

# Realities of Reshoring

**Supply Chains in Practice Networking Event**  
**26<sup>th</sup> September 2017**



# Join the discussion...

#SCinPractice  
@WMGSupplyChain  
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Connect to wifi network - Warwick Guest



## 3 perspectives...

- ▶ Importance of Reshoring Julia Moore
  - ▶ Realities of Reshoring – survey results Di Li
  - ▶ Reshoring – an automotive perspective Jon King
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# Importance of reshoring

Julia Moore



Mapping the Engineering Supply Chain  
Building a Connected Network

[www.reshoringuk.co.uk](http://www.reshoringuk.co.uk)





ReshoringUK

‘The report by WMG on the Realities of Reshoring: A UK Perspective and the development of the Reshoring Initiative, is to encourage engagement with our manufacturing supply chain and to recognise the strength, skills and innovation available to manufacturers in the UK’

Baroness Burt  
Of Solihull

Patron of  
ReshoringUK



## UK Manufacturing Sectors

Automotive

Aerospace

Rail

Medical

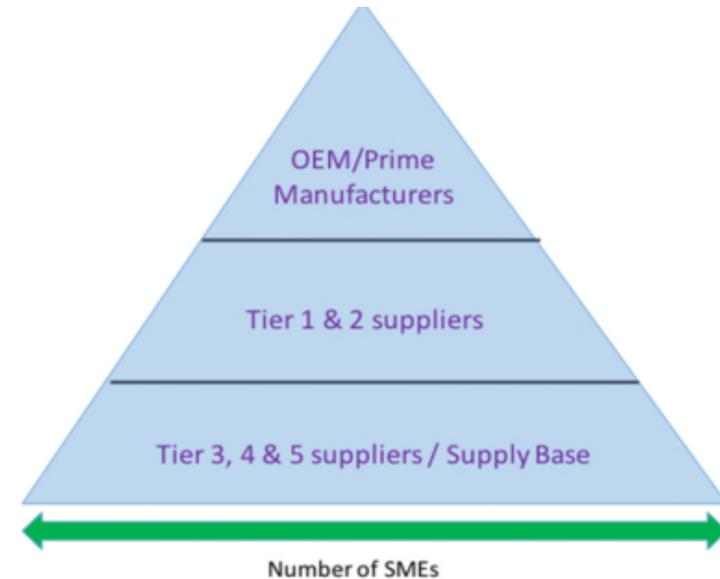
Energy

Space

Defence

Other sectors





- GTMA initiative brings together 12 specialist trade associations
- A unique mapping of the engineering network across the UK with a 'Search and Match' facility funded by InnovateUK



- Coming Soon: - Composites UK  
- Made in the Midlands  
- British Coatings Federation  
- BFPA





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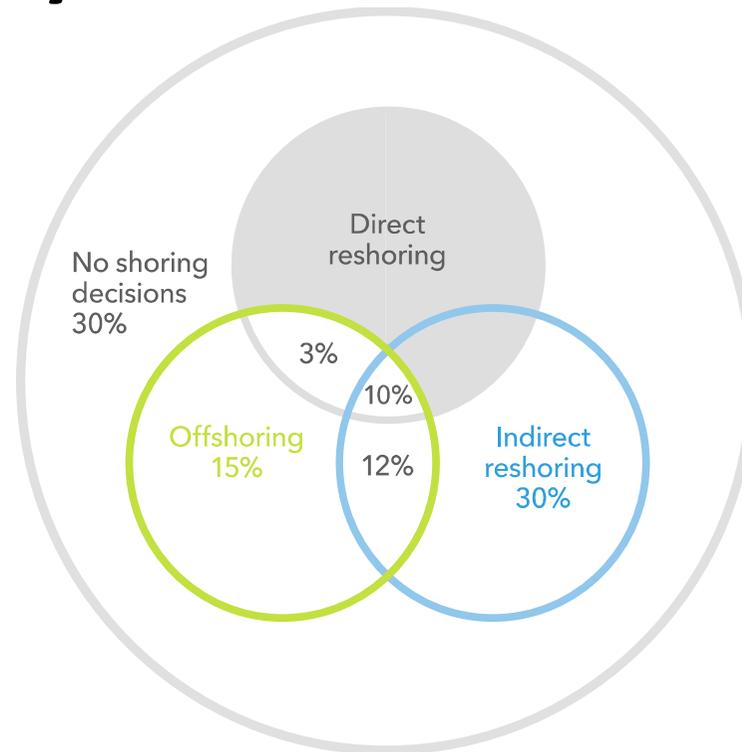
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# Realities of reshoring:

A survey of 262 UK based manufacturing companies

Di Li

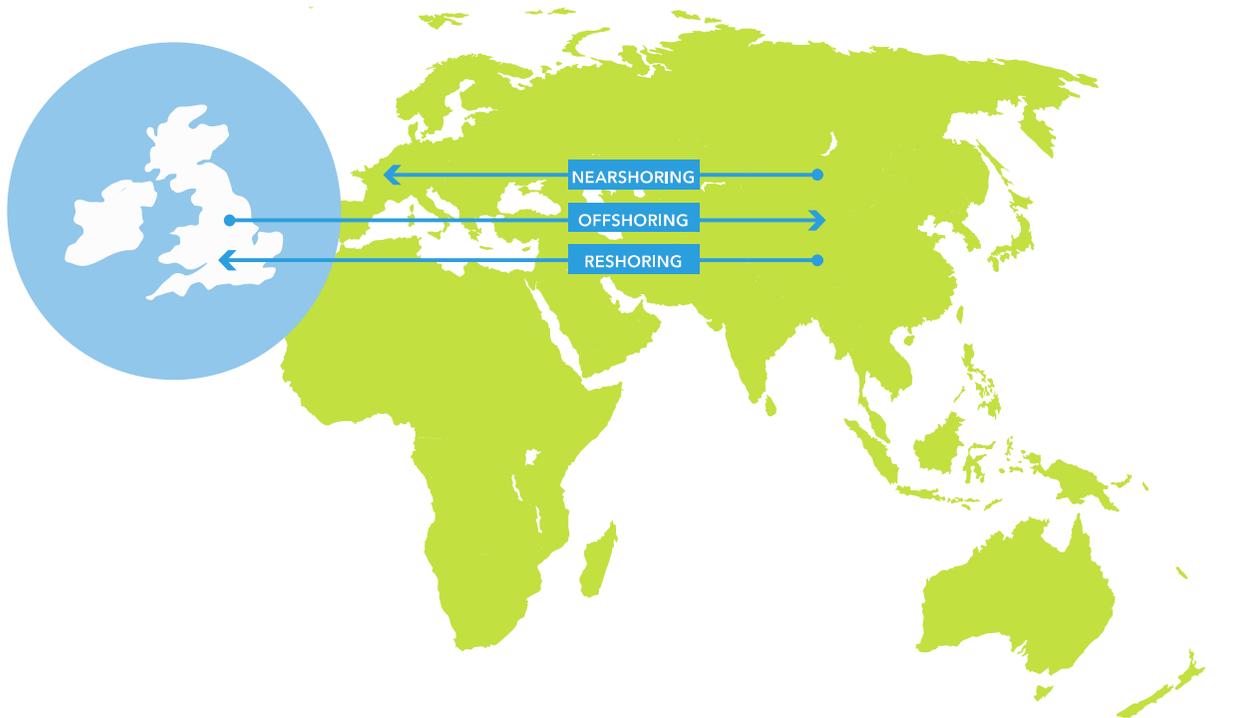
# 70% of respondents undertook some form of shoring activity...



...with 52% indirectly reshoring, but only 13% directly reshoring



# What do we mean by reshoring?



**Offshoring:** A firm's decision to relocate production capacity from its home country to an overseas destination

**Nearshoring:** A relocation of offshore production capacity to a country geographically closer to the firm's home country

**Direct reshoring:** A relocation of offshore production capacity back to the home country

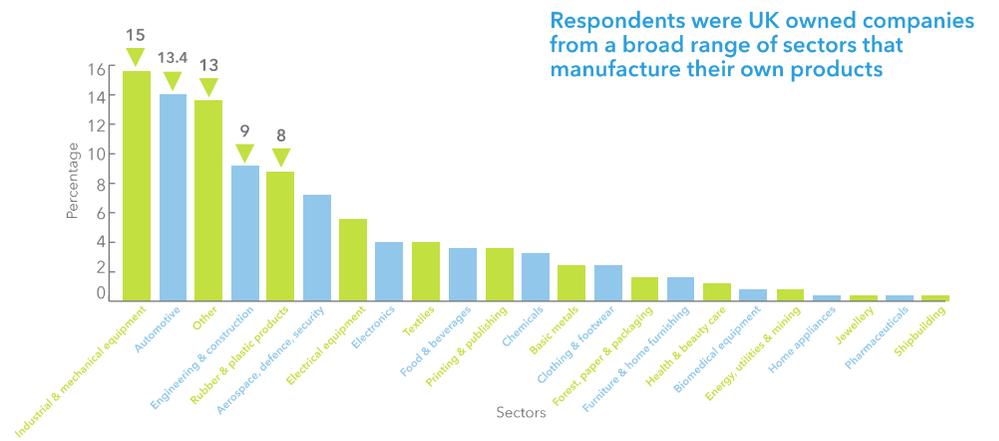
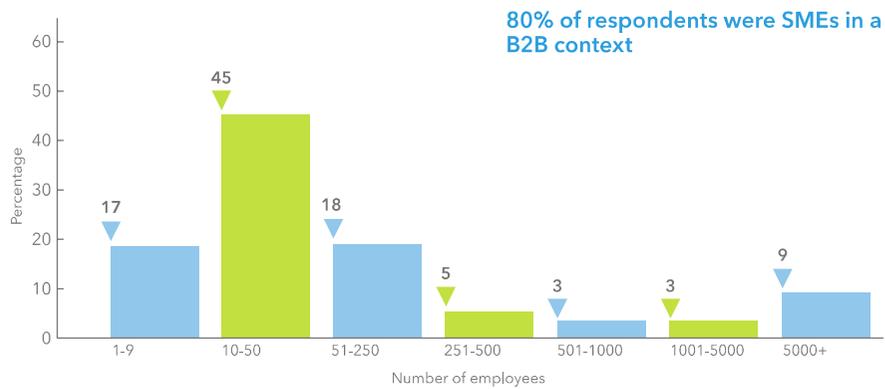
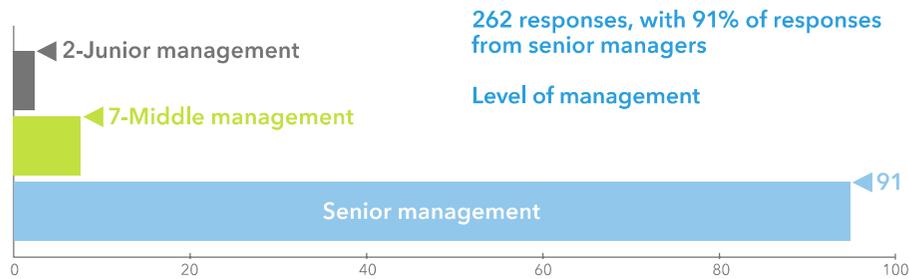
**Indirect reshoring:** A firm's explicit strategic decision to increase capacity at home instead of abroad

# Reshoring decisions are more complex than they first appear...

<b>Strategic considerations</b>	<b>Business strategy</b> <ul style="list-style-type: none"> <li>• Generic strategy</li> <li>• Growth strategy</li> </ul>		<b>Decision type</b> <ul style="list-style-type: none"> <li>• Internal decision</li> <li>• Customer requirement</li> </ul>	
<b>Operational considerations</b>	<b>Why?</b>	<b>Internal competitive priorities</b> <ul style="list-style-type: none"> <li>• Cost</li> <li>• Quality</li> <li>• Time</li> <li>• Flexibility</li> </ul>	<b>External incentives</b> <ul style="list-style-type: none"> <li>• Tax</li> <li>• Subsidies</li> </ul>	<b>Risk mitigation</b> <ul style="list-style-type: none"> <li>• Cultural distance</li> <li>• Political risk</li> <li>• Social risk</li> <li>• IP risk</li> </ul>
	<b>What?</b>	<b>Product type</b> <ul style="list-style-type: none"> <li>• Finished good</li> <li>• Sub-assembly</li> <li>• Component</li> </ul>	<b>Product heritage</b> <ul style="list-style-type: none"> <li>• Original/Existing</li> <li>• Update or new variant</li> <li>• New product</li> </ul>	<b>Other</b> <ul style="list-style-type: none"> <li>• Remanufacturing</li> <li>• Product volume</li> </ul>
	<b>Where?</b>	<b>Proximity</b> <ul style="list-style-type: none"> <li>• R&amp;D Centre</li> <li>• Head office</li> <li>• Registration country</li> <li>• Main market</li> </ul>		
	<b>How?</b>	<b>Governance</b> <ul style="list-style-type: none"> <li>• Our company</li> <li>• A joint-venture</li> <li>• An existing supplier</li> <li>• An new supplier</li> </ul>		
<b>Impacts on suppliers</b>	<b>Local supply base</b> <ul style="list-style-type: none"> <li>• Local supply base increased</li> <li>• Local supply base decreased</li> <li>• No change</li> </ul>			
<b>Outcome/ performance</b>	<b>Business performance</b> <ul style="list-style-type: none"> <li>• Market share</li> <li>• Market share growth</li> <li>• ROS</li> <li>• ROS growth</li> <li>• ROI</li> <li>• ROI growth</li> <li>• Pre-tax return on assets (ROA)</li> <li>• Customer satisfaction</li> </ul>		<b>Manufacturing performance</b> <ul style="list-style-type: none"> <li>• Cost</li> <li>• Quality</li> <li>• Time</li> <li>• Flexibility</li> </ul>	

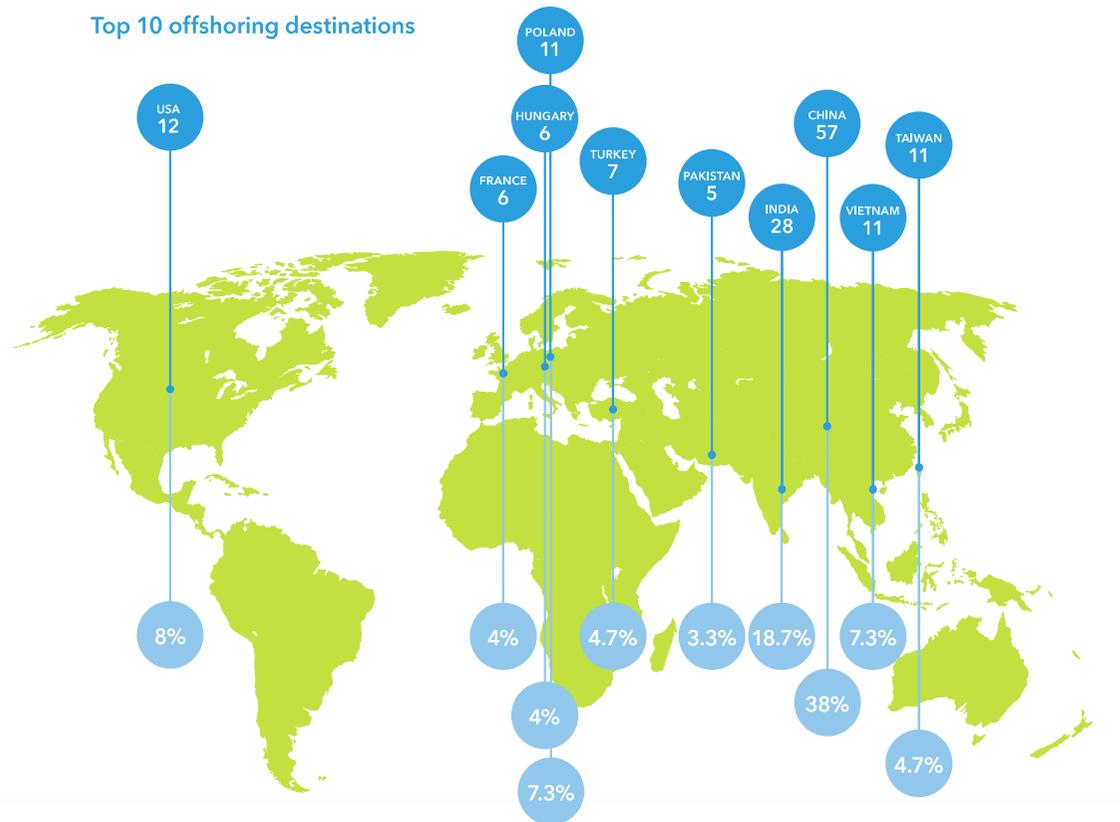


# Who responded to our survey?



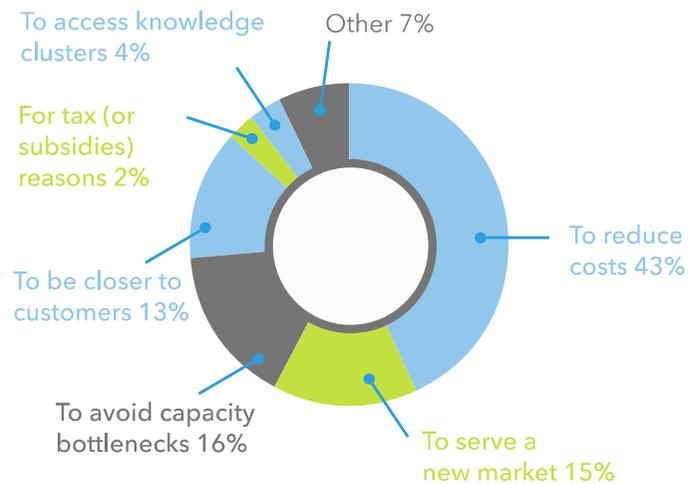
# Offshoring

# 56% of offshored products were relocated to China and India...

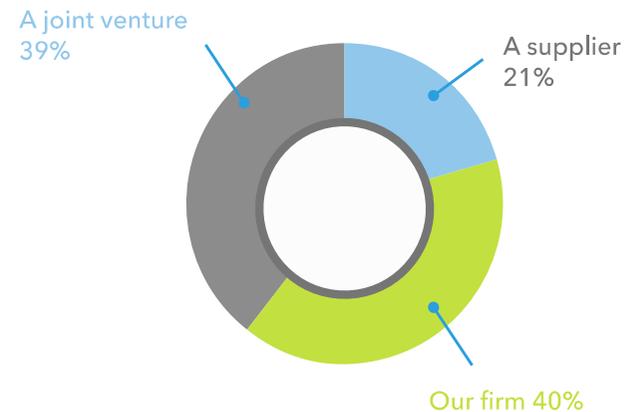


# Cost is the primary driver for offshoring...

## Reasons for offshoring



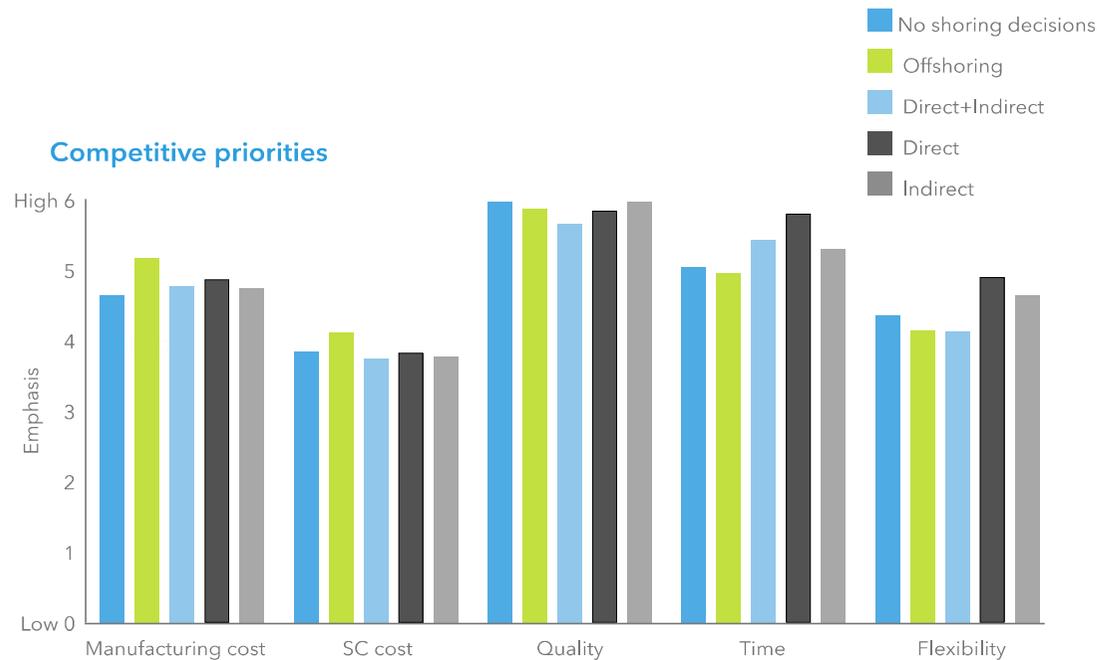
## How is it offshored?



...and is achieved in different ways.

# Strategic importance of reshoring

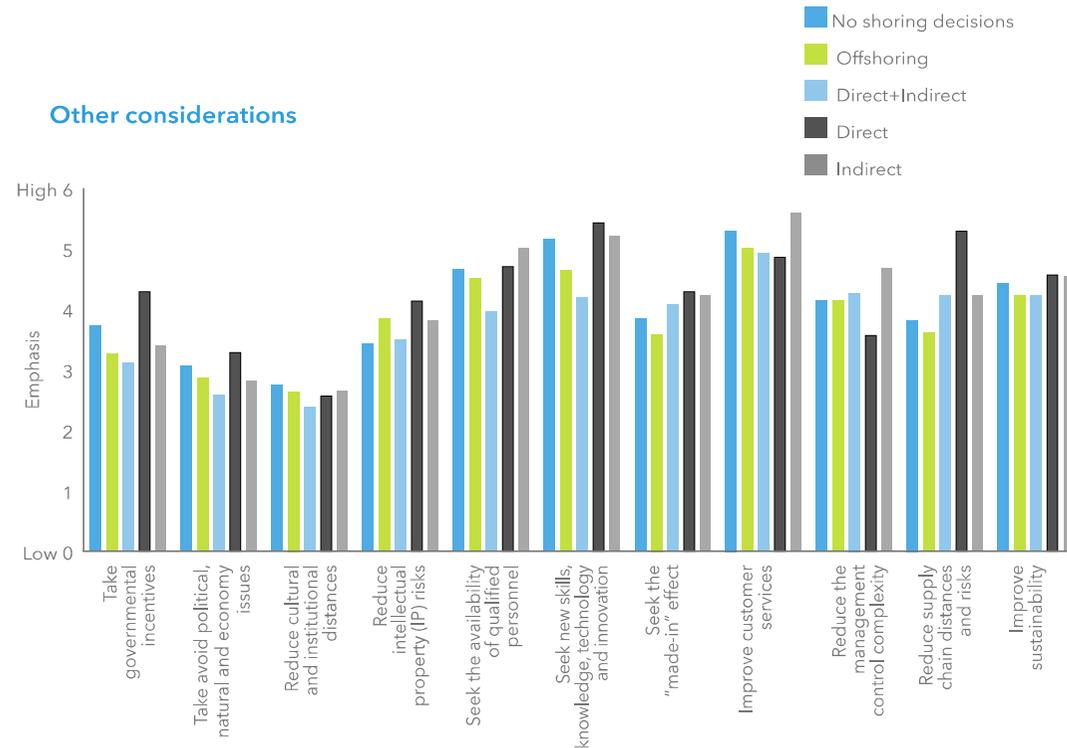
# Offshored companies have a greater focus on cost...



...and reshored companies on time and flexibility.



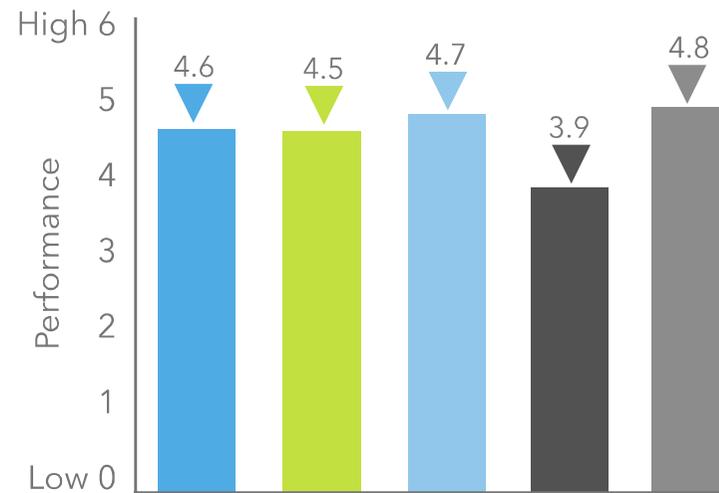
# Reshored companies have a greater focus on...



...access to qualified personnel, skills technology, innovation and reducing SC risk.

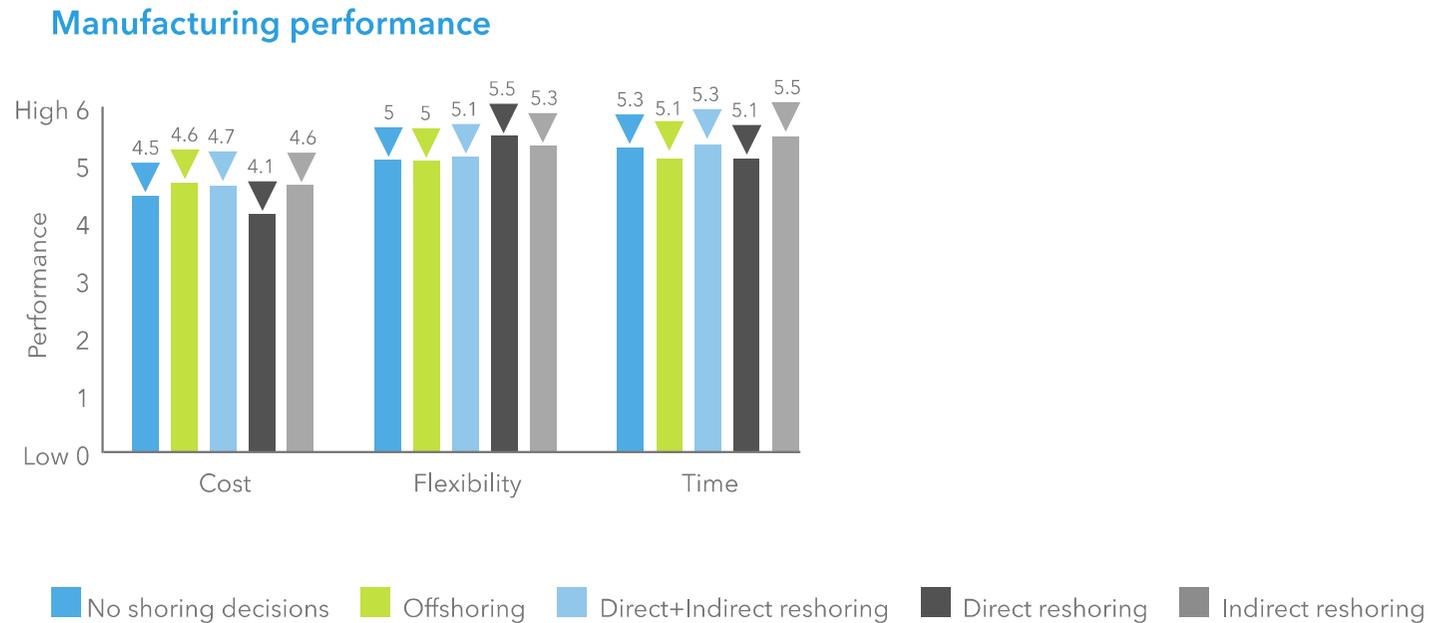
# The business performance of indirectly reshored companies...

Business performance



...is better than companies who offshored, only directly reshored, or made no shoring decisions.

# Companies that have indirectly reshored have better delivery time performance...

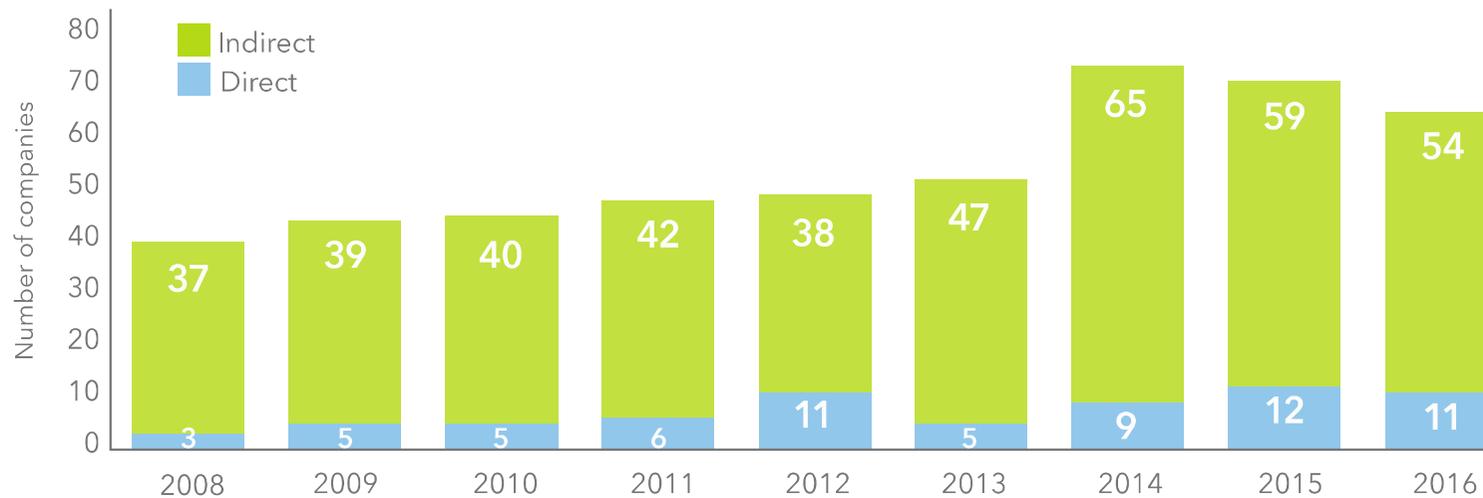


...than companies who offshored, only directly reshored, or made no shoring decisions.

# Reasons for reshoring

# Since 2008 the number of companies indirect reshoring...

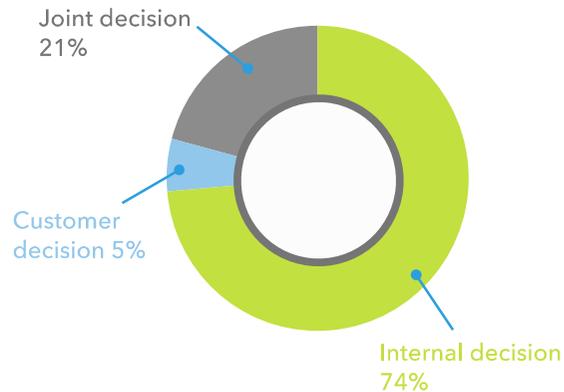
Number of companies that reshored in a given year



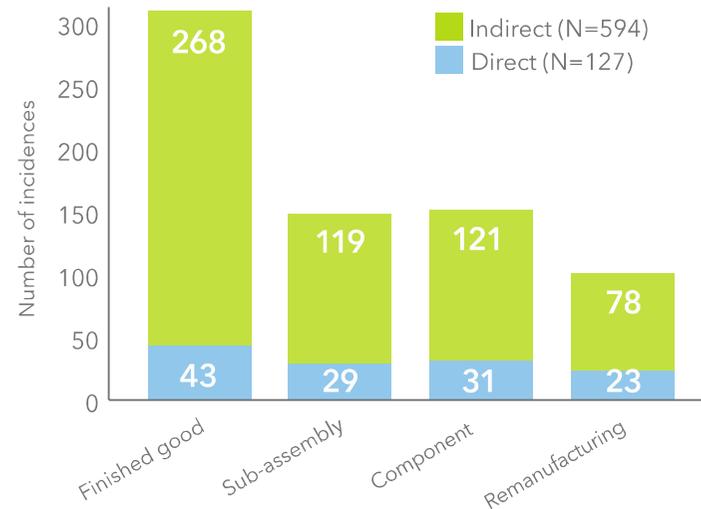
...has been significantly higher than those direct reshoring.

# Reshoring decisions are generally an internal decision...

Who makes the reshoring decision?



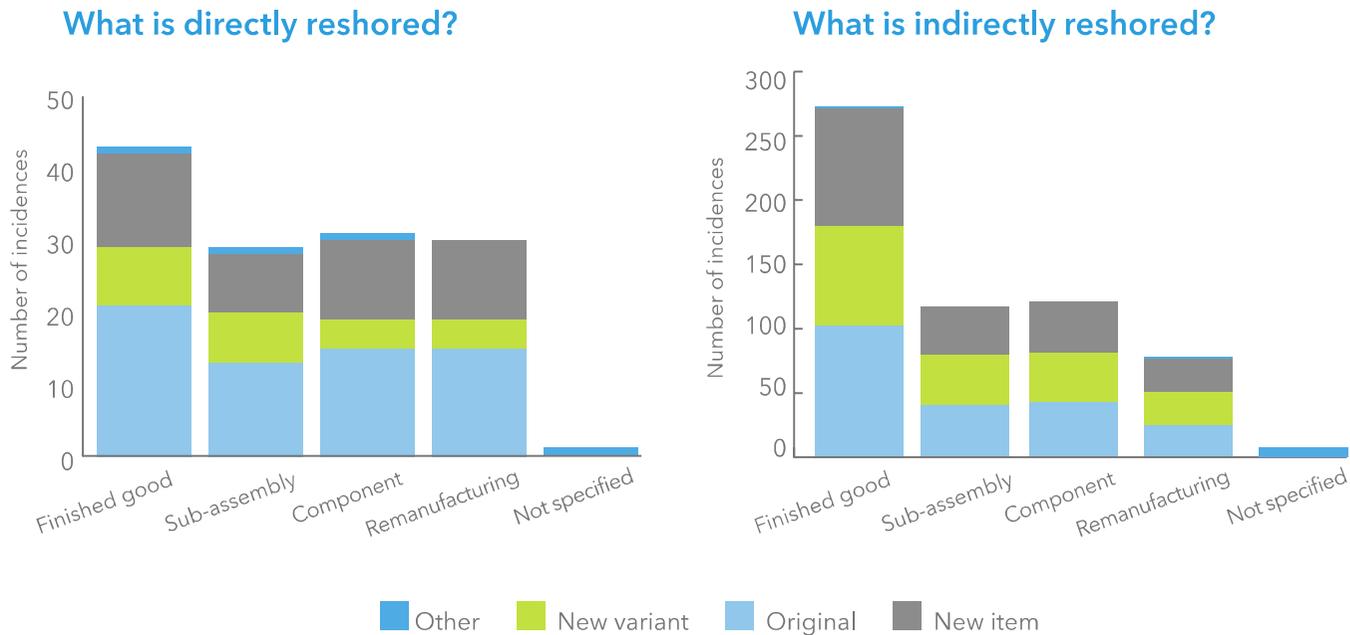
What is reshored?



...and finished goods are most commonly reshored.

# Direct and indirect reshoring: what and how?

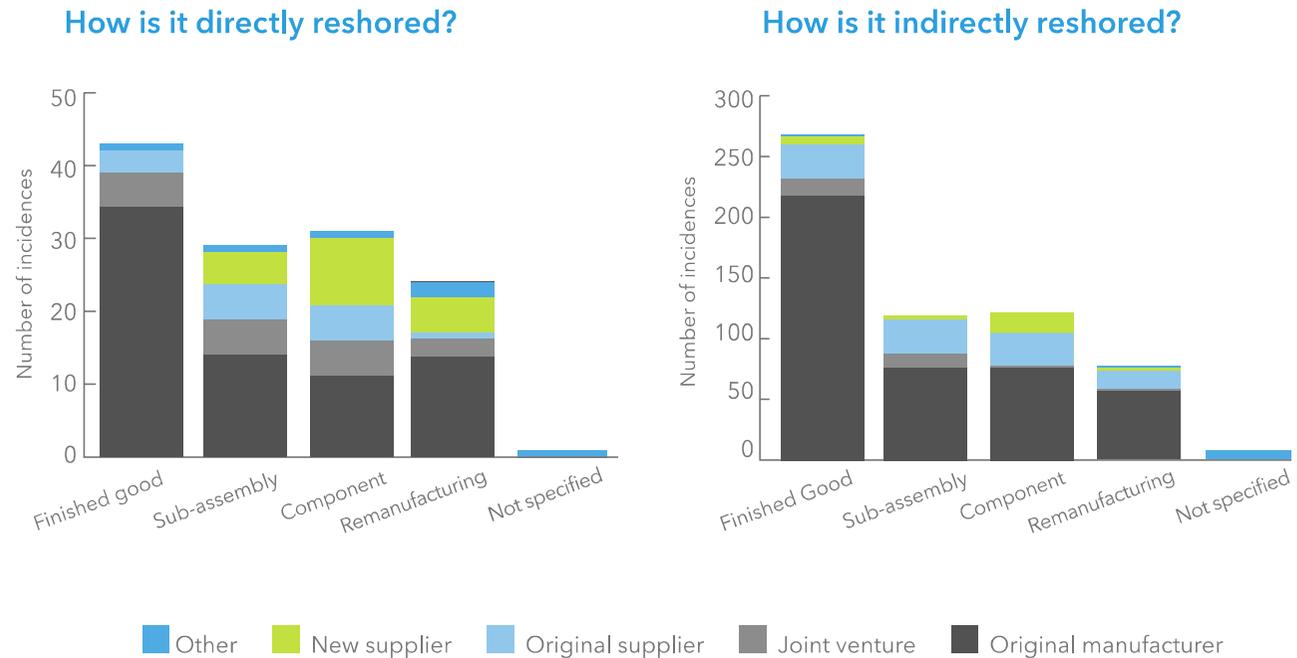
# 51% of directly finished goods, and 62% of indirectly...



...are not the original product.



# 77% of finished goods are directly reshored by the original manufacturer...



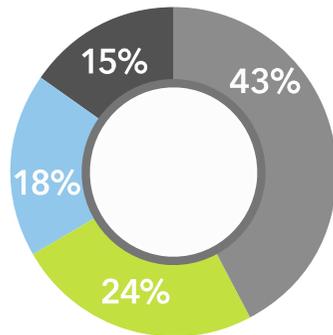
... and 80% of finished goods are indirectly reshored by the manufacturer.



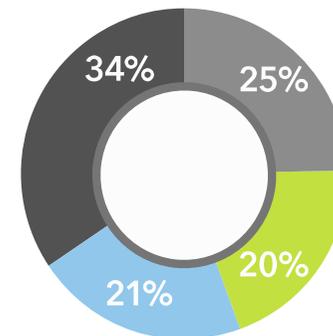
# **Direct and indirect reshoring: output, proximity and impact on suppliers**

# 57% of companies that directly reshored saw an increase in output...

Production Output  
(Direct reshoring)



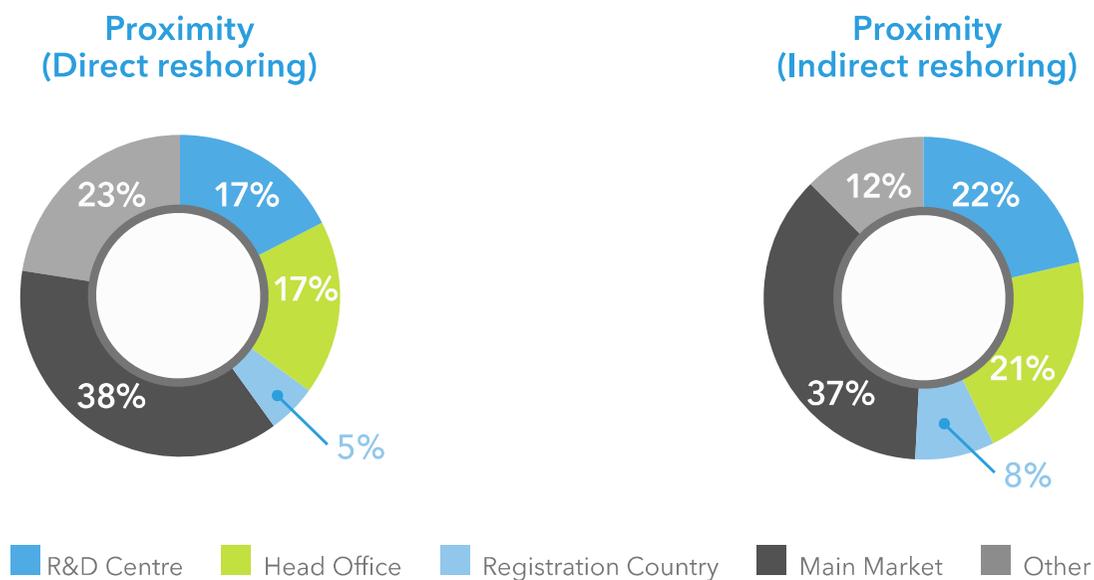
Production Output  
(Indirect reshoring)



... and 75% of companies that indirectly reshored saw an increase in output.



# 38% directly reshored to be closer to a main market...



... and 37% indirectly reshored to be closer to a main market.

**66% of the 144 companies that reshored saw no increase in their number of suppliers...**

