Made in America, Again
Survey of U.S.-Based Manufacturing Executives

April 2012
Executive summary
Key takeaways from BCG’s "Made in America, Again" survey, conducted in February 2012

1. 37% of U.S.-based manufacturing executives surveyed from companies with sales >$1B plan to or are actively considering bringing back production from China to the U.S.

2. Very large companies (> $10B in sales) and companies in nearly all "tipping-point" sectors are beginning to materially consider reshoring production from China
   - 1 out of 2 respondents at companies larger than $10B in revenues say they plan to or are actively considering reshoring production to the U.S.
   - Over 40% of respondents in many tipping-point categories are considering reshoring, led by companies engaged in rubber & plastic products, machinery, computers, and electronics

3. Respondents agree that China's position as the default low-cost manufacturing base is eroding
   - 7 out of 10 respondents believe that sourcing in China is more costly than anticipated
   - 9 out of 10 respondents believe that wages in China will continue to rise

4. As China’s labor cost advantage erodes, nearly all factors that executives consider key when deciding where to locate manufacturing of goods for the U.S. market favor the U.S.
   - Product quality, proximity to customers, and ease of doing business are all among the most important factors to executives—and all favor the U.S.
37% of large-company manufacturing executives are considering reshoring to the U.S., given rising wages in China.

Question: Given the fact that China's wage costs are expected to grow 15-20% per year, do you expect your company will move manufacturing to the United States?

Plan to, or are actively considering re-shoring: 37%

Not considering re-shoring: 63%

Source: BCG Manufacturing Survey, Feb 2012
Nearly half of respondents from companies with sales greater than $10B are considering reshoring to the U.S.

Question: Given the fact that China's wage costs are expected to grow 15-20% per year, do you expect your company will move manufacturing to the United States?

Source: BCG Manufacturing Survey, Feb 2012
Over 40% of respondents in many tipping-point categories considering reshoring to the U.S.

Given the fact that China’s wage costs are expected to grow 15-20% per year, do you expect your company will move manufacturing to the United States?

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubber &amp; misc. plastics products</td>
<td>67% Yes, 33% No</td>
</tr>
<tr>
<td>Industry &amp; commercial machinery</td>
<td>42% Yes, 58% No</td>
</tr>
<tr>
<td>Electronic and other electrical equipment</td>
<td>41% Yes, 59% No</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>40% Yes, 60% No</td>
</tr>
<tr>
<td>Fabricated metal products</td>
<td>35% Yes, 65% No</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>30% Yes, 70% No</td>
</tr>
</tbody>
</table>

Note: N = 106. There may be overlap between industries
Note: Furniture and fixtures not included due to an insufficient number of responses in this category
Source: BCG Manufacturing Survey, Feb 2012
China's low-cost position displays signs of erosion

Question: Please mark how much you agree or disagree with each of the following statements

- Wage costs in China will continue to escalate: 92%
- Sourcing in China is more costly than it looks on paper: 70%

Source: BCG Manufacturing Survey, Feb 2012
Most important factors driving location decisions are favorable to the U.S. or trending that direction

Question: Please rank in order the most important factors you consider when deciding where to locate production for products consumed in the U.S.

<table>
<thead>
<tr>
<th>Factor</th>
<th>% of respondents</th>
<th>Favorable to the U.S.</th>
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<tbody>
<tr>
<td>Labor costs</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>Product quality</td>
<td>41%</td>
<td>✓</td>
</tr>
<tr>
<td>Ease of doing business</td>
<td>29%</td>
<td>✓</td>
</tr>
<tr>
<td>Proximity to customers</td>
<td>28%</td>
<td>✓</td>
</tr>
</tbody>
</table>

Overall, manufacturing in the U.S. is viewed as an increasingly attractive option

"Labor costs in China are rising. Transportation costs are rising."
- Large fabricated metal products manufacturer

"Considering stability factor from other countries in Asia region, we're considering remov[ing] some factories away from China."
- Major chemical and electronics manufacturer

"We've reviewed production in other countries but have found that costs, quality, and customer satisfaction drive us to keep production in the US."
- Major industrial and commercial machinery manufacturer
Survey methodology and demographics

106 U.S.-based manufacturing executives took part in the Boston Consulting Group survey, which was conducted online, with selective phone follow-up, from February 21 to February 29, 2012.

Virtually all of the respondents work for companies that make products for both U.S. & non-U.S. consumption and that manufacture in the U.S. & overseas.

Respondents were key decision makers in companies with >$1 billion in annual revenues, across a wide range of industries:

- Electronic and other electrical equipment and components, ex. computer
- Computer equipment
- Furniture and fixtures
- Transportation equipment
- Fabricated metal products, except machinery and transport
- Industry and commercial machinery
- Rubber and misc. plastics products
- Petroleum refining and related industries
- Stone, clay, glass and concrete products
- Printing, publishing, and allied industries
- Apparel and other finished products made from fabrics and similar material
- Chemicals and allied products
- Paper and allied products
- Textile mill products
- Primary metal industries
- Food and kindred products
- Leather and leather products
- Misc. manufacturing industries
BCG's "Made in America, Again" series

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Selected Publications

Manufacturing: The Pendulum Swings Back to the America
An article by The Boston Consulting Group
March 2012

U.S. Manufacturing Nears the Tipping Point: Which Industries, Why, and How Much?
A report by The Boston Consulting Group
March 2012

Move Manufacturing Back to the U.S.? Do the Math
An interview with BCG’s Harold L. Sirkin
January 2012

Made in America, Again: Why Manufacturing Will Return to the U.S.
A report by The Boston Consulting Group
August 2011

Note: All publications are available on BCG’s thought leadership portal, www.bcgperspectives.com
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