



# Optimizing Your Shoring Strategy

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# With You Today



## **ASHLEY HETRICK**

Management Consulting Principal,  
Sourcing & Supply Chain Segment Leader

469-985-6752

[ahetrick@bdo.com](mailto:ahetrick@bdo.com)

[LinkedIn](#)



## **PETER TERILLI**

Global Value Chain and International Tax  
Principal

214-243-2985

[pterilli@bdo.com](mailto:pterilli@bdo.com)

[LinkedIn](#)

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# Learning Objectives



Explore trends in nearshoring and reshoring



Discuss considerations for leading companies when deciding on shoring changes



Review a practical framework to help your company optimize its shoring strategy



Understand credits and incentives that can help fund strategic investments

## Poll

What percent of your company's manufacturing currently occurs **offshore**?

A

0 - 25%

B

26 - 50%

C

51 - 75%

D

75% +

E

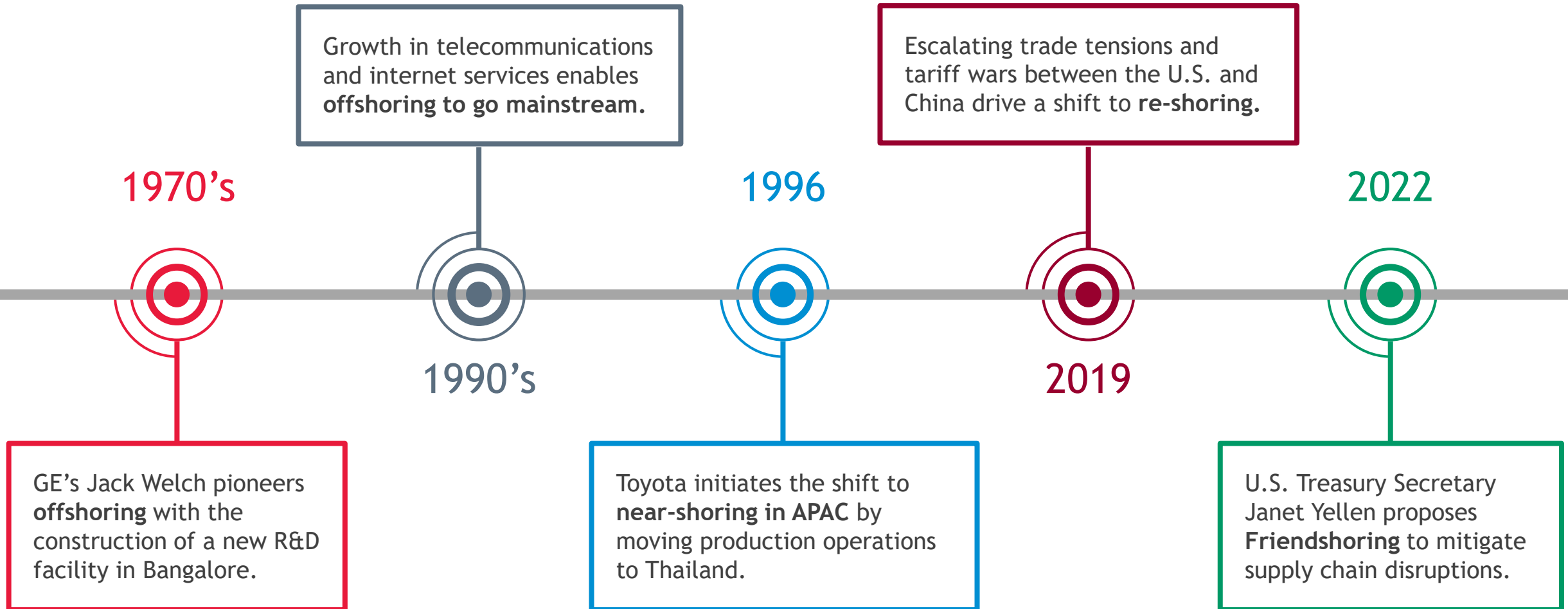
N/A



# Historic Shifts in “Shoring” Strategies



# Historic Shifts in “Shoring” Strategies



# Defining Different Shoring Strategies



## OFFSHORING

Moving processes overseas to take advantage of lower costs - including labor, land, etc.



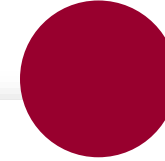
## NEARSHORING

Moving business practices to a nearby country to take advantage of some reduced costs while reducing distance, time zone disparities, and cultural differences.



## RIGHTSHORING

Moving business operations to a location that offers the best both cost and overall efficiencies. Could be nearshoring or offshoring.



## NEXTSHORING

Moving production operations to where demand is (i.e., close to customers).



## FRIENDSHORING

Moving business operations to an ally country to take advantage of some reduced costs and proximity to customers while maximizing supply chain stability.



# What Are Leading Companies Doing?

## Poll

Which of the following is your company currently considering?



**A**

Offshoring production to low-cost regions

**B**

Near-shoring to a nearby country

**C**

Re-shoring to the United States  
(or our headquarters country)

**D**

Undecided

**E**

Not changing our strategy

# Understanding past trends

Container ships spent, on average,

**21%**

more time in port unloading goods in 2022, versus 2020.

**32%**

of supply chain professionals cited geopolitical risk as their organization's biggest concern.

**64%**

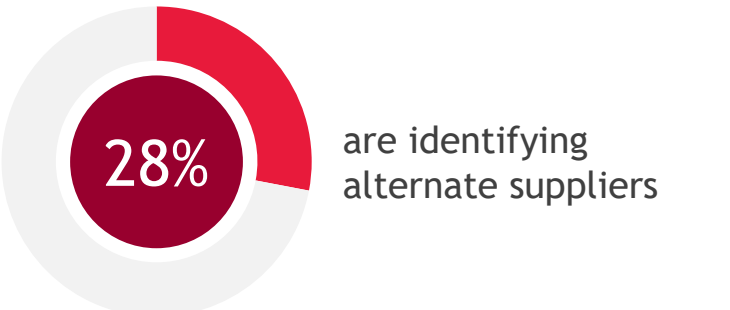
of US and European companies reported supply chain disruptions led to revenue losses.

**\$2-4  
trillion**

in revenue losses in 2021 were attributed to the high volume of supply chain disruptions.

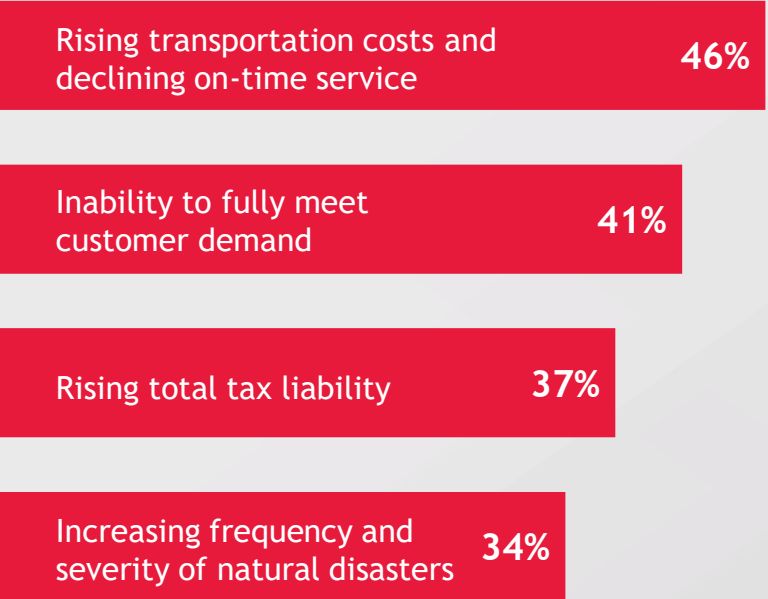
Sources: [NYT](#), Feb 2 2022; [GEP](#), 2021

# Reshoring Is Rapidly Increasing Demand for U.S. Production Capacity



## THE CASE FOR RESHORING

The top reasons manufacturers cite for reshoring in the next 12-18 months include:



Source: 2023 BDO Manufacturing CFO Outlook Survey

## Poll

Which of the following operational changes has your company considered?

**A**

Using regional hubs

**B**

Establishing a global principal  
(U.S. or non-U.S.)

**C**

Leveraging third-parties

**D**

Something else?  
(Share in the Q&A box)



# Optimizing Your Shoring Strategy



# Criteria for Evaluating Your Shoring Strategy

## DEGREE OF RISK

Potential for geopolitical conflict

Degree of stability

Level of infrastructure

Size and capabilities of local market

## DEGREE OF OPPORTUNITY

Degree of financial incentives offered by the government

Favorability of trade policy

Incremental total value

Total cost

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# Mapping Options





## Poll

Which of the following is your company's **TOP** priority in evaluating shoring decisions?

**A**

Reducing costs

**B**

Securing access to supply/capacity

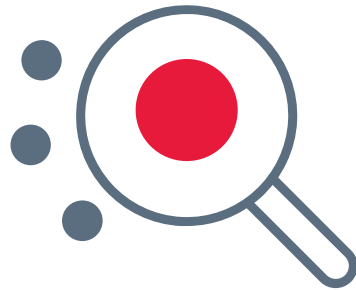
**C**

Reducing **location-based** supply chain risks

**D**

Increasing speed/agility

# Two Reasons to (Re)Assess Your Strategy



## Identify risks to monitor/manage

- ▶ Are there actions I need to take today to reduce our overall risk exposure?
- ▶ What should I be monitoring to tell me whether my risk profile is shifting?
- ▶ Is there a risk my supplier decides to change their production shoring strategy? What impact would that have on the items I'm responsible for?



## Make/adjust shoring decisions

- ▶ How does this impact choices about what to source from where in the future?
- ▶ Are there high-risk locations in my supply network I need to address today, or significant opportunities I should capitalize on?

# Credits and Incentives to Fund Strategic Investments



# Four Common Areas of Financial Opportunity



Site Selection, Local  
Job Creation, Entity  
Structure Incentives



National Tax Credit  
and Incentive  
Programs



Favorable Tariffs  
and Duties



Tax and Transfer  
Pricing Optimization

# Tax Credit Opportunities Under the Inflation Reduction Act (IRA)

In 2022, Congress passed the Inflation Reduction Act (IRA), a broad piece of legislation featuring provisions to advance clean energy production and expand domestic manufacturing capacity.

Although some of the credits existed prior to the IRA, many were expanded both in eligibility criteria and available funding.

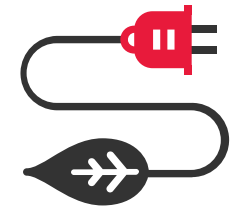
Tax credits are available today, whether by application or qualification.



Qualifying Advanced Energy Project Credit (48C)



Advanced Manufacturing Production Tax Credit (45X)



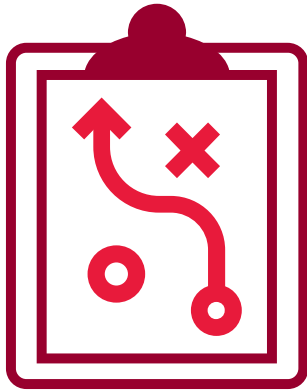
Production Tax Credit for Electricity from Renewables (45)

**Note:** This is not an exhaustive list of all credits and incentives available under the Inflation Reduction Act.

# IMMEX Maquiladora and Shelter Operations Programs







Many companies make the costly mistake of not prioritizing trade and customs planning when making sourcing and shoring decisions.

**45%** of tax executives say they are not included in supply chain decision making.

**But import and customs duties often make the largest portion of a company's total tax liability, tied with employment taxes.**

### CHALLENGES



- ▶ Loss of profitability
- ▶ Potential for fines
- ▶ Confiscated or held goods

- ▶ Increased profits
- ▶ Lower costs to customers
- ▶ Competitive advantage

### REWARDS



## Poll

Which tax or finance benefit are you most interested in as you think about shifting your supply chain?



**A**

Reduced customs/import scrutiny

**B**

Increased cash mobility

**C**

Reduced cash tax costs

**D**

Increased local incentives

# Key Takeaways



The time to drive  
a strategy change is **NOW**



Make decisions based  
on degree of risk  
**and** degree of opportunity



Consider opportunities  
to offset investment costs

# About BDO



As a global business advisor, we deliver insight-driven perspectives through a comprehensive array of assurance, tax, and advisory services to help you navigate challenges, uncover opportunities, and adapt to the constantly changing business environment.

**BDO USA \***

**\$2.82 bn**

U.S. Revenue

**13.3%**

Increase  
over last year

**75+**

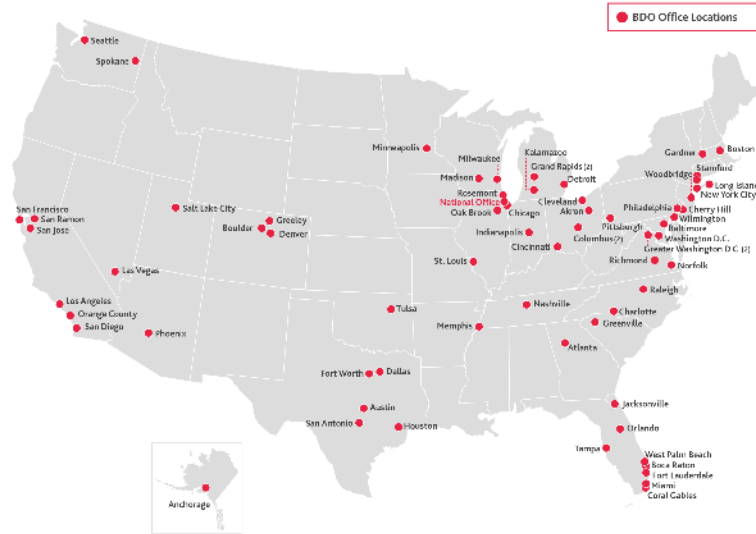
Offices

**860+**

Principals

**12,200+**

Total Personnel



\* BDO USA statistics for the year ended April 30, 2023.

**BDO INTERNATIONAL \*\***

**\$12.8 bn**

Global Revenue

**160+**

Countries

**1,800+**

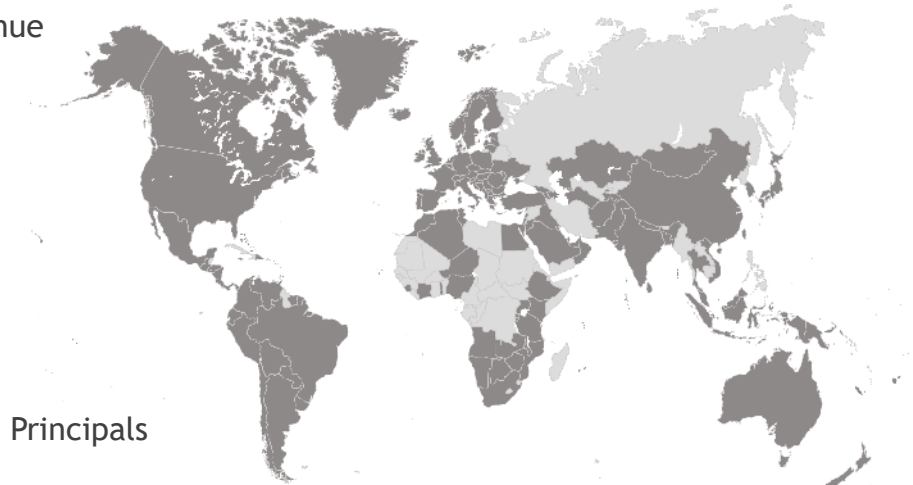
Offices

**7,744**

Partners and Principals

**111,000+**

Total Personnel



\*\* BDO International statistics for the year ended September 30, 2022. Locations include exclusive alliances of BDO Member Firms.

# BDO Sourcing & Supply Chain Strategy

Transforming sourcing and supply chain management organizations and aligning supply chains with go-to-market strategies to increase resilience, accelerate growth, and deliver competitive advantage.

Success in today's globally competitive and dynamic marketplace requires new strategies, and new capabilities. Companies are under constant pressure to reduce supply costs while needing to increase supply chain resilience and leverage suppliers to drive innovation. Meanwhile, the potential risks to consumer safety, company reputation, and corporate earnings of poorly managed supply chains demand rigorous management.

Volatile commodity pricing, global competitive pressures, disruptive technologies, and continuous changes in supplier leverage relative to customers all create new risks, new challenges, and also new opportunities. Procurement and supply chain organizations need to improve cross-functional collaboration within their own companies, develop and pursue innovative negotiation strategies, and lead efforts to build and sustain collaborative partnerships with key suppliers.

BDO leverages unique experience in strategic sourcing, negotiation, supply chain operations, risk management, relationship management, digital transformation, and change management to help companies develop and implement innovative approaches to negotiating with, and collaborating with, suppliers — and to enhance collaboration between procurement and internal business partners.

As a result, we have helped clients achieve hundreds of millions of dollars in bottom line savings and incremental revenue.



We work with procurement and supply chain organizations to deliver exceptional results, enhance their own capabilities and performance, and lead enterprise-level change.

Through our sourcing and supply management strategy practice, we advise chief procurement officers, lead supply chain transformation initiatives, help companies analyze and reduce supply chain risks, support development of category strategies, design and implement supplier relationship management programs, advise on high-stakes supplier negotiations, and provide comprehensive training solutions through our Supply Management Academy.

# BDO Sourcing & Supply Chain Strategy



## NEGOTIATION

## COLLABORATION

## INNOVATION

## TRANSFORMATION

### OVERVIEW OF OUR SERVICES

- ▶ Procurement and supply chain organization restructuring and transformation
- ▶ Category strategy development, and hands-on advice and coaching to support effective implementation
- ▶ Outsourcing advisory services (including make-buy analysis, provider evaluation, bid process design and facilitation, retained organization design, and transition support)
- ▶ Negotiation strategies for sole and single source suppliers, and hands-on coaching to teams involved in high-stakes, complex supplier negotiations
- ▶ Design and implementation of governance structures and processes for enhanced collaboration with strategic suppliers
- ▶ Facilitation of joint value discovery and performance enhancement workshops with key suppliers
- ▶ Design and implementation of new or enhanced supplier relationship management (SRM) programs
- ▶ Comprehensive skill development through our Supply Management Academy - comprising virtual and in-person instructor-led training and self-paced digital learning.

### EXAMPLES OF OUR IMPACT

- ▶ Worked with a global semiconductor company to design and implement an action-learning program for the supply management organization that has delivered over \$800MM in savings to date
- ▶ Worked with a global media and technology company to implement a corporate sourcing organization in the face of strong initial resistance from highly autonomous business units, leading to hundreds of millions of dollars in savings
- ▶ Worked with a global mining company on a supply chain transformation initiative that delivered over \$1B in savings
- ▶ Worked with a global company on supply and demand chain transformation; shifted hundreds of millions of dollars of single-sourced goods and services through insourcing and introduction of a second-source 3PL provider; simultaneously reduced risk, improved service levels, and achieved net savings
- ▶ Worked with an international oil and gas company to implement a global supplier management program that delivered hundreds of millions of dollars in savings and supplier-innovation enabled revenue gains
- ▶ Worked with a global pharmaceutical company to consolidate separate procurement organizations and transform all aspects of sourcing and procurement; delivering hundreds of millions of dollars in annual savings





## About BDO USA

Our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes and value for our people, our clients and our communities. BDO is proud to be an ESOP company, reflecting a culture that puts people first. BDO professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization.

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