

Growing number of manufacturers opting to 'reshore' jobs

By [ANDREA DECKERT](#)
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It has become somewhat commonplace for Robert Bechtold during his sales meetings to hear about a company having trouble with suppliers in China.

"I'd say it comes up every other meeting I have," says Bechtold, president of Harbec Inc.

His firm in Ontario, Wayne County, employs about 140 people and makes prototypes, tooling, machined components and injection-molded parts.

The complaints—ranging from poor quality to excessive shipping costs—do not surprise Bechtold.

"It started with instant gratification but turned into dealing with instant ramifications," he says, referring to the trend of U.S. companies sending work overseas, particularly to China, in an attempt to cut costs substantially.

The tide has turned, however. A growing number of U.S. manufacturers are looking to bring production back to this country. Known as reshoring, the return of manufacturing that had been offshored is based on the economic logic of producing or sourcing near the consumer, proponents say.

Harry Moser, founder and president of the Illinois-based Reshoring Initiative, says reshoring has been shown to have advantages such as higher product quality and lower delivery time and freight costs.

Moser founded the Reshoring Initiative, an industry-led effort to bring manufacturing jobs back to the United States, in 2010. The initiative works with U.S. companies to help them recognize their profit potential as well as the role they play in strengthening the economy by using local suppliers and domestic production.

While some imports make sense, the focus should be more on reshoring efforts, especially for small and midsize businesses, he says.

"The most efficient and cost-effective way to strengthen the economy is to increase (domestic) manufacturing," Moser says.

The movement appears to be working. The United States now is bringing back as many jobs from overseas as it loses, Moser says. In 2013, an estimated 30,000 to 50,000 U.S. manufacturing jobs were sent offshore and roughly the same number were brought back.

"We have stopped the bleeding," he says.

Recent reshoring announcements and successes by Apple Inc., Caterpillar Inc. and General Electric Co., as well as analysis of the economics of reshoring, suggest the United States could raise the net reshoring rate from the current zero jobs a year to 50,000, he says.

In a 2013 survey of U.S.-based manufacturing executives by the Boston Consulting Group, 54 percent of respondents said they already had plans to bring production back to this country or are considering it. Only 37 percent responded that way in 2012. The main reasons for the shift were labor costs, proximity to customers and product quality, the Boston Consulting Group reported.

Locally, East Rochester-based John D. Brush & Co. Inc.—which does business as Sentry Safe—announced a \$10 million capital investment plan at its local site in late 2012. Among other changes, the plan called for relocating operations for some of its products that were manufactured in Shanghai, China, to its Monroe County location.

Last summer, Trellis Earth Products Inc. said it would move its manufacturing operations from China and launch its first U.S. manufacturing facility at the Rochester Technology Park in Gates.

Trellis Earth, an Oregon-based manufacturer of sustainable food service products, is investing \$8.3 million at the Rochester-area plant, which is expected to create 189 jobs. At the 85,000-square-foot facility, the business will make more than 50 million bio-plastic blended forks, knives and spoons, as well as food service flatware and flexible products.

The local factory is in partnership with New York as part of its “Open For Business” campaign, an effort to bring jobs and manufacturing back to America.

At the time of the announcement, Trellis Earth CEO Mike Senzaki said being a New York-based manufacturing company would allow the business to be close to its major markets.

Harbec has seen the benefits of reshoring firsthand, Bechtold says, through its work with companies that are part of the trend.

Last year, a medical device manufacturer approached Harbec about doing work after having problems with a Chinese supplier. The main problem was uncertainty about whether the overseas business had used the correct material that the customer requested, raising quality and consistency concerns, he says.

The customer also had issues with the large inventories associated with manufacturing offshore, which often were required to make it worth the expense of shipping.

Bechtold also has seen customers who sought out suppliers overseas to cut costs but eventually came back because the problems outweighed any benefits.

He describes offshoring as “flash-in-the-pan success,” with manufacturers not truly examining its long-term effects and ramifications.

“It is now apparent to more companies as time goes on,” he says.

Manufacturers that work with firms closer to them also have the flexibility to scale orders up or down, depending on their needs, because shipping costs are not as high, he said.

Communication issues also are improved, Bechtold says. He notes that the medical customer spoke of challenges when working on modifications with the overseas firm due to factors such as language barriers and time differences.

He believes the shift to reshoring is related to considerations of quality, speed to market and working with trusted suppliers.

Bechtold is optimistic that reshoring will continue, noting that manufacturing is a driving force of the U.S. economy. He supports Moser’s Reshoring Initiative and has used online software the organization provides that shows companies the costs of doing work overseas compared to domestically.

Though Bechtold declines to disclose financial data, he says the reshoring efforts have had a positive impact on Harbec’s sales.

The challenge now is to reshore the 3 million to 4 million manufacturing jobs that are still overseas, Moser says.

For the U.S. to achieve its full reshoring potential there must be a continuation of offshore cost trends, improvement in U.S. competitiveness and changes in companies' sourcing decision criteria, he notes, but those are goals that can be met.

Reshoring, Moser says, is "dramatically easier than exporting more (jobs)."

Why reshore?

Founded in 2010, the Reshoring Initiative is an effort to bring manufacturing jobs back to the United States. Its arguments in favor of reshoring include:

For companies:

- Reduces total cost of ownership
- Improves quality and consistency of inputs
- Reduces pipeline and surge inventory impact on just-in-time operations
- Clusters manufacturing near R&D facilities, enhancing innovation
- Reduces intellectual property and regulatory compliance risk
- Eliminates the waste and instability caused by offshoring
- Strengthens companies' ability to respond quickly to customers' demands

For the nation:

- Brings jobs back to the United States
- Helps balance U.S., state and local budgets
- Motivates recruits to enter the skilled manufacturing workforce
- Strengthens the defense industrial base

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