow for the timely and efficient border crossing of its shipments in the form of warehousing, cross docking, border drayage, and third-party Mexican importing. A large majority of its employees in these locations are bilingual professionals with regional marketplace expertise, which allows for effective communication between drivers during the transfer of goods from America to Mexico and vice versa. C.H. Robinson is also certified through the Customs-Trade Partnership Against Terrorism (C-TPAT), which is a U.S. Customs and Border Protection (CBP) voluntary joint government-business initiative to build cooperative relationships that strengthen border crossing and supply chain security. Advantages of C-TPAT compliance include: reduced number of CBP inspections, priority processing during CBP inspections, reduced insurance rates, and eligibility for the FAST lane program. The probability of inspection during border crossing of a C-TPAT compliant is one in fifty-five, as opposed to a one in eleven probability for a non-C-TPAT compliant (Supply Chain Security Solutions).

An acquisition that proved to be extremely beneficial for C.H. Robinson in strengthening its cross-border capabilities took place when it picked up certain assets of International Trade and Commerce Inc., a U.S. customs brokerage company that specializes in warehousing and distribution through Laredo, Texas. This acquisition allows for seamless cross-border service packages for its customers. C.H. Robinson also utilizes a Navisphere technology platform that provides efficient and integrated online solutions for tracking shipments 24/7. Advantages of Navisphere online access includes constant visibility of operations, optimization of business processes, technical connectivity to customers and service providers, and strategic data and reporting for optimal driving routes. All of these business processes of C.H. Robinson add to their tremendous success in cross-border shipments, and overall success in the Mexican market.

*C.R. England*

C.R. England is the largest temperature controlled carrier in the nation, providing a comprehensive range of transportation solutions for its evolving customer base. Founded in 1920, the company is privately-held and family owned for four generations with its current headquarters in Salt Lake City, Utah. According to Transport Topics, the official newspaper of trucking and freight transportation, C.R. England is the fastest growing company in the trucking and transportation industry (C.R. England Press Release, August 8, 2013). C.R. England is made up of two distinct divisions, C.R. England Services and England Logistics. England Logistics is its non-asset based division, offering transportation solutions including full truckload services, dry and cold chain LTL, parcel, global logistics, and complete supply chain management. C.R. England recorded revenues of $1.078 billion in 2011.

Although one division of the company has its own assets, a benchmarking analysis should be conducted to indicate the performance metrics that add to the success of its cross-border operations. C.R. England offers advance driving schools at five locations across the nation through partnering with Premier truck driving schools, considered to be among the best driving schools in the world. C.R. England also utilizes time-tested technological services, OmniTRACS two-way satellite communication system, which allows for pinpointing the exact location of shipments as well as instantaneous contact between driving managers and drivers. This technological platform allows for accurate and timely shipment delivery times and quotes, as well as increased driver and shipment safety.

Key office locations of C.R. England include its Laredo Terminal location and Queretaro Regional Office in Mexico. It also engages in crucial partnerships with Mexican carriers including: Trapex, Grupo Transpormex, Frío Express, Flensa, Gonzalez Trucking, and many more. Through these key partnerships and office locations, C.R. England is well-equipped for tremendous success in its operations in Mexico. C.R. England is also a proud C-TPAT compliant, and estimates its average time spent for inspections and documentation at border crossings to be 2-6 hours.

*Echo Global Logistics*

Echo Global Logistics is a leading provider of technology-enabled transportation and logistics solutions for its clients. Its carrier network consists of more than 16,000 carriers selected on the basis of price, geographic coverage, technological capabilities, and quality of service. Echo Global Statistics recorded 2011 revenues of $603 million, and has recorded revenues of $874 million so far this year (Yahoo Finance).

The primary competitive advantage of Echo Global Statistics is its proprietary technology platform, Evolved Transportation Manager (ETM), which analyzes data and instantly optimizes the marketplace. This platform allows for its clients to track individual shipments, transfer shipment data to their financial management systems, and create customized reports that detail carrier activity. Echo Global Logistics also has an online portal, EchoTrak, which allows for the communication of client transportation needs. Overall, all of the technological features employed by Echo Global Logistics provide increased visibility, business analytics, and freight expenditure control for its clients.

Echo Global Logistics has a weak international presence compared to the competitors listed above. They currently do not have any office locations in Mexico, and shipments into and out of Mexico are minimal. What is noteworthy, however, is the increased comfort that its satellite tracking technology program provides for its clients.

**The Mexican Market – SWOT Analysis**

*Strengths*

The Mexican market has many strengths that make it an attractive market to enter. Mexico is the 16th largest exporter in the world and the third largest trading partner with the United States. 82% of its exports come to the U.S. alone, and Mexico even exports more than all of Latin America combined. This represents why U.S. companies have been taking advantage of the Mexican market for quite some time. If that does not show how great their market is, here is an astounding fact, “Mexico’s GDP growth rate was higher than the U.S. and Canada in 2012.” Its GDP was actually $1.761 trillion in 2012. It has been steadily improving its economy as a whole by creating a National Free Trade Agreement with over 40 countries, 90% of which trade through these 12 free-trade agreements. This greatly assists with the level of corruption that it has been previously known for. It is also the 9th largest producer of oil in the world, and its resources are in high demand from surrounding countries

*Weaknesses*

A significant weakness of the Mexican market is its high cost of insurance, especially in the freight industry. This is due to the high level of crime by the cartel, involving the theft and destruction of products and shipments as they pass through the country. The paperwork that brokers have to complete through customs and the border crossing is quite extensive and time consuming. The struggle between American and Mexican authority, as well as the language barriers between the two countries, act as weaknesses in the market. Negotiations are often difficult, and bribery controls much of the business practices that take place. Even if making it across the border without too much trouble, trucks are susceptible to being stopped for inspection at any time. One way to get out of these situations is through bribery, something the TQL will most definitely not be a part of. The lack of refrigerated trucks is also a weakness in the Mexican market. Many food products need to be refrigerated with specialized trucks.

*Opportunities*

Some opportunities in the Mexican market include the privatizing of electricity generation, resulting in decreased prices. The murder rate is also decreasing due to the new President, Enrique Peña Nieto. President Nieto is making efforts to crack down on the drug cartels, which has caused a lot of controversy within the country, but has triggered to slow reduction in the amount of burglary taking place. He is also making a stand against the corrupt local police. These actions could potentially decrease the overall crime rate and make it much safer for drivers and shipments to travel through Mexico. It has also been improving its economic competitiveness, recognizing the potential of the country. In exporting more than it is importing, Mexico appears to be a marketplace full of opportunity.

*Threats*

Mexico can be the land of opportunity. Some people have even said that Mexico reminds them of the United States in the last 1940s. Their population is growing at a rate of 2% annually, and a staggering 50% of that population is under the age of 20, which makes it easy for companies to find labor for physical jobs. Of course you cannot forget the main reason why companies want to enter the Mexican market; cheap labor. However in all those business opportunities, Mexico also has many downfalls. The following information describes why a company might not want to enter the Mexican market due to its high risks.

**Availability of Data:** It is very complicated to obtain data in Mexico. If you are looking for housing, office space, retail sales, or industrial development, it will take a very long process in order to obtain that information, leading to potential loss in sales. Moreover, when the data is finally given, it is very likely that it is not accurate due to the fact that the Mexican government is not very open to giving out information.

**Crimes:** Most of the population is concentrated in Mexico City, with around 15 million people. Mexico City, however, also has some of the worst crimes in the country. The city reported an 8% increase in murders, an 11.5% increase in injuries from firearms, and 7000 car break-ins in 2013.

Authorities have increased their actions against the cartels, but this has lead to the cartels becoming even more aggressive, and it is estimated that the violence from the cartel wars will only get worse. Some of the main reported attacks have happened on bridges, train stations, and roads, which are all modes of transport that will be utilized to transport merchandise.

There have also been reports that some of the cartels have infiltrated upper echelons of security institutions, which again puts the trucks and drivers in danger. This means that if the police stop a truck, they could very possibly be cartels disguised as policeman.

**Office Space:** If you are looking to rent office space in Mexico City and its surroundings, in order to better distribute the products, there will be the issue of finding office space. There is a big shortage of office space, and when one goes on sale, it is often sold immediately.

**Road System:** The more important aspect for TQL is the road system. The current road system in Mexico City, Guadalajara, Monterrey, and in the poor neighborhoods around have very mediocre road systems. They do not have interstate highway systems like in the United States, and highways are two lanes at best. Because there is no gasoline tax to maintain the roads, the Mexican government has decided to implement toll roads. This has however been a disaster, because toll roads for the outer expressway are as high as $15 U.S., a very steep price compared to toll roads in Chicago of around $2.40 U.S.

Mexico City also has some of the worst traffic in the world. The average Mexican driver compares driving in New York City, like driving in a peaceful countryside road. Congestion in Mexico City combined with terrible air population makes this city extremely difficult to drive in.

**Entry Points**

There are over 20 different crossing points to enter Mexico for trucks. All of these entry points however are extremely congested like the Otay Mesa Port Entry in California. This entry point has seen in 2011, over 7,500,000 cars, 744,000 trucks, and 2,450,000 pedestrian. This congestion results in hours of wait times for these people. Some of the less congested entry points for trucks into Mexico are:

* Andrade Port of Entry, **California** (265 trucks, 387,389 cars 2011)
* San Luis II Port of Entry, **Arizona** (34,190 trucks, 2011)
* Sasade Port of Entry, **Arizona** (278 trucks, 15,071 cars, 2011)
* Lukeville Port of Entry, **Arizona** (33 trucks, 256,238 cars, 2011
* Columbus **New Mexico** Part of Entry (9,258 trucks, 296,234 cars, 2011)
* Presidio **Texas** Port of Entry (8,654 trucks, 597,545 cars, 2011)
* Laredo Columbia Solidarity Part of Entry, **Texas** (311,000 trucks, 253,000)
* Roma **Texas** Port of Entry (6,921 trucks, 623,471 cars, 2011, 2005)
* Rio Grande City Port of Entry, **Texas** (46,000 trucks, 632,000 cars, 2005)
* Progreso Port of Entry, **Texas** (42,494 trucks, 828,212 cars, 2011)
* Los Indios Port of Entry, **Texas** (42,580 trucks, 750,000 cars, 2005)

**Partner Analysis**

Ever since the founding in 1998, Mexicom Logistics has become an important player in the American market as a key logistics provider for numerous companies. Its main focus is to provide solutions in managing the transportation and logistics of the supply chain and distribution of customer products, while improving efficiency, transit time, and minimizing costs. It is involved with all channels of transportation which include air, ocean, and trucking and other solutions like warehousing and insurance. It prides itself on being a solid outsourcing transportation department controlling and improving your budgets on transportation and logistics managing. Their staff consists of bilingual speaking employees since most of their business is with U.S. companies. Some of them are even trilingual.

As a company that wants to enter the Mexican market, we feel that TQL should certainly try to create a relationship or partnership with Mexicom logistics. With all the information that it can provide for TQL, it will ultimately make it much easier to enter the market. With all the bilingual employees that Mexicom has, it can easily exchange information with TQL brokers and other within TQL’s organization. With up-to-date logistics and information that is provided, TQL would have less research to complete, allowing it to focus on other areas of their business. This is essentially what it will be providing for TQL, which is exactly what TQL is looking for to help solve some problems in the Mexican market.

**Porter’s Five Force Model**

|  |  |
| --- | --- |
| **Porter Five Forces** | **Intensity** |
| Competitive Rivalry in the Industry | Medium To High |
| Bargaining Power of Customer | High |
| Threat of Substitute | Medium |
| Bargaining Power of Supplier | Medium To High |
| Threat of New Entry | High |

*Competitive Rivalry in the Industry*

The market of freight transportation contains four main companies, TQL, C.H. Robinson, Eco Global Logistics, and Landstar System. The ranking for the top 25 freight brokerage firms consisted off:

1) C.H. Robinson Worldwide

Gross revenue: $11.4 billion

2) Total Quality Logistics

Gross revenue: $1.38 billion

3) Landstar System

Gross revenue: $1.2 Billion

4) Echo Global Logistics

Gross revenue: $872 million

It is a very tough market to enter and to dominate due to the large amount of competitors. It is important to be proactive and going to the customers, while offering the best prices on the market.

Customer loyalty is also very important. Companies like TQL need to make sure to offer good customer service to their customers in order to have good customer retention and loyalty in order to ensure repeat business and referrals.

*Bargaining Power of Customer*

The industry has many potential customers due to the fact that all companies needs their products shipped. However due to the large amount of freight transportation companies on the market, customers have a high bargaining power because if they are not happy with the price you give them, they will go somewhere else.

The sizes of the shipments that freight companies transport are very large, therefore discounts have to be given to customers in order to make the shipment worthwhile for them.

It is difficult to forge good relationships with customers, but it is also very easy to break that relationship. If a shipment is lost, or delivered late, the customer most likely will not want to ship using your company anymore, and will look to one of your competitors.

*Threat of Substitute*

There aren’t many substitute alternatives that customers have to ship their products. Most companies will offer trucks, trains, planes or boats to ship a particular client’s product. Each more of transport will have different prices, and risks, but it is up to the customer to decide what mode of transport he wants.

Large companies could however stop using 3rd part freight companies and ship their own products themselves through a company that they operate. This would be a big loss for freight companies, as they would lose major customers

*Bargaining Power of Suppliers*

The supplier in the case of freight companies would be the company from where the product comes from. If Nike were sending products to Sports Authority, Nike would be the supplier and Sports Authority the customer.

Since the customer decides what company to use to ship the product, the supplier does not have a say as long as they get paid for the product they are selling to the customer.

The supplier however would bargain the price of the product they are selling, as well as if they are paid when the shipment is picked up or when it is received.

*Threat of New Entry*

Overall the threat of new entry is not something TQL is concerned about. It is a tough market to penetrate and requires a large initial investment.

TQL are more focused towards their main three competitors, and how they are going to compete against them, rather than possible new entries to the market.

**Recommendation #1 (Short-term: 1 Year)**

The first recommendation we propose to TQL is a short term preparation. These are very important and should take effect immediately.

There is a need for more bilingual reps in the company. It is known that you do have a handful on staff, but the number of them still needs to increase significantly. This is a necessity for a successful entrance into Mexico. It will create more opportunities of service because more reps will be able to talk to all parties, the truckers/clients in the US and the truckers/clients in Mexico. If you accomplish this short term preparation, you can almost eliminate the language barrier completely. Also, there needs to be better rep training for all the new reps that you acquire on your staff. Set up a training program that every new rep has to go through before they officially start their first day in the field. This will prepare your employees to essentially be able to handle every different scenario/situation that they encounter.

Better relationships with Mexican trucking companies are also strongly recommended. As a company, TQL has the connections in the US, but it also needs to create the same connections in Mexico. When TQL is able to create partnerships with Mexican carriers, it will create an indefinite amount of new opportunities to take advantage of. After building on these relationships, TQL will offer more trust for clients that seek its services and allow for repeat customers. As a result of these recommendations, TQL will establish an increase in customer retention. Every company in the world strives to accomplish more sequential numbers in this category of business. We found two companies that would be an excellent starting point for TQL to build relationships with. The two companies are Mexicom Logistics and LGI.

Some type of tracking program needs to be put into place as well. There are too many problems with setting timetables and not knowing when products will be delivered. Time is money and it shouldn't go to waste. We strongly suggest investing in some type of tracking service. We recommend QUALCOMM’s Omnitracs. Omnitracs, LLC is the source for private and for-hire fleets seeking fleet management solutions, including software applications, platforms and information services. Its intuitive technologies, including solutions for safety and compliance, driver retention, GPS fleet tracking, and fleet maintenance software, can help solve common fleet problems and better achieve fleet management objectives. With thousands of trucking customers across the Americas, Omnitracs leads the way for fleet management solutions.

The creation of rep-prepared plans for clients is also an idea. This is an act of pre planned routes which clients can choose to use to save them time from coming up with their own. For example, a client calls an office looking for business to send oranges from Florida to North Carolina. The operator then offers a pre-determined plan as an option for the client. The client can either accept or deny. If it is accepted, it would save time because the plan is already there and can be executed. If rejected, the client just does things their own way and business flows as usual but just takes a little more time. In the long run, these different options will save a great deal of time.

**Recommendation #2 (Mid-term: 5 Years)**

This recommendation focuses on the penetration/expansion strategy. We broke it down into three distinct parts. We recommend TQL to build a hub office in Mexico, acquire C-TPAT Certification (Custom Trade Partnership Against Terrorism), and develop relationships with insurance companies.

There are nineteen sales hub offices active and running for TQL. The next office location for TQL has also been announced. TQL will invest $380,000 to open an office in Orange County, Florida, with projections of creating up to 75 positions over the next three years. We recommend opening an office in Mexico after the Orange County, Florida location is up and running. Having a hub sales office in Mexico would help TQL significantly. It would provide the opportunity to build relationships with local freight companies in Mexico. It would also allow for the opportunity to build relationships with individual clients and drivers. It is a big step in attacking and conquering the sizeable Mexican market.

We also highly suggest acquiring the C-TPAT Certification. C-TPAT is a U.S. Customs and Border Protection (CBP) voluntary joint government-business initiative to build cooperative relationships that strengthen overall border security and supply chain functions. C-TPAT recognizes that Customs can provide the highest level of security only through close cooperation with the ultimate owners of the supply chain, importers, carriers, brokers, warehouse operators, and manufacturers. This initiative asks that business work to ensure the integrity of their supply chain processes and business partners, and successfully maintain open communication of their status. Benefits of C-TPAT Compliance are: reduced time and cost of getting cargo released, Mutual Recognition (PIP), reduced insurance rates, eligibility for FAST Lane Program, competitive advantage, and assigned C-TPAT supply chain security specialists. In order to join the C-TPAT Program, the applicant must conduct a comprehensive assessment of their operations and international supply chain business partners based upon the C-TPAT security criteria. Some of the criteria in order to join are: business partner screening, container security, physical access controls, personnel security, procedural security, etc. If you can meet all the criteria required, you can then reap the favorable benefits of the certification.

Developing more relationships with insurance companies is also an option that is recommended. Having good connections and relationships with insurance companies can only benefit you. Insurance policies are a huge factor for TQL. The current insurance policy in effect, is priced very high. There is a higher risk when entering Mexico. This makes the insurance costs sky rocket. Any way to lower insurance costs would help profoundly. We came across an option that will help. If partnered with, Mexicom Logistics, can help you achieve the outcome of lower insurance costs. This is merely an option to consider. There are other companies like Mexicom Logistics out there. Choose the one that you feel is best suited for TQL.

**Recommendation #3 (Long-term: 10 Years)**

Long term growth is also very important. This is vital for TQL since they have only been around for sixteen years. If TQL wants to be around for many decades, there are things it will need to consider. TQL needs to continually invest towards building additional relationships with other freight companies and to add additional satellite offices on U.S. Mexico border.

Building strong relationships is one of the key reasons for TQL's rapid success. In not owning any assets, TQL relies heavily on these relationships as the basis of creating and closing sales. TQL already maintains a well-established database of relationships with numerous clients and drivers. It has been very successful in using itself as its own resource in finding the different clients and drivers for a delivery. In order to continually grow and expand into new territories, we suggest in investing towards building additional relationships with other freight companies by building strong partnerships in the U.S. and in Mexico. This will make doing business a lot easier in the long run. For example, you have a client call you saying he needs a full truckload of Georgia peaches delivered to Mexico City. You then make a call to one of the new freight companies that you have built a relationship with. You tell them all the details involved with the delivery and then they have the connections and capabilities for completing the job. Over time, the relationships with these different companies will get stronger with repeat business, creating a mutually beneficial agreement. This will create more trust in achieving the tasks given. Building relationships with other freight companies is a win/win. Both parties are giving each other business and creating more opportunities. Also, once TQL acquires more relationships with freight companies, it will be able compete on a larger scale.

Adding additional satellite offices is also a key aspect when thinking about the future of TQL. The number of satellite offices is slowly increasing which is great for the company. We do suggest that a few more offices be built on the U.S. Mexico border. This will give TQL more power being on the border and tackling all the different entry points a lot more effectively. There is a huge market in Mexico waiting to be taken advantage of. Building more satellite offices on the U.S., Mexico border will help tremendously with reaching out and taking advantage of those business opportunities.

**Financial Analysis**

Please refer to slides 20-22 of the PowerPoint presentation.

Sources

<http://www.forbes.com/sites/nathanielparishflannery/2013/06/18/political-risk-is-crime-rising-in-mexico-city/>

<http://www.economonitor.com/blog/2010/01/mexico-five-key-political-risks-in-2010/>

<http://www.melaniphy.com/content/realities-mexican-market>

<http://ehis.ebscohost.com/eds/detail?vid=2&sid=e0a78d59-df5c-468a-90a4-0631dc1381aa%40sessionmgr198&hid=102&bdata=JnNpdGU9ZWRzLWxpdmU%3d#db=edshvr&AN=HVR00322A96762C0C86>

<http://www.chrobinson.com/en/us/Global-Services/North-American-Border-Crossing/>

<http://useconomy.about.com/od/worldeconomy/p/Mexico_Economy.htm>

<http://www.prnewswire.com/news-releases/ch-robinson-selects-qualcomms-omnione-mobile-communications-system-72145737.html>

<http://www.mexicomlogistics.com/>

<http://www.supplychainsecurity.com/gov_ctpat.html>

<http://www.chrobinson.com/en/us/About-Us/Navisphere-Technology-Platform/>

<http://www.chrobinson.com/en/us/About-Us/Newsroom/Fact-Sheet/>

<http://www.chrobinson.com/en/us/Global-Services/North-American-Border-Crossing/>

<https://edge.halldata.com/UBM/JW/PDF506.pdf>

<http://www.chrobinson.com/en/us/About-Us/Newsroom/Press-Releases/2009/CHRW-acquires-International-Trade-Commerce/>

<http://www.ttnews.com/log50/2012/2012Log50.pdf>

<http://refrigeratedtransporter.com/site-files/refrigeratedtransporter.com/files/archive/refrigeratedtrans.com/ar/RTGREV2011_10.pdf>

<http://www.crengland.com/news/cr-england-leads-transportation-industry-revenue-growth>

<http://www.crengland.com/transportation-services/mexico/facilities>

<http://finance.yahoo.com/q/ks?s=ECHO>

<http://www.echo.com/technology.html>