

# Reshoring vs Nearshoring: Key Differences and Business Benefits



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Today's businesses must remain flexible and adaptable if they wish to survive.

With changing customer expectations, rising costs, and global factors creating pockets of instability, it's crucial to ensure your business has a solid supply chain strategy that allows you to effectively source, manufacture, and deliver products.

Two strategies worth considering are resourcing vs. nearshoring, but depending on the nature of your business, one may benefit you more than the other.

Let's explore these approaches to help you decide which is right for your company.

## What is Reshoring?

If you reshore your operations, you're bringing operations back to your home country.

If an American company transitions production from China back to a facility within the United States, that's reshoring.

Companies that reshore focus on supporting the local economy and being more self-reliant.

## Benefits of Reshoring

### ■ Benefits of Reshoring



Better Operational Control



Supports the Domestic Economy



Improved Quality Control and Assurance



Simpler Logistics and Supply Chain Management

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### • Better Operational Control

Closer proximity to your production site means you can monitor the manufacturing processes more closely.

As such, you end up with better quality and compliance and shorter timelines.

A food company in the U.S. that has reshored is better positioned to frequently inspect facilities to ensure they follow strict food safety regulations, which is nearly impossible to do from overseas.

## • **Improved Quality Control and Assurance**

Physical proximity to production facilities influences error rate and consistency.

When you're closer, this will reduce errors and maintain a higher quality product.

In the electronics industry, for example, precision is critical. Domestic production ensures faster prototyping, fewer errors, and real-time improvements.

With overseas production, you face delays with language barriers, cultural differences, and time zone delays.

## • **Supports the Domestic Economy**

Investing in local manufacturing facilities drives economic growth in your home country.

Back in 2013, Whirlpool re-shored appliance production to Ohio.

Not only did they create 80 to 100 new jobs in the area, but they also met consumer demand for "Made in America" products.

Moving operations back home also develops local skill sets, supports local suppliers, and helps breathe new life into industries that were left in decline because of historical offshoring.

## • **Simpler Logistics and Supply Chain Management**

With operations overseas, you run the risk of becoming too reliant on global supply chains.

At any given moment, these could deal with disruptions from geopolitical issues (new tariffs, for example), natural disasters, pandemics, or port delays.

Keeping operations at home eliminates the risk, reduces shipping times,

and keeps you flexible enough to more effectively respond to changing consumer trends.

# Challenges of Reshoring

## ■ Challenges of Reshoring



Increased  
Costs



Transitional  
Investments



Limited Manufacturing  
Resources or Expertise

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## • **Increased Costs**

Labor and overhead costs, particularly in North America and Europe, are higher than they are in traditional offshore locations like Southeast Asia.

A company moving from Vietnam to the United States or Canada must be willing to pay higher wages, benefits, and infrastructure expenses.

If your company relies heavily on manual workforce processes, it may be more difficult for you to maintain profitability.

## • **Transitional Investments**

Setting up facilities or establishing domestic supply chains from scratch can take a lot of time and money.

If you're planning to build automation-equipped factories, you easily face multi-year timelines and heavy capital investment.

These delays can make reshoring seem less attractive than alternatives like nearshoring, which is quicker to implement.

Apple's decision to assemble the Mac Pro in Texas shows how reshoring can maintain product quality while supporting local economies.

However, the challenges of high labor costs underscore why the transition isn't always straightforward.

## • **Limited Manufacturing Resources or Expertise**

Some countries may not have the modern manufacturing or skilled labor to meet your specific demands.

In the United States, highly skilled trades like welding and specialized machining have declined in recent years, making it difficult for many businesses to quickly scale local production.

## What is Nearshoring?

Nearshoring brings manufacturing operations to a nearby country close to, but not within, your company's home country.

An American company could bring production back from China to either Canada or Mexico.

A European company could move to nearby nations like Hungary or Poland.

This approach focuses on regional efficiency.

## Benefits of Nearshoring

### ■ Benefits of Nearshoring



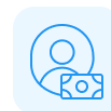
Reduced Lead Times



Better Cultural and Geographical Alignment



Lower Transportation Costs



Cost-Effective Skilled Labor

## • **Reduced Lead Times**

Compared to operating overseas, you can get products to your end customer faster, which makes real-time inventory management easier to manage without the often heavier expense of reshoring.

## • **Lower Transportation Costs**

Moving products shorter distances will save you money.

A United States furniture company that moves from Asia to Mexico automatically cuts out overseas freight costs while also delivering products faster.

The shorter distance also reduces your organization's overall carbon footprint, which is helpful if you're focusing on ESG initiatives to bolster your company's reputation.

## • **Better Cultural and Geographical Alignment**

Communication is often easier with nearby production partners for several reasons.

Fewer time zone differences make scheduling more manageable, while geographical similarities may streamline production timelines.

Canadian companies nearshoring to the U.S. benefit from shared language, similar business practices, and cultural understanding, so there are fewer misunderstandings and faster results.

## • **Cost-Effective Skilled Labor**

Though nearshoring comes with higher labor costs than traditional offshore outsourcing, it provides a good balance between cost and expertise.

Mexico has recently become a hub for skilled manufacturing jobs but maintains lower labor costs compared to U.S. wages.

European countries can tap into friendshoring (the practice of relocating supply chains and manufacturing to allied or politically friendly countries to reduce geopolitical risks and enhance economic security) the talent pools in the Czech Republic or Poland to get high-quality production at competitive rates.

# Challenges of Nearshoring

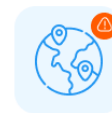
## ■ Challenges of Nearshoring



Political and/or  
Economic Instability



Supply Chain  
Dependence



Regional Trade  
Regulation Compliance

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## • **Political and/or Economic Instability**

Nearshore regions aren't immune to economic uncertainty, political unrest, or sudden policy changes.

For example, if a U.S. company moves production to Mexico, potential trade disputes or political instability could impact operations.

Businesses relying on nearshoring must be prepared to pivot if conditions in the partner country become unfavorable.

## • **Supply Chain Dependence**

With nearshoring, you'll still have some exposure to disruptions in supply chains and trade policies.

You may continue to rely on imports for components, raw materials, or technology. U.S. carmakers assembling in Mexico will still rely on imported steel or microchips, leaving them vulnerable to global supply chain disruptions.

## • **Regional Trade Regulation Compliance**

Variations in trade laws, tariffs, and local labor standards may create barriers.

For example, navigating the complex provisions of the United States-Mexico-Canada Agreement (USMCA) could prove challenging for businesses unfamiliar with its detailed requirements.

Companies must dedicate time and resources to ensure compliance, which can sometimes offset the cost advantages of nearshoring.

## **Reshoring vs. Nearshoring: How to Choose the Best Fit for Your Business**

Choosing to reshore or nearshore your operations isn't one-size-fits-all. What makes sense for one company may not make sense for another.

Let's look at a comparison of business benefits:

## Reshoring vs. Nearshoring: How to Choose the Best Fit for Your Business



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- **Cost Efficiency:** Savings on shipping and reduced supply chain risk can help offset the higher labor expenses associated with reshoring.

Nearshoring makes it easier to strike a balance between affordable labor and reduced logistics expenses.

- **Supply Chain Resilience:** Reshoring eliminates global transport uncertainties and provides complete control over production.

Nearshoring facilitates regional supply chain continuity without compromising too much on cost.

- **Speed and Agility:** Reshoring allows quicker responses to changing market needs because your production is fully localized.

Nearshoring shortens the delivery timeline compared to traditional offshore sourcing while maintaining regional flexibility.

- **Sustainability Goals:** Reshoring helps reduce carbon emissions by cutting global shipping.

Though nearshoring doesn't have quite the same environmental impact, it still helps since it shortens transportation distances.

## • **Consider Your Industry**

Depending on your industry, your unique operational needs may mean one option clearly stands out over the other.

In healthcare and pharmaceuticals, you need strict oversight for safety, compliance, and quality.

In aerospace, the high standards for precision mean you need tight control over your production chain.

In businesses that can maximize artificial intelligence and automation, the machinery offsets labor costs.

Nearshoring is likely to be the better option for industries requiring manual labor, such as customer service or textile manufacturing.

## • **Determine Your Priorities**

Whether your supply chain is successful depends on your highest priorities, no matter if it is proximity, cost efficiency or agility.

Regardless, you must know your inventory management needs.

Using tools like economic order quantity (EOQ) helps ensure you maintain an optimal balance between ordering costs and inventory holding costs, which is especially significant when deciding between reshoring or nearshoring.

If high operational control and oversight are priorities, then reshoring creates the environment for stricter monitoring.

But, if agility in meeting regional demand takes precedence, nearshoring gives you quicker market access, making inventory flow and order fulfillment more adaptable to fluctuations.

## • **Customer Location**

Placing production facilities closer to your customer base can improve delivery times, save money, and improve satisfaction.

If you have short inventory cycle times, reshoring ensures faster alignment between production and final delivery, so you have stock levels that are responsive to customer demand.

If you have a diverse regional customer base, you can leverage nearshoring to establish efficient inventory hubs closer to your key markets.

Effective inventory management flows—from demand forecasting to warehouse distribution—can support nearshoring efforts, enabling you to scale your operations while remaining responsive to local markets.

## • **Conduct a Cost Analysis**

Labor costs undoubtedly influence supply chain decisions, but the total cost of production considers many other factors.

Reshoring may mean you spend more money on labor, but it can also reduce spending in hidden areas like long shipping routes, delays, and global trade risks.

Businesses that emphasize reducing their cash conversion cycle may benefit from reshoring, since it helps minimize the time it takes to convert inventory into revenue.

## • **Evaluate Regulatory Factors**

Compliance rules such as tariffs, trade agreements, and labor laws heavily influence where you produce and source materials.

When transitioning operations, businesses that rely on electronic transactions must also verify compatible payment systems for financial operations.

Using electronic payments in reshored or nearshore facilities ensures efficient, secure transactions within your supply chain.

Similarly, switching to electronic funds transfer (EFT) methods simplifies cross-border payments for businesses nearshoring to neighboring nations like Mexico or Canada.

## Selecting the Optimal Approach for Your Supply Chain

Both reshoring and nearshoring offer distinct advantages and challenges.

Reshoring prioritizes quality, control, and economic benefits at home, while nearshoring provides cost and logistical advantages through regional proximity.

The choice between the two depends on your company's specific goals, customer needs, and industry dynamics.

Businesses can craft supply chain management and procurement strategies that ensure long-term success by carefully analyzing factors like costs, supply chain priorities, and regional conditions.

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