How to Plan Successful Factory Relocation and Reshoring

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Author: admin

Many OEMs as well as tier 1 and tier 2 suppliers are considering relocating and reshoring their plants to the Western Hemisphere. In the 90s and early 2000s, many manufacturers moved their plants from the USA and other Western countries to China for cost-effective labor and a relative lack of regulations. 20 to 30 years ago, this decision made obvious sense for many of the companies that shifted their manufacturing base. However, nearly all of the characteristics that made China an attractive location for manufacturing have deteriorated or disappeared entirely. Due to these changes and looming difficulties on the horizon, many factories are re-evaluating their site locations and looking back across the pond to the Land of Opportunity.

Why Relocate or Reshore Your Factory

There are essentially four things that have changed since the 90s rush to China, which have altered the rules of the manufacturing game. First, increasing quality of life within China has come with rising salaries. Rising salaries represent increased overhead for manufacturing and management. Rising inputs along with other factors like logistics costs make the USA competitive with manufacturing costs in China. Additionally, covid restrictions within the country have made rolling lockdowns and supply chain failures the rule instead of the exception. This so-called “zero COVID policy” has created a hostile manufacturing environment.

Additionally, in the last 5 years or so, there has been a bipartisan recognition of the economic and defense threat that China represents to the USA. Various tariffs and prohibitions (most recently a microchip prohibition) are seen as escalatory and create a challenging business climate between the two countries. Finally, geopolitical distress between China and Taiwan further threatens

global supply chains and critical microchip infrastructure. The likelihood of a Chinese invasion of Taiwan is growing, according to the opinion of most experts. The question remains as to what extent the USA would involve itself in this conflict. However, there is a chance that war in the Pacific may eventually find the USA and China in an open hot conflict over Taiwanese independence.

Planning Factory and Plant Relocation Checklist

Moving a plant, whether across the country or across the world, is a complex process. However, proper planning can help eliminate the possibility of disruptions and other setbacks.

Plan Early

The first thing to do with any factory or plant relocation is to plan the relocation early and comprehensively. Especially if the plant is moving from China to a North American country like the USA or Mexico, planning should be executed as early and quickly as possible. If conditions deteriorate further between the USA and China, Beijing could conceivably embargo any export of manufacturing equipment. Planning the move in advance will help mitigate risks while allowing for continued production during the move.

Account For and Audit Machinery

Before spending money to move machinery, it's essential to examine amortization charts and see if the equipment costs more to move than its residual value. If the equipment is near the end of its useful life or its lease, it may be more efficient to simply purchase or lease new equipment at the new factory location, depending on export, import, and transport costs.

When moving the un-abandoned equipment, it's best to develop an inventory system to track *which* piece of machinery is being moved, *when* it should be moved, and *where* it's going. Make records based on inventory tags so that all the information travels with the machinery. Additionally, take pictures of the machinery and take any notes to help serve as proof in the event of an insurance claim or other mishap.

Review Your Supply Chain

Before making any moves or preparing to shut down any machinery, examine the supply chain. Depending on how far the machinery needs to move, it may be necessary to search for new lower-tier suppliers and, potentially, 3PL companies. These relationships should be established before a single piece of equipment is moved to ensure there's a constant stream of supply at the new location. Additionally, this lead time may be necessary to allow the supplier to ramp up production and service the new factory location.

Plan Improvements Before You Move

After being in a factory for even a couple of weeks or months, it's obvious where the design flaws exist. When designing the new factory, take current problem areas into account so that they can be eliminated in the new design of the factory. A factory move is a rare event, but it is the perfect time to optimize the floor layout to be as efficient as possible at a near-zero cost.

Plant Relocation Consultant

With so many potential landmines to step on, hiring a plant relocation consultant is one of the wisest actions a company can take. Plant relocation consultants are constantly working with companies to make sure that their relocation is successful. They have

walked the road so many times that they can point out the possible dangers and considerations months ahead of time. Internal project managers and the relocation team are often composed of highly competent professionals. However the task of relocation can be so demanding that they're simply stretched too thin to keep up with the demands of the move. Seraph has a proven track record of both relocation and consolidation planning. Before any company begins planning on relocating, the best first step is to schedule a call with Seraph.

Conclusion

Relocating and reshoring is a monumentally difficult task, but with the right planning, preparation, and help, it is achievable. Seraph has helped transfer hundreds of production lines without sacrificing a single day's supply to our client's customers. Thanks to our team of specialized operational consultants, Seraph can come alongside a new company and act as a support structure from day one. Our advisors are former management at many suppliers and OEMs and know the relocation process inside and out. Contact us today to schedule a discovery call, or see our case studies for more information.