

Why Manufacturers Should Consider Reshoring

Q&A with Harry Moser, President and Founder of the Reshoring Initiative



**Harry Moser, President and Founder of
the Reshoring Initiative**

Q: We're hearing more and more about reshoring — can you tell us what it is all about in your own words?

A: Offshoring is having the manufacturing process done in another country, typically across an ocean. Reshoring or onshoring is reversing that process. It's bringing products back to the U.S. to be manufactured and used here. So, offshoring is losing the work to another country and reshoring is bringing it back.

Q: Is the issue of reshoring versus offshoring due to not having a skilled workforce in the United States, or is it more of an economical issue?

A: The companies that offshored in the United States wanted to offshore because of price. Labor rates, and therefore the price of the product (the component or the full product they were buying offshore), is so much lower than it is here in the United States. Fifteen years ago, the Chinese wages were maybe five percent of what they were here, just miniscule. And therefore the price was 30 or 40 percent lower. From one perspective, the issue is more economical.

But from another perspective, there are examples of where a skilled workforce is a sufficient solution, such as Germany. They have a positive trade balance and their manufacturing is 20 percent of their employment, as opposed to 12 percent in the U.S. They have wage rates that most of the time in the currency cycle are higher than the U.S. by 20 or 30 percent. So, it is an economical issue, yes, but having a skilled workforce helps.

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Q: What are the biggest reasons for offshoring? What are the biggest reasons companies are reshoring?

A: The biggest reasons companies offshored were low wages and low prices for the complete product.

The biggest reason companies began to consider reshoring again was rising wages (wages have gone up dramatically in China, something like 15 percent every year for the past 15 years). Also, transportation costs, duty and freight costs, carrying costs, travel costs and intellectual property risk.

Q: Interesting, so intellectual property is a big risk of offshoring?

A: Yes, certainly with China. China is the place where there's a lot of intellectual property that we've sent over. Partially because China has demanded that Western companies bring their intellectual property with them. In effect, companies donated it to China, you might say. Therefore companies were exposed on the IP front, and it's been stolen frequently.

Q: What other problems do you see companies having?

A: We recently conducted an analysis on companies reshoring versus offshoring. The most frequently mentioned problem offshore was quality. Then lead time, freight cost and rising wages.

Q: With that in mind, what were the most frequently mentioned positives for reshoring?

A: Number one was government incentives. Number two was having a more skilled workforce here in the U.S., relative to where they were at overseas. Third, was the image or

brand of 'Made In The USA' on their products and fourth was automation and technology.

Q: Would the West Coast dockworkers labor dispute that happened earlier this year be an example of why companies might consider reshoring?

A: Yes! We call this a 'teachable moment.' Companies should look at that and say 'This wasn't any fun. We missed a month of deliveries, we really upset our customers and we spent millions on air freight, and it could happen again.' It could happen at the docks overseas, it could be a typhoon, it could be a flood, it could be a war, it could be anything. Whereas, if we produce in the U.S., a lot of those risks are eliminated.

Q: From your perspective, should the U.S. focus more on reducing imports, or increasing exports?

A: It is in the country's best interest to substitute domestic productions for imports. The U.S. government spends nearly 60 times more on increasing exports as it does on reducing imports. And \$1 million worth of exports has exactly the same effect on the economy as \$1 million of less imports. I'm not saying don't try to export more, but we should try to win the 'home game' before we try to win the 'away' game.

Q: If you could change any government policies to reduce the trade deficit, what would you change?

A: First, I would reduce the corporate income tax. Also, I would promote reducing imports at least as much as promoting increasing exports,

encourage people to re-evaluate their offshoring and implement programs for a more skilled workforce. That's what I would do if I were the czar.

Q: Finally, what should people know about the Reshoring Initiative?

A: That we're available to help. We have tools such as our Total Cost of Ownership (TCO) Estimator to help businesses figure out costs of reshoring versus offshoring. We have economic development programs that can be implemented. All they have to do is contact us.

For more information on the Reshoring Initiative or to contact them, please visit www.reshorennow.org.

Looking for business tips, facts or just a good read? Check out the Business Best-sellers from the New York Times (listed below)

New York Times Business Best-Sellers: As of March 2015

"MONEY: MASTER THE GAME," by Tony Robbins (Simon and Schuster, \$16.80). Finding financial security and creating an income for life in seven steps.

"BOLD," by Peter H. Diamandis and Steven Kotler (Simon and Schuster, \$21.17). Provides insights on new technologies, entrepreneurial endeavors and the power of the crowd to maximize business success.

"RED NOTICE," by Bill Browder (Simon and Schuster, \$17.13) A successful American hedge fund manager in Russia was expelled by kleptocrats who then seized his property.

"The Power of Habit," by Charles Duhigg (Random House, \$18.64.). The science of forming and breaking habits through the account of a Times reporter.

Business Marketing Insights

5 Public Relations Tips

1. Build, identify and promote your brand:

It is critical that voice and style work together. First, make sure your logo, brand and key messages are prevalent throughout your marketing communications materials. Second, assure all of your key messages are consistent, especially as you produce new, informative material.

2. Integrate social media into your marketing communications when it fits:

Social media should not be ignored. It has become a huge vehicle for advertising, marketing and PR.

With hundreds of millions of users on the larger platforms, such as Facebook, Twitter, LinkedIn and Instagram, target audiences are reachable like never before. The essential functions of each are free, with the option of paying small fees to promote posts.

3. Build trust with customers/clients:

Rewards, loyalty programs, quick fixes to issues and engaging with them online or on social media are all ways to build trust and relationships with customers. If there is trust, there is growth. If your current customers trust your business, they will recommend it to friends and family.

4. Be prompt with responses:

As hinted toward above, a prompt response time is key in brand building.

Whether it is an inquiry from a customer or client, responding to issues and questions quickly builds trust and shows concern on the company's behalf. One of the biggest mistakes companies make is not replying or commenting on social media or email about a customer's problem. Silence promotes a sense of not caring.

5. Use clear, easily articulated key messages:

Key messages are the company's belief statements. They define a company and state what the brand promises to deliver. Messages that are easily understood resonate with customers and potential customers. Keep them simple and clear.

Email or Social Media:

Which is a Better Marketing Tool?

In the ongoing debate about email marketing and social media, the big question always seems to be: what works best?

That's a loaded question and a tough answer. Generally it will be a mix of activities in both venues that will depend on the industry, where the customer is and what the customer wants or needs to drive a desired action. An easy way to figure it out is to benchmark your best-in-class competition. See what the industry leaders do, think about what works and what doesn't – and tailor the lessons-learned to your business and situation.

Things to consider in developing a mix of activities include: budget time available and whether or not you possess the ability to generate the quality content that will be valued by your audience.

Some interesting comparisons between the two tools:

- Social media can give a brand credibility because customers can see they're being listened to;
- Social media casts a wide net – email marketing casts a narrow one. Think broad message appeal versus focused appeal;
- Email marketing can produce greater results with less reach – social media can reach greater numbers faster and can go viral;

- Email marketing delivers a message — social media can also spawn conversations that build relationships;
- Email marketing objectives can be: list-building, to deliver specific information, creating awareness, educational, generating opt-in, transitional to a website, etc.

Bottom line: marketing activities should drive business and demonstrate direct or indirect ROI in some way.



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