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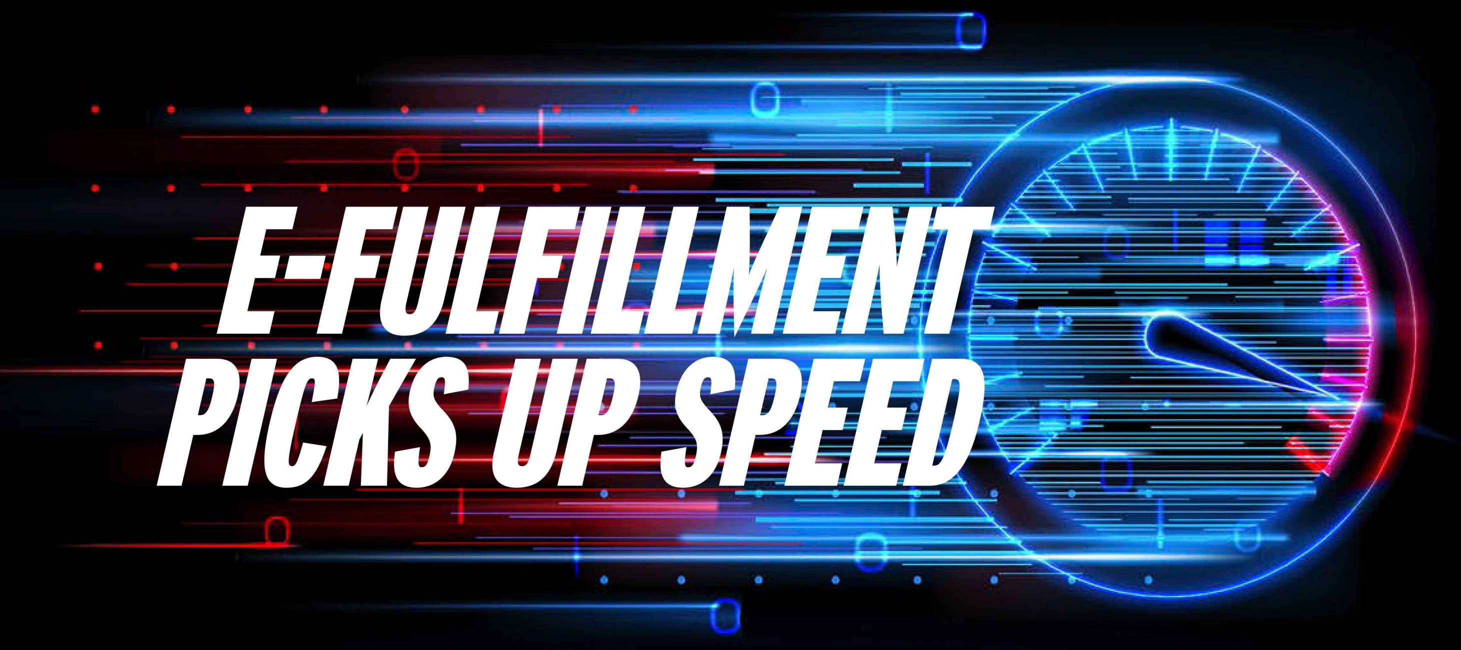

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New rail service for fresh produce and more

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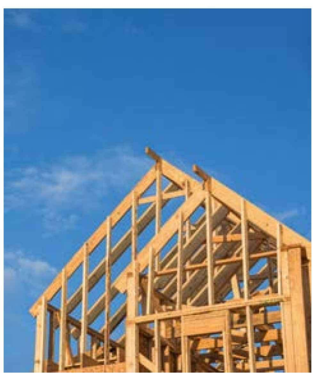

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C-Store Master is constructing a first-of-its-kind automated warehouse in Alabama

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[INSIGHT]

VIEWPOINT

by Bindiya Vakil
CEO and Co-Founder, Resilinc
408-883-8053 | Bindiya@resilinc.com

Reshoring Starts with Mapping Suppliers

When the book *How COVID-19 Changed Supply Chains* is written, it will include chapters on reshoring—bringing manufacturing back to the United States—and nearshoring—bringing them closer to home. But there won't be a chapter titled "How COVID-19 Ended China's Manufacturing Dominance."

After COVID-19 disrupted Chinese-made supplies of personal protective equipment, reliance on Chinese suppliers was portrayed as a critical strategic weakness. Now is an appropriate time for companies with suppliers in China to evaluate whether to reshore or nearshore parts of their supply chains.

Here are four key points to consider:

1. Map your supply chains first. Those companies that invested in monitoring and mapping their supply networks before the disruption occurred emerged from the pandemic in better shape. They had better visibility into the structure of their supply chains down to the second- and third-tier supplier level.

Without this kind of mapping, any strategy to shift manufacturing away from China is vulnerable to sub-tier dependencies. Apparel manufacturers that moved from China to other Asian countries found they were still dependent on Chinese suppliers for textiles, zippers, and other components, according to *The Wall Street Journal*.

Visibility mapping also increases the potential to reshore a supply chain without having to switch suppliers. Consider this: By mapping its tier one, two, and three suppliers in China, a company may find that 30% of them have manufacturing sites outside of China (this percentage is typical).

Instead of onboarding new suppliers, which is labor- and time-intensive, the company could shift to a supplier's alternate location with minimal disruption. In this case, the value of the map will be greater than the cost and time to develop it.

2. Evaluate real costs and impacts. Even in a developing country, setting up a new factory can cost several billion dollars and take two or three years. If a supplier or contract manufacturer is making that investment, cost increases for parts and materials are almost certain to follow. Evaluate how much costs are likely to rise due to such a move, and how those will affect prices, demand for the affected products, and profitability.

3. Don't assume "near" equals "inexpensive" or "risk-free." With its close proximity and recent United States-Mexico-Canada Agreement ratification, Mexico is widely perceived as an ideal location for nearshoring supply chains. But Mexico is not an inexpensive country in which to operate compared to other Asian countries.

Both the United States and Mexico, or any other nearshore locations, have their own risks, constraints, and challenges. Leverage your mapping data and conduct a thorough analysis of suppliers in that region and their historical performance during disruptions.

4. Before you reshore manufacturing, take account of the skills needed, availability, and cost. With the current high unemployment rates, many companies—including foreign firms supplying U.S. customers—are looking to build domestic manufacturing capacity. While it's true that the available labor force will be much larger than it would have been one year ago, most of those workers have experience in service industries only, and would need significant training.

OPTIMIZE AND ANALYZE

An informed decision about reshoring or nearshoring requires optimizing the variables and thoroughly analyzing the risks, costs, and benefits. Supply chain design strategy should always be for long-term competitive advantage rather than in reaction to an event. ■