

What is reshoring and what are the opportunities?

What is reshoring?

Reshoring is the process of returning the production and manufacturing of goods back to the company's original country. Reshoring is also known as onshoring, inshoring, or backshoring.

Reshoring is the opposite of offshoring, which is the process of manufacturing goods overseas to try to reduce the cost of labor and manufacturing.

Why reshore?

In the past few years, we've seen that traditional supply chain thinking—going offshore in search of lower costs—fails in the face of any disruptions.

Domestic and global political unrest, the impacts of events like the pandemic, and questions about economically supporting regimes with interests contrary to ours mean reshoring will be a vital element of the new, more resilient supply chains.

Financially, several tax reform benefits for U.S. manufacturers such as government incentives for reshoring, grants for manufacturing in USA, tax deduction for U.S. manufacturers, and low cost reshoring loans have made overseas manufacturing less desirable for American corporations.

3 Reasons Why Companies Are Reshoring (During Rising Inflation)

Costs. Even before the pandemic, some executives were rethinking the economics of having their manufacturing facilities offshore. Tariffs were one consideration, along with the costs of inventory carrying, transportation, intellectual property, management and overhead, logistics and more. The math started to come down more on the side of returning stateside.

Customer demands. Whether or not you're a fan of Amazon, you must admit it's fast pace has increased customer expectations with respect to delivery time. Immediate is becoming the new standard, even when an order change is made, and people want easy returns and replacement products—which are all out of the question without a U.S. presence.

Technology. As automation advances, labor costs are moving lower, and quality

What is reshoring and what are the opportunities?

defects are lessened as checks are built into the manufacturing process. Artificial intelligence, Internet of Things (IoT), additive manufacturing and 3D printing are becoming more popular, improving uptime, lowering waste, allowing print on demand and supporting quicker R&D.

Reshoring also improves **intellectual property protection**, **production turn-around time** and **quality control**.

Who is reshoring?

In a 2021 survey by Kearney industrial consulting, 79 percent of executives who have manufacturing operations in China have either already moved part of their operations to the United States or plan to do so in the next three years, and another 15 percent are evaluating similar moves.

Apple Computer, known for making products overseas, will be buying computer chips from a new plant in Arizona starting in 2024.

Crayola Crayons modeled its supply chain to access domestic raw materials so it can respond effectively to seasonal demand (Back to school).

General Electric decided to investigate reshoring because GE's appliance customer base was largely located in the US. The firm evaluated bringing manufacturing back to the Kentucky manufacturing site. The company found that being closer to the customer allowed for a quicker time-to-market and lower shipping costs.

Starbucks began sourcing their new coffee mugs from American Mug and Stein, a reopened ceramics factory in East Liverpool, Ohio, where mugs are individually designed and manufactured by skilled craftsmen. Starbucks shifted some of its manufacturing from high-tech, cheaper Asian factories back to the United States to increase product variety and reduce shipping times.

Walmart held its ninth annual Open Call event in June, seeking out U.S.-made products from entrepreneurs around the country. Walmart recently made deals for 330 of the products pitched to buyers at the Open Call, and 280 other business owners are involved in talks with merchants for potential deals.

Foreign manufacturers importing finished goods into the US are setting up domestic production to reduce shipping costs and improve standing with

What is reshoring and what are the opportunities?

domestic customers. Auto manufacturers have been doing this for decades and others, from the tech sector to cereals, are following suit.

Future reshoring - the Inflation Reduction Act is encouraging investment in domestic battery production for electric vehicles. Days after President Biden signed the bill into law in August, Honda and LG Energy announced a \$4.4 billion battery plant project in Ohio that is expected to be completed by the end of 2025.

Challenges to reshoring

While costs and quality issues were the reasons companies started offshoring in the first place, it's labor shortages that present the biggest challenge to reshoring today.

Reversing the outsourcing trend by bringing manufacturing back home will require rethinking production.

Domestic reshoring will need to include automation and robotics.

Other challenges include the potential capital requirements for new or remodeled facilities, and the time needed to bring reshoring facilities online.

What are the opportunities?

Most manufacturers have tiers of suppliers with primary, secondary and third level suppliers working together in the supply chain. The easiest and quickest point of entry is at the third level, supplying small parts, subassemblies, or plant services.

Remote, rural communities like ours were thought to be impractical for manufacturing due to transportation costs but we have several advantages for third-level suppliers of easily trucked components. We have mild weather, abundant industrial space, good internet connectivity and available electrical power.

In heavy industry, for example, a local manufacturer of electronic or electrical sub-assemblies in an automated facility would be a very attractive supplier for a west-coast manufacturer.

In administration, a local call center offering US based personnel serving customer inquiries would be very attractive to an ecommerce company or

What is reshoring and what are the opportunities?

fulfillment house.

Our internet connectivity and population of retirees could position us as a dependable source of a **virtual contingent workforce**.

In small business space the most attractive opportunities might be other small businesses just like yours.

Amazon suppliers live in fear of a fulfillment miss due to product shortages, because failed fulfillment could mean delisting from the platform. Could your business help?

Local stores and regional companies have been experiencing shortages of all kinds, it's a great time to reach out and assess opportunities in your network of fellow business owners.

Summary

Reshoring is a viable and valuable opportunity at almost every level of business operations, with strong public sector support and increasing market openings.