Reshoring and Rebuilding American Manufacturing

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Rosemary Coates

- Executive Director of the Reshoring Institute
- President of Blue Silk Consulting
- Nearly 30 years of Global Supply Chain consulting experience
- Over 80 supply chain clients, worldwide
- Author of
  - *Legal Blacksmith – How To Avoid and Defend Supply Chain Disputes*
  - *42 Rules for Sourcing and Manufacturing in China*
  - *Strategic Negotiation for Buyers and*
  - *42 Rules for Superior Field Service*
  - *The Reshoring Guidebook*
- BS in Business Logistics – Arizona State University 1979
- MBA – University of San Diego 1989
Our Mission
The Reshoring Institute has a dual mission:

1. Provide research and consulting for companies bringing manufacturing back to America

2. Provide experiential education for university students to learn about global sourcing and manufacturing

Our Student Interns
Interns work 100 paid hours per semester on directed research in support of the Institute’s research agenda or as directed by clients.
In the 1990s and 2000s offshoring to China was the economic strategy of US manufacturers.
I helped dozens of companies move sourcing and production to China.
2012 Presidential Elections:
The catalyst for the reshoring movement in America
Why are companies Reshoring now?

- Mood of America has changed
- Tax Reform, Jobs, Repatriation of Funds Act of 2017
- 232 and 301 tariffs on imports
- Global pandemic
- Intellectual Property protection
- Advanced technologies
- Incentives offered by state & local governments
- Reduced environmental regulations
- Corporate “Economic Patriotism”
We are not going back to 1960s manufacturing...

Blue-collar jobs become “New-collar” jobs
Retraining and up-skilling workers

This is NOT your grandfather’s manufacturing!
What is the current Strategy of Manufacturers?

- Get out of China? / China +1
- Move sourcing or manufacturing to an alternate low-cost country?
- Reshore?
- Build inventory?
- Pass tariff costs on to customers?
- What will Biden do?
Reshoring Success – GE Geospring Water Heaters

- GE Appliance Park in Louisville – re-opened
- New, automated and highly engineered production lines
- Negotiations with unions
Waterlogic
US Manufacturing Location

- Headquartered in the UK
- Manufacturing in Qindao, China
- Growth market is in the U.S.
- Global Strategy
  - Manufacture close to customers
  - Develop U.S. supply base
  - Consolidate U.S. offices and hire 200 people
  - Avoid China 301 tariffs
  - Sell to U.S. Gov

Waterlogic systems provide more than 50 million people with clean drinking water every day.

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Reshoring Failure: Otis Elevator

- Opened new manufacturing plant in Florence, SC, bringing a production line back from Mexico

- Project failed and cost the company $60 million in lost business

- Primary reasons for the failure:
  - Lack of skilled labor
  - No partnering with local schools and colleges to train new workers
  - Concurrent ERP implementation
Reshoring Institute’s 2020 “MADE IN USA” Survey

The Reshoring Institute recently surveyed nearly 500 Americans across the country and asked if they prefer to buy products that are labeled “Made in USA.” Would they be willing to pay more for these items? Nearly 70% of the respondents said they prefer American-made products. Slightly more than 83% said they would pay up to 20% more for products made domestically.

Do you prefer products that are MADE in the USA?

- YES: 69.42%
- NO: 14.50%
- NOT SURE: 16.53%

How much more would you pay?

- 32.83%: 20%
- 50.51%: 10%
- 10.10%: 5%
- 2.78%: 25%
- 3.79%: 30%

Our quick survey validated what we have been hearing anecdotally from consumers and manufacturers everywhere. The strong preference for American-made products has been a growing trend over the past several years. Respondents to the survey were both consumers and industrial buyers.
Do you prefer products that are MADE in the USA?

- YES: 69.42%
- NO: 14.50%
- NOT SURE: 16.53%

Would you pay more for a product MADE in the USA?

- YES: 59.83%
- NO: 21.53%
- NOT SURE: 18.63%

~70%

~60%
How much more would you pay for products MADE IN USA?

~83% say they would pay up to 20% more

When analyzing the costs/benefits of reshoring, we consider the opportunity to charge more for a product made in America
Perception of Better Quality

Over 46% of respondents believe that products manufactured in America are better quality than those manufactured in other countries. In our survey, there was no evidence offered that American-made products are better – it was simply a perception. The likely influencers in this perception include political rhetoric against goods made in China, loss of manufacturing jobs in the U.S., and past experience with poorly made and inferior foreign products.

Do you think products made in the USA are better quality?

- Yes: 46.28%
- No: 21.90%
- Not Sure: 31.61%
Country of Origin and Product Labeling

58% of respondents indicated that the country of origin of a product influences their purchasing decision. Respondents added no comments about the differences between foreign countries, for example, does the country of origin “China” cause a different response from the country of origin “Germany” or “Mexico” or “Turkey.”
60% of respondents – believe the information on the “Made In” labels on products.

With the rise of global counterfeits - about 2 TRILLION/year in 2020 – OECD estimates 1 in every 20 products you buy on line are counterfeit.

Do you believe the “MADE IN” information on product labels?
What can we conclude?

- Americans prefer products MADE IN USA
- Americans believe American products are better/higher quality
- Americans say they are willing to pay up to 20% more
- Americans appear to be unaware of global counterfeiting