

Is the Off-shoring Phenomenon Starting to Reverse Course?

Many of our Fortune 500 Clients are rethinking the whole off-shoring concept!

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Cinnaminson, NJ – October 24th, 2008 - How did so many fortune 500 companies come to the conclusion that off-shoring would be a huge savings for their company? Of course, when looking strictly at the hourly rates of design/drafting overseas versus those here in the states, it seems to be an easy choice. But many companies are finding that the hidden costs involved make the process more expensive and also increases the time to market of their products.

Enser Corporation, a 61 year old engineering services company located in Cinnaminson, NJ, Charlotte, NC and Orlando, FL, has weathered many changes in the engineering community over the years. From a Tool & Fixture design company in the late 40's to a design/drafting house in the 70's to a high end engineering company and PTC Reseller today, Enser has adjusted accordingly.

Enser began to see the start of the off-shoring phenomenon in the late 90's, when purchasing agents couldn't resist the \$10/hour rates for drafting work. With rates that averaged \$40/hour lower than in the US, the savings for their respective companies were substantial, in theory! Many companies followed this philosophy thru mid-2000 and Enser saw a big decrease in their design/drafting workload.

But things began to change in the last couple of years for the following reasons;

- 1) Off-shoring rates have tripled since the late 90's to approximately \$40/hour
- 2) Engineering teams began to push back on purchasing to analyze all the costs of doing business overseas instead of just focusing on the hourly rate
- 3) Much of the work provided by the off-shore companies was inferior and required substantial time to correct, which negated any cost savings
- 4) Potential loss of Intellectual Property
- 5) 30-50% turnover rate of off-shore staff

One of our fortune 500 clients was mandated in early 2000 to send all of their design/drafting projects overseas, no questions asked. They did not have an option. After a few years of this process, many in the engineering group were getting frustrated with this process and pushed executives to investigate. So one of the VP's decided the only way they could compare apples to apples was to track 2 projects secretly, one being done in the US and the other sent overseas.

What they found was astounding! Final costs were much more for the overseas project and the delivery time was longer! As it turns out, there were 3 factors that were not being considered by these off-shore directives;

- 1) The 3D models and details needed to be checked each time by the US project lead, with many errors and numerous back and forth to correct them – this time was not being tracked in the project, it was buried in overhead
- 2) Communication challenges – different time zones and language barriers
- 3) Time to market for products were slipping, which was leading to lost product share

Is off-shore manufacturing next in reversing fortunes? With transportation and logistics challenges, ocean shipping extending lead times by 4 weeks, ever increasing costs and reduced flexibility to make changes on short notice, a return to US manufacturing can't be far behind.

About ENSER

Since 1947, ENSER has offered its clients unparalleled expertise, service, and commitment in engineering services. Over the past 61 years, ENSER has evolved into a first class engineering services company and PTC Platinum Authorized Reseller, providing the complete engineering solution; from CAD/CAM/CAE to engineering and product design to manufacturing and tooling: a complete turnkey solution. With our resources and experience, ENSER will provide the product development support you need throughout the engineering, design, and documentation cycle."

Further information on ENSER is available at <http://www.enser.com>.

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