



Next-Shoring: A Prescription for American Manufacturing

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Countries compete on several factors

Labor—skills and cost

Non-labor inputs—energy, natural resources

Infrastructure—transport, logistics

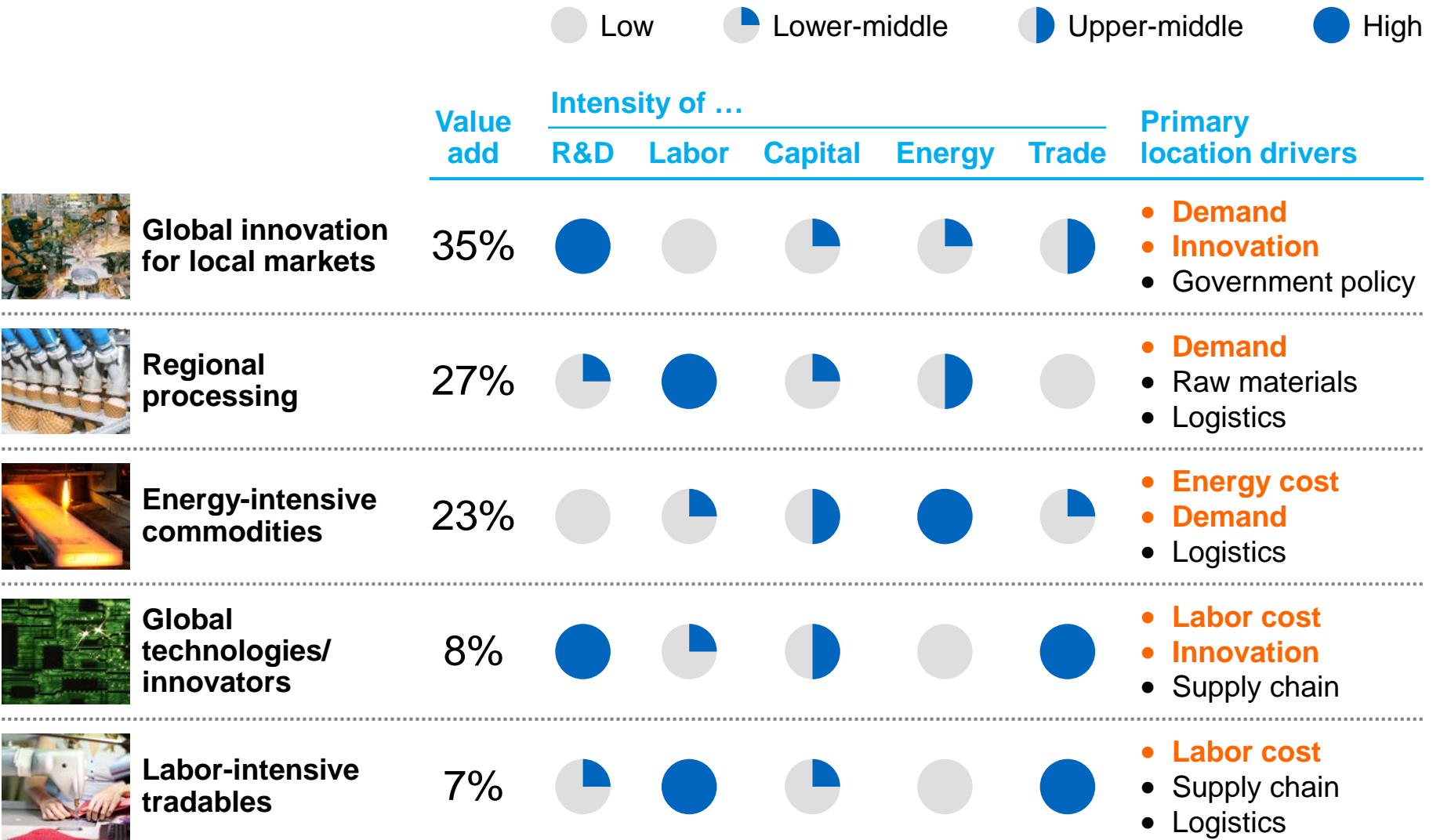
Climate—Business and policy environment

Innovation—Supplier ecosystems, clusters

Demand—expansion and proximity



Demand and innovation matter for location decisions



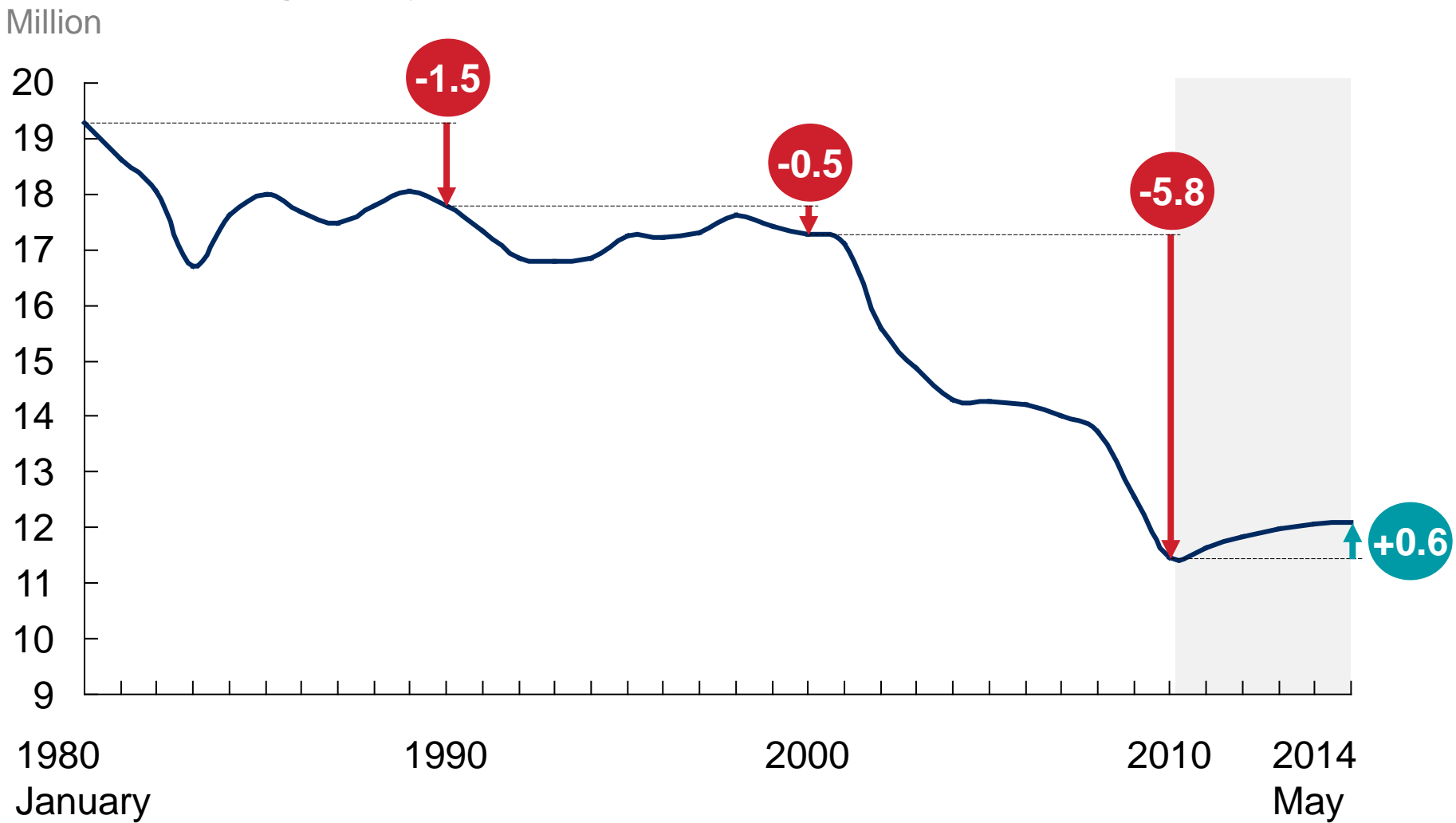
A new perspective on manufacturing: **Next-shoring**

- 
- Proximity to **innovation**
 - Proximity to **demand**



US manufacturing employment rebound

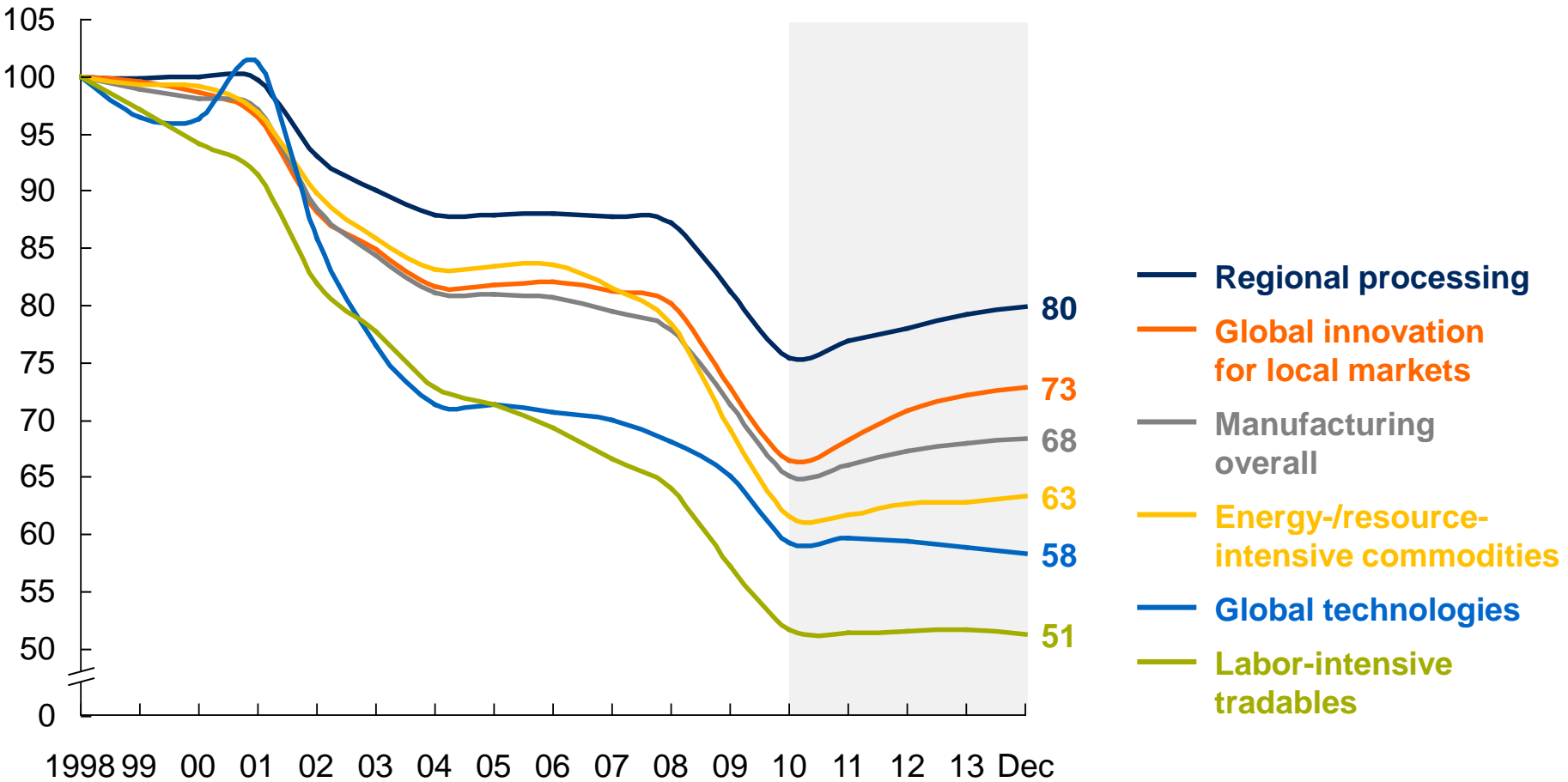
US manufacturing employment



Recent US job gains are in demand-driven segments

Manufacturing employment by industry group in the United States, 1998–2013

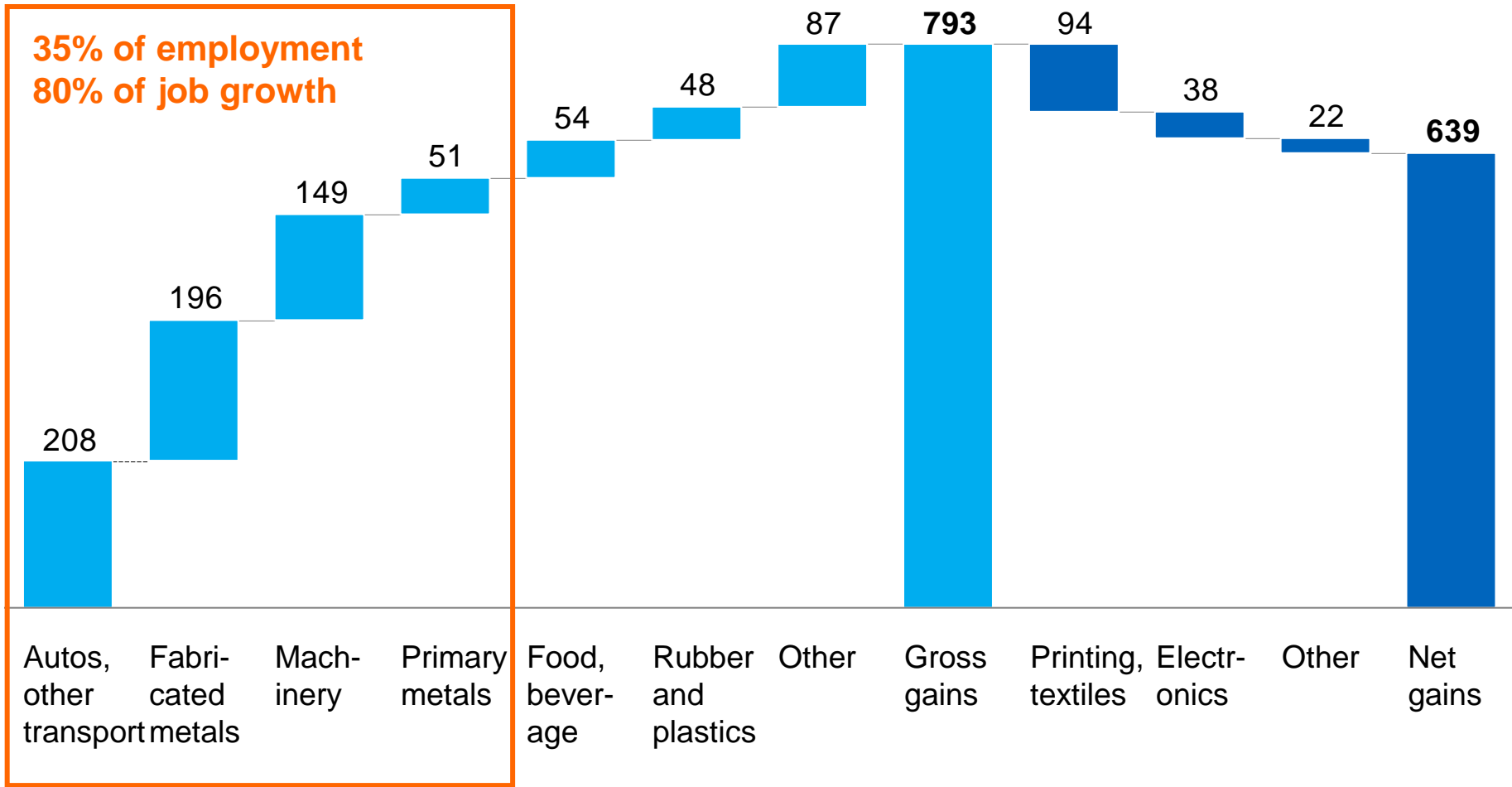
Index: 100 = January 1998



Four demand-driven industries are driving recent US job growth


Gross and net job gains in US manufacturing in the recovery


Thousand jobs, Jan 2010 to May 2014

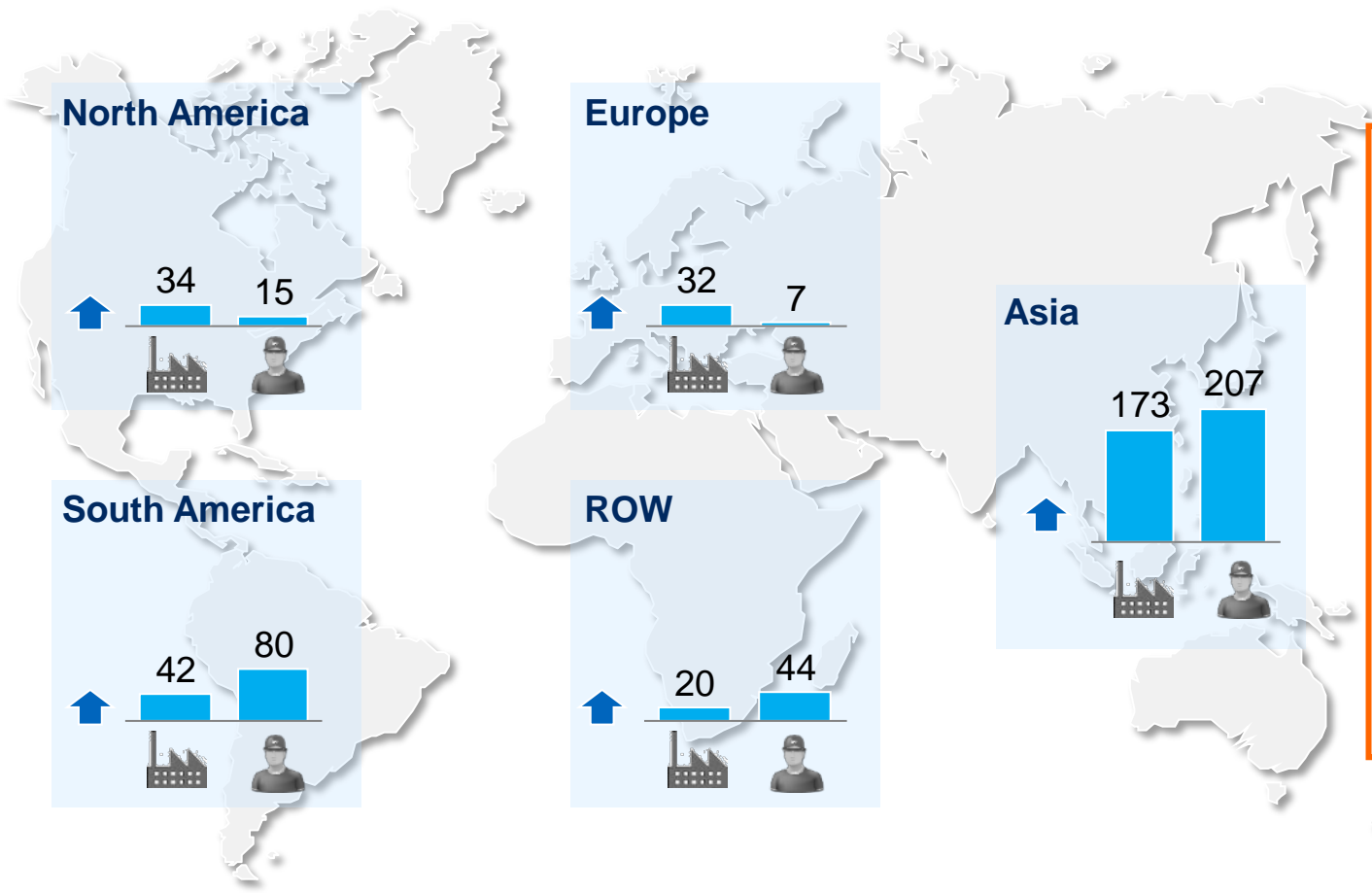


Automotive expansion is following demand growth

Growth of plants and workers for major European auto suppliers, 2001-2011
Percent

 Production plants

 Employees



- The number of **production plants** in **Asian** countries has nearly **tripled** in the last decade
- **33%** of growth in production plants, and **57%** of global employment growth, has been **in Asian** countries

Not our grandfathers' manufacturing any more...



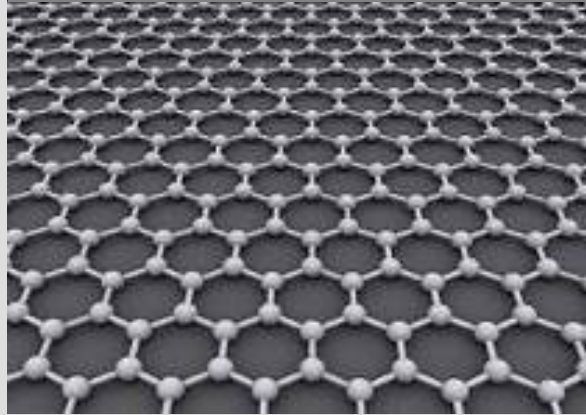
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New technologies change manufacturing value chains and processes

New materials

- Nanotech
- Composites
- Biologics



Product design

- Internet of Things
- Advanced analytics
- Social media



Production processes

- Modeling and simulation
- Advanced robotics
- Additive manufacturing



Information systems

- Big Data
- Computer-aided design



Business models

- Frugal innovation
- Circular economy
- New service models



New ecosystems must be created



Additional resources

Next Shoring: A CEO's Guide
- McKinsey Quarterly article

Radically Reshaping Manufacturing:
A conversation with Katy George

Manufacturing the future: The next era
of global growth and innovation
- Research report by McKinsey Global Institute
and Operations Practice

These and other materials available at
<http://www.mckinsey.com/insights>



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