

Supply Chain SERVICES



Made in the USA? Assessing the Risks and True Economics of Re-shoring Your Supply Chain



SES' Supply Chain Services Group has the skills and expertise to help you answer critical supply chain questions... using *your* facts and data.

HOW IMPORTANT ARE PROFITABILITY AND SHARE VALUE?

Recent research shows there is both a direct and an inverse relationship between efficiency and risk.¹ Many may have gone past the sweet spot on the diminishing returns curve of efficiency MORE than giving back cost improvements when the inevitable supply chain failures occur. Supply chain disruptions have impacts like >30% decrease in stock returns, higher share price volatility, >100% decrease in operating income, and more.² In addition, supply chain costs are often not as low as believed.

In the face of global economic and social change, the “off-shoring” momentum of the 1990’s and 2000’s is beginning to change. The wage advantage that once existed has narrowed dramatically. Between 2000 and 2008 it is reported that real wages in low-cost countries in Asia have risen by 7.1 to 7.8% per year.³ Chinese and Indian wages have risen 10–20% annually for a decade.⁴ Coupled with transportation costs and in some cases labor instability, the economic picture is not as clear as it used to be. As a result, and with increasing regularity, SES’ clients are asking the question, “**Have global and economic conditions evolved such that it is time to consider re-shoring certain products?**” Or, if the product happened to have been developed offshore during this period, the question takes the form, “**Can we construct a profitable and reliable supply chain, locally, for this product?**”

SES is uniquely qualified to support the analysis, assessment, planning and implementation of supply chain reconstruction. We have worked with clients ranging from consumer and medical device companies to plastic products and explosives manufacturers to assess the true economics of global supply chains.

PROVE WHAT EXISTS... USE YOUR DATA TO PLOT THE PATH FORWARD

The question of re-shoring a product is always complex and often politically charged as the answers to the critical questions cross many organizational boundaries. SES is sensitive to these facts and, working with your internal stakeholders, SES’ Supply Chain Services Group will work with you to:

- Mine your financial, manufacturing, purchasing and logistics data to identify the salient facts that will dictate the appropriate strategy.
- Develop mathematical models, based on your facts, to generate hard opportunity numbers.
- Develop auditable, quantifiable opportunities from which the path forward can be created.
- Identify mitigation strategies for supply chain risks.
- Explore and catalog the non-financial Management of Change drivers in your enterprise that are often the most important factors in a successful project.

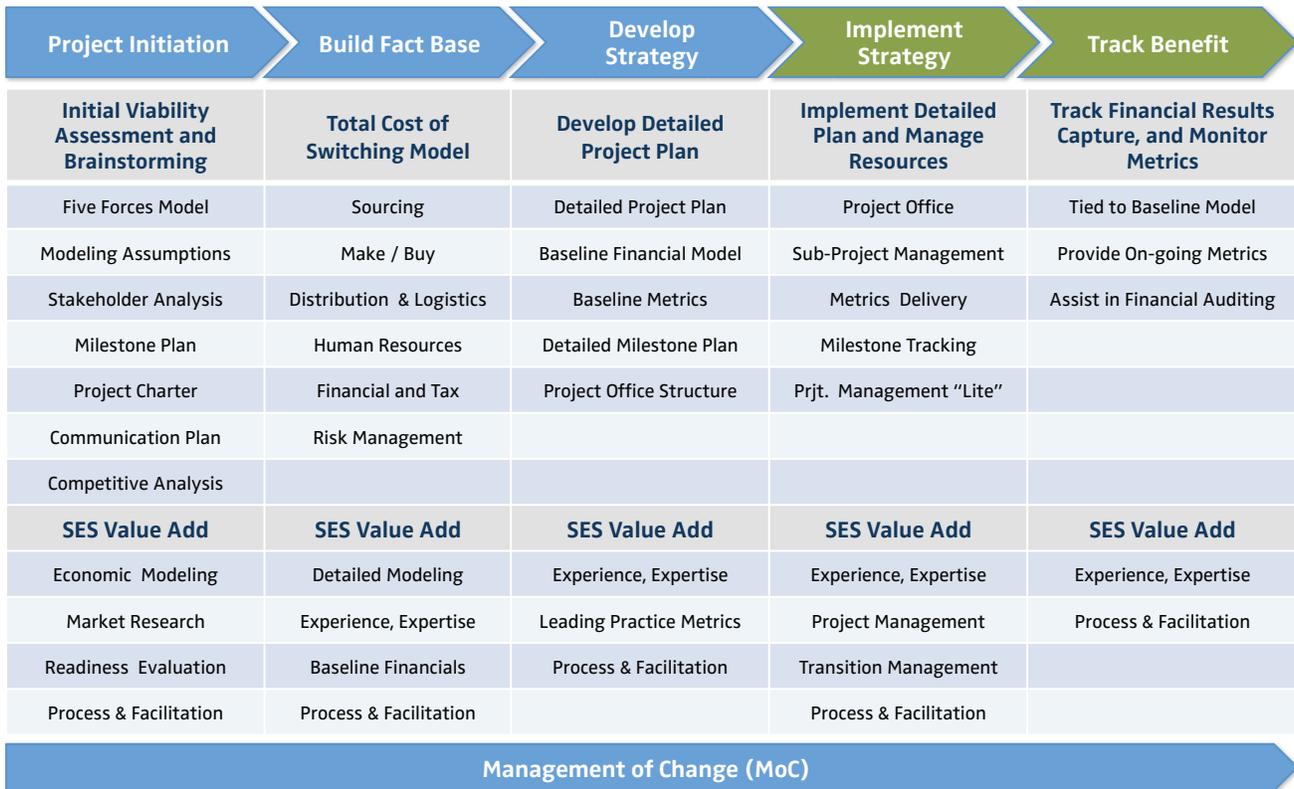


FIGURE 1 SES Supply Chain Service Chart

Because many of our clients are so lean and focused on running their day-to-day business, SES also offers services to:

- Plan the tasks and timeline to implement strategic supply chain changes.
- Estimate the internal and external resources needed to execute the changes.
- Provide full project management and facilitation for the project.

SES SUPPLY CHAIN SERVICES MODEL

SES's supply chain services model is illustrated in figure 1. Clients that have sufficient staff to execute the project typically use SES to support the first three phases of the evaluation effort. The organizations that do not have the breadth of experience needed may engage SES to support the entire program.

It is SES's experience that the real challenge in the decision making process regarding re-shoring is about collecting the

facts, then organizing, and analyzing the data. Once all the information is on the table and there is a bright light shining on it, the question of whether or not to re-shore, or consider some other alternative supply chain model is clear.

Working with your internal staff, SES has the skill and experience to help you assess the true economics of your global supply chain and plot a more profitable path forward.

1. K. Hendricks and V. Singhal, "The Effect of Supply Chain Disruptions on Long-term Shareholder Value, Profitability, and Share Price Volatility," June 2005.
2. Hendricks and Singhal, "The Effect of Supply Chain Disruptions..."
3. "Special Report: Outsourcing and Offshoring", *The Economist*, January 19, 2013.
4. "Special Report," *The Economist*.

**For More About Assessing the True Economics
of Re-shoring Your Supply Chain
Call SES Today at 513-336-6701**

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