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The Uni-CLUB MoRe Back-reshoring Research Group



Public hearing

**Reshoring of EU industries
in the framework
of reindustrialisation**

Venue:
Confindustria Bergamo
Via Camozzi, 70
24121 BERGAMO (Italy)

13.02.2014
3 p.m. – 6 p.m.



European Economic and Social Committee

***Manufacturing reshoring: is it an
opportunity for European companies?
Evidences from the academic research***

Luciano Fratocchi – University of L'Aquila - Italy

Bergamo, 2014 February 13



*European Economic and Social Committee (EESC)
Consultative Commission on Industrial Change (CCMI)*

Who we are

An Italian inter-University research group focused on back- and near-reshoring strategies



University of Catania

Alessandro Ancarani - Carmela di Mauro



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Luciano Fratocchi – Lelio Iapadre



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Guido Nassimbeni - Marco Sartor – Guido Orzes



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Andrea Zanoni - Paolo Barbieri



University of Modena & Reggio Emilia

Matteo Vignoli

Research group recent publications

2014

Fratocchi, L., Di Mauro, C., Barbieri, P., Nassimbeni, G., Zanoni, A., “When Manufacturing Moves Back: Concepts and Questions”, in *Journal of Purchasing and Supply Management* (forthcoming March)

Fratocchi, L., Iapadre, L., Ancarani, A., Di Mauro, C., Zanoni, A., Barbieri, P., “Manufacturing Reshoring: Threat and opportunity for East Central Europe and Baltic Countries”, in Zhuplev, A., (Ed), *Geo-regional competitiveness in Central and Eastern Europe, The Baltic Countries, and Russia*, IGI Global (forthcoming May)

2013

Fratocchi, L., P., Barbieri, Di Mauro, C., Nassimbeni, G., M., Vignoli, “Manufacturing Back-reshoring - An Exploratory Approach for Hypotheses Development”, Paper presented at the XXIV Riunione Scientifica Annuale AiIG, Milan, Italy 17-18 October. Available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2333106

Fratocchi L., G. Nassimbeni, M. Sartor, A. Ancarani, C. Di Mauro, A. Zanoni, P. Barbieri, e M. Vignoli, “Manufacturing Back-shoring and the Global Fragmentation of Production: What it is Changing after the Financial Crisis?” paper presented at the 40th Academy of International Business (AIB) UK & Ireland Chapter, Aston Business School, March, 21-23

Fratocchi L., S. Equizi, G. Nassimbeni, M. Sartor, A. Ancarani, C. Di Mauro, A. Zanoni, P. Barbieri, e M. Vignoli, “Manufacturing Back-shoring: Theoretical Conceptualization and Empirical Evidences”, paper presented at the 15th International Academy of Management and Business (IAMB), Lisboa, 17-19 Aprile, ISSN 1949-9094

Fratocchi L., S. Equizi, G. Nassimbeni, M. Sartor, A. Ancarani, C. Di Mauro, A. Zanoni, P. Barbieri, e M. Vignoli, “Manufacturing Back-shoring: Theoretical Conceptualization and Empirical Evidences”, paper presented at the 4th Annual Conference of the European Decision Sciences Institute (EDSI), 14-15 Maggio 2013

Our operative definitions

Manufacturing Back-reshoring

“a *voluntary* corporate strategy regarding the *partial or total* re-location of previously off-shored (*in-sourced or out-sourced*) production into the *home country*”

Manufacturing Near-reshoring

“a *voluntary* corporate strategy regarding the *partial or total* re-location of previously off-shored (*in-sourced or out-sourced*) production into the *home country's region*”

Source: Fratocchi, L., Di Mauro, C., Barbieri, P., Nassimbeni, G., Zanoni, A., “When Manufacturing Moves Back: Concepts and Questions”, in *Journal of Purchasing and Supply Management* (forthcoming March 2014)

An incremental decision making process

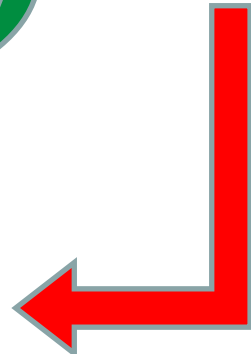
Step 1

- Off-shore
- Near-shore



Step 2

- Further off-shoring
- Near-reshoring
- Back-reshoring



Source: Fratocchi, L., Di Mauro, C., Barbieri, P., Nassimbeni, G., Zanoni, A., "When Manufacturing Moves Back: Concepts and Questions", in *Journal of Purchasing and Supply Management* (forthcoming March 2014)

The Uni-CLUB MoRe Back-reshoring DataSet

- *more than 400 evidence*
- *companies located all over the world*

Sources

- a) news on international economic newspapers (e.g. WSJ, FT, ...) and magazines (e.g. The Economist, ...)*
- b) consulting companies' white papers (e.g. BCG, McKinsey)*
- c) internet research engines*
- d) evidences cited in academic papers*

Back-reshoring

Breakdown by home/host country

	Host Country	Home country															Total	
		Europe										North A.		Asia				
		I	D	UK	F	NL	E	N	S	CH	FIN	SLO	USA	CDN	J	SK		Taiwan
Back-reshoring	China	28	8	30	12	3	2	2		1			130	1	2	1	2	222
	Asia (other than China)	12	6	1	3								22			1		45
	Eastern Europe and former URSS	22	10	3	5	4							1					45
	Western Europe	13	9	1	1					1	1		5					31
	Central & South America	1	5				1						11					18
	North Africa & Middle East	1		2	2	1							1					7
	Japan												3					3
	North America	2	1										1					4
	Oceania												1					1
		Total	79	39	37	23	8	3	2		1	1	1	175	1	2	2	2
		194										176		6				

- *The phenomenon is homogeneously diffused among Europe and USA*
- *It is more consistent in highly manufacturing-based economies*

Near-reshoring Breakdown by home/host country

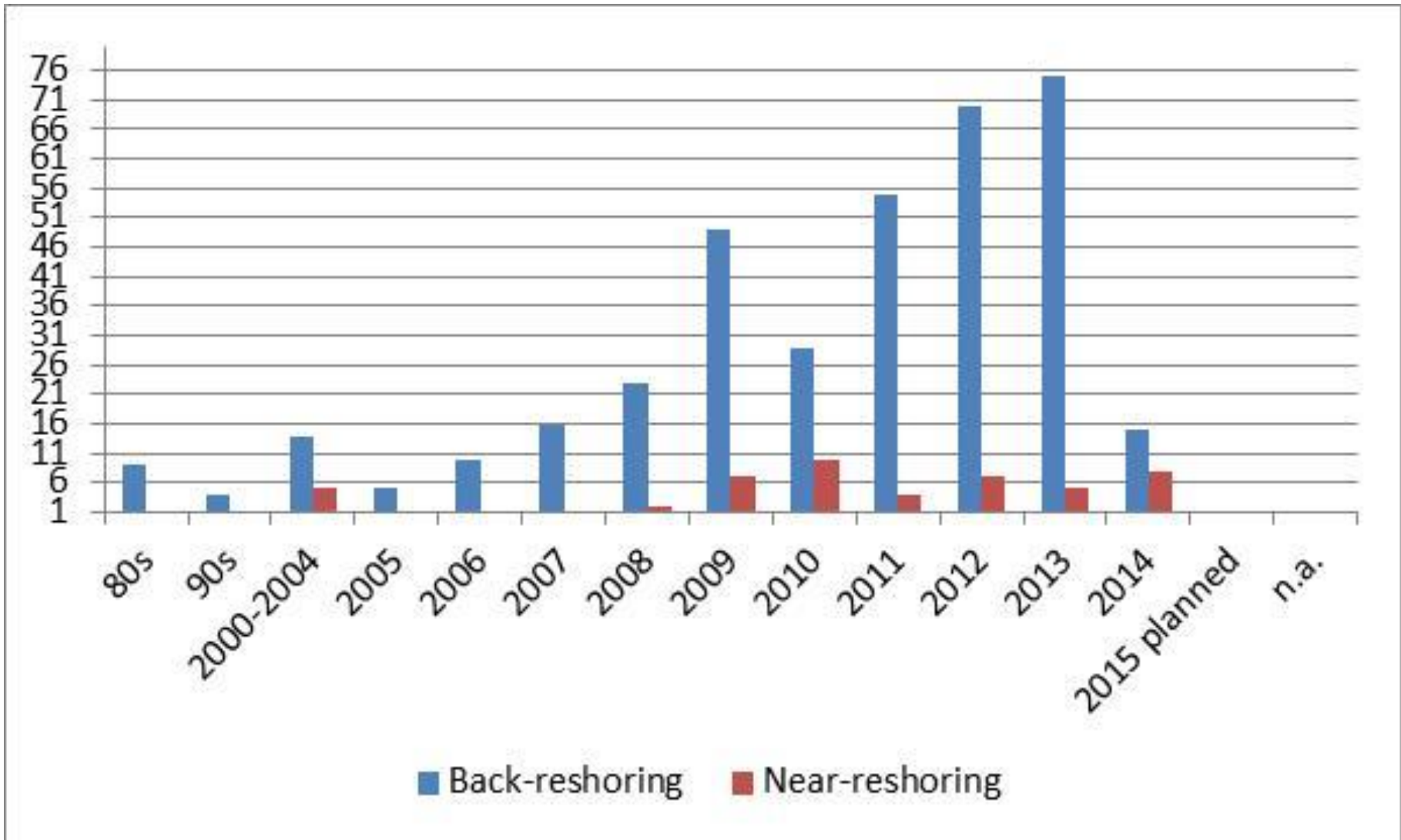
Near-reshoring	Host Country	Home country															Total				
		Europe										North A.		Asia							
		I	D	UK	F	NL	E	N	S	CH	FIN	SLO	USA	CDN	J	SK		Taiwan			
China	7	3	4	11		1	2					3	2								33
Asia (other than China)	3											4		1							8
Eastern Europe and former URSS	1			1								1									3
Central & South America												2	1								3
Western Europe	1								1												2
North Africa & Middle East												1									1
Total	12	3	4	12	0	1	0	2	1	0	0	11	3	1							50
	35										14		1								

- Near-reshoring phenomenon is more diffused in Europe than in USA*

Left geographical area	Destination geographical area					Total
	Eastern Europe & former URSS	Western Europe	North Africa & Middle East	North America	Central & South America	
Asia (other than China)	3	2			3	8
Central & South America				1	2	3
China	10	13	9		1	33
Western Europe		2				2
Eastern Europe and former URSS		2			1	3
North Africa & Middle East		1				1
Total	13	20	9	1	7	50

- Near-reshoring is an opportunity for European countries*

Breakdown by year of reshoring implementation



- *It is not a recent phenomenon*
- *Global financial crisis boosted it? Maybe*

Breakdown by industry

Industry	Back-reshoring	Near-reshoring	Total
Clothing & footwear	67	25	92
Electronic	62		62
Mechanical	53	2	55
Furniture & home furnishing	44	5	49
Automotive	30	4	34
Home appliances	29	5	34
Toys	18	3	21
Electric	16		16
Biomedical	14		14
Food & beverage	12		12
Health and beauty care	8		8
Chemical	6	1	7
Aerospace	4		4
Shipbuilding	3		3
Iron & steel	2		2
Jewelry	2		2
Pharmaceutical	2		2
Consumer goods	1		1
Entertainment	1	5	6
Publishing	1		1
Textile	1		1
Total	376	50	426

- *Back-reshoring is not an industry-specific phenomenon*
- *Near-reshoring is increasing in clothing industry (e.g.. Zara, H&M, ...)*

Breakdown by motivation (top 10s)

#	Motivation	# evidence	% respondent
1	Logistics costs	92	25,1%
2	Made in effect	80	21,9%
3	Labour costs gap reduction	72	19,7%
4	Poor quality of host country products	72	19,7%
5	Delay in deliveries	69	18,9%
6	Customer service improvement	65	17,8%
7	Product's total cost	42	11,5%
8	Firm's architecture redesign	34	9,3%
9	Home country incentives	28	7,7%
10	Difficulties in control host country's unit	25	6,8%

	Cost-related elements
	Product-related elements
	Sales&marketing elements
	Industrial policy elements
	Firm's organization elements

Concluding remarks

- *Off-shoring is not dead!*
- *Back- and near-reshoring are two alternatives, not the only one!*
- *The jobs being reshored are not always the same jobs that were off-shored (≠ numbers, ≠ job profiles)*
- *Entrepreneurs need to consider the “Total cost of sourcing” instead of just “Labor cost” (investments in working capital, rework of defective parts)*
- *Unions need to consider “Cost of labor per unit of output” instead of “Labor cost per hour worked” (product/process innovation, work organization)*
- *Home country incentives are necessary but not sufficient*
- *Policy makers need to manage all elements influencing “doing business”*

However, back- and near-reshoring are not always the final destination!

Meditate people! Meditate!

B E L F E

'90s Off-shored manufacturing to China and other South Eastern Asian countries

2004 Near-reshored to Bulgaria and back-reshored to Italy

2012 Near-shored to Bulgaria and closed production in Italy



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Thank you for your attention

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