Q&A: Barriers to American Re-shoring

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Over the last few years, there has been an increasing amount of buzz around the concept of “re-shoring,” in which an American company decides it’s more financially viable to bring manufacturing operations back to the U.S. from a foreign land. Generally speaking, company leaders are finding that the “total cost” of producing overseas — including rising labor costs, duties, freight fees and loss of intellectual property — actually makes outsourcing the worse financial picture. And even though many companies would like to manufacture in the U.S., there are still some barriers preventing that sea change. We spoke with Narayan Laksham, founder and CEO of Ultriva, about some of those challenges, and how they can be overcome.

Q: What’s the current status of re-shoring in the U.S.? How far have we come?

A: Manufacturing itself has changed. In the past, companies focused on batch-oriented manufacturing, whereas compared to today, it’s more of a demand-oriented manufacturing. In the older model, it was easier for you to produce anywhere in the world, and through a distribution model, you could pump it directly into the market. That has changed to the extent where companies are not dealing with a limited set of SKUs. Now the use of SKUs is so huge and so wide in variety that it’s impossible for a company to stock every part.

Their overall lead time to their customers is dramatically coming down, which means you carry a lot more inventory, or you start producing as demand comes in. To do that, you need to synchronize your supply chain. It’s become a lot easier to do local sourcing, and a lot simpler to not have inventory on the market for 30 days. If you start your production based on your customer demand, your time to market is also coming down dramatically.

If we go 10 years back, when we were going around talking to companies, we used to tell them that the total cost of ownership of the product is not something that companies had been measuring when they outsourced manufacturing. I'm glad that things are coming back, especially in the last couple of years. More and more it seems that re-shoring is an ideal option.

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