

MADE IN THE



Reshoring and its Public Relations Benefits

This paper details the public relations benefits of telling your reshoring story, with examples of companies that have successfully reshored and the shifting perceptions of the American consumer in terms of American manufacturing and jobs creation.

WHY IS RESHORING RELEVANT?

China's entry into the World Trade Organization in 2001 caused a surge in companies sending manufacturing overseas to capitalize on inexpensive labor and the reduction of import trade quotas from China. While American consumers have enjoyed the availability of products at affordable prices, the negative effects of outsourcing became apparent. Since China's entry into the WTO, economists estimate that between one and two million American manufacturing jobs have been lost as a direct result of inexpensive Chinese imports.¹

The loss of American manufacturing jobs as well as the trade imbalance between the two countries has been a concern for middle class workers and economists alike. As a result, the reshoring movement is an effort to bring manufacturing jobs back to the US. A 2015 Boston Consulting Group study found that 31 percent of companies with at least \$1 billion in annual revenues are likely to add production capacity in the US within five years. Additionally, the number of companies actively reshoring production has increased by 250 percent since 2012. Harold L. Sirkin, a BCG senior partner, says that these findings suggest a significant shift in American attitudes toward manufacturing in the US.²



RESHORING AND PUBLIC RELATIONS

While there are several logistics-related benefits to reshoring production, i.e. being closer to the consumer, shortening the supply chain, and lowering transportation costs, there are other indirect benefits of reshoring manufacturing processes, including positive public relations.

Many American companies have received negative attention for their enthusiastic use of cheap foreign labor, including tech giant, Apple. The public's distaste for Apple's outsourcing was a catalyst for the company to print, "Designed by Apple in California, Assembled in China," onto the back of its product boxes in an attempt to reinforce its American roots.

The decline of American manufacturing also presents an opportunity. Reshoring companies can differentiate themselves by proclaiming and labeling their products "Made in the USA."

With American attitudes changing in favor of reshoring, the media actively covers companies' reshoring stories. For example, when Walmart announced its efforts to purchase from American suppliers, the story was covered by dozens of media outlets and the publicity continues every year before, during, and after the Walmart Annual US Manufacturing Summit.

"Made in America" products have sold better than their predecessors. Towels made by 1888 Mills are priced at a 17 percent premium, but have enjoyed a 24 percent increase in sales at Walmart compared to the towels they replaced that were "Made in China."³

Additionally, good public relations can increase awareness about a company and its offerings and influence consumer opinions about a company. PR is typically free and more valuable and effective than paid advertising. According to a Nielson survey, 68 percent of consumers

say they completely or somewhat trust editorial content (like news articles), which is higher than any trust consumers have for paid advertising.⁴

CONSUMER BEHAVIORS AND PERCEPTIONS

With the loss of American jobs due to increased competition from low-cost countries such as China, Vietnam, Indonesia and Bangladesh, and a weakening of the middle class, consumer attitudes toward American-made products have started to shift. There is a sense of "economic patriotism" in American consumers upon which companies can capitalize.

- **Buying American Products** – Americans want to purchase products that are made in the US. A Gallup survey on shopping behavior found that 45 percent of consumers made a special effort to buy products labeled "Made in the U.S.A." When asked why they made the special effort, 32 percent said they wanted to support the US and 31 percent cited American jobs creation.⁵
- **Willing to Pay** – Consumers, even those who do not make an extra effort to buy American, are willing to pay more for an American-made product. When asked if they are willing to pay more for a product made in the US compared to similar products made in other countries, 64 percent of consumers said yes, they are willing.⁵
- **Quality** – Most Americans believe that American-made products are better now than a few years ago. 52 percent believe that the products are a little better while 19 percent believe they are a lot better.⁵
- **Corporate Social Responsibility** – By establishing a plant in the US, a company shortens its supply chain and creates American jobs, which is important to consumers. 41 percent of consumers are very heavily or heavily influenced to purchase from a company that is known for its commitment to their community.

BOLLMAN HAT COMPANY

Founded in 1868, Bollman Hat Company is America's oldest hat maker. The company operates a manufacturing plant and is headquartered in Adamstown, Pennsylvania. Bollman Hat Company operates under an employee-owned structure, and provides manufacturing for several headwear brands including Bailey, Country Gentleman, and Kangol.



kangolstore.com

Kangol Wool 504

Kangol hats, recognizable via the kangaroo logo, is one of the world's most famous brands of hats. Kangol hats are worn by celebrities like Samuel L. Jackson. Bollman Hat Company acquired the rights for Kangol hats in 2001. With a new strategy to produce in the U.S.A., Bollman is planning to move its Kangol manufacturing machinery from China to the US.

After trying and failing to domestically recreate the machines needed for the Kangol 504, Bollman decided to bring the machines back to the US from China. The company has already moved 10 machines, but another 70 are still overseas. With an estimated cost of \$650,000 to move the required machines, Bollman looked to the American public for funding.

In November 2015, Bollman Hat Company began a Kickstarter campaign, requesting \$100,000 from backers. The company explained its story to funders, and promised to create American jobs, even using Samuel L. Jackson as its spokesperson. The Kickstarter worked, and 671 backers pledged \$102,820 to Bollman Hat Company. These funds will help the company move and convert the remaining machines and create 41 new jobs in the US.

STARBUCKS

Founded in 1971 as a single coffee shop in Seattle's Pike Place Market, Starbucks has expanded into an internationally recognized brand that offers coffee, tea, and pastries in over 23,000 locations of which over 12,000 are in the US alone.

Indivisible Mugs

In 2011, Starbucks founder and CEO Howard Schultz began raising funds to create jobs in the United States. His efforts received national attention. Not only did Starbucks earn record revenue and profits that year, but Schultz was also named *Fortune's 2011 Businessperson of the Year* for his work in jobs creation.⁶

The following year, Starbucks began implementing its plan. In 2012, the town in East Liverpool, Ohio was suffering the negative consequences of outsourcing labor. Once considered the pottery capital of the country, East Liverpool lost production to global competitors and suffered through a 10 percent unemployment rate. For the remaining jobs, the median income remained about one-third lower than the state average.

Starbucks approached one of the last two remaining pottery makers, American Mug and Stein Company, to create a line of American-made mugs as part of the

"Indivisible" product line. The mugs sold for about \$10 each, with \$2 being donated by Starbucks to the Create Jobs for USA fund. Not only did Starbucks' hiring of American Mug and Stein Company save the small company by providing it with about 50 percent of its business and allowing it to retain 20 employees, but the "Indivisible" line also raised over \$1 million for Create Jobs for USA.⁷ Most importantly, Starbucks' commitment to creating American jobs was covered by media giants like *The New York Times* and sparked a national discussion of American jobs creation. Starbucks' benefit from the positive publicity and goodwill was significant.

CONCLUSION

While many companies will continue outsourcing most of their production, the national coverage of American jobs creation as well as changing customer perceptions about "Made in America" products have created a more lucrative environment for companies to bring at least some of their manufacturing capabilities back to the US.

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Along with her work for the Reshoring Institute, Kendra is serving as a Brand Management Intern at Leo Schachter in New York in the Summer of 2016 and is also the Communication Director on the Graduate Student Business Association Board. Kendra utilizes her experience with non-profits as well as her passion for quality research to help the Reshoring Institute achieve its mission.

ABOUT THE RESHORING INSTITUTE

Our Mission

In collaboration with the University of San Diego Supply Chain Management Institute, we provide information, research and support for companies trying to Reshore manufacturing. This includes topics such as site selection, tax incentives, science and math education, marketing, public relations, cost comparison development and case studies.

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