MAKING AN IMPACT ON U.S. MANUFACTURING

NIST
National Institute of Standards and Technology
U.S. Department of Commerce

Federal Tools to Support Reshoring Companies

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Manufacturing Extension Partnership

Key Points of the Session

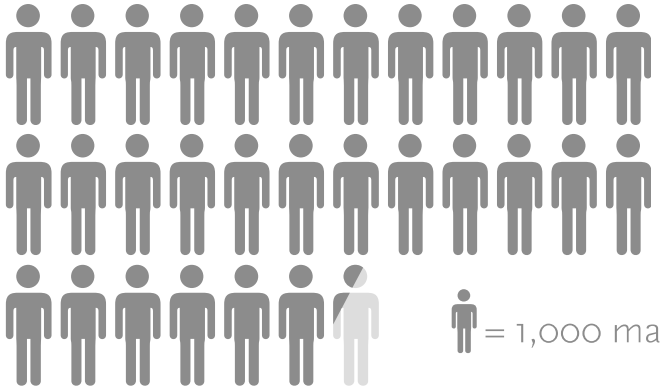
- The opportunities to reshore vary widely by industry.
- Wage differentials between the US and developing countries have diminished significantly in the last decade.
- There are many additional considerations besides wages to consider in making sourcing decisions.
- Economic developer's role is to help your region/ state be strategic about target companies/ industries, to educate and remove obstacles.
- MEP can be a resource.

National Network

MANUFACTURING EXTENSION PARTNERSHIP
National Network

Client Impacts

30,056
Manufacturers served in FY2014



JOBS RETAINED	JOBS CREATED	NEW CLIENT INVESTMENTS	COST SAVINGS	RETAINED SALES	NEW SALES
46,069	17,883	$2.7 Billion	$1.1 Billion	$4.2 Billion	$2.5 Billion

MEP Program Initiatives & Services

MEP's Program Initiatives & Services

are aimed to help manufacturers identify opportunities that will accelerate and strengthen their growth and competitiveness in the global marketplace

Useful Tools and Resources

- Total Cost of Ownership
- SelectUSA
- Pennsylvania Reshore Readiness Reports
- MEP Programs
- Other Organizations

Deciding where to locate a manufacturing facility or a node in the supply chain is complex and should go beyond the sole focus of hourly wage comparisons between locations (chasing cheaper labor).

What is the Total Cost of Ownership?

Chances are your actual Supply Chain costs are greater than you think…

Surveys indicate that Supply Chain total cost of ownership can be *20% higher than piece part price*.

Traditional Cost Control Metrics vs. TCO Cost Elements

Traditional: **Purchase Part Price/Piece Part Variance**

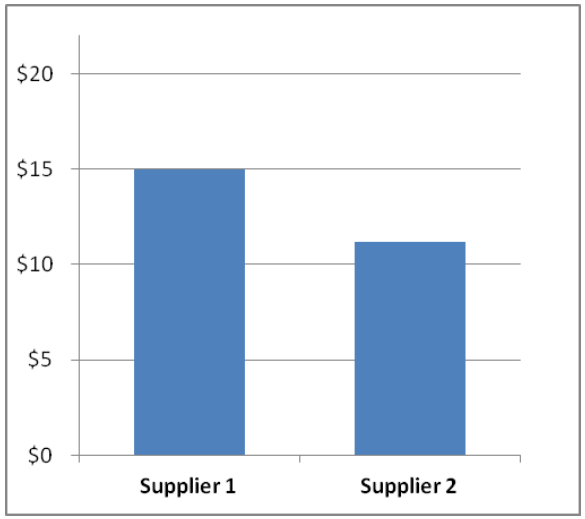
Piece Part Variance is the difference in price between the amount paid to the supplier and the planned or standard cost of that item.

TCO: Evaluates **Visible and Hidden Elements**

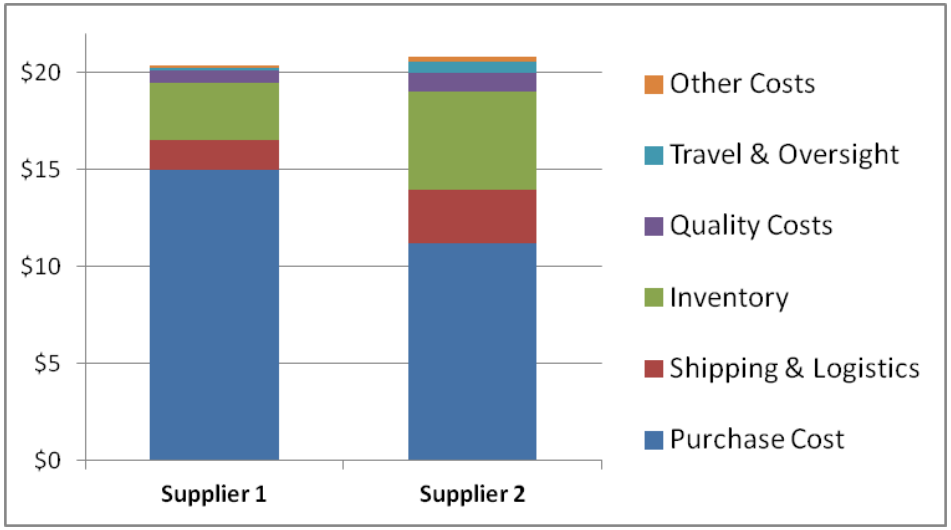
Considering additional cost elements will reveal the true cost of purchased items and is a more accurate measure of procurement performance.

"Traditional" vs. TCO Cost Comparison

Purchase Cost Only



Total Cost of Ownership



TCO Provides a More Complete & Competitive Measurement of Both Direct *and* Indirect Acquisition Costs

Benefits of Using TCO in Strategic Sourcing

Provides knowledge of both visible and hidden costs, to:

- Allow comparison of acquisition with other supporting and investment costs
- Allow better operating and financial trade-off decisions
- Provide an assessment of ecological and social costs
- Understand the true cost of sourcing decisions

US Department of Commerce - ACE

To learn more about the ACE Tool, visit http://acetool.commerce.gov. The ACE tool was developed in partnership with the Department of Commerce Economics and Statistics Administration and NIST MEP.

Reshoring Initiative

- Founded by Harry Mosher, the Reshoring Initiative is focused on helping companies shift collective thinking from “offshoring is cheaper” to “local reduces the total cost of ownership.
- The Institute’s Total Cost of Ownership (TCO) Estimator is an intuitive online calculator for determining a company’s profit and loss impact of reshoring vs. offshoring.

http://www.reshorenow.org/tco-estimator/

Strategic Sourcing Decision Questions

- Multiple sourcing?
- Proximity sourcing?
- Make vs. Buy decisions?
- Make to Order vs. Make to Stock (MTO vs. MTS)?
- Purchase quantities? Buffer sizing?
- Direct buy from supplier or distribution center, VMI?

Informed decisions require an understanding of the supply chain

US Department of Commerce

SELECTUSA

- SelectUSA seeks to highlight the many advantages the United States offers as a location for business and investment.
- From a vast domestic market to a transparent legal system to the most innovative companies in the world, America is the place for business.
- http://selectusa.commerce.gov/
  - Browse Business Incentives Offered by States and Territories
  - Lists and links to Federal Resources

PA Reshore Readiness Reports

- Available by Industry
- Detailed analysis on the benefits of reshoring outlined by industry sector:
  - Electrical Equipment Manufacturing
  - Hardware Manufacturing
  - Mining, Oil & Gas Field Machinery Manufacturing
  - Plastic Pipe, Pipe Fittings and Plastic Profile Shapes
  - Plastic Products Manufacturing

MEP Supplier Scouting

15
Participating Government Agencies

180
Items Scouted

Over $40 Million
New Business Opportunities

- Connects the capabilities, capacities, and business interests of U.S. manufacturers with the needs and business opportunities of various manufacturing supply chains.
- Connects government agencies with Buy American provision requirements to U.S. manufacturers.
- Supplier Scouting has identified and connected domestic manufacturers with business opportunities in the following industry sectors:
  - energy products
  - passenger rail cars
  - rail locomotives
  - railroad track and physical infrastructure
  - highway systems
  - waterborne transportation systems
  - laboratory instruments

Make it in America Challenge

- Awarded in December 2013
- Provide technical assistance in areas including reshoring, supply chain optimization, and workforce development.
- These MEP centers each received $125,000 per year for three years to support their regional Make it in America teams:
  - Maine MEP
  - State of Ohio, Ohio Development Services Agency: 2 awards
  - South Carolina MEP
  - Northeastern Pennsylvania Industrial Resource Center
  - Oregon Manufacturing Extension Partnership
  - Industrial Technology Institute, Michigan Manufacturing Technology Center
  - Washington Manufacturing Services, Impact Washington
  - Missouri Incutech Foundation
  - Innovate Mississippi

Made in State Initiatives

MEP centers have also embraced the campaign with state programs. By inviting manufacturers to be part of their online Made in Your State directory, centers enhance their connection to local companies and their role as a bridge between manufacturers and the community. The programs help potential customers find manufacturers; encourage firms to network with each other, sharing ideas and news; and support MEP's promotion of the manufacturing sector by highlighting some of the most promising and exciting manufacturers in each state.

- Made in Southern California
- Made in Northern California
- Made in Chicago
- Made in Connecticut
- Made in Indiana
- Made in Illinois
- Made in Missouri LinkedIn Group
- Made in New Jersey
- Made in North Carolina
- Made in Northeastern Pennsylvania
- Made in Tennessee
- Made in Washington
- Make it in Maryland
- New Mexico Made
- Proud to Manufacture in Michigan

Reshoring Institute

Mission

The Reshoring Institute provides research and support for companies bringing manufacturing and services back to America.

Vision

In collaboration with the University of San Diego Supply Chain Management Institute, the Reshoring Institute provides information, research and support for companies trying to “reshore” or bring manufacturing and services back to America. This may include things like site selection, tax incentives, science and math education, marketing and PR and cost comparison development. The Reshoring Institute directs this reshoring work and includes student interns in support of research projects and consulting projects.

University of San Diego
SCHOOL OF BUSINESS ADMINISTRATION
Supply Chain Management Institute

QUESTIONS??