

Cautionary Tale: Reshoring

Reshoring is a new word for IST's vocabulary, but its meaning is quite clear. Many end users of springs have sought to source their springs from low cost countries in order to save money, but a proportion of these end users have suffered quality and delivery problems, and are now realising that price is not the only criteria on which to select spring suppliers. Hence they now wish to source these springs local to their manufacturing whether that be in USA, Europe, Japan or any other so-called developed country. The Bric countries, of which China is by far the most important, cannot always reliably supply spring products at the quality and price levels (when all costs are added up by an accountant rather than buyer) that are required.

"Reshoring of jobs from China won't happen" according to Tim Leunig of the London School of Economics. What he means is that Chinese jobs will not come back to developed countries – history tells that this has never happened since the start of the industrial revolution in the UK. Consider the rag trade for example – cotton goods for the world were made in the UK in the 1800s, then these jobs migrated to Japan, then India and China, and they're not coming back any time soon. Chinese jobs may migrate to other low cost countries like India and Bangladesh or even to Africa due to Chinese wage inflation, currently estimated at 20% in urban areas with unskilled (migrant) labour rates approaching \$2.50/hour. But reshoring of products will happen.

Traditionally, springs have been manufactured at sites relatively close to where they are assembled into sub-assemblies or finished goods. That enables just in time deliveries of specially designed and manufactured springs, with very little risk of disrupting a production line due to parts being delayed in transit. This pattern will continue in IST's opinion, and that is the moral of this cautionary tale.

Springs for Chinese cars will be made in China. The most technical springs may be manufactured by Chinese joint ventures or subsidiaries of spring manufacturers from developed countries. To achieve the highest quality standards, Chinese or Indian springmakers will have to import their raw material. Wire quality in these countries is adequate – it may meet the specification limits, but wire in Europe, Japan and Korea in particular, is much better than this, due to a long period of implementing continuous improvement. That is IST's experience.

Springs that require a large labour content in their manufacture will be made in lower cost countries for straightforward economic reasons. Examples of these would be leaf springs and brake pull-off springs with coned down ends. Unless manufacturers in developed countries can be inventive in automating production of labour intensive springs, they will struggle to remain competitive. But for most large volume spring products automation is key. Springmakers in developed countries will face significant competition in the near future from Chinese springmakers who have expanded their capacity, but are now finding less growth in their domestic market and will seek to compete internationally. Reshoring may restore some market, but beware you don't lose market share to this new competition as much as you gain from reshoring. That is the second moral of this tale.

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Readers are encouraged to contact him with comments about this cautionary tale, and with subjects that they would like to be addressed in future tales - e-mail m.hayes@springexpert.co.uk