Reshoring: strategically managing the relocation of production back to the domestic market

Reshoring refers to the relocation of production capacity or procurement processes from abroad back to the company's own site or to nearby countries. For technical buyers, reshoring is more than a location issue: it changes supply structures, cost drivers and risk profiles across the entire procurement portfolio. This article explains the definition, methods, KPIs and risks of reshoring from a procurement perspective.

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Key facts at a glance

01 Reshoring describes the relocation of production or procurement back to the domestic market, often from third-country supply chains to Europe.

02 Typical drivers are country risks, volatile transport and energy costs, and increased requirements regarding delivery capability and documentation.

03 In practice, a total-cost-of-ownership calculation decides success, not the unit price comparison alone.

04 Reshoring frequently requires rebuilding supplier structures, including a supplier audit programme, with qualification phases of typically 6 to 24 months.

05 Hybrid models such as nearshoring or dual-sourcing strategies reduce transition risks during relocation.

Definition: reshoring

Reshoring is the strategic decision to bring back production processes, manufacturing capacity or procurement volumes that were previously relocated abroad to the original site. The term is distinct from nearshoring, where relocation goes to nearby countries such as Eastern European states.

Distinction from nearshoring and friendshoring

Reshoring means returning to the domestic market, while nearshoring describes relocation to geographically close but foreign sites. Friendshoring, in turn, moves procurement to geopolitically allied countries, regardless of distance. In practice, companies combine these models: a German mechanical engineering company can source sheet metal from Eastern Europe (nearshoring), manufacture critical components in-house (reshoring) and procure electronics from politically reliable regions (friendshoring). For procurement, this results in a differentiated view of country risk per part class. The choice of model depends on cost sensitivity, vertical integration, lead-time requirements and regulatory requirements. A blanket repatriation of all foreign sourcing is rarely economically sensible.

- Reshoring: return to the domestic market
- Nearshoring: relocation to neighbouring regions
- Friendshoring: orientation towards geopolitical criteria

Why reshoring is relevant for buyers

Procurement bears the main responsibility for implementation, because supplier portfolios, contracts, qualifications and purchasing terms must be rebuilt. Reshoring changes the service-level target focus: instead of buffering long replenishment lead times with high safety stock, proximity enables shorter cycles and lower inventories. At the same time, cost drivers shift from logistics and customs to labour and energy costs, which directly affects the category analysis and governance in category management. Buyers must also reassess compliance requirements regarding proof of origin and regional value creation. Reshoring is therefore not merely a location-policy issue but an intervention in the entire procurement strategy, affecting contracts, inventory management and supplier loyalty.

Drivers and motives for reshoring

The decision for reshoring is rarely based on a single factor. In practice, several drivers interact, which buyers should assess systematically.

Risk motives: supply chain and country risk

Pandemic-related supply failures, port conflicts, export controls and geopolitical tensions have significantly sharpened awareness of country risk in procurement. Companies are finding that long, single-source supply chains lower unit costs but increase the probability of failure. Implementing a business continuity plan (BCP) for critical parts is more complex with third-country sourcing, as alternative sources are often lacking or take a long time to qualify. Reshoring structurally reduces this exposure: transit times shorten, transparency over upstream suppliers increases and government interventions from third countries become less significant. Buyers monetise this risk reduction, typically as risk costs or probability of failure multiplied by downtime costs.

Cost motives: total cost of ownership instead of unit price

The mere unit price of third-country sourcing often conceals the real costs. Customs duties, quality

inspections, increased safety stock, transport insurance, detention charges for container delays, and travel and audit costs for supplier management are ignored in superficial comparisons. In many industries, a total-cost-of-ownership analysis shows considerable cost catch-up for the domestic site, especially for small batch sizes, high part variety and short product life cycles. In addition, there are fluctuating exchange rates and suppliers' energy strategies, where an energy price surcharge clause can be negotiated more transparently domestically. Whether reshoring is economically viable is decided only with complete cost mapping and realistic volume forecasts, for example based on a consensus forecast.

Market and regulatory motives

Customer requirements regarding lead times, sustainability evidence and regional value creation are gaining weight. Suppliers in the automotive and mechanical engineering industries increasingly face supply chain declaration obligations, which are more complex to meet with third-country sourcing. Tax aspects such as the booking of customs duties and import VAT as well as customs preference rules also play a role; in individual cases, tax and customs advice is advisable. Reshoring can also generate image and new-business effects when customers explicitly set regional manufacturing as a procurement criterion. For procurement, this means that negotiation objectives should be geared not only to price but to overall value creation.

Methods and procedure in the reshoring process

Reshoring only succeeds with a structured approach. A phase model from analysis through qualification to the switch to serial production has proven its worth.

Portfolio analysis and part selection

The starting point is a segmented analysis of the procurement portfolio. Candidates for reshoring are typically parts with high volatility, low volume, high strategic relevance or strict quality requirements, where the disadvantages of distance weigh heavily. Buyers classify parts by criticality, volume and supplier market situation and then prioritise. A supply chain FMEA is helpful; it assesses failure risks per component and correlates them with replenishment lead times. For standard catalogue parts with stable demand, reshoring is rarely worthwhile; here unit-cost arguments for going abroad dominate. The analysis should also examine demand aggregation: several sites or group companies can make pooled volumes economically viable domestically, which individual assessments obscure.

Economic viability assessment and make-or-buy

The central method is a multi-year TCO calculation that compares material costs, logistics, customs, quality costs, inventory capital costs and risk costs per scenario. It is important to use realistic demand forecasts, as forecast errors can significantly change inventory costs in the domestic model. For in-house manufacturing, a complete make-or-buy comparison is needed, taking account of investments, staff qualifications and capacity utilisation. Idea evaluation in procurement helps to prioritise different reshoring options systematically by effort and benefit. Practical tip: scenario

calculations with ranges of variation rather than point estimates, as energy, labour and exchange rate assumptions shift over time. Sensitivity analyses show under which conditions the domestic scenario breaks even.

Supplier development, qualification and changeover

In the operational phase, the task is to identify domestic sources, qualify them and reach serial production readiness. A structured supplier audit programme with defined approval stages is standard here. New qualifications in practice often take 6 to 24 months depending on complexity and industry. B2B platforms and e-sourcing tools accelerate the market search; via the Amplifa marketplace network, buyers find qualified manufacturing providers in the DACH region for concrete part enquiries. In parallel, the contract transition must be managed: minimum offtake obligations with previous suppliers, Incoterms CPT or other delivery clauses, payment terms such as 2/10 net, and transition inventories must be coordinated. An approval workflow with clear procurement approval limits ensures that changeover decisions are made with an appropriate level of authority.

Key KPIs for evaluating reshoring

Reshoring success is measurable. Established metrics relate cost, delivery and quality dimensions to one another.

Delivery and inventory metrics

Key metrics are the on-time-in-full delivery rate against the service-level target, the replenishment lead time and inventory coverage. After reshoring, transport distances and thus the planning horizon shrink, which typically allows lower safety stock. The economic order quantity (EOQ) shifts, as fixed ordering and transport costs per order fall and smaller batch sizes become more economical. Buyers should measure the KPIs before and after the changeover using the same methodology, otherwise statements about improvement are not reliable. Forecast quality is also relevant: shorter lead times reduce the impact of forecast errors because less demand has to be planned ahead.

Cost and quality metrics

On the cost side, TCO per part, total procurement costs per commodity group and the share of variable cost surcharges are suitable metrics. On the quality side, scrap rate, first-article approval duration and complaint lead time are meaningful. A comparison of the metrics before and after the changeover shows whether the expected effects were realised.

Risk and supplier metrics

Risk-oriented KPIs include the number of qualified alternative sources per critical part, audit coverage in the supplier portfolio and the share of sourcing from high-risk countries. These metrics make the risk reduction of reshoring visible and form the basis for reporting to management and the board. In many companies, a risk score per supplier is calculated and updated quarterly.

Risks, controls and current developments

Reshoring carries its own risks, which should be limited through suitable control mechanisms. At the same time, the topic is evolving dynamically.

Typical risks and countermeasures

The most common risks are underestimated domestic costs, lack of supplier capacity, qualification delays and dependence on a few new sources. Internal risks also exist: lack of capacity in one's own manufacturing, unclear responsibilities or overly optimistic schedules. Countermeasures include dual-sourcing strategies during the transition phase, gradual volume migration instead of a big bang, contractual safeguards through indemnity clauses for quality defects, and realistic project planning with buffers. A BCP should also be maintained for the domestic model, as regional disruptions such as energy shortages or flooding cannot be ruled out. Regular supplier audits and defined escalation paths in the governance system of category management ensure long-term steering.

Current developments and outlook

Reshoring is gaining importance in DACH industry, driven by supply chain transparency requirements, energy cost uncertainty and the political desire for strategic autonomy. In practice, buyers observe a shift in the debate: no longer whether, but how much and at what depth reshoring takes place. Hybrid networks with regional core capacities and global standard sourcing are prevailing. Digitalisation supports the trend: supply map data, risk scores and procurement-relevant data volumes consolidated in a data lake enable a fact-based location decision. For providers in the DACH region, this creates new demand for manufacturing capacity; for buyers, the pool of qualified regional sources expands.

Typical metrics

Metric	Typical value
On-time-in-full delivery rate (OTIF)	> 95 % *typical target value for reshored core parts*
Replenishment lead time	2–6 weeks *significantly shorter regionally than third-country sourcing*
Safety stock reduction	20–50 % *usual range in practice after regionalisation*
TCO difference domestic vs. offshore	±10 % *depending on volume, batch size and quality requirements*

Practical example

A mid-sized mechanical engineering company sourced precision sheet-metal components from Asia for years with a replenishment lead time of around 10 weeks. After repeated supply failures and rising freight costs, a TCO analysis was carried out. It showed that, once safety stock, quality costs and downtime risks were included, a regional supplier at 85 per cent of the unit costs was practically on par. The company migrated volume step by step.

- TCO comparison for 42 critical parts using scenario analysis instead of unit price comparison
- Qualification of two regional suppliers via a structured audit programme with first-article approval
- Gradual volume migration over 14 months with the previous supplier retained in parallel as a second source
- Reduction of replenishment lead time from 10 to 3 weeks and reduction of safety stock by typically 40 per cent

Conclusion

For technical buyers, reshoring is a strategic option with measurable effects on costs, delivery capability and risk. Success depends less on the fundamental decision than on the quality of implementation: sound TCO analysis, realistic demand forecasts, structured supplier qualification and controlled transition phases. Not every part belongs in the domestic market; the portfolio analysis decides. Hybrid procurement models with regional core sources and global standard sourcing are often the most practical path. Those who approach reshoring systematically strengthen delivery capability and competitiveness in the long term.

Frequently asked questions

? What does reshoring mean?

Reshoring refers to the relocation of production or procurement processes from abroad back to the domestic site. It is the opposite of offshoring and is distinct from nearshoring, where relocation goes to nearby but foreign countries. For buyers, reshoring means new supplier structures, changed cost drivers and lower country risks.

? Why are companies relocating production back to Europe or Germany?

The main reasons are increased supply chain security, geopolitical risks, volatile transport and energy costs, and customer requirements regarding regional value creation and documentation. Qualitative reasons such as shorter feedback loops and easier supplier audits also play a role. In practice, the decision is based on a total-cost-of-ownership analysis, not on unit price alone.

? What is the difference between reshoring and nearshoring?

With reshoring, production returns to the domestic market; with nearshoring, it moves to geographically close but foreign countries. Nearshoring also reduces lead times and risks, but does

not offer full control over one's own site. Many companies combine both models depending on part criticality and cost sensitivity.

? Is reshoring economically viable?

It depends on the individual case. For small batch sizes, high part variety, short product life cycles and high downtime costs, reshoring is often economical, because domestic advantages in inventory, quality and risk carry weight. For large volumes of standardised parts with stable demand, unit-cost arguments for going abroad often still dominate. A careful TCO calculation per part class is decisive.

? How long does a reshoring project take?

In practice, reshoring projects typically take 12 to 24 months from analysis to the switch to serial production. The duration is largely determined by supplier qualification, tooling transfer and first-article approval. Complex parts with certification requirements can take longer; gradual volume migration with transition inventories is common.

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