



# Closer to home

More U.S. companies look domestically for manufacturing partners

**Like many U.S. companies, Versus Technology, Inc., outsourced development and manufacturing of its products to Asia. The Traverse City, Mich., corporation thought it would find efficiencies and quality overseas.**

**Instead, the Versus team invested considerable resources in testing incoming products, struggled with product quality challenges and experienced limited delivery flexibility.**

More and more U.S. companies are coming to the same realization. Businesses, big and small, are discovering that outsourcing internationally may not be the best option. Some 44% of respondents to a survey by the consulting firm Grant Thornton indicated they didn't receive any benefit from going overseas. Another 7% felt offshoring had actually harmed their businesses. So, like Versus, they are looking closer to home for design and manufacturing providers.

Several factors are leading to this American re-shoring, including:

- ✓ increased wages and rising shipping and transportation costs when using overseas suppliers and manufacturers
- ✓ quality control issues
- ✓ a desire to help rebuild the American economy
- ✓ U.S. manufacturing innovation



Versus didn't travel far for a new, reliable partner. In fact, Versus didn't even leave the state. The company found Fleetwood Group in Holland, Mich., less than 175 miles away – a distance that allows engineers and project team members to travel back and forth in the same day.

The Fleetwood Electronics division has more than 35 years of Radio Frequency (RF) Wireless design and manufacturing experience. Fleetwood is a perfect fit for Versus, the market leader in delivering health-care Real Time Locating Solutions (RTLS). Used for enterprise patient tracking, bed management, asset tracking and nurse call automation, Versus Advantages™ improve patient flow and documentation of caregiver and patient interactions, while enhancing communication and efficiency.

“We wanted to enhance performance, improve quality and increase our production capabilities,” explained HT Snowday, president of Versus. “It is great to be doing our manufacturing at home in Michigan again, and Fleetwood has made it possible. They have proven to be an excellent choice

as a manufacturing design/build partner with the right blend of creative capability, manufacturing know-how, and design communication skills to meet the needs of our product group's demanding functional and process requirements.”

### Cost considerations

Many U.S. companies headed internationally believing they could get a better deal on production.

Wage rates account for 20% to 30% of a product's total costs. Cheap overseas labor could hold down overhead.

For decades, overseas unskilled workers' pay was significantly lower than U.S. workers' wages. That gap is closing. The wages in China, a popular outsourcing location, are rising between 15% and 20% each year, according to a Boston Consulting Group analysis.

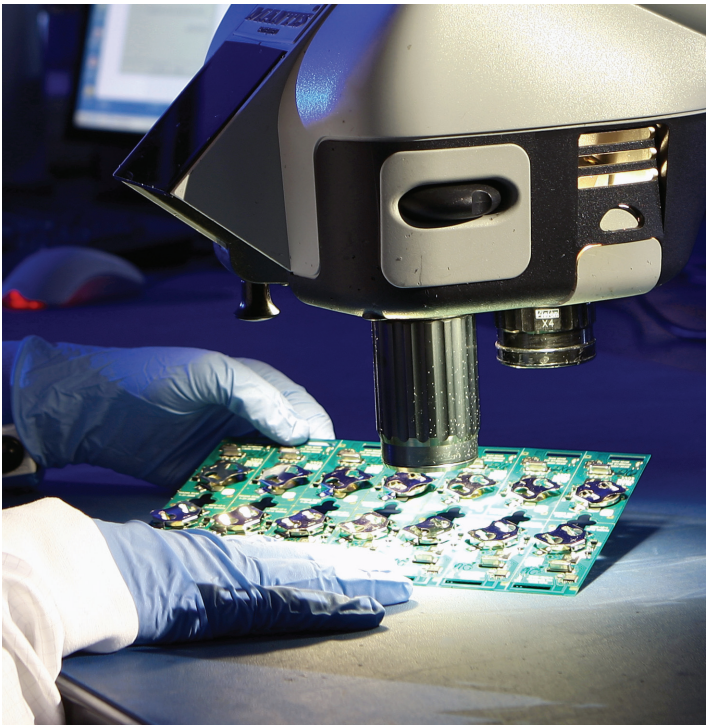
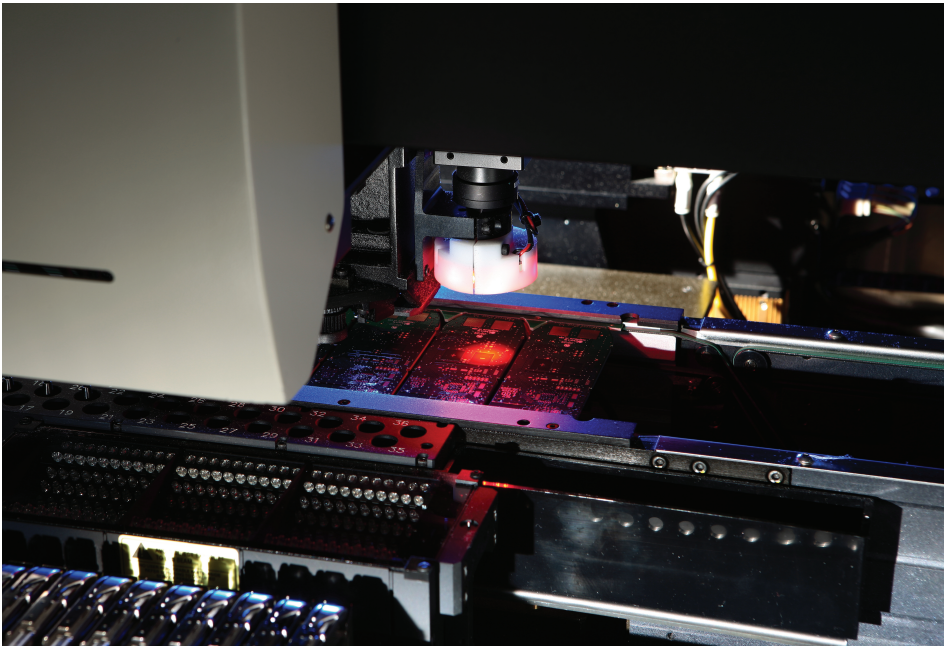
This pay trend, along with the Yuan's increasing value, means cost savings are shrinking. The net manufacturing labor costs in China and the United States are expected to converge by around 2015.

Another important cost factor: shipping. With oil prices soaring, transporting goods to the states is significantly more expensive. The average crude oil price continues to rise, at times doubling the cost from just a few years ago.

U.S. companies are feeling the hit. About 40% of executives responding to a Credit Suisse survey last year said their costs on Chinese-sourced goods had increased at least 6% from the previous year, with nearly a third indicating a double-digit jump.

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**HT Snowday**  
**President of Versus**



Higher energy costs are not only about paying more for transportation, they also mean waiting longer for products to arrive. Containership fleets, wanting to cut capacity, save fuel and raise prices, have slowed ships through the Pacific by 50%, according to the Credit Suisse report.

### Quality Control

Paying more to produce and transport goods is one thing, if it means getting higher quality. However, many U.S. businesses, including Versus, are discovering foreign countries lack the standards found in the United States. At one point, Versus was functional testing 100 percent of its products from Asia, just to ensure their integrity. This process added significant unplanned costs.

Addressing this issue was a key goal in Versus' move back to domestic manufacturing after more than a decade of using overseas Pacific-rim vendors. Versus has not been disappointed in its decision.

“It is notable that our very first production run with Fleetwood achieved a failure rate dramatically

less than our mature and experienced overseas manufacturing partner,” Snowday said.

### Rebuilding America

What's more, by looking domestically for partners, Versus doesn't have to worry about intellectual property theft and piracy, which can be problematic once a company gets beyond the U.S. borders. Protecting U.S. ideas and innovation isn't just important for the companies, it is crucial for the U.S. economic recovery. Rampant intellectual property theft and restrictive policies in places such as China cost the U.S. economy up to 2.1 million jobs, according to a U.S. International Trade Commission (ITC) investigation. Keeping both the intellectual property and the manufacturing in the United States will lead to more U.S. jobs and a rebirth of American manufacturing.

“The vast majority of the software being used in China is unlicensed — including four out of five programs installed on personal computers there,” said Business Software Alliance President and CEO Robert Holleyman, who testified before the ITC during its investigation.

“That unfairly skews trade and competition, because software is an essential tool of production. When companies in a high-piracy country like China dodge overhead costs by stealing the software they need to run their operations, they gain an unfair competitive advantage over companies in low-piracy rate countries like the United States. That undercuts legitimate product sales and stymies job creation.”

### Employee-owned, innovative

U.S. manufacturers are well positioned to take advantage of the current climate. Many companies realize that overseas is not the solution they thought, at least not anymore, and they have a desire to help restore America. Those manufacturers who develop a smarter business structure and embrace innovation, such as Fleetwood, are





the ones that companies will turn to for help.

Fleetwood is an employee-owned company in which workers have a higher vested interest in ensuring quality products. Research indicates that in employee stock ownership plan (ESOP) companies like Fleetwood, employees share more information, communicate more openly and are more involved in decision making. This leads to higher motivation and productivity. The Fleetwood team takes great pride in its work. Workers act like they own the place because they do.

Fleetwood combines this ESOP structure with a highly automated process for component placement, inspection and testing of surface-mount technology. As a result, Fleetwood produces

more than one million handheld RF wireless devices annually – all in its Holland, Mich., facility. For its clients and partners, highly productive workers combined with Fleetwoods' investment in automation means a low labor cost as a percentage of product cost.

## Conclusion

As more companies are discovering, “Made in the USA” is the better way. It’s time to look closer to home. It is possible to have high quality, competitively-priced products designed and manufactured in the United States. And companies such as Versus Technology, through its partnership with Fleetwood, are proving it.



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