U.S. manufacturers can turn offshoring to their advantage

By Dean Poeth

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New York manufacturers have continued to experience hard times. We have been out-priced, out-produced and out-innovated by our foreign competition, resulting in the continued de-industrialization of our state. An example is Carrier Corp.'s move of its Syracuse manufacturing operations to Asia. Yet it is these local companies that create jobs, pay taxes and are the future for our children.

A walk through any department store will show that the mass production of consumer goods in New York and in the United States is gone forever. Wal-Mart alone purchases $15 billion per year in goods from China, and while it is unfair to target one country, one estimate has China taking half of the U.S. market in textiles within just the next two years. It's hard for U.S. manufacturing to compete with foreign workers whose monthly income is a mere $33. Is there anything we can do?

Some say we need to level the playing field with our foreign competition. While well-intentioned, such expectations are naive. Would you expect a coach to keep his star quarterback on the bench in order to keep the game "fair?" Our foreign competition is exploiting every competitive advantage they can to gain marketshare in the global economy, and we need to do the same. Do we want a level playing field, or would we rather have it tilted in our favor?

EXPLOITING WEAKNESSES

Every football coach knows that to win the game, you must study, understand and exploit your opponent's weaknesses. It's the same in business. Offshoring operations to a foreign company (i.e., moving manufacturing to an Asian factory in an effort to lower costs) is no silver bullet, and there are several practical problems with this approach to reducing costs that can be exploited by the New York manufacturer. The manager of a business needs to find strategic ways to turn these weaknesses into strengths. Like the coach of a successful football team, study offshoring's strengths and exploit its weaknesses for success.

After such a study it becomes clear that the playing field is already tilted in our favor for several products. For example, products requiring a fast response are where the New York manufacturer has been and will continue to have a strategic advantage over our offshore competition. The reasons are simple: It takes time to ship goods on a slow boat from the other side of the world (in fact, it can take approximately 45 days to ship goods from China to New York), resulting in long delays and high transportation costs. Compare that to New York manufacturers, who can deliver products overnight at low cost to quickly meet customer needs.

Furthermore, being close to your customer allows you to easily and inexpensively conduct face-to-face meetings. While somewhat old-fashioned in this age of instant messaging, face-to-face meetings nevertheless give you a distinct advantage over your foreign competition, who must use telephone or email for most communication. Frequent face-to-face meetings allow you to get informal feedback from your customers and observe first-hand their reactions to your designs and ideas. This personal contact helps your customer, and it helps you by allowing you to anticipate customer needs, identify special needs, and react accordingly with new ideas before your offshore competitor ever knows what happened.

ABLE TO BE FLEXIBLE

Another advantage New York manufactures have lies in the fact that offshoring is, by its very nature, inflexible. The offshoring business model works well when hundreds of thousands of identical products are required, but not when every one must be slightly different. These more customized jobs often cannot be economically offshored, and therefore represent an opportunity for the New York manufacturer.

Offshoring is all about cutting costs. But as these examples show, offshoring sometimes comes with its own price: slower response, more difficult communication, and reduced product flexibility, to name just a few.

To compete globally, New York manufacturers must study, understand and exploit the weaknesses of our foreign competition and capitalize on our competitive advantages. Dig deep to add value where your foreign competition can't; show your customers that offshoring does not meet expectations on the bottom line.

The stakes are high. To fail means the continued loss of our manufacturing infrastructure, and the future jobs for our children.

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