

Reshoring Initiative

Bringing manufacturing back home.

CHECKLIST: WHAT TO RESHORE FIRST		
Characteristic	When sourcing	When selling
INDUSTRY		
Heavily regulated, e.g. FDA, defense, etc.		
OWN COMPANY OR CUSTOMER COMPANY		
Lean		
Priority on product differentiation vs. commoditization		
Not huge, e.g. < \$5B/yr sales		
Not driven by offset obligations		
Privately owned		
Has lost sales due to counterfeit goods		
Sourcing in Asia rather than Mexico		
Decides sourcing based on economics, not mandates		
Lacks technical ability better provided by you than from offshore		
High profit margins		
Competitors mainly source domestically		
Committed to high environmental/labor standards		
OFFSHORE SOURCE OR COMPETITOR		
Quality problems		
Delivery problems		
Emergency air freight		
Product routinely air freighted to meet delivery		
Management does not speak English well		
Skilled workforce does not speak the same dialect as management		
High staff turnover		
Politically unstable		
Wage inflation >5%/yr.		
Currency appreciation vs. \$ > 3%/year		
PRODUCT CHARACTERISTICS		
Currently sourced in the U.S. or Canada		
Will be assembled or sold in N. America		
“Core Competency” / IP		
New part subject to engineering changes/short life cycle.		

Needs fast innovation.		
JIT		
Frequent changes in demand.		
Short lead time.		
6 σ for which quality is more predictable via machine/automation than via labor		
Labor a small % of total cost		
Less price sensitive		
Material is less expensive in the U.S.		
Short – medium run: Total cost does not justify 1X cost and risk to outsource		
Assemblies/Systems instead of just parts		
Packaging/handling are critical, e.g. fragile		
Tough to get thru customs		
Product requires on-site supplier support, has to be periodically repaired, ideally by the original source		
Parts machined from custom workpieces, e.g. castings or forgings that are cast or forged in the U.S.		
Products with variations in assembly		
Duty rate > 5%		
Material cost > 40% of U.S. total cost		
Offshore freight cost > 5% of U.S. total cost		
Offshore packaging cost > 3% of total U.S. cost		
High insurable risk. Safety item		
Total checks		

Note: Focus on the parts with the most checks out of 48 total.

HM 1/30/11