

The Reshoring Movement – The Time Is Now

**SEEKING
CALMER
WATERS**
2022
LOGISTICS CONFERENCE

ANFA Specialized Furniture Carriers presents:



JUNE 13-15, 2022 WILMINGTON, NC

EMBASSY SUITES WILMINGTON RIVERFRONT

June 14, 2022

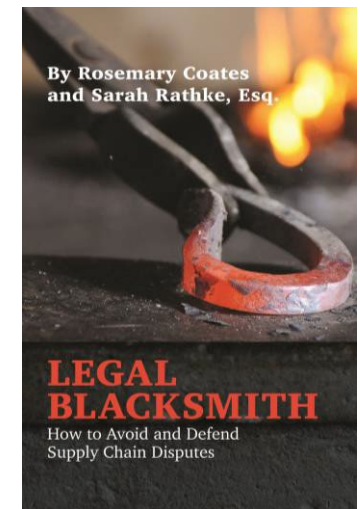
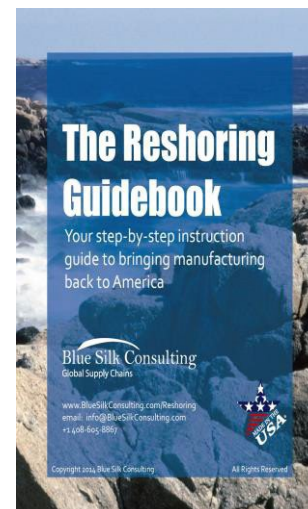
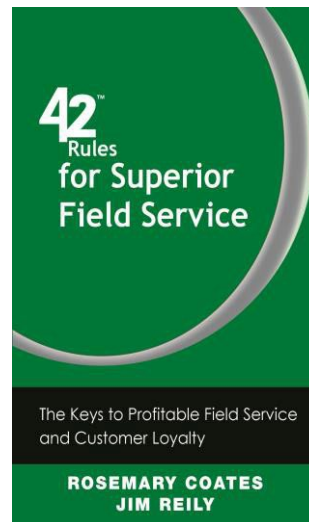
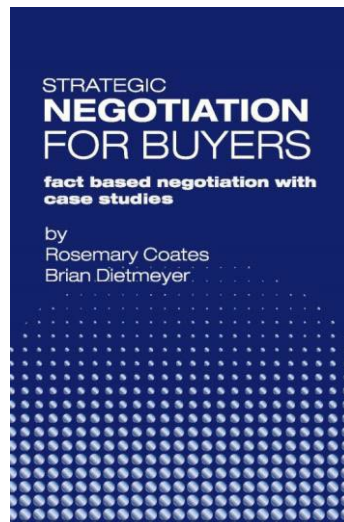
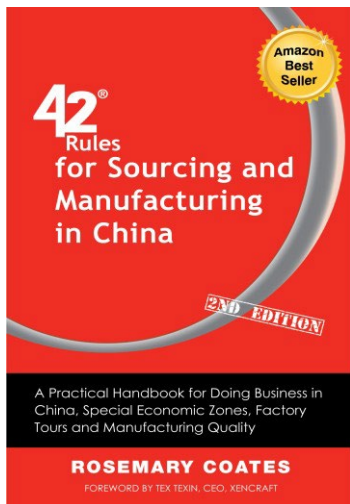


Rosemary Coates, Executive Director
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Rosemary Coates



- Executive Director of the Reshoring Institute
- President of Blue Silk Consulting
- 40 years of Global Supply Chain consulting experience
- Over 80 supply chain clients, worldwide
- Author of
 - 42 Rules for Sourcing and Manufacturing in China
 - Strategic Negotiation for Buyers and
 - 42 Rules for Superior Field Service
 - The Reshoring Guidebook
 - Legal Blacksmith – How To Avoid and Defend Supply Chain Disputes
- 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



Major changes have happened over the past few years, increasing global supply chain risk.



- International supply chains
- International logistics
- Globalization
- Geo-politics
- Rise of ethnocentrism
- Trade wars
- Global counterfeiting
- Lean methodology
- Global pandemic
- Travel restrictions
- War

Global Chaos!

Chinese factories shut down during the pandemic, starting in January 2020

- Wuhan – the “Detroit” of China
- Shenzhen-Dongguan-Guangzhou – the electronics factories of the world
- Disruption in supply lines off and on
- Use of LEAN manufacturing techniques



**First Wuhan, then
Shenzhen**

NOW: Shanghai

Air and Ocean Capacity, Container Imbalance

**Limiting ports of call and sailing
schedules**
Significant increases in ocean rates
Global container imbalances
Port shut-downs

Spring, 2020 – shift from belly cargo to all-cargo



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Port congestion, longshoremen, truckers



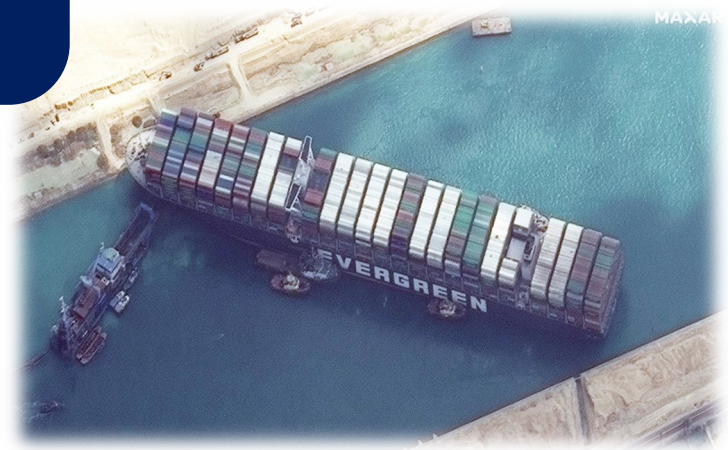
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Suez Canal Blockage

Lloyd's of London estimated the stranded ship held up an estimated \$9.6bn of trade every day it was stuck



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Whiplash Effect – How do we get out of this mess?

- Across the world, clogged supply chains
- Because of reduced capacity, rate increases
- Shortages of goods
- Caused re-thinking of industrial policy
 - Rare earth elements
 - Semiconductors
 - Pharmaceuticals
 - EV batteries
- Re-thinking of LEAN practices
- Reshoring of production and domestic sourcing
- Nearshoring



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Impact of Ukraine on Global Supply Chains –

Shortages of raw materials and food, but also software development, and general disruption of the flow of goods worldwide

4th in world for total value of natural resources

- Ukraine is the second-largest country by area in Europe
- 1st in Europe in proven recoverable reserves of **uranium** ores;
- 2nd place in Europe and 10th place in the world in terms of **titanium** ore reserves;
- 2nd place in the world in terms of explored reserves of **manganese** ores (2.3 billion tons, or 12% of the world's reserves);
- 2nd largest **iron ore** reserves in the world (30 billion tons);
- 2nd place in Europe in terms of **mercury** ore reserves;
- 3rd place in Europe (13th place in the world) in **shale gas** reserves (22 trillion cubic meters)
- 7th place in the world in **coal** reserves (33.9 billion tons)
- Ukraine can meet the food needs of **600 million** people.
- 1st in Europe in **ammonia** production;
- Europe's 2nd's and the world's 4th largest **natural gas** pipeline system;
- 3rd place in the world (after the U.S. and France) in production of **locators** and locating equipment;
- 3rd largest **iron exporter** in the world
- 4th largest exporter of turbines for **nuclear** power plants in the world;
- 4th world's largest manufacturer of **rocket launchers**;
- 4th place in the world in **titanium** exports
- 9th place in the world in exports of **defense** industry products;
- 10th largest **steel** producer in the world (32.4 million tons).





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
 - Anti-dumping and countervailing duties
- Global pandemic
- Intellectual Property protection
- Advanced technologies
- Incentives offered by state & local governments
- Lower carbon footprint



Rebuilding the Middle Class In America

- Manufacturing is key to middle class growth
- Factory jobs are essential to economic health in America
- Every new manufacturing job has a multiplier effect – about 1.4X

Rethinking your global sourcing and manufacturing strategy

Geo-politics
Pandemic Risk
Rising Costs
Climate Change
Logistics
Trade Wars
New Tariffs
Advances in technology
Labor Shortages
Automation
Order fulfillment time
Proximity to Markets



- Reshore?
- Nearshore?
- China +1?
- China +2
- Domestic Sourcing
- Build Inventory

Otay Mesa Commercial Crossing – China +1?



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

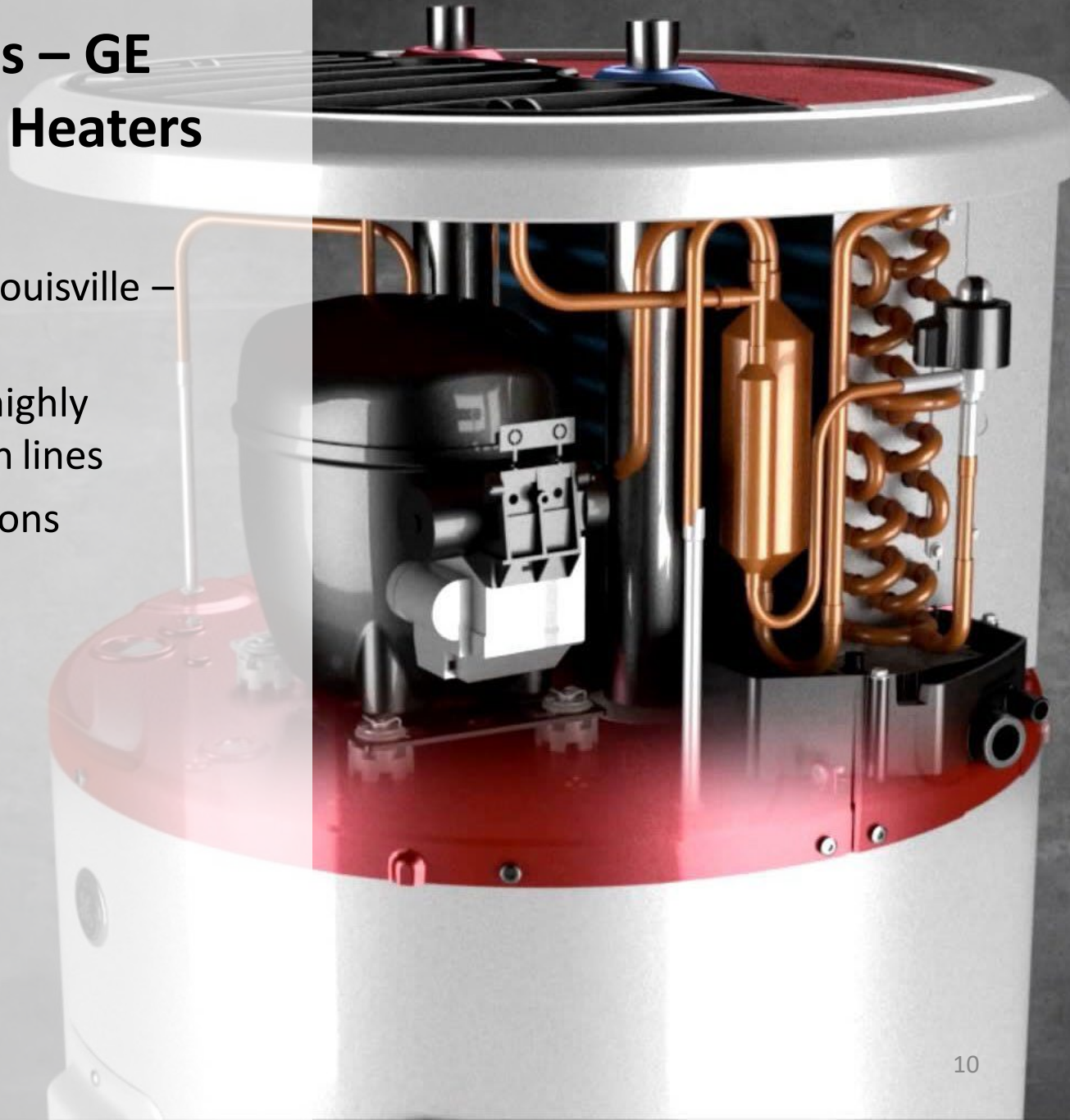


Waterlogic systems provide more than 50 million people with clean drinking water every day.



Reshoring Success – GE Geospring Water Heaters

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



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



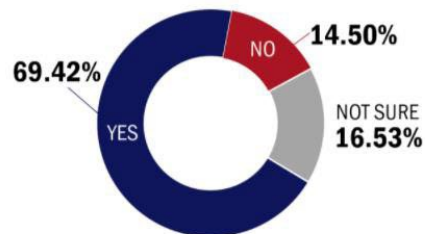


SURVEY SAYS: Americans Prefer “MADE IN USA”

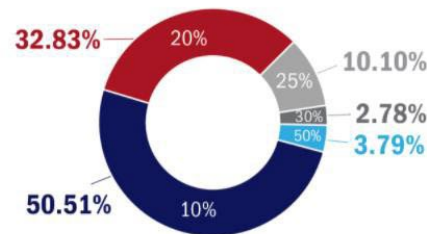
THE RESULTS ARE IN - Americans say they prefer products that are Made in the USA and they are willing to pay up to **20% more for them.**

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?



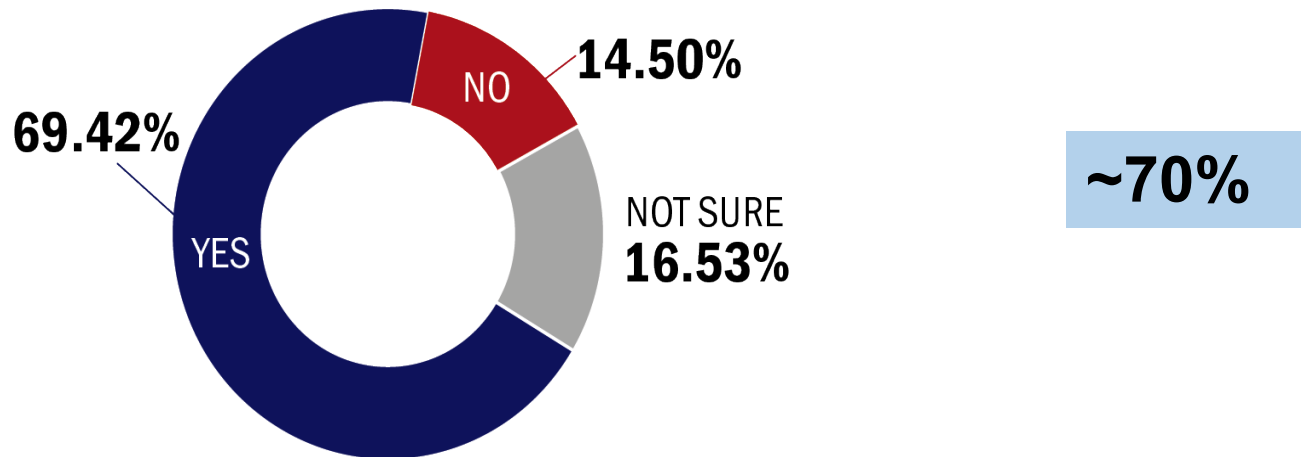
How much more would you pay?



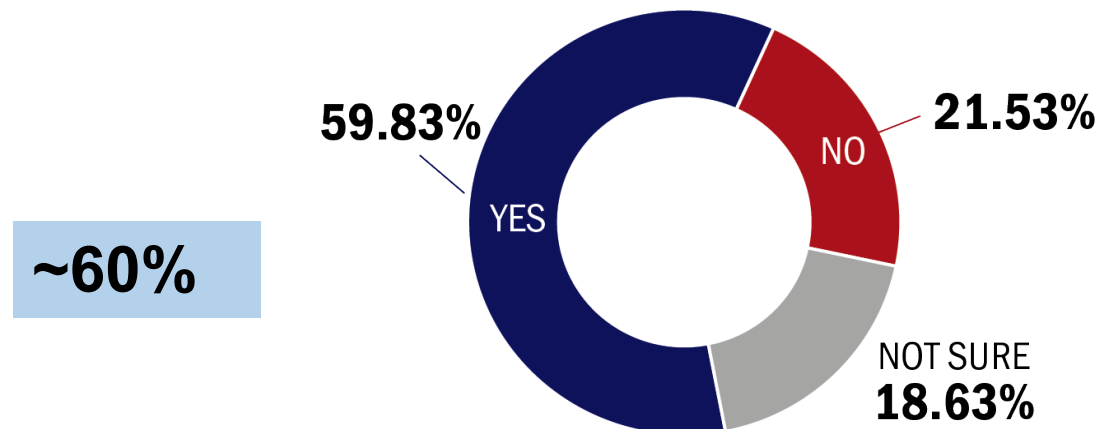
Our quick survey validated what we have been hearing anecdotally from consumers and manufacturers everywhere. The strong preference for American-made products has been a growing trend over the past several years. Respondents to the survey were both consumers and industrial buyers.

Reshoring Institute's 2020 “MADE IN USA” Survey

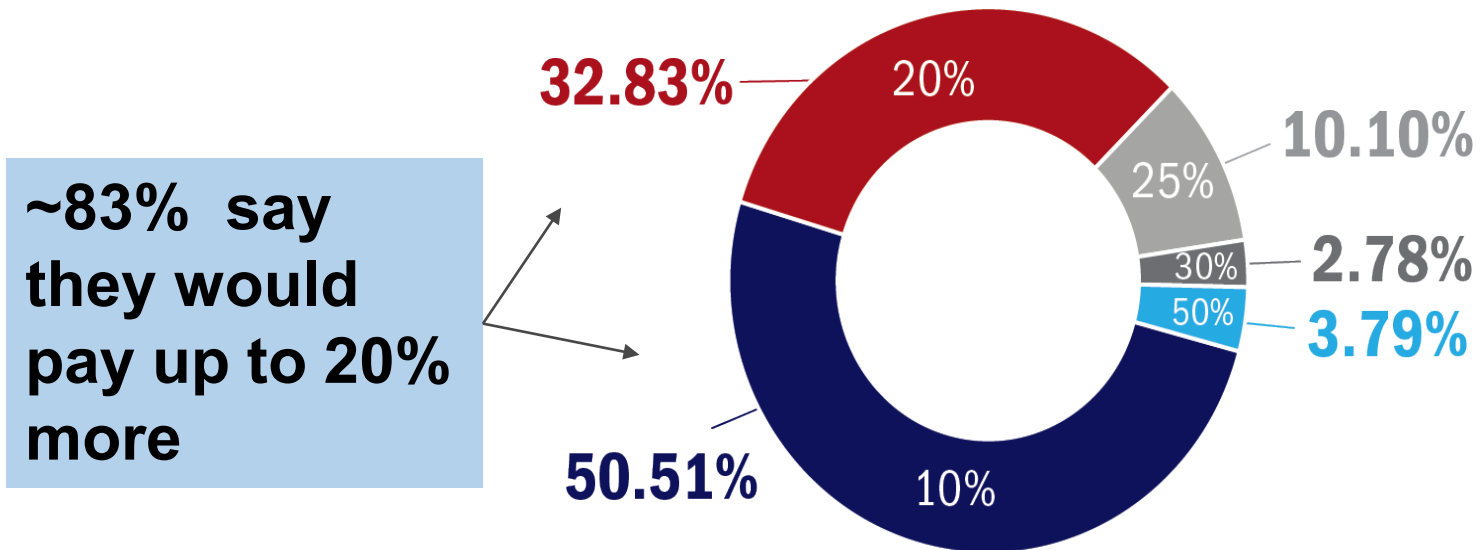
Do you prefer products that are MADE in the USA?



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



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

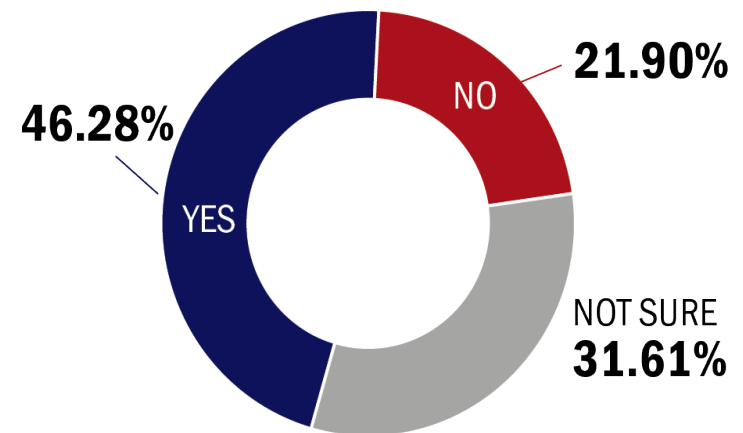


When analyzing the costs/benefits of reshoring, we consider the opportunity to charge more for a product made in America

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?



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**

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