

# Beyond Tariffs: Should Reshoring be Part of Your Long-Term Manufacturing Strategy?

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## Key Takeaways:

- Rising tariffs may prompt reshoring or nearshoring, but its long-term benefits include reduced risks, shorter lead times, and greater supply chain stability, helping manufacturers mitigate disruptions.
- Offshoring may lower upfront costs, but a Total Cost of Ownership (TCO) analysis reveals hidden expenses like freight and risk. Considering TCO and tariffs, nearshoring can be a more cost-effective and sustainable option.
- Relocation best practices like conducting FMEA, assessing supplier policies, and building strategic vendor partnerships can help manufacturers mitigate potential challenges and capitalize on the benefits of nearshoring/reshoring.

Bracing for a [potential surge in import tariffs](#), many U.S. manufacturers who haven't yet made a move are now urgently considering [nearshoring or reshoring](#) as part of their supply chain strategy. While the threat of new tariffs might provide an immediate catalyst, the reality is that [supplier proximity has always offered a variety of advantages](#).

But with Mexico and Canada now potentially in the tariff crosshairs, that changes the equation, leaving many companies unsure of which way to turn.

TBM has supported dozens of manufacturers across every sector in optimizing their supply chain to reduce costs, lower risk, and achieve operational excellence even in the most volatile conditions. While every situation requires a unique solution, here are six universal caveats to consider when making a nearshoring decision.

## Six Nearshoring/Reshoring Nuances to Consider Before Making a Decision

1. Tariff motivations
2. Supply chain resiliency
3. Total cost of ownership vs. landed cost
4. Sustainability
5. Workforce
6. Intellectual property

## 1 Tariff motivations

President Trump has taken a hard line against Chinese imports, and he's threatened to impose steep tariffs on goods imported from Mexico and Canada, which are likely also aimed at China.

[Industry expert Harry Moser believes the primary motivation behind proposed North American tariffs is to discourage gaming the system](#): companies shipping products into Mexico and Canada, doing some light assembly, and then shipping to the U.S.

The more likely scenario is a negotiated agreement with these countries to align on Chinese tariffs for the mutual benefit of NA manufacturing. In other words, manufacturers should make some contingency plans, but don't panic just yet.

## 2 Supply chain resiliency

Nearshoring or reshoring has always provided a buffer against the risks of offshoring.

Between geopolitical turmoil, natural disasters, canal and port hurdles, and other transport challenges, getting goods from APAC is never guaranteed. Relocation operations away from challenging regions or closer to home helps to hedge against calamities, reduce risk and shorten the timeline for landed goods.

## 3 Total cost of ownership vs. landed cost

Price is the driving force in offshoring for 50% of manufacturers. But the purchase only considers a small piece of the total cost of ownership (TCO). It doesn't include freight, inventory and warehousing costs, nor the risk of loss or service level penalties related to timeliness and product quality.

In fact, considering TCO, [the price advantage of domestic production](#) versus importing from China surges from just 8% to 32% and jumps to 46% factoring in a 15% Section 301 tariff. Assessing TCO makes for a much more compelling nearshoring case.

## 4 Sustainability

Commercial freight is one of the biggest TCO costs and also the [largest contributor to greenhouse gas emissions](#). Fifty percent of manufacturers say reshoring and nearshoring have [the biggest potential to reduce their carbon footprint](#). For companies prioritizing ESG, this can be a major factor in nearshoring decision-making, to say nothing of the humanitarian/workforce considerations.

## 5 Workforce

It might seem logical to shift procurement out of China to other APAC countries, but do they have the capacity to support your needs? Few countries have the available workforce to compete, especially as demand shifts. Resilience may require diversifying your supply chain and/or partnering with suppliers to develop training and grow capacity in North America.

## 6 Intellectual property

In the rush to offshore, many manufacturers risked their proprietary designs and data, sacrificing their IP to save money. Now that China has been exposed for IP theft, it's essential that manufacturers protect or have contingencies in place for nearshoring proposals.

With a multitude of factors to consider, having a thorough assessment of the nearshoring or reshoring opportunity and a strategic plan is essential. Address possible scenarios, quantify the risks and devise mitigation strategies wherever possible.

## Five Supply Chain Assessment Best Practices

### 1 Perform a Risk Assessment

Understand where everything is coming from, quantify and rank the risks present in those arrangements, and evaluate your contingency plans to mitigate them. For example, suppose you have a component currently sourced from APAC that's also readily available stateside, albeit at a higher price. That's certainly a risk, but much less so than relying on a proprietary part that's only available from one APAC supplier.

### 2 Conduct a TCO Analysis

Consider the TCO and risk impact of every component, not just the landed cost. [The Reshoring Initiative has an online TCO estimator](#) that can help you compare, but TBM can support you with a custom analysis based on your unique needs. We can also examine the rest of your processes to find improvements that can help offset any increase in procurement costs.

### 3 Conduct a Failure Modes and Effects Analysis (FMEA)

One of the best ways to make your business more resilient is to identify how to “break” it. Learning the potential weak links in your supply chain and the downstream effects those events can have will reveal the comprehensive impact and how to avoid it.



### 4 Examine Supplier Policies

Do your suppliers own and build the tool required to fabricate a custom component for your product? It's certainly not the most resilient supply chain strategy. Evaluate your supplier policies to address not only Service Level Agreements but also IP considerations and other contract stipulations to ensure you've prioritized your interests.

### 5 Build Supplier Relationships

If you don't discover that supplier lead time has changed from 45 to 90 days until you issue a PO, that's a problem. Part of supply chain resiliency is building strategic partnerships with vendors beyond just a carrot-vs-stick arrangement. Work with them to be on the same team and ensure continuity. They don't want to lose you as a customer any more than you want to go through the process of qualifying a new supplier.

## Making Smart Decisions, Strategic Moves with Clarity

Deciding how to—or even whether to—pursue nearshoring is a nuanced process that requires a comprehensive assessment of your current situation and your expectations versus reality.

TBM can help you gain a clear view of the costs, risks, implications and mitigations you need to consider based on your individual circumstances. Beyond making the initial move, we also offer the resources and expertise to help optimize every part of your process and make operational excellence a continuous endeavor, providing the stability and agility you need to navigate whatever comes next.

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There is much ado about everything when it comes to navigating supply chain disruptions and risks these days.

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Watch the  
Webcast Now →

## Meet the Experts



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