

## Motives for Reshoring from China to Europe: A Hierarchical Classification of Companies

**Authors :** Fabienne Fel, Eric Griette

**Abstract :** Reshoring, whether concerning back-reshoring or near-reshoring, is a quite recent phenomenon. Despite the economic and political interest of this topic, academic research questioning determinants of reshoring remains rare. Our paper aims at contributing to fill this gap. In order to better understand the reasons for reshoring, we conducted a study among 280 French firms during spring 2016, three-quarters of which sourced, or source, in China. 105 firms in the sample have reshored all or part of their Chinese production or supply in recent years, and we aimed to establish a typology of the motives that drove them to this decision. We asked our respondents about the history of their Chinese supplies, their current reshoring strategies, and their motivations. Statistical analysis was performed with SPSS 22 and SPAD 8. Our results show that change in commercial and financial terms with China is the first motive explaining the current reshoring movement from this country (it applies to 54% of our respondents). A change in corporate strategy is the second motive (30% of our respondents); the reshoring decision follows a change in companies' strategies (upgrading, implementation of a CSR policy, or a 'lean management' strategy). The third motive (14% of our sample) is a mere correction of the initial offshoring decision, considered as a mistake (under-estimation of hidden costs, non-quality and non-responsiveness problems). Some authors emphasize that developing a short supply chain, involving geographic proximity between design and production, gives a competitive advantage to companies wishing to offer innovative products. Admittedly 40% of our respondents indicate that this motive could have played a part in their decision to reshore, but this reason was not enough for any of them and is not an intrinsic motive leading to leaving Chinese suppliers. Having questioned our respondents about the importance given to various problems leading them to reshore, we then performed a Principal Components Analysis (PCA), associated with an Ascending Hierarchical Classification (AHC), based on Ward criterion, so as to point out more specific motivations. Three main classes of companies should be distinguished: -The 'Cost Killers' (23% of the sample), which reshore their supplies from China only because of higher procurement costs and so as to find lower costs elsewhere. -The 'Realists' (50% of the sample), giving equal weight or importance to increasing procurement costs in China and to the quality of their supplies (to a large extent). Companies being part of this class tend to take advantage of this changing environment to change their procurement strategy, seeking suppliers offering better quality and responsiveness. - The 'Voluntarists' (26% of the sample), which choose to reshore their Chinese supplies regardless of higher Chinese costs, to obtain better quality and greater responsiveness. We emphasize that if the main driver for reshoring from China is indeed higher local costs, it is should not be regarded as an exclusive motivation; 77% of the companies in the sample, are also seeking, sometimes exclusively, more reactive suppliers, liable to quality, respect for the environment and intellectual property.

**Keywords :** China, procurement, reshoring, strategy, supplies

**Conference Title :** ICPLSCM 2017 : International Conference on Procurement, Logistics and Supply Chain Management

**Conference Location :** Boston, United States

**Conference Dates :** April 24-25, 2017