



Nearshoring Study 2023

Results and Recommendations for Action

October 2023

Agenda

- 1 Executive Summary**
- 2 Survey Design & Participants
- 3 Key Results from Rapid Survey
- 4 Recommendations for Action

The most important findings of the survey at a glance



Near- and Reshoring are not a temporary phenomena, but are both very relevant approaches to restructure supply chains in the future. Regional diversification is becoming more important.



Increasing efficiency, improving flexibility and shortening delivery times are the main reasons for relocating operations to nearby countries - with cost reduction remaining relevant.



Geopolitical tensions have a significant influence on supply chain decisions as a multipolar world with block formations is expected.



Eastern Europe remains the focus region for Nearshoring activities of participating companies, while regions close to Europe, e.g., Northern Africa have a very low relevance among respondents.

Companies aim to restructure their supply chain in the next years to improve flexibility, increase efficiency and shorten delivery times



Trends such as Near- and Reshoring are expected to last by the participants, with many of them already considering a restructuring of their own supply chain

- More than 90% of the study participants do not see Nearshoring and Reshoring as temporary phenomena
- Two-thirds of the surveyed companies plan to restructure their supply chain in the next 5 years
- 42% rate Nearshoring as the main approach to redesign one's own supply chain, 26% focus on regional diversification of their supplier base



Various criteria influence the type of supply chain restructuring

- Companies see the relocation of operations to nearby countries as the most suitable restructuring option to increase efficiency, improve flexibility and shorten delivery times
- 10% of the companies are Friendshoring to improve resilience and political stability; production and logistics costs are not considered decisive factors to shift capacities towards friendly economies
- Industrial Goods companies (67%), in particular, plan to intensify regionalization by means of Nearshoring to increase efficiency, enhance flexibility and shift procurement capacities to areas with more political stability

Geopolitical tensions influence companies in 2023 – Eastern Europe countries are still considered as main Near-/ Reshoring options



In their decision-making, surveyed companies are influenced by geopolitical tensions. In the future, a multipolar world and block formations are expected

- 91% of the study participants are influenced by geopolitical tensions when making decisions, 19% specifically see the Ukraine war as a risk
- A multipolar world is expected by 29% of the participants, especially from companies that source only continentally (32%)
- Companies that source from more than one continent (68%), expect block formations in the future



Companies are focusing on Eastern Europe for Nearshoring activities - other opportunities are hardly considered

- 57% of the participants already source in Eastern Europe, 32% plan to near-/ reshore to Eastern Europe in the next years
- Regions close to Europe such as North-Africa or the Middle East are only relevant for ~3% of the participants when restructuring their supply chain
- Although 56% of the companies are currently sourcing in Western Europe, only 9% of the participants plan to engage in near-/reshore activities there, in the future

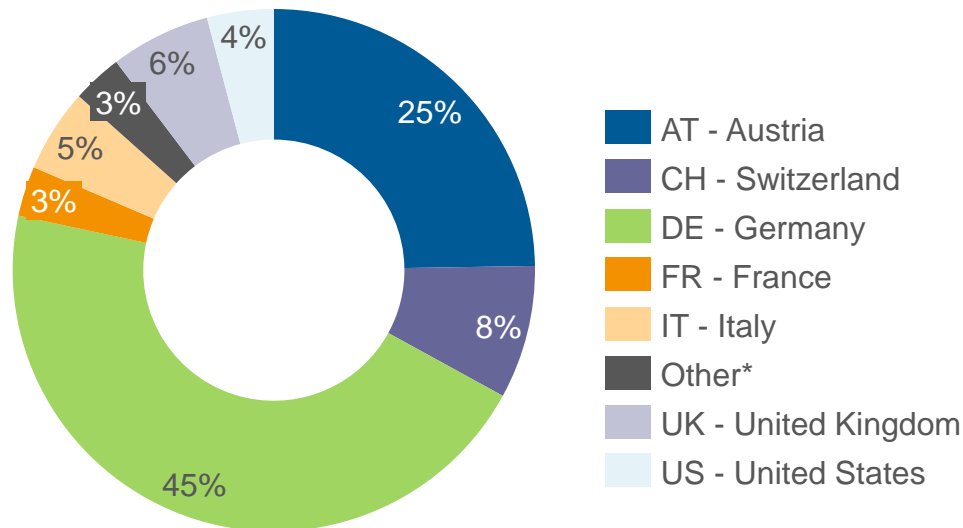
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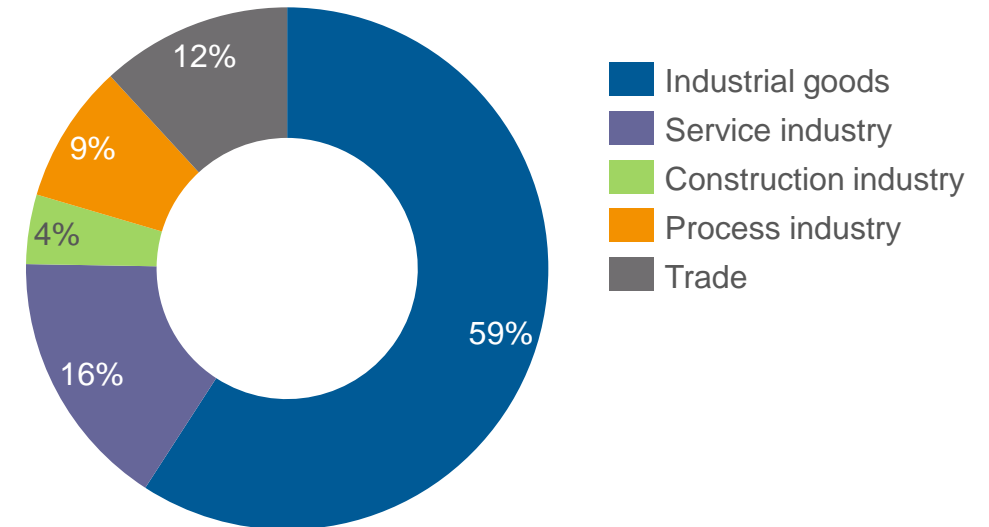


Around 95 companies, mainly from Austria/ Germany/ Switzerland and from five different industries participated in the study

Where is your headquarter located?



To which industry does your company belong?

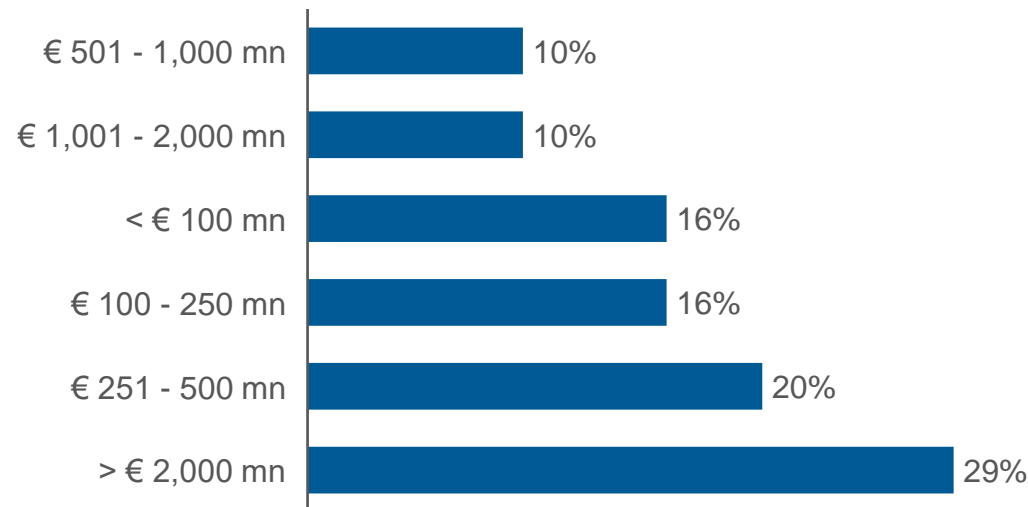


Methodology: Online survey of companies
Surveyor: INVERTO GmbH
Data: Anonymized collection and evaluation
Participants: 94 companies from 5 different industries
Period: 4 May- 28 June 2023

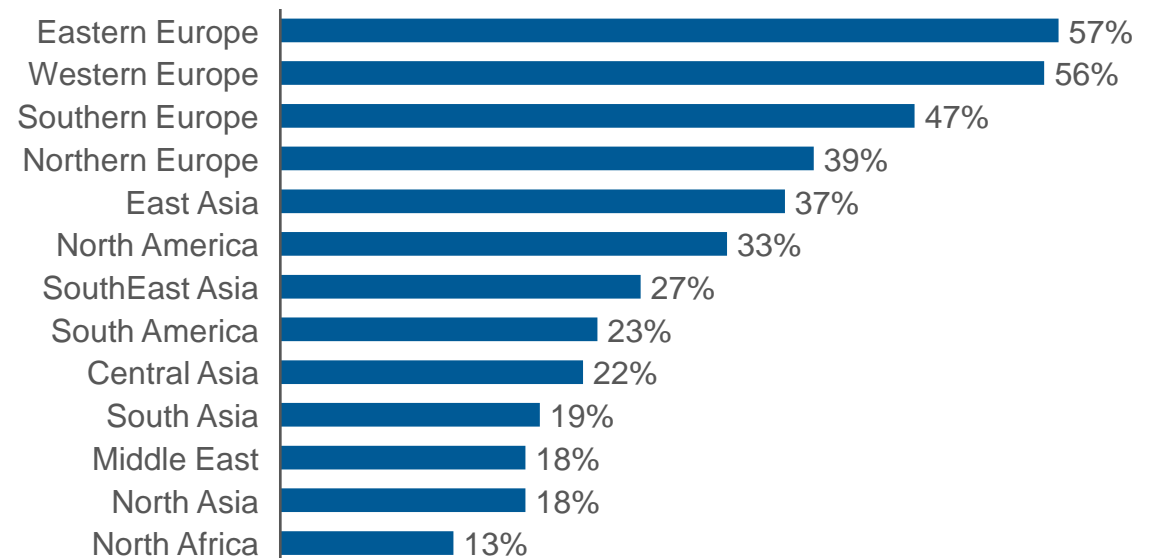
* e.g., Greece, Japan

27% of the participants have an annual turnover of over € 2,000 million, most of them currently source in Europe and Asia

What was the annual turnover of your company achieved in 2022?



How is your sourcing network structured regarding your location?¹



1) Multiple answers were possible

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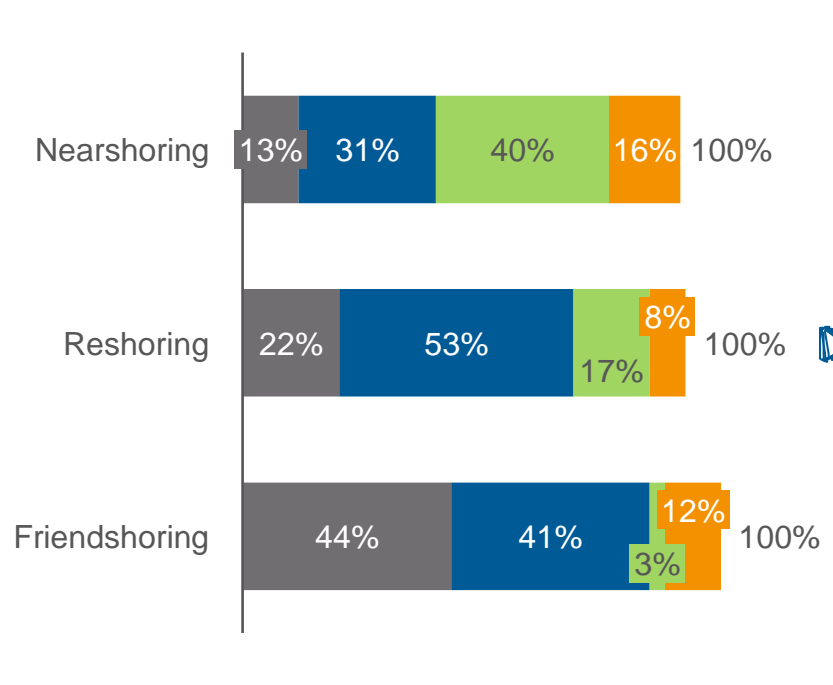




Trends Influencing the Supply Chain

Nearshoring trend impacts supply chains

To what extent do the following trends influence your supply chain?
(Please rate from 1 = irrelevant to 4 = very strong influence)



- **Nearshoring** (Relocation of operational activities to nearby countries) is seen as the most relevant current trend **affecting** supply chains (very) strongly, according to 56% of respondents
- **Reshoring** (Relocation of offshored supply chain activities back to the company's original country) has a strong influence on a quarter of participants
- **Friendshoring** (Converting supply chains to politically friendly economies) has the least impact

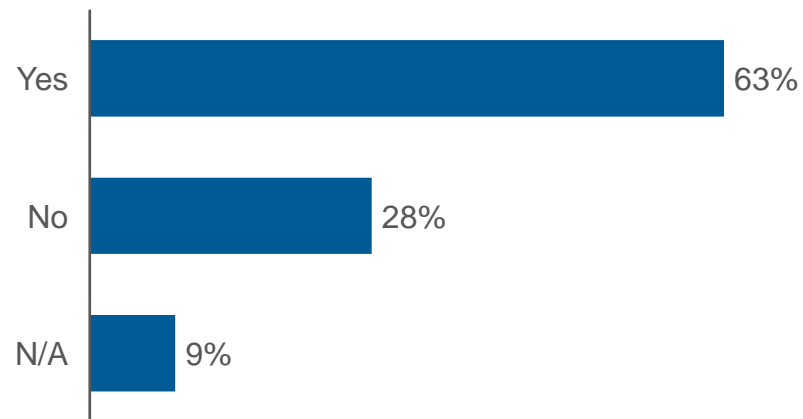
1 = irrelevant 3 = strong influence
2 = little influence 4 = very strong influence



Supply Chain Restructuring Planning

Two-thirds of the participants plan to restructure their supply chain in the next 5 years

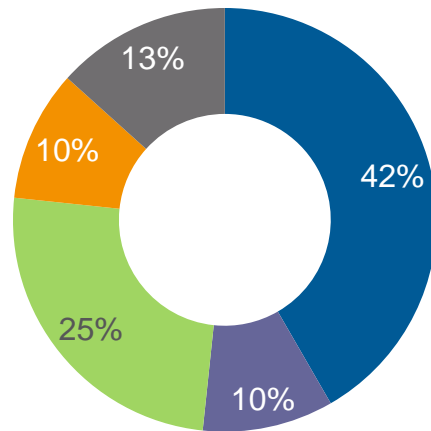
Are you planning to restructure your supply chains (e.g., diversification, shortening, multiple sourcing,...) in the next 5 years?



- **Over 60% of the participants** plan to **restructure** their **supply chain** in the next 5 years
- **28%** plan to **leave** their supply chain in the **current structure**, implying that they are not planning to pursue further Nearshoring activities

42% of those planning to restructure their supply chain within the next 5 years, see Nearshoring as the main approach

What is your primary approach to reconfigure your supply chain structure?



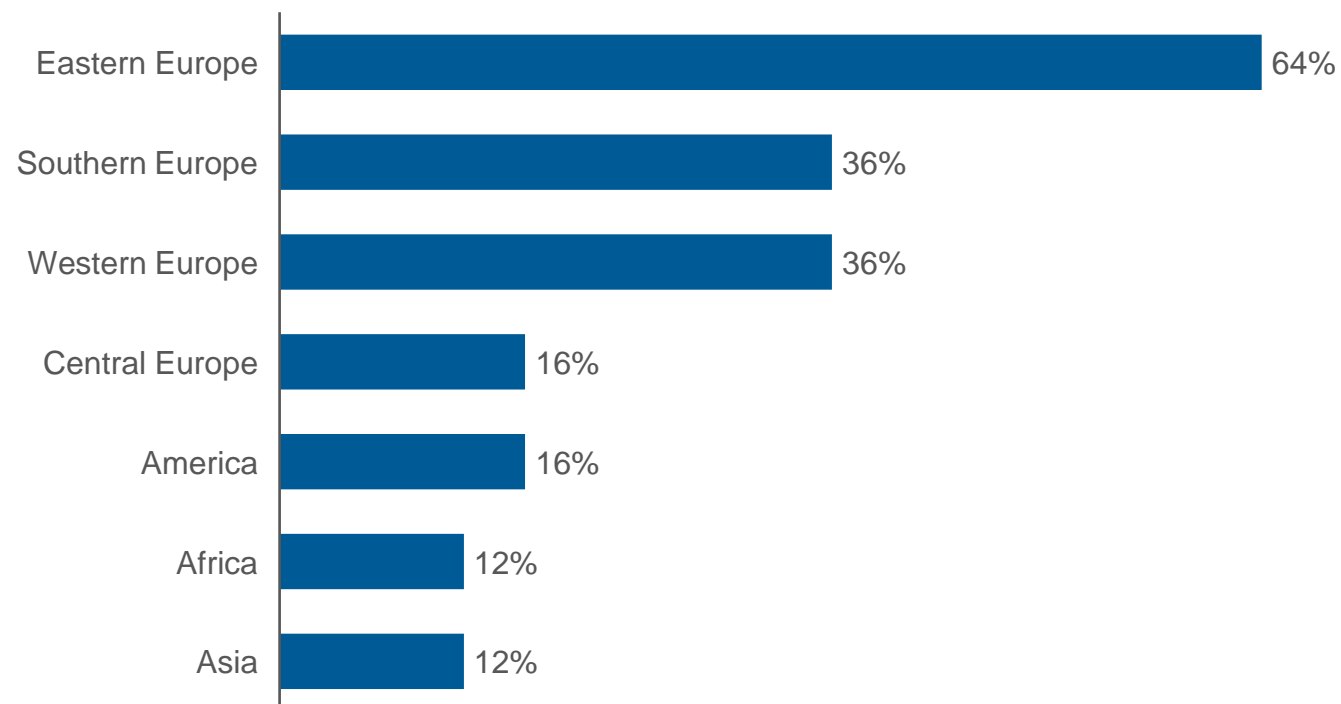
- Nearshoring/ Regionalizing: Switch to regional suppliers to shorten own supply chain
- Reduction of supplier base within key supply chains (location-independent)
- Regional diversification of the supplier base
- Friendshoring: Switching supply chains to friendly economies
- Other (please specify)

- **42% rate Nearshoring/** Regionalization as the **primary approach** to restructure their supply chain; primarily to shorten the own supply chain
- **Regional diversification of the supplier base is relevant** for **25%** of the participants
- **A reduction of the supplier base** and **Friendshoring** are considered as potential approaches by only **10%** each
- **13%** will engage in other **approaches**, e.g., insourcing or multiple sourcing

Focus countries

Those planning to nearshore in the next 5 years focus on Eastern Europe for supply – African markets are only relevant for a minority

Please indicate which countries/regions you are focusing on in the course of Nearshoring.



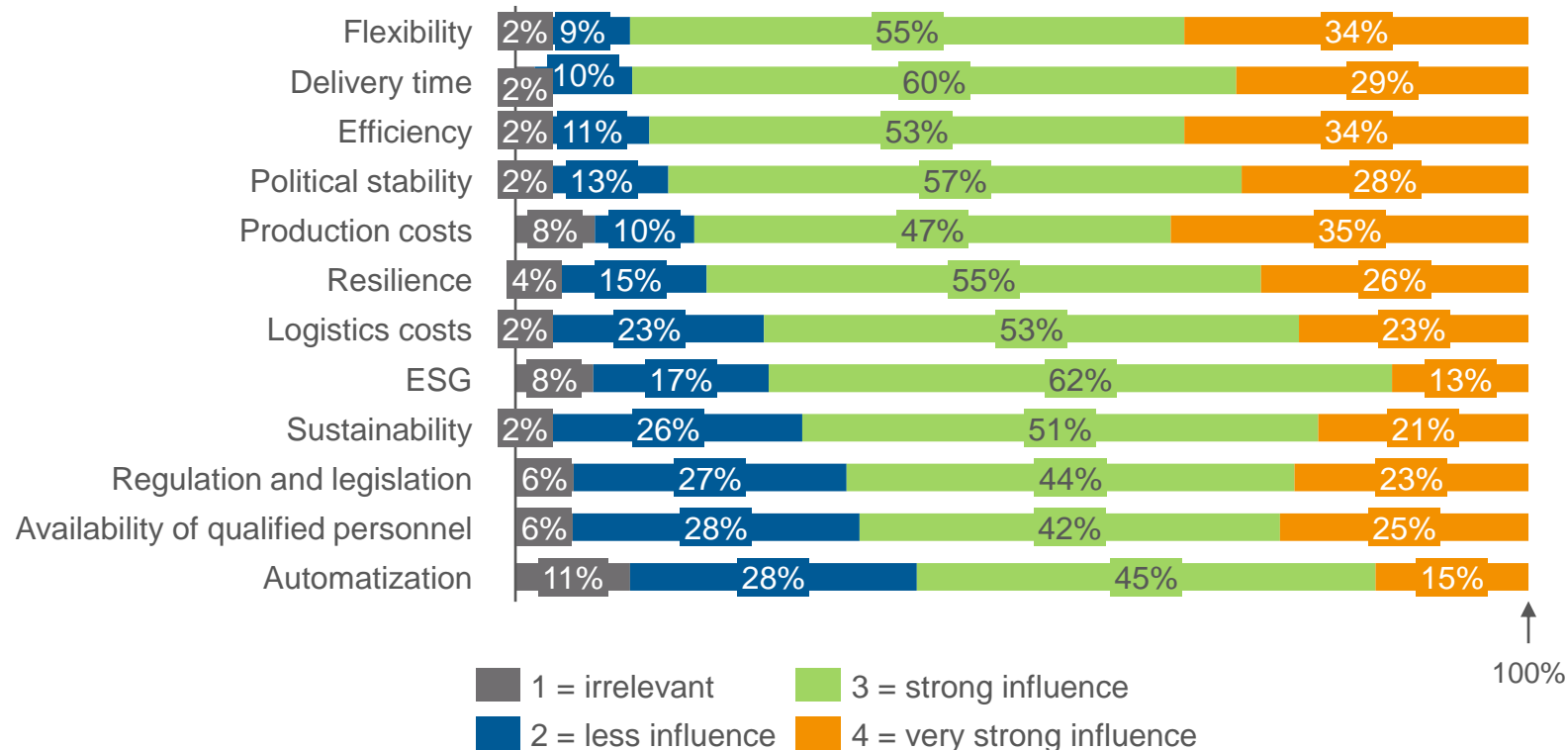
- **Eastern Europe** is the **main current sourcing region** and was also named as **THE** focus area in the course of **Near- and Friendshoring** alike
- Within **Eastern Europe** participants named the **Czech Republic** and **Poland** as **focused** countries
- **Southern** and **Western Europe** were named as second relevant shoring regions, while **Africa** is **less relevant** for survey participants
- **America and Asia** seem to be relevant supply markets for **local-for-local** strategies¹

1) Based on INVERTO analysis

Question 5 – Influencing factors

Increasing flexibility and efficiency as well as shorter delivery times are the main influencing factors for restructuring the supply chain

To what extent do the following criteria influence the restructuring of your supply chain?
(Please rate from 1 = irrelevant to 4 = very strong influence)

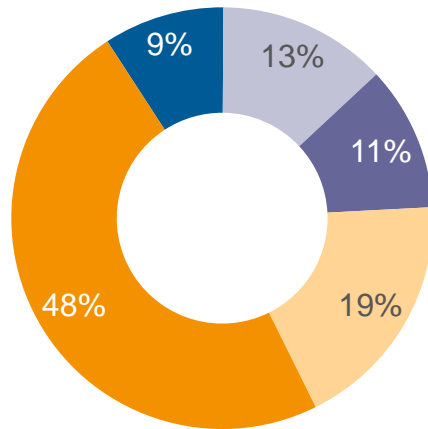


- **Flexibility, efficiency and delivery times** have the **highest relevance** for restructuring supply chains
- **Political stability, production costs and resilience** follow **shortly behind**
- With currently decreasing prices, **logistics costs rank in the middle** of the important influencing factors
- A similar picture emerges for ESG matters
- **Automatization, qualified personnel and legislation** have the least influence

Question 6 – Geopolitical tensions

The majority of companies is influenced by geopolitical tensions and takes them into consideration in their decision making

Do geopolitical tensions influence your decision making?



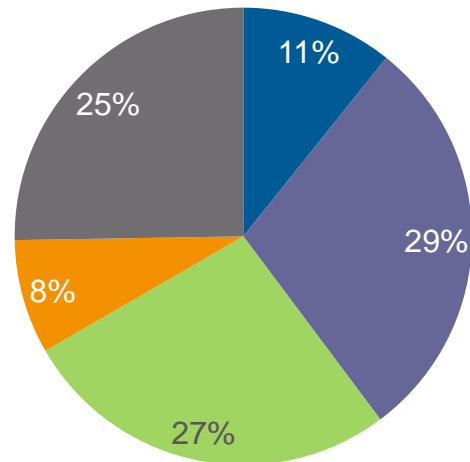
- No
- Yes
- Yes, especially the tensions between China and Taiwan
- Yes, especially the tensions between China and the U.S.
- Yes, especially the Ukraine war

- **91% of respondents** indicate that **geopolitical tensions have an influence** on their business decision making
- For 19% especially the **Ukraine war**, for 13% the **tensions between China and the U.S.** have an impact
- Geopolitical tensions are in particular relevant for **companies sourcing across continents** (in regards to the sourcing network question)
- **9%** of participants **do not consider geopolitical tensions** in decision making

Question 9 – Perspective on globalization trends

Only 11% are optimistic that current global tensions will be solved by politics, while one-third each expect block formations or a multipolar world

What is your perspective on the major trends on globalization?



- I expect the current tensions to be resolved through political dialogue
- I expect a multipolar world
- I expect block formations
- I think near- and reshoring tendencies are only a temporary phenomenon
- I have no opinion on this

- Solving current tensions via **political dialogue** is only expected by **11%** of the companies
- **29%** of the surveyed companies expect a **multipolar world**, while **27%** expect **block formations**
- Only **8%** of the **participants** see **Near- and Re-shoring** as a **temporary phenomena**
- A quarter has **no opinion** on the major trends of globalization

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Nearshoring unlocks potential from 3 perspectives: Increase resilience, speed-up lead times and improve sustainability



Create supply network transparency

Companies should prioritize creating transparency throughout their upstream supply chain. In doing so, they can gain a holistic understanding of their supply network (and not only their direct suppliers), incl. a view on risks, emissions and savings potential.



Define relevant categories for Near-/Friend-/Reshoring taking more aspects into account

Flexibility, delivery time and efficiency were rated as the most relevant factors when restructuring supply chains. This development is backed by an increasing demand to focus on topics like sustainability or compliance. ESG is gaining importance with local due diligence acts and EU legislation coming into force 2024.

Both from a cost, but also from a broader perspective, opportunities for Near- and Friendshoring can be exhaustively evaluated for different supply categories and commodities. Based on a TCO analysis companies should (re-) evaluate their sourcing decisions. Nearshoring may be relevant for more products than previously thought. Obviously, limitations (such as availability of raw materials in certain regions) need to be considered.



Rethink your sourcing strategy and traditional geographic scope

Among industrial goods participants, Europe is traded as a preferred Nearshoring option. However, when assessing Nearshoring potentials, organizations should rethink their sourcing strategy and expand the geographical scope, conducting thorough market research also in Northern Africa or the Middle East to capture the full range of opportunities.

Our structured Nearshoring approach supports the conversion of categories to alternative markets and increases supply chain resilience

Network transparency



- Creation of **full transparency** of current **sourcing network and material flows**
- Detection of **previous supply chain disruptions** at incumbents
- Identification of **potential supply chain disruptions** at incumbents

Criteria based evaluation



- **Analysis of current status & pot. scenarios** to evaluate network based on different criteria e.g., risk, resilience, sustainability
- **Comprehensive impact assessment of nearshoring measures including TCO** with follow-up costs e.g., sales market, market share, certificates, etc.

Measure derivation



- Derivation of **concrete measures** and overall **Nearshoring strategy**
- **Prioritization** of derived measures and **implementation planning**
- **Category and supplier selection** considering defined criteria and expected impact versus effort

Implementation



- Identification of **nearby alternative suppliers** via **market research**
- **Conduction of sourcing** activities such as RfQ, negotiations, etc.
- **Evaluation of quality and risk** of alternative suppliers **via audits**
- Build-up of new supplier relations and **intercultural competences**

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