

Manufacturers Get Onboard with Onshoring

While the global economy made offshoring a common business practice, businesses have been rethinking the practice in recent years.

Challenges to offshoring include:

- Political pressures
- Increasing overseas labor costs
- Intellectual property (IP) concerns
- Demand for higher quality products
- Terrif and tax complications
- Domestic job losses

The global pandemic sparked new dialogue about how to source goods from a global market. Manufacturing companies are putting a greater emphasis on risk mitigation and resiliency.

COVID-19 Impacts on Manufacturing



2 OUT OF EVERY 3

U.S. manufacturing companies are likely to bring operations back to the U.S



45%

of suppliers reported disrupted shipping and logistics



35%

of suppliers reported incidents of offshore factory suspension



ROUGHLY 28%

of suppliers reported seeking alternative international supply sources



28%

of suppliers are looking for alternative domestic sources of supply*

*Thomas Industry Survey, Feb. 2020



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Domestic production offers financial and logistical advantages such as:

- Reduced shipping costs
- Negligible differences in labor costs
- Fewer compliance issues
- Lower risk of interruption
- More consistent quality standards
- Reduced cultural and language barriers
- Simpler supply chain management
- Tariff avoidance
- Domestic job creation

Tidy Up Your Terminology

Onshoring: Involves moving physical production facilities and capabilities from foreign soil to the primary country of operations. This may mean moving physical assets or terminating contracts with foreign production contractors in favor of more local contractors.

Reshoring: Almost synonymous with “onshoring.” Refers to an operation that is returning to the country of origin after having been moved out of the country previously.

Nearshoring: Movement of manufacturing assets or contracts to companies outside the primary country of operations but close enough to keep shipping and related supply chain costs affordable.

Offshoring: Outsourcing manufacturing or moving assets outside the primary country of operations.

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