

## **Reshoring: A Key Strategy Facing Present and Future Manufacturers**

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In the past several decades, global competitiveness has driven industries of all types to pursue a labor cost reduction model. The trend in North America alone has resulted in the following path:

- Reduce cost in high cost environment
- Move product to lower cost nation ( Mexico or Eastern Europe )
- Move product to next lower cost nation ( China or Southeast Asia )

We are sure the reader may have participated in such outsourcing events that advertised huge savings to the manufacturer and in some cases, other parts of the supply chain. The company reaped benefits in labor and redundancy costs that hopefully offset inventory and transportation costs. But as we all know, the manufacturing environment is in a constant state of change. The failure to recognize the static nature of the business coupled with the failure of manufacturers to comply with disciplined global production systems has caused the participants to revisit the value of outsourcing and the opportunities associated with reshoring. To be clear, reshoring is the practice of returning outsourced products and assets back to the location (geographic selection) from which they were originally outsourced or removed.

Recently the global economy has demonstrated changes in several areas:

- Increased wages in places like China and Southeast Asia
- Perpetual quality issues on product shipped from these locations resulting

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in:

- Containment
- Rework
- Unforeseen working capital levels sitting in sea-barring containers
- Poor delivery performance resulting in premium transportation cost to the end user and members of the various supply chains.

These and other issues have now begun a trend in manufacturing to bring work content back to an original location. The challenge of course is to not make the same errors in reshoring as occurred in outsourcing.

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