Bucking the Trend:

A Closer Look at the Pros and Cons of Bringing Manufacturing Back to America

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Computer Generated Solutions, Inc.
200 Vesey Street
Brookfield Place
New York, NY 10281-1017
212-408-3809
www.cgsinc.com

There was a time when the "Made in USA" trademark carried an incredible amount of cache with American consumers. Like skinny jeans, Aerosmith, and Rocky Balboa it seems that time may be making a comeback.

Consumer demand, political pressure, shoddy quality overseas, and the sudden revaluing of the "Made in America" concept have all contributed to the recent movement of bringing manufacturing back to the United States.

Labor cost has been widely recognized as the primary reason companies began shifting their manufacturing out of the United States years ago. However, with manufacturing costs in Asia on the rise, offshoring and nearshoring are more comparable from a financial standpoint than you may think.

The availability of technologies and worker productivity in the United States are typically superior to what companies will find overseas. In addition, companies are now discovering hidden costs in offshoring and are beginning to reconsider reshoring, or bringing their operations back to the United States.

In fact, according to an April 2012 survey by the Boston Consulting Group (BCG), 37% of American manufacturing companies with annual sales over $1 billion are planning or considering moving their facilities from China to America.

"What many manufacturers don't realize is that productivity is comprised of more than just hourly labor costs," says Jim Hoerig, Vice President of Manufacturing Solutions at CGS. "For example, an acre of land in India generally costs several million dollars. So while labor may be cheap, overhead costs are extremely high."

Because of the influx of manufacturing overseas in the 1990s and 2000s, the labor market in countries like China and India has been stretched extremely thin. Companies have been forced to employ people that are under-qualified and, as a result, quality has suffered dramatically.

"A critical issue that arises for companies that take their manufacturing offshore to countries like China and India is the quality of their product," said Hoerig. "It's a difficult and almost impossible task to have people standing there 24/7 checking quality."

Although the cost gap between manufacturing in America and manufacturing overseas is closing, it's still currently cheaper in China than it is in the United States, albeit by a smaller margin than it was 20 years ago. By 2015, it is expected to be only about 10% cheaper to manufacture in China.

"While there may be a current shift to move away from manufacturing offshore, it's a tough concept to overcome specifically when you look at the benefits of taking your business overseas," said Hoerig. "Tax breaks, operational flexibility and the ability to free up valuable resources are always going to be attractive factors to companies."

In addition to those benefits, offshoring can also help companies become more "global" and expand their reach while ensuring faster problem resolution and a greater understanding of customer needs.

The idea of bringing manufacturing back to the United States is a bit of a misnomer because while companies may be shifting their operations away from China and India, not all of them will be returning to America. Some will set up shop in places like Mexico, Nicaragua, Honduras, and El Salvador. Those

countries' close proximity to the United States make them ideal locations for manufacturing sites because it enables companies to ship to U.S. customers in roughly one day.

Even with companies moving their operations back to the United States, this isn't something that is going to happen overnight. In fact, companies are more likely to keep some form of manufacturing overseas while building new factories in the United States.

With all the recent talk of reshoring, Joseph Abboud is one company that never bought into the offshoring trend to begin with, remaining in the United States since their inception in 1987.

They put high emphasis on investments in technology by using CGS's **BlueCherry®** Shop Floor Control, a system that allows them to reduce manufacturing costs, reduce throughput times, and enables them to serve their customers in a unique way with speedy, efficient delivery times.

"**BlueCherry®** Shop Floor Control plays an important role in our success as a domestic manufacturer," said Richard Motta, Director of Engineering at Joseph Abboud. "By implementing CGS's shop floor control throughout our facility we have been able to achieve wall-to-wall best practices. 'Made in USA' has become our niche and **BlueCherry®** Shop Floor Control, along with other improvements enables us to efficiently manage the small orders while providing high quality and fast deliveries that our U.S.-based retail partners need in today's challenging market."

In the end, the decision of whether to maintain operations overseas or bring them back home won't matter unless companies have the proper tools and technology in place to effectively thrive in today's marketplace.

BlueCherry® Shop Floor Control by CGS is a comprehensive, state-of-the-art computerized shop floor control and incentive payroll solution designed to capture production events in real-time or batch data collection mode. The information and visibility provided by **BlueCherry®** Shop Floor Control empowers operators to monitor and increase productivity, while also enabling managers to prevent and resolve production issues before they escalate. **BlueCherry®** Shop Floor Control benefits manufacturers through improved profitability, reduced production costs, accelerated throughput time, and improved product quality. Worldwide in more than 20 countries companies trust **BlueCherry®** Shop Floor Control to better manage their manufacturing operations. **BlueCherry®** Shop Floor Control is a trademark of CGS.