

Free Webinar

Hosted by: APICS Santa Clara Valley Chapter

Challenges in Contract Manufacturing:
Manufacturer and Customer Perspectives
Thursday, July 14 from 12:00 – 1:15 pm

Presented by: David Lin; VP Synnex/Mitac
Information Systems and Linda Dashiell; Sr.
Manager, Barnes & Noble

To register, visit the SCVC website at:
<http://apics-west.org/>

Join Us

Consider joining the APICS Sacramento
Chapter Board of Directors. We are seeking the
right person for the following roles:

- Marketing
- Vice President of Programs
- Company Coordinator

If you are interesting in becoming a Board
Member, please contact Chapter President
Andre Alves at andre.alves01@sap.com.

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President's Message

Each month, APICS members are striving to find ways to improve their lives; their businesses, their systems and operations, and their personal and professional lives.

In this issue, we show you many ways that you can reach out and share the ideas of others. We have free events, Webinars, from different regions of the country, and a variety of industries and interests to help you broaden your knowledge.

The Santa Clara Valley Chapter brings you a presentation from two interesting backgrounds: MiTAC-Synnex, a global conglomerate of 40 countries; and Barnes & Noble, an American iconic bookseller and Fortune 500 company.

APICS national provides opportunities to learn, again through free Webinars, about foreign trade zones and how people affect the supply chain.

These are resources we bring together for our members. Locally, we network and brainstorm and communicate to help you broaden your resources. Have you reached out to Apics lately? Contact us with suggestions for networking opportunities, topics, job postings or whatever you'd like to share with your network. We'd love to hear from you.

Andre' Alves
Chapter President

Calendar

June 2011

- 7 Board of Directors Meeting
- OPEN TO ALL -
Location: Panera at I80 and Truxel

July 2011

- 5 Board of Directors Meeting
- OPEN TO ALL -
Location: Panera at I80 and Truxel

August 2011

- 2 Board of Directors Meeting
- OPEN TO ALL -
Location: Panera at I80 and Truxel



Made in the USA, Again

Manufacturing Is Expected to Return to America as China's Rising Labor Costs Erase Most Savings from Offshoring

CHICAGO, May 5, 2011—Within the next five years, the United States is expected to experience a manufacturing renaissance as the wage gap with China shrinks and certain U.S. states become some of the cheapest locations for manufacturing in the developed world, according to a new analysis by The Boston Consulting Group (BCG).

With Chinese wages rising at about 17 percent per year and the value of the yuan continuing to increase, the gap between U.S. and Chinese wages is narrowing rapidly. Meanwhile, flexible work rules and a host of government incentives are making many states—including Mississippi, South Carolina, and Alabama—increasingly competitive as low-cost bases for supplying the U.S. market.

“All over China, wages are climbing at 15 to 20 percent a year because of the supply-and-demand imbalance for skilled labor,” said Harold L. Sirkin, a BCG senior partner. “We expect net labor costs for manufacturing in China and the U.S. to converge by around 2015. As a result of the changing economics, you’re going to see a lot more products ‘Made in the USA’ in the next five years.”

After adjustments are made to account for American workers’ relatively higher productivity, wage rates in Chinese cities such as Shanghai and Tianjin are expected to be about only 30 percent cheaper than rates in low-cost U.S. states. And since wage rates account for 20 to 30 percent of a product’s total cost, manufacturing in China will be only 10 to 15 percent cheaper than in the U.S.—even before inventory and shipping costs are considered. After those costs are factored in, the total cost advantage will drop to single digits or be erased entirely, Sirkin said.

Products that require less labor and are churned out in modest volumes, such as household appliances and construction equipment, are most likely to shift to U.S. production. Goods that are labor-intensive and produced in high volumes, such as textiles, apparel, and TVs, will likely continue to be made overseas.

“Executives who are planning a new factory in China to make exports for sale in the U.S. should take a hard look at the total costs. They’re increasingly likely to get a good wage deal and substantial incentives in the U.S., so the cost advantage of China might not be large enough to bother—and that’s before taking into account the added expense, time, and complexity of logistics,” said Sirkin, whose most recent book, *GLOBALITY: Competing with Everyone from Everywhere for Everything*, deals with globalization and emerging markets.

Indeed, a number of companies, especially U.S.-based ones, are already rethinking their production locations and supply chains for goods destined to be sold in the U.S. For some, the economics have already reached a tipping point.

Caterpillar Inc., for example, announced last year the expansion of its U.S. operations with the construction of a new 600,000-square-foot hydraulic excavator manufacturing facility in Victoria, Texas. Once fully operational, the plant is expected to employ more than 500 people and will triple the company’s U.S.-based excavator capacity. “Victoria’s proximity to our supply base, access to ports and other transportation, as well as the positive business climate in Texas made this the ideal site for this project,” said Gary Stampanato, a Caterpillar vice president.

NCR Corp. announced in late 2009 that it was bringing back production of its ATMs to Columbus, Georgia, in order to decrease the time to market, increase internal collaboration, and lower operating costs. And toy manufacturer Wham-O Inc. last year returned 50 percent of its Frisbee production and its Hula Hoop production from China and Mexico to the U.S.

“Workers and unions are more willing to accept concessions to bring jobs back to the U.S.,” noted Michael Zinser, a BCG partner who leads the firm’s manufacturing work in the Americas. “Support from state and local governments can tip the balance.”

Zinser noted that executives should not make the mistake of comparing the average labor costs for production workers in China and the U.S. when making investment decisions. The costs of Chinese workers are still much cheaper, on average, than comparable U.S. workers, and some managers may assume that China is a better location. But averages can be deceiving.

“If you’re just comparing average wages in China against those in the United States, you’re looking at the problem in the wrong way,” Zinser cautioned. “Average wages don’t reflect the real decisions that companies have to make. Averages are historical and based on the country as a whole, not on where you would go today.”

“In the U.S., we have highly skilled workers in many of our lower-cost states. By contrast, in the lower-cost regions in China it’s actually very hard to find the skilled workers you need to run an effective plant,” added Doug Hohner, another BCG partner who focuses on manufacturing.

Even as companies reduce their investment in China to make goods for sale in the U.S., it is clear that China will remain a large and important manufacturing location. First, investments to supply the huge domestic market in that nation will continue. Second, in the absence of trade barriers that prevent offshoring, Western Europe will continue to rely on China’s relatively lower labor rates since the region lacks the flexibility in wages and benefits that the U.S. enjoys. (Continued on page 4)

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Third, even though other low-cost countries—such as Vietnam, Thailand, and Indonesia—will benefit from companies seeking wage rates that are lower than China's, only a portion of the demand for manufacturing will shift from China. Smaller low-cost countries simply lack the supply chain, infrastructure, and labor skills to absorb all of it, Hohner noted.

The BCG analysis is part of an ongoing study of the future of global manufacturing that the firm's Global Advantage and Operations practices are conducting.

To arrange an interview with a BCG expert, please contact Dave Fondiller at 212 446 3257 or fondiller.david@bcg.com.

APICS Live~June

APICS Extra Live: Advancing Your Supply Chain with Foreign-Trade

Presented by: Mark Hardison, CPIM, CSCP
Director of Supply Chain, Banner Pharmacaps

Also Presenting: Craig Pool, President
Foreign-Trade Zone Corporation

Date: June 15, 2011

Time: 1:00 p.m.–2:00 p.m. CT

Attend APICS Extra Live to gain deeper insight into the May/June APICS magazine article "In the Zone" from author Mark Hardison and Craig Pool, president of the Foreign-Trade Zone Corporation. In this APICS Extra Live, you will learn how to

- Understand what tariffs are and how they contribute to supply chain costs.
- Operate a Foreign-Trade Zone (FTZ) in order to mitigate tariffs and other costs
- Examine a sample cost/benefit analysis for starting up an FTZ
- Benefit from real world implementation lessons learned

APICS Live~August

APICS Extra Live: The People Factor in Supply Chain Excellence.

Presented by:
Ron Crabtree, CIRM, CSCP, MLSSBB
President, MetaOps
Author, "Lean Culture"

Date: August 11, 2011

Time: 1:00 p.m.–2:00 p.m. CT

Attend APICS Extra Live to gain deeper insight into the July/August APICS magazine article "Shared Agenda," which explores the importance of building trust among suppliers and partners.

In this APICS Extra Live, you will learn

- The reasons behind the "people factor gap" in supply chain management
- Best practices in supply chain execution and purchasing
- Where your peers stand on this and other issues in the profession
- Proven solutions for closing the people factor gap in your supply chain

APICSacramento Board Members and Contact Details

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Check Out APICS Career Opportunities Online

Are you seeking another job or career change? Don't forget to check out the APICSacramento Job Opportunities located at <http://www.apicsacramento.com>. A job opportunity can be discovered almost anywhere, so don't miss the chance to find one through your own local network. And whether you are in the market for a job or just want to keep your options open, you will also want to search the APICS Career Center for available jobs, or to post your resume... the perfect fit could be waiting for you! <http://www.apics.org/Resources/careercenter>.

APICSacramento Organization Directory

The listing below represents a sample of the companies and organizations represented by the Sacramento Chapter of APICS. If you are employed or affiliated with an organization not listed, please contact us. As a way of increasing our reach, we ask that each of you “spread the word” of your membership affiliation with APICS. And, if you are interested in becoming a member or attending a PDM dinner meeting, please feel free to reach us for more information at info@apicsacramento.com.

Aerojet Gencorp

Hwy 50 Aerojet Road
Rancho Cordova, CA 95742

Ames Company Incorporates

1485 Tanforan Ave
Woodland CA 95776

AMPAC Fine Chemicals

PO Box 1718
Rancho Cordova CA 95741

A.T. Kearney

255 California Street, Suite 1200
San Francisco, CA 94111

Baxter Planning Systems

7123 Cedar Oaks Drive
Granite Bay 95746

Comtek Computer Systems

3387 Industrial Blvd
Rocklin CA 95765

Constellation Wines

US4614 Turner Rd
Lodi CA 95242

Diamond of California

PO Box 1727
Stockton CA 95201

Digi International

2900 Spafford St
Davis CA 95618

Eigen

13366 Grass Valley Ave
Grass Valley CA 95945

Gel-Pak

31398 Huntwood Ave
Hayward CA 94544

Genetech

1000 New Horizon Way
Vacaville CA 95688

Global Pharm.Sourcing Group-J&J

700 Eubanks Drive
Vacaville CA 95688

HB Fuller Company

10500 Industrial Ave
Roseville CA 95678

Hewlett Packard

8000 Foothills Blvd
Roseville CA 95747

Intel

3031 Jimmy Way
Roseville CA 95747

Lares Research

295 Lockheed Ave
Chico CA 95973

Lifetouch National Schools Studio

2860 Fair Street
Chico CA 95928

NEC Electronic America

7501 Foothills Blvd
Roseville CA 95747

New Star Lasers Inc

9085 Foothills Blvd
Roseville CA 95747

Paragon Products

4475 Golden Foothill Pkwy
EIDorado Hills CA 95762

Paragon Products

4475 Golden Foothill Pkwy
EIDorado Hills CA 95762

PASCO Scientific

10101 Foothills Blvd
Roseville CA 95747

PSGA

700 Eubanks Drive
Vacaville CA 95688

Russell Warner Inc.

2551 Albatross Way
Sacramento CA 95815

Seco Manufacturing Company Inc

4155 Oasis Road
Redding CA 96003

Siemens Healthcare Diagnostics

2040 Enterprise BlvdWest
Sacramento CA 95691

SMA

4031 Alvis Ct
Rocklin CA 95677

Tesco Controls, Inc

3434 52nd Ave
Sacramento, CA 95823

Thermogenesis

2711 Citrus Rd
Rancho Cordova CA 95742

Thompson Technology Industries

8451 Rovana Circle
Sacramento CA 95828

Thomson / Grass Valley

400 Providence Mine Rd
Nevada City CA 95959

Umbrella Systems

980 9th Street
Sacramento CA 95814