



To Reshore Manufacturing or Not to Reshore

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Are you considering a plan to Reshore Manufacturing? Is your company rationalizing its global manufacturing footprint or expanding to keep up with growth in 2015? When it comes to manufacturing and supply chain costs, recalculating outsourcing and supplier decisions based on today's reality can reveal some major savings opportunities. With so many factors to take into consideration if you want to reshore manufacturing, from tax rates to supplier and customer proximity, every manufacturing sourcing or site decision is unique.

For a quick overview of the current global cost situation and trends, check out the [Boston Consulting Group's Manufacturing Cost-Competitiveness Index](#). Looking at the most recent report—which combines the costs of labor, electricity and natural gas—today Mexico is more cost competitive than China. The country has benefited from moderate wage growth, productivity gains and favorable currency fluctuations.

Among the top 10 exporting nations in the world, costs in the United States are second lowest after China. Manufacturing costs among the remainder of the leading exporters are 10% to 25% higher, with France, Belgium and Italy being the most expensive countries.

If you're running the numbers and thinking about reshoring manufacturing, here are four reshoring observations and advice from TBM to consider:

1. Wage inflation, exchange rate fluctuation and higher freight and transportation have steadily eroded the business advantage of manufacturing in the world's low cost regions, especially China.
2. Reshoring can be especially beneficial if you have excess capacity at home or are experiencing inconsistent quality, higher costs and growing customer demands for flexibility and faster delivery times.
3. Before deciding, carefully evaluate your current capacity and existing capabilities, especially the cost-competitiveness of your local labor market and the bandwidth of any management team.
4. Successful reshoring also offers an opportunity to redesign a significantly leaner production process with less waste, better productivity and a sustainable cost advantage.

Some years ago the executives at Pacific Handy Cutter Inc., (PHC) a TBM client, decided that manufacturing in the United States was a better choice for their newest product because of rising labor costs, long lead times and quality issues with their existing supplier. As detailed in this [TBM case study](#), PHC even anticipated revenue growth from increasing customer demand for U.S.-made hand tools.



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