

OFFSHORING vs. RESHORING: Lowest Cost, Best Cost, and Total Cost of Ownership



Manufacturers often make the decision to offshore based on ex-works price or landed cost and ignore — or underappreciate — other factors that have a big impact on the total cost of ownership (TCO).

Choosing to reshore could make all the difference in your next injection molding project.

OFFSHORING

Basing production or services overseas, primarily to lower costs

TCO FACTOR/ POTENTIAL HIDDEN COST

RESHORING

Transferring production or services moved overseas back to the country from which it was initially relocated

SUPPLY CHAIN RESILIENCY

Inability to respond to unanticipated events such as materials shortages and unavailability or logistical delays leave manufacturers to deal with costly order delays, cancellations, and/or loss of customers.



Nearly 60% of decision makers identify controlling both supply chain visibility and sourcing/distribution as essential for minimizing disruptions.¹ Domestic supply and services accessibility is central to a resiliency strategy.

INVENTORY CARRYING COSTS AND SAFETY STOCK

Manufacturers typically need to purchase, store, and handle domestic inventory to cover any gaps in supplier restocking order fulfillment due to distance and transit risks.



Manufacturers and suppliers located in the same country benefit from proximity. Issues can be more easily resolved without undue time delays or unnecessary investments in inventory.

SUSTAINABILITY

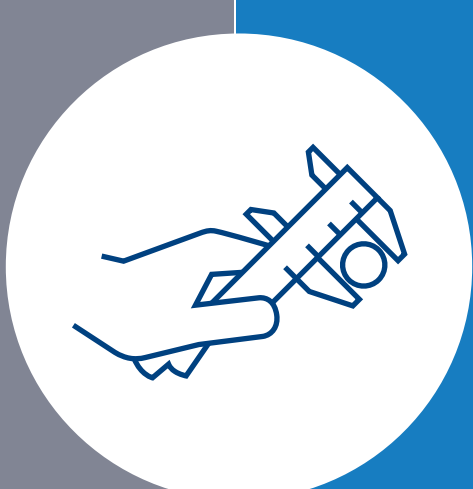
More than 100 countries have policies on sustainable production², which could lead to misapplication of critical sustainability practices. Manufacturers risk fines, disposal fees, consumer backlash, and loss of market share.



Eco-considerations caused a 32% increase in U.S. reshoring between 2021 and 2022³, streamlining regulatory compliance, simplifying recycling practices, and helping manufacturers lower emissions and decrease the carbon footprint.

QUALITY CONTROL/WASTE

Quality control and waste are perennial challenges, partially due to communication and cultural differences. Larger issues revolve around suppliers not learning a manufacturer's business or products – which could translate to numerous production delays, scrapped product waste, and defective products going to market.



From part design to materials selection, tool-building, and repeatable production processes, collaboration leads to consistency. Access to domestic suppliers with established quality teams and testing protocols is essential for quality and waste management.

TURNAROUND AND ON-TIME DELIVERY (OTD)

Time frames are impacted by production scheduling across time zones, long-distance air and sea travel, customs, and documentation verification. Inexact delivery dates are often problematic for manufacturers and their customers, and could also result in expediting fees.



Time is money. Shorter, stronger supply chains accelerate all aspects of manufacturing, especially when managed to include secondary sourcing for materials, production, and transportation. Maximizing supply chain efficiencies shortens delivery times and speeds up time to market.

INTELLECTUAL PROPERTY RISKS

Proprietary product designs and/or production methods may not be legally protected. They can be copied, reproduced and sold as counterfeits, driving down market share, and profitability for manufacturers.



Patents, copyrights and other intellectual property protections are universally understood, applied and enforced. Risk of violation and subsequent market share loss is minimal.

TRAVEL COSTS

Putting a manufacturer's key personnel on long flights overseas costs more than the price of travel and on-site expenses. Lost productivity and revenue potential for each team member cannot be recouped.



Traveling within the same country is usually time- and cost-efficient, and doesn't cut into team member productivity because of shorter trip durations and more collaboration opportunities.

CURRENCY FLUCTUATION

Converting currencies could result in higher than anticipated costs of doing business and lower returns on investment.



There is no conflict in currencies when manufacturers and suppliers are operating in the same country.

CONTACT KAYSUN

**TO LEARN MORE ABOUT THE BENEFITS OF WORKING
WITH AN EXPERIENCED, DOMESTIC SUPPLIER**

SOURCES

¹Thomasnet, Reshoring Is Creating Opportunities For North American Manufacturers, August 20, 2020

²Hive Brands, 55 Pivotal Sustainability Statistics for 2022, March 11, 2022

³Reshoring Initiative, IH 2022 Data Report, Multiple Supply Chain Risks Accelerate Reshoring, August 15, 2022