



Selling into Reshoring

Many questions have been raised about the stability of overseas manufacturing since the pandemic occurred. As was exposed during the COVID years, global supply networks can be extremely fragile. A minor production or shipping setback can “snowball” into a major disruption that limits the availability of product—putting considerable stress on relationships with existing channel partners and customers.

69% of companies that made the choice to reshore to the U.S. indicated that supply chain disruptions were the primary reason for their decision.ⁱ But other factors are in play—government incentives, rising material and shipping costs, and increasing geopolitical conflict. Many companies have now concluded that the most direct path to address this business risk is to reduce logistic complexity and bring manufacturing closer to the geographic market being served.

According to MIT, from 2000 to 2023 talk about reshoring increased 3000%.ⁱⁱ But beyond the talk, we have seen a dramatic increase in investment in new manufacturing facilities in the U.S. Computer, electronic and electrical manufacturing construction spending has nearly quadrupled since early 2022ⁱⁱⁱ and activity in other industries is growing. Companies like Walmart, Ford and Caterpillar are working on reshoring some of their production. Overall, construction spending on new manufacturing facilities has risen 40% YOY and ~62% over the past 5 years.^{iv}

The return of manufacturing to the U.S. changes dynamics throughout a manufacturer’s entire network. Decisions need to be made that will change business economics and affect suppliers, channel partners and customers.

Go-to-Market Consequences of the Reshoring Phenomenon

Companies Reshoring to the U.S.

For companies that experienced supply chain disruptions starting in 2020, brand allegiance and market share shifted. Availability became the default product selection criterion for customers and channel partners. Second and third-tier brands leveraged their product availability to capture significant gains in market share—along with high gross margins from inflated street prices. Customers, typically loyal to the leading brand, switched their brand choice in the short-term because they couldn’t risk not having product on hand to complete projects. A longer-term effect has been that some customers, who had good experiences with alternative brands, did not switch back to the leading brand they formerly preferred.

As companies prepare to reshore production to ensure consistent supply going forward, management will need an updated understanding of their company’s market position at every level (i.e., customer, channel, competitor). The goal is to identify where share losses have occurred and develop a targeted strategy to recapture this volume.

In addition, logistic roles, service levels and purchasing dynamics will change across the entire system once production is onshore. Will lead times be shorter? Will distributors stock less inventory or a different mix of

Go-to-Market Consequences of Reshoring

products? How will pricing change to reflect new manufacturing economics? Will changes in sales/service operations meet customer expectations? What levers does the company have to build stronger relationships with existing customers because of reshoring? Can these same levers open doors to competitive accounts?

Finally, a reexamination of the company's channel incentive program is warranted to ensure that programs will drive the behaviors necessary to regain business lost due to past supply chain disruptions.

Upstream Suppliers

Material and component suppliers that are upstream to new manufacturing plants must pivot from a maintenance mindset to a growth one. 72% of companies planning to reshore report that they are increasing the amount of domestically sourced materials.^v These decisions open up opportunities for cost-efficient and/or innovative suppliers to intercept newly created demand for their products and services.

Reorientation for growth will be a significant shift in many suppliers' go-to-market strategy. With the bulk of manufacturing being done offshore for decades, many companies have been operating in a reactive, transactional mode for a very long time.

Material and component suppliers must reassess their sales, channel and account management strategies to ensure they are best aligned with the shifting market. New business development activity will be needed—possibly targeting geographic markets or NAICS segments that are not well covered today. What will be needed are direct sales reps or channel partners capable of creating new accounts/new orders—not taking orders. Adding a “spec office” that can maintain constant, up-to-date tracking of new project and account activity may be a good investment. A different, growth-oriented incentive program may be needed to drive the right activities by channel partners or direct sales teams.

How Can Your Company Sell Aggressively into the Reshoring Trend?

There are different opportunities and challenges for companies that are reshoring vs. potential suppliers. In both cases, however, we believe strong attention needs to be paid to adapting the company's go-to-market strategy for the changing environment. Significant market transitions, like reshoring, don't happen often. Companies that sell aggressively into them can be greatly advantaged.

If you want to talk about the work involved to position your company to benefit from these shifts, please contact Carl Cullotta at cpc@lynncullotta.com or 224.239.2525.

ⁱ Maggie Slowik, “Reshoring Alleviates Supply Chain Issues—But It Needs Tech to Control Costs,” August 10, 2023, eweek.com

ⁱⁱ Erin McLaughlin and Dana M. Peterson, “A Reshoring Renaissance Is Underway,” November 2, 2023, sloanreview.mit.edu

ⁱⁱⁱ Eric Van Nostrand, Tara Sinclair, Samarth Gupta, “Unpacking the Boom in U.S. Construction of Manufacturing Facilities,” June 27, 2023, home.treasury.gov

^{iv} Erin McLaughlin, “Reshoring Trend Boosts US Manufacturing Growth,” November 14, 2023, conference-board.org

^v Slowik, “Reshoring Alleviates Supply Chain Issues”