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THE RESHORING PHENOMENON: A POTENTIAL OPPORTUNITY

Prof. Jose Giuseppe D'Alessandro

SUPERVISOR

Costanza Grandinetti

Number 260061

CANDIDATE

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I. INTRODUCTION

Following decades of what appeared a real exodus of companies persuaded to transfer abroad by low labor costs, the media and business newspapers and magazines have recently documented numerous examples of organizations that appear to be following drastically opposing patterns. In particular, several firms have rethought their production models and reconsidered their location choices, preferring to bring back all of the production activities previously moved to emerging countries such as China, back to their country of origin. This lies behind the concept of reshoring.

Reshoring is not only a phenomenon, but it is a real process that has been developing for many years, and several are the causes that caused many organizations to move back production to their home countries. Reshoring is the process of returning the product back to the company's original country¹. Despite this, this practice is also labeled as inshoring, onshoring, or back shoring, although reshoring seems to be the most term used in business and academic environments. Nonetheless², it is required to disentangle reshoring from offshoring, also known as delocalization, which is the process of transferring the production of a company to areas or countries away from home, where competitive advantages exist. Especially areas where production factors, in particular labor, are lower along with favorable taxation.

To analyze reshoring properly, the return of some enterprises to their country of origin, an explanation of the macroeconomic factors that influenced the choices in the past, as well as process decisions and repercussions, is crucial and relevant. There is a strong link between the growth of economic globalization and the decisions to relocate via outsourcing and offshoring, foreign direct investment, and future reshoring decisions.

This dissertation aims to give a thorough understanding of the reshoring process and if it has been an efficient business innovation as it was supposed to be. This would be explored, first

¹ Brandon-Jones, E., Dutordoir, M., Frota Neto, J.Q. and Squire, B. (2017). The impact of reshoring decisions on shareholder wealth. *Journal of Operations Management*, 49-51(1), pp.31–36.
doi:10.1016/j.jom.2016.12.002.[Accessed 15 Mar. 2022]

² OFFSHORING, NEARSHORING, RESHORING - WHAT'S THE DIFFERENCE? (n.d.). [online] Available at:<http://morailogistics.com/wp-content/uploads/2017/01/morai-logistics-ebook-offshoring-nearshoring-reshoring.pdf>. [Accessed 16 Mar. 2022]

of all, by analyzing and clarifying the terminological ambiguity that can arise from this word. Accordingly, it would be crucial to study why companies reshore and which are the driving forces of reshoring. For instance, the rise of costs in developing countries or a faster and easier supply chain. In addition, the practice of reshoring creates manufacturing jobs, reduces unemployment, and helps balance trade deficits. Therefore, numerous American companies who offshored to Asia in search of lower prices are reshoring back to the United States due to rising manufacturing costs in Asia and longer time to market. A 2012 Boston Consulting Group (BCG)³ survey of US manufacturing companies found that a little over a third (37%) of those with annual sales above \$1 billion said they were planning or seriously considering moving their production facilities away from China and back to America, according to an article in *The Economist* titled "Coming Home."

Nonetheless, reshoring has some drawbacks and these are the reasons why the role of reshoring has started declining. Therefore, it would be interesting to evaluate the causes and implications that brought this phenomenon to this decrease, including the outbreak of Covid-19, what impact it had on the reshoring strategy, and how it contributed to the decrease of the phenomenon. Finally, analyze some solutions that can be proposed to relaunch the reshoring to leverage the increase of occupation.

Furthermore, it will be relevant to focus on the dynamics of reshoring in Italy, how industrial reshoring expanded in Italy and its impact on the Made in Italy model. Finally analyze how business strategy can influence the consumer, and how the brand name on the product label can determine the customer's choices. Consequently, the notion of the "Reshoring Project" is to figure out the expected outcome and in the end inquire about some cases of companies that are using reshoring as the main strategy.

The role of reshoring should be considered a real innovation in the economical market and could produce financial benefits.

This paper will highlight the outcome of this process and its benefits and if this phenomenon can be considered a disruptive event and a real success.

³ The Economist. (2013). *Coming home*. [online] Available at: <https://www.economist.com/special-report/2013/01/17/coming-home>. [Accessed 16 Mar. 2022]

II. THE RESHORING PHENOMENON

2.1. What it is and why it developed

In recent years, the use of words such as reshoring, back shoring, offshoring, or outsourcing has proliferated. Therefore, definitions and related explanations may still result in not being precise, accurate, and definitive. In this first chapter, we focus on the analysis of the reshoring phenomenon, analyzing in-depth what it is and describing the reasons for its development.

First of all, it is fundamental to provide a clear understanding of the taxonomy to assess and analyze any potential terminological ambiguity.

As stated previously, the taxonomy has drastically expanded. The expansion of the terminology has led to a lot of confusion and uncertainty regarding the meaning of these different words (Fratocchi et al., 2013)⁴. This is the reason why we will start by explaining the meaning of the different terms to ensure exact comprehension.

Reshoring refers to the return of production and business activities, previously relocated abroad, to their countries of origin. This phenomenon is associated with the decision to relocate the production process that had previously been transferred abroad. There are four different types (Fratocchi et al., 2014)⁵ of reshoring based on the government forms adopted by countries before and after they return to their original land: in-house reshoring, outsourced reshoring, reshoring for outsourcing, and reshoring for insourcing. As we can perceive in the table below⁶, the first form of reshoring, in-house reshoring, refers to manufacturing activities previously carried out in owned foreign facilities which are then transferred back to domestic facilities owned by the same company. Secondly, outsourced reshoring indicates activities

⁴ Fratocchi, L., Barbieri, P., Di Mauro, C., Nassimbeni, G. and Vignoli, M. (2013). Manufacturing Back-Reshoring - An Exploratory Approach for Hypotheses Development. [online] papers.ssrn.com. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2333106 [Accessed 18 Mar. 2022].

⁵ Fratocchi, L., Ancarani, A., Barbieri, P., Di Mauro, C., Nassimbeni, G., Sartor, M., Vignoli, M. and Zanoni, A. (2014). Il back-reshoring manifatturiero nei processi di internazionalizzazione: inquadramento teorico ed evidenze empiriche. Referred Electronic Conference Proceeding, pp.423–440 [Accessed 18 Mar. 2022].

⁶ Post Covid-19 value chains: options for reshoring production back to Europe in a globalized economy Policy Department for External Relations. (n.d.). [online] Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653626/EXPO_STU\(2021\)653626_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653626/EXPO_STU(2021)653626_EN.pdf). [Accessed 18 Mar. 2022].

previously held by foreign service providers that are outsourced to domestic providers. Thirdly, reshoring for outsourcing means production in proprietary foreign plants which is then outsourced to domestic providers. Finally, reshoring for insourcing refers to manufacturing activities initially held by foreign providers that are being internalized in their domestic production units.

Table 1 : Modes of Reshoring

		To: Onshore	
		In-House	Outsourced
From: Offshore	In-House	In-House Reshoring	Reshoring for Outsourcing
	Outsourced	Reshoring for Insourcing	Outsourced Reshoring

Source : Gray et al., 2013, p. 28

Similarly, **back shoring** is used (Fratocchi et al., 2013)⁷ to indicate generic changes of location involving previously offshored activities. Although, back shoring finds its roots in literature through the definition of Holz (Fratocchi et al., 2015)⁸ according to whom the term indicates “the geographic relocation of a functional, value-creating operation from a location abroad back to the domestic country of the company”. In other words, this means that a company moves from a place outside of the company's home nation back to the company's home country. Despite the multiple definitions that have been given to this phenomenon,

⁷ Fratocchi, L., Barbieri, P., Di Mauro, C., Nassimbeni, G. and Vignoli, M. (2013). *Manufacturing Back-Reshoring - An Exploratory Approach for Hypotheses Development*. [online] papers.ssrn.com. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2333106 [Accessed 18 Mar. 2022].

⁸ Fratocchi, L., Ancarani, A., Barbieri, P., Mauro, C.D., Nassimbeni, G., Sartor, M., Vignoli, M. and Zanoni, A. (2015). Il back-reshoring manifatturiero nei processi di internazionalizzazione: inquadramento teorico ed evidenze empiriche. (Manufacturing back-reshoring in the internationalization processes: theoretical framework and empirical evidence). *Sinergie Italian Journal of Management*, [online] 33(Sep-Dec), pp.125–147. Available at: <https://ojs.sijm.it/index.php/sinergie/article/view/218/296> [Accessed 19 Mar. 2022].

Luciano Fratocchi (Fratocchi et al., 2018)⁹, professor at the *Università Degli Studi dell'Aquila*, reaches a common definition: “a voluntary corporate strategy regarding the home country’s partial or total relocation of value activities to serve the global rather than regional demands of existing or new products than rely on internal -captive- and/or external -outsourcing- governance models”.

As we can perceive, the difference between reshoring and back shoring is subtle and minimal and this is why it is crucial to use those terminologies properly.

On the other hand, we have to define and distinguish between offshoring and outsourcing respectively.

Offshoring (Barnette et al., 2013)¹⁰, refers to the term delocalization and represents the localization across international borders of activities that were initially held within the domestic territory in which the company is located to satisfy the global market. There are two different types of offshoring: offshore insourcing, if the activity is held in a foreign country through establishments owned by the company, and offshore outsourcing when using foreign providers. Offshoring is oriented toward low-cost regions to reduce the overall costs of an operation (mainly cost of labor), sometimes also taking into account the risk of a reduction in the quality of the product to get a lower production cost.

Furthermore, **outsourcing** (Sako et al., 2005)¹¹ is a process by which companies transfer or delegate their non-core or peripheral activities to external organizations. This type of strategy involves cutting the costs of processes for which one is not competitive by assigning one or more non-core processes to third parties. The latter can implement the production phases more effectively and efficiently. Also, there are two types of outsourcing: Business Process Outsourcing (BPO) which refers to the process of contracting standard business functions to

⁹ Di Mauro, C., Fratocchi, L., Orzes, G. and Sartor, M. (2018). Offshoring and back shoring: A multiple case study analysis. *Journal of Purchasing and Supply Management*, [online] 24(2), pp.108–134. Available at: <https://www.sciencedirect.com/science/article/pii/S1478409217300444> [Accessed 19 Mar. 2022].

¹⁰ Barnette, B., Carroll-Melzer, C. and Jönköping, K. (2020). The Reshoring Phenomenon Exploring How Governmental Policies and Incentives Drive Reshoring in the Swedish and U.K. Manufacturing Sectors. [online] Available at: <https://www.diva-portal.org/smash/get/diva2:1434566/ATTACHMENT01.pdf> [Accessed 19 Mar. 2022].

¹¹ Sako, M. (2005). Outsourcing and Offshoring: Key Trends and Issues. [online] *papers.ssrn.com*. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1463480 [Accessed 19 Mar. 2022].

be handled by a party outside of the company, and Knowledge Process Outsourcing (KPO)¹² which is “the outsourcing of core, information-related business activities”.

Offshoring and outsourcing are both ways of productive internationalization and are linked to delocalization. The latter is what led to reshoring. Delocalization means transferring the production process of a company to areas or countries where competitive advantages exist. Especially, we are talking about areas where production factors, in particular labor, has a lower cost. In addition, the decision to relocate may also be linked to the possibility of exploiting the benefits that arise from being better located, perhaps near larger or dynamic markets, or from the opportunity to improve access to supply networks. Delocalization through offshoring and outsourcing was primarily driven by the search for underpaid labor and more favorable taxation.

Companies are now moving from a phenomenon of delocalization to a phenomenon of reshoring, manufacturing, and industrial relocation. More and more companies are going back to their countries of origin, to promote local production by re-hiring local personnel. Some companies choose to relocate to emphasize their quality production aspects through price leadership. In other instances companies decide to go back to their own country to promote differentiation of the product and best excellence in quality; in this case, these organizations decide to discard all forms of competition based on price. Companies that are reshoring have oriented their potential and their resources in other elements such as design and innovation to significantly enhance customer experience.

We have listed and analyzed all the definitions to avoid the mistaken use of those words and offer a clear comprehension of the phenomenon getting rid of ambiguous terminology.

We started through the distinction between reshoring and back shoring, to the differences between offshoring and outsourcing which finally led to the concept of delocalization, which is one of the reasons for the development of reshoring.

¹² Investopedia. (2019). How Knowledge Process Outsourcing (KPO) Helps Companies Boost Profits. [online] Available at: <https://www.investopedia.com/terms/k/knowledge-process-outsourcing.asp> [Accessed 19 Mar. 2022].

2.2. Driving factors of reshoring

Nonetheless, after having clarified what reshoring is, by providing a clear meaning of the word, and evaluating the reasons for reshoring's development through a brief explanation of delocalization, it is important to identify and analyze the driving forces of reshoring.

Some companies that had undertaken delocalization but later on decided to reshore by relocating to their original countries were driven by several factors¹³ that caused the rethinking of their initial choice. Usually, the decision for reshoring was driven by two main factors: changes in the dynamic of cost and the incidence of hidden costs.

Over time, the original factors that had led to economic advantage in terms of delocalization have turned into extremely high costs, outweighing the benefits produced. One of the main reasons was the sharp increase in labor costs in some of the countries originally targeted for delocalization. Therefore, we have to focus on the fact that the reduction of labor costs along with the cost of production were the main reasons why countries decided to relocate to a particular country. During the period of maximum expansion of delocalization, China (Brambilla et al., 2019)¹⁴ was one of the favorite destinations where to delocalize since China was offering one of the lowest production costs, facilitated by an extremely low labor cost. This locates China as the world's leading exporter of products. However, over the past few years, China saw a rapid rise in labor costs which led to a relevant decrease in the gap between China's cost of production and other countries' cost, which reduced the competitive advantage. In addition, another element was the classification of transport costs, which used to be considered part of offshoring strategies, without considering that the continuous increase in the cost of energy resulted in an increase in transport costs.

¹³ www.thomasnet.com. (n.d.). What Is Reshoring, and Why Do Companies Reshore? [online] Available at: <https://www.thomasnet.com/articles/procurement/what-is-reshoring/> [Accessed 20 Mar. 2022].

¹⁴ Brambilla, C. (2019). Delocalizzazione imprese: trend e programmi per ottimizzare i costi. [online] Assiteca. Available at: <https://www.assiteca.it/2019/08/delocalizzazione-imprese-trend-e-programmi-per-ottimizzare-i-costi/> [Accessed 20 Mar. 2022].

Furthermore, the other category of elements that may suggest reshoring is the category of the hidden costs¹⁵, which are unforeseen expenses added to purchases, which were normally not included in the purchase price for a piece of equipment or machine.

On that matter, one of the most important things to take into consideration is the quality of the product, an aspect that particularly distinguishes goods produced in Italy under the Made in Italy label. A major consequence of this factor is the impact on warehousing and storage costs. In particular, in order to avoid stock breakdowns, the company is better off with quantities greater than the minimum necessary, but if a quality problem with a storage product occurs, it will lead to an even higher cost if related to the supply of delocalized production phases.

Linked to the problem of transport costs is the problem of the timeliness of deliveries, which lies behind the term Time to Market. Amazon (Nichols et al., 2020)¹⁶ perfectly embodies this concept. Amazon is a US-based e-commerce company well known for its speedy services, one of the companies that deliver products in the fastest and most effective way in the world. The “Amazon Effect”, in which customers anticipate speedier service, is one of the most significant developments. People expect the same from all suppliers now that Amazon provides speedy shipping and has surged in popularity. The “Amazon effect” is the powerful disruption that eCommerce has made on the retail market. Another practical example relating to the problem of the Time to Market has been highlighted by the company PWC¹⁷, where in an interview Erika Andretta, head of consulting services in the Retail & Consumer Goods, states that producing abroad still brings some advantages in terms of convenience, but it forces the company into an increasingly unsustainable time to market.

¹⁵ www.industryweek.com. (n.d.). StackPath. [online] Available at: <https://www.industryweek.com/the-economy/competitiveness/article/21965621/the-drivers-of-manufacturing-reshoring> [Accessed 20 Mar. 2022].

¹⁶ Nichols, M.R. (2020). 5 factors driving the reshoring movement in America. [online] The American Genius. Available at: <https://theamericangenius.com/business-news/5-factors-driving-reshoring-in-america/> [Accessed 20 Mar. 2022].

¹⁷ Reshoring. (n.d.). [online] Available at: <https://www.pwc.com/it/it/publications/assets/docs/reshoring.pdf> [Accessed 21 Mar. 2022].

Moreover, reshoring might be driven by three other factors¹⁸ : (Vecchi et al., 2017) mutations of the business context, performance shortcomings, and interconnections along the value chain.

According to the first driver, the real option portfolio approach argues that enterprises choose to locate their activities in rising markets considering the host country's macroeconomic performance. In other words, multinational companies can transfer their commercial activity from one region to another as a response to market dynamics, based on their widespread presence in multiple nations. For instance, in China¹⁹, wages inflations increased more than 20% annually, which made the nation less strategic and enticing. However, it is crucial to highlight that not only do economic conditions have an impact on the business environment, but also the institutional and cultural perspectives do, through the political instability or cultural incompatibilities.

Regarding the second factor, reshoring decisions are made based on how offshoring is able to meet expectations. As a matter of fact, offshoring is becoming less convenient and attractive in terms of cost savings and meeting quality standards. Companies might be facing similar challenges not only in manufacturing but also in corporate tasks that support production. In particular, the ability to coordinate several activities and innovate is jeopardized.

Finally, concerning the last driver, the interdependence of offshoring decisions has been disregarded, even though coordination expenses often reduce the net benefit associated with offshore solutions.

The reshoring driving factors²⁰ (Vecchi et al., 2017) are often linked to the strong complementarities between different functions within the same company. Indeed, the strategic decision to move corporate activity back entails three linked decisions regarding the supplier, the location, and the entry mode. Therefore, reshoring decisions can result not just from a decision to swap suppliers, but also from a decision to internalize tasks that were previously outsourced to a foreign supplier.

¹⁸ Vecchi, A. (2017). *Reshoring of manufacturing : drivers, opportunities, and challenges*. Cham: Springer.[Accessed 21 Mar. 2022].

¹⁹ Trading Economics (2019). *China Average Yearly Wages*. [online] Tradingeconomics.com. Available at: <https://tradingeconomics.com/china/wages>. [Accessed 10 Apr. 2022]

²⁰ Vecchi, A. (2017). *Reshoring of manufacturing : drivers, opportunities, and challenges*. Cham: Springer.[Accessed 21 Mar. 2022]

These were the main driving factors of reshoring, which caused the rethinking of the delocalization strategies and opened up the opportunity to take into account why reshoring strategies could have been a positive and profitable decision.

2.3. Reshoring development at the global, European, and Italian levels

We now need to evaluate how the phenomenon spread globally, focusing on countries that are developing reshoring and studying the effect of this strategic decision on the companies.

As discussed previously, China along with India was one of the preferred destinations for companies that were delocalizing based on the lower cost of production.

Table 2 : Confindustria's research - Why did companies start to reshore?

Countries	Year of Introduction	Measures	Committed capitals	Completed projects
USA	2012-2013 Blueprint for an American built to last	-Subsidies amounting to 20% of the costs incurred for reshoring - Reduction of corporate income tax (from 38% to 28%) - Elimination of tax advantages for companies that relocate - Investment in logistics infrastructure	80 billion dollars	1800 funded by individual federal states 25 Manufacturing Universities (cooperation between companies and universities)
	2014	Supporting and developing process and product innovation and product innovation in particular sectors		40 Manufacturing Hubs (research centres, universities, businesses and government)
	2016-2020	- Reduction of enterprises on the income of impreda (from 28% to 21%) - Increased tariffs on imported goods		

Source : VERTUS. (n.d.). Il reshoring, opportunità per la ripresa. [online] Available at: <https://www.vertus.it/turnlab/reshoring-opportunita-ripresa/> [Accessed 2 Apr. 2022].

As shown in the table above²¹, from a global perspective, in 2013 the US started introducing measures to promote and encourage reshoring through the reduction of the corporate income tax along with subsidies of 20% of the costs incurred for the return to reduce the cost related to the reshoring process.

²¹ VERTUS. (n.d.). Il reshoring, opportunità per la ripresa. [online] Available at: <https://www.vertus.it/turnlab/reshoring-opportunita-ripresa/> [Accessed 2 Apr. 2022].

At a European level, the table²² below gives information about companies that had delocalized but later on reshored back to their country of origin. As we can observe several companies are reshoring; we need to analyze this table to understand the rationale for their delocalization reverse decision.

Table 3 : European Reshoring Monitor - Reshoring Cases until 2018

Status	Company name	Company country	Announcement date	Offshored to	Reshored to	Sector	Job gains
	Hagens Fjedre A/S	Denmark	31/03/2017	Poland	Denmark	C25 - Manufacture of fabricated metal products, except machinery and equipment	
	Bati-RénoV	France	17/04/2018	Romania	France	C22 - Manufacture of rubber and plastic products	8
	Kiplay	France	02/05/2016	Tunisia	France	C14 - Manufacture of wearing apparel	12
	Lino Manfroto + Co., S.p.A.	Italy	20/10/2017	China	Italy	C26 - Manufacture of computer, electronic and optical products	
	Volvo car	Sweden	19/07/2018	China	Sweden	C29 - Manufacture of motor vehicles, trailers and semi-trailers	
	Jacuzzi Europe SPA	Italy	01/03/2017	United States	Italy	C23 - Manufacture of other non-metallic mineral products	
	Roy Lowe & Sons Ltd	United Kingdom	07/09/2017	Turkey	United Kingdom	C14 - Manufacture of wearing apparel	
	Roy Lowe & Sons Ltd	United Kingdom	07/09/2017	India	United Kingdom	C14 - Manufacture of wearing apparel	
	Roy Lowe & Sons Ltd	United Kingdom	07/09/2017	China	United Kingdom	C14 - Manufacture of wearing apparel	
	BLM	France	06/04/2018		France	C27 - Manufacture of electrical equipment	15
	Jallatte	France	05/02/2018	Tunisia	France	C15 - Manufacture of leather and related products	

Source : reshoring.eurofound.europa.eu. (n.d.). Reshoring cases | European Reshoring Monitor. [online] Available at: <https://reshoring.eurofound.europa.eu/reshoring-cases> [Accessed 23 Mar. 2022].

The first thing that strikes is the fact that three companies perceived job gain, which measures how many jobs were created in the country, after having reshored to their original country. For instance, Bati RénoV, a French company, which decided in 2018 to offshore to Romania, reshored back to France and reached 8 job gains; along with Kiplay, which offshored from France to Tunisia in 2016 and relocated back to its country containing 12 job gains. Finally, BLM, always a French company, delocalized to Tunisia in 2018 and decided to go back to France reaching 15 job gains. We observe that the choice to reshore back²³ stands behind

²² reshoring.eurofound.europa.eu. (n.d.). Reshoring cases | European Reshoring Monitor. [online] Available at: <https://reshoring.eurofound.europa.eu/reshoring-cases> [Accessed 23 Mar. 2022].

²³ www.thomasnet.com. (n.d.). What Is Reshoring, and Why Do Companies Reshore? [online] Available at: <https://www.thomasnet.com/articles/procurement/what-is-reshoring/>. [Accessed 23 Mar. 2022].

various reasons, such as labor and production cost increase resulting in the change of strategy, promoting quality competition over price leadership.

In addition, reshoring allows having most of the supply chain linkages in the same time zone, making them easier to manage and resulting in more efficient workflows. As the table numbers might reveal, reshoring increases the number of jobs, assets, and resources back to the country of origin. This led to a sharp increase in the local GDP and eventually contributed to boost the economy.

A closer look at the table illustrates that between 2016 and 2018 there has been a growth of companies going back to their original nation. Recently, companies with overseas manufacturing operations have been under increasing pressure to bring them back home, but the major shift has only lately occurred.

In particular in France, as described in the table below, from 2013 to 2020 several measures were put in place to promote reshoring such as a reduction in corporate income tax for small and medium companies, bureaucracy simplification and finance incentives for innovation in the supply chain for automotive and aerospace industry.

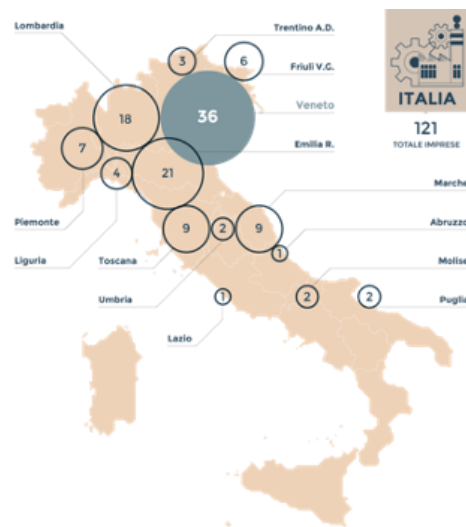
Table 4 : Confindustria's research - Why did companies start to reshore?

Countries	Year of Introduction	Measures	Committed capitals	Completed projects
France	2013	- One-stop shop and bureaucratic simplification - Industrial mapping of the territory - Funds for aid to reindustrialisation		
	2020	- French Fab invest desk - Territorial industrial projects - Turnkey industrial sites	150 million euro	78 in July
		- Investments in strategic sectors (health, agri-food, electronics, suppliers of essential inputs for the industry industry, metals and raw materials, 5G industrial applications) - Modernisation and diversification of the automotive supply chain - Modernisation and diversification of the aeronautics sector Tax reductions for micro, small and medium-sized enterprises	200 million euro in 2020 (8m in total) 300 million euro per year (12m in total) 10 billion euro per year	

Source : VERTUS. (n.d.). *Il reshoring, opportunità per la ripresa*. [online] Available at: <https://www.vertus.it/turnlab/reshoring-opportunita-ripresa/> [Accessed 2 Apr. 2022].

Also in Italy²⁴, as described in the map below, only in 2016, 121 companies in the manufacturing sector have reshored back to Italy. For instance, Ima, a company from Emilia Romagna, after having bought 4 dutch enterprises, is planning to reshore the latter's back to the region. One of the main reasons that entices companies to reshore is to promote the “Made in Italy“ label, better customer service, and quality that is not always up to the standard of the delocalized production.

Table 5 : Luciano Fratocchi - Italy in the forefront of reshoring



Source : Il Sole 24 ORE. (n.d.). Italia in prima linea nel ‘reshoring’. [online] Available at: <https://st.ilsole24ore.com/art/impresa-e-territori/2016-05-23/italia-prima-linea-reshoring-090139.shtml?uuid=ADaYeTN#:~:text=A1%20secondo%20posto%20alle> [Accessed 2 Apr. 2022].

On the one hand, Covid-19 has thrown supply chains into disarray, which has caused industrial closures, port closures, increased transportation costs, decreased demand, and shipment delays. The pandemic could be one of the factors that initiated the beginning of the decline of reshoring.

On the other hand, the uncertainty unveiled by the pandemic situation foments a potential fracture of the global economy and consequently the end of globalization; this conceptually should lead to a potentially significant increase in reshoring.

²⁴ Il Sole 24 ORE. (n.d.). Italia in prima linea nel ‘reshoring’. [online] Available at: <https://st.ilsole24ore.com/art/impresa-e-territori/2016-05-23/italia-prima-linea-reshoring-090139.shtml?uuid=ADaYeTN#:~:text=A1%20secondo%20posto%20alle> [Accessed 2 Apr. 2022].

In the following chapter, we will analyze the causes of the diminution of reshoring and what hypotheses can be proposed to relaunch reshoring and leverage the increase in occupation taking into account also the potential global fracture of the economy putting significant challenges on business strategies based on economic globalization.

III. WHAT ARE THE CAUSES OF THE DECLINE OF THE RESHORING AND WHAT SOLUTIONS CAN BE PROPOSED?

3.1. Causes

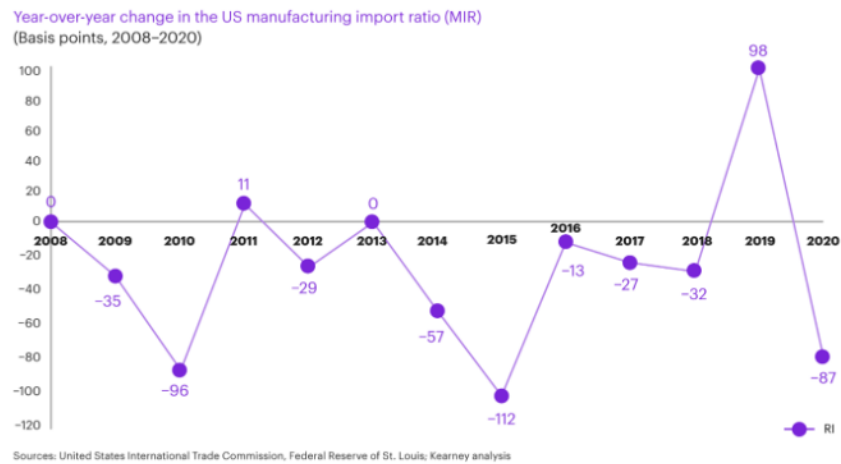
In the first chapter we focused on the progression of the reshoring phenomenon after having cleared the various terminologies. This preliminary part was necessary to subsequently provide an in-depth comprehension of the different factors influencing the reshoring process and the related decisions made by the organizations in adopting the reshoring. Finally, we described and analyzed how reshoring developed at a global, European, and Italian level.

Nonetheless, as anticipated previously, the reshoring phenomenon is currently decreasing. In this second chapter, we will focus on the causes and implications behind the decline of the reshoring and propose some ideas to get reshoring back as a strategic and viable choice for an organization. First of all, we are going to gather and scrutinize the causes of why reshoring has become a declining strategy. A US multinational consulting firm, A.T Kearney²⁵, shows in its “Reshoring Index” in the table below that the reshoring of manufacturing activities to the United States has failed to keep pace with offshore for the fourth year in a row. The index decreased sharply in 2014 which is one of the highest year-over-year reductions in the last ten years. In particular, between 2009 and 2013, the rate of reshoring steadily declined, as overall domestic manufacturing activity in the United States failed to keep up with the import of offshore produced goods over the five years, despite 2011 which was an exception. According to A.T Kearney, there are two factors²⁶ that have caused this decline, such as lackluster domestic manufacturing growth and the resilience of the offshore manufacturing sector.

²⁵ www.kearney.com. (n.d.). Read @Kearney: Global pandemic roils 2020 Reshoring Index, shifting focus from reshoring to right-shoring. [online] Available at: <https://www.kearney.com/operations-performance-transformation/us-reshoring-index>. [Accessed 9 Apr. 2022]

²⁶ www.industryweek.com. (n.d.). StackPath. [online] Available at: <https://www.industryweek.com/the-economy/article/22008109/is-reshoring-increasing-or-declining>. [Accessed 9 Apr. 2022]

Table 1: A.T Kearney analysis - Reshoring Index



Source: www.kenarney.com. (n.d.). Read @Kearney: Global pandemic roils 2020 Reshoring Index, shifting focus from reshoring to right-shoring. [online] Available at: <https://www.kenarney.com/operations-performance-transformation/us-reshoring-index>. [Accessed 9 Apr. 2022]

Furthermore, to study and understand the causes of the unexpected decline of the phenomenon it would be relevant to analyze a company that used reshoring as a successful strategy but which subsequently turns out to be a failure and compare it to an enterprise whose reshoring strategy was an accomplishment at all levels. In this way, we will be able to extract from these cases of reshoring the different reasons why the strategy wasn't successful and confront it with a firm that benefited from this phenomenon. First of all, we are going to talk about Otis Elevators²⁷, an American corporation that designs, manufactures, and sells elevators, escalators, moving walkways, and other related products. Otis's firm reshored from Mexico to Florence (US)²⁸ in 2012. The reasons for reshoring were the proximity of research and development to manufacturing together with public incentives received. However, the reshoring effort by Otis Elevators did not go smoothly. As the construction industry began to grow in 2012, orders for elevators and escalators increased and the firm couldn't keep up. The new Otis plant in the United States was producing far less than expected, backorders began to pile up which ended up with customers canceling orders. In addition, Otis's CEO according to Wall Street Journal announced that in the previous year, the company had spent \$60

²⁷ OTIS. (n.d.). *About Otis - Who we are*. [online] Available at: <https://www.otis.com/en/us/our-company/about-us>. [Accessed 11 Apr. 2022]

²⁸ Welcome to our slide file of reshoring cases. (n.d.). [online] Available at: http://www.resshorenov.org/content/companies_reshoring/Cases_only_2-20.pdf [Accessed 14 Apr. 2022].

million on the reshoring project, with the cost still rising. From this situation, we can derive that the reshoring strategy proved not to be the proper pattern for the firm. More precisely, the firm didn't take into account the impact deriving from the relocation back home particularly about the sizing of the plant in terms of production capacity, together with the complexity of the supply chain software implementation. This is a quite common situation for reshoring: bringing the manufacturing back is not that easy and companies must weigh several different factors and conduct evaluations to determine the costs and viability of reshoring.

Let's now analyze the Walmart experience with reshoring. Walmart, a worldwide retail firm based in the United States that owns and manages a chain of hypermarkets, cheap department stores, and grocery stores used reshoring as a successful strategy. As a matter of fact²⁹, the company's turnover of manufactured goods in the United States has increased reaching \$250 billion over ten years and \$50 billion in the tenth year as a result of the reshoring, allowing to bring approximately 300,000 manufacturing jobs back in the US while offering in total a million job opportunities. The company benefited enormously from the use of reshoring to the extent that it established a partnership with The Reshoring Initiative³⁰, a project to support and try to boost reshoring as much as possible and assist enterprises in producing more consumer goods in the United States.

The Otis Elevators company case showed reshoring was a “failed strategy” resulting in a step back for the organization. From this failure, they derived the root causes³¹ of what happened and came up with 8 rules³² (lessons learned) to avoid failure: first of all, assign an experienced project manager and create a structured project team and a comprehensive risk-driven project plan, including a business case, a training, and communication plan, and a road map, to be executed by the project team with strict discipline to periodically monitor the situation and implement proper remedying actions to address any risks identified. Second,

²⁹ reshorennow.org. (n.d.). *Companies Reshoring | Reshoring Initiative*. [online] Available at: <https://reshorennow.org/companies-reshoring/>. [Accessed 16 Apr. 2022].

³⁰ Walmart Jump. (n.d.). *Walmart External Resources: Reshoring Initiative*. [online] Available at: https://engage.walmart-jump.com/app/knowledge/detail/a_id/280 [Accessed 16 Apr. 2022].

³¹ CFO. (2014). *How To Avoid a Failed Reshoring Project*. [online] Available at: <https://www.cfo.com/accounting-tax/2014/06/avoid-failed-reshoring-project/> [Accessed 16 Apr. 2022].

³² GlobalTranz. (2014). *11 Tips on How to Ensure Your Reshoring Project Won't Fail*. [online] Available at: <https://www.globaltranz.com/reshoring-project/> [Accessed 16 Apr. 2022].

perform an in-depth analysis of the new location and the related premises to determine production capacity, inbound/outbound logistic flows, and competencies/skills available to identify any skills gap, and skills additionally required to include the training plan as a crucial part of the overall project plan. Third, take into account your supply chain to identify the most efficient inbound/outbound flow of goods. In addition, it is important to ensure the product is suitable for the American market, i.e. in compliance with US requirements. Then, recognize the consequences of halting or lowering manufacturing in a foreign country. Together with the project plan, create a road map for the execution supported by a business case identifying risks and opportunities to be approved and endorsed before the final decision is made. As you approach a strategic change in an organization from a process, people, and IT systems standpoint, proper planning is key to ensure execution is under control to enable the achievement of the project objectives on time, on cost, and quality.

On the other hand, Walmart's success³³ with reshoring shows us that when used in the right way, reshoring can be an extremely profitable strategy for your company. This is the reason why they joined the Reshoring Initiative which will be further discussed later on, as a solution to relaunch reshoring.

³³ Walmart Jump. (n.d.). *Walmart External Resources: Reshoring Initiative*. [online] Available at: https://engage.walmart-jump.com/app/knowledge/detail/a_id/280.

Table 2 : Overview of the use of reshoring strategy - Otis'Elevator failure VS. Walmart success

Otis'Elevator failure - strategy to avoid	Walmart success - strategy to adopt
<ul style="list-style-type: none"> ➤ The corporation failed to account for the impact of the company's return to its roots. ➤ The company failed to account for the plant's sizing in terms of production capacity. ➤ The firm underestimated the difficulty of implementing supply chain software. ➤ The firm did not consider a variety of criteria or conduct assessments to determine the costs and profitability of reshoring. 	<ul style="list-style-type: none"> ➤ As a result of reshoring, the company's manufactured goods turnover in the United States has increased to \$250 billion over ten years and \$50 billion in the tenth year. ➤ Reshoring allowed for the return of around 300,000 manufacturing employment in the United States and the creation of a million new job prospects. ➤ The usage of reshoring improved the firm so much that it formed a partnership with The Reshoring Initiative.

Source : personal elaboration

To summarize, we have studied how reshoring can become a threat if not properly adopted, which is one of the causes explaining why reshoring as a strategy may have declined. Otis'elevator case has shown us how to avoid this kind of failure. At the same time, Walmart's case gave us information on how profitable and attractive this strategy can be if used properly. This comparison demonstrated the double side of the reshoring strategy and allowed us to understand and analyze some of the causes of the decline of reshoring.

However, another reason why reshoring started to decrease might be related to Covid-19.

3.2. The impact of Covid-19 on Reshoring

As previously discussed, several are the causes for which reshoring is becoming a threat for some companies and for that matter started declining more and more. However, another factor that for sure jeopardized the phenomenon was the pandemic situation with the outbreak of Covid-19.

The Covid-19 pandemic demonstrated how fragile value chains might be. Border closures and lockdowns hindered production and transportation, resulting in the largest loss in commerce since the global financial crisis: an 8% drop in 2020³⁴. In addition, clothing orders were canceled by retailers in high-income countries, leading manufacturers in developing countries such as Bangladesh and Vietnam to close and lay off thousands of workers. In particular, a trend toward global reshoring of high-income countries and China might push another 52 million people into poverty, most of whom would be in Sub-Saharan Africa. As trade diminishes³⁵, countries that engage in reshoring through taxes and subsidies will see their earnings decline. Lowering trade barriers and making it simpler to transport goods and services across borders, on the other hand, may aid people in integrating into global value chains, lifting almost 22 million people out of poverty by 2030, and increasing the incomes of the poorest 40% of the population.

Furthermore, the Kearney Reshoring Index³⁶ measures trends in manufacturing returning to the United States from Asian typical low-cost countries. The Index is significantly difficult to analyze because of the disruptions caused by Covid-19. The annual reshoring metric fell from a historic high in 2019 to a deep negative for 2020. Despite this, the indicator had many ups

³⁴ blogs.worldbank.org. (n.d.). *Stronger value chains, not reshoring, are needed after the COVID-19 shock*.

[online] Available at:

<https://blogs.worldbank.org/trade/stronger-value-chains-not-reshoring-are-needed-after-covid-19-shock>

[Accessed 19 Apr. 2022].

³⁵ Post Covid-19 value chains: options for reshoring production back to Europe in a globalized economy Policy Department for External Relations. (n.d.). [online] Available at:

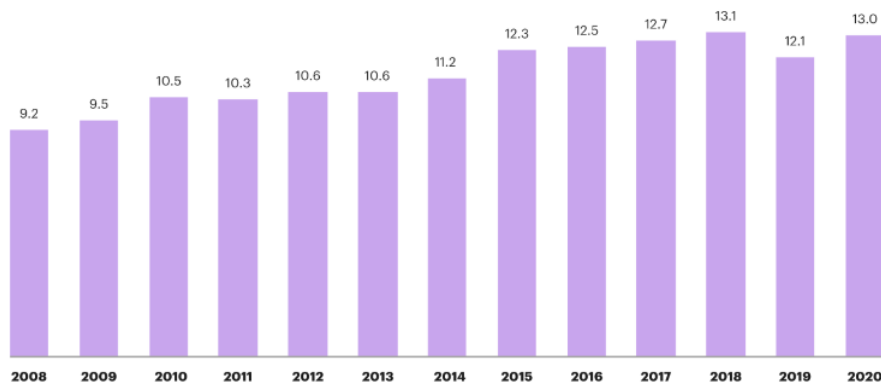
[https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653626/EXPO_STU\(2021\)653626_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653626/EXPO_STU(2021)653626_EN.pdf). [Accessed 19 Apr. 2022].

³⁶ www.joc.com. (n.d.). *A.T. Kearney: Reshoring hype exceeds impact* | JOC.com. [online] Available at:

https://www.joc.com/international-logistics/global-sourcing/kearney-reshoring-hype-exceeds-impact_20141215.html [Accessed 19 Apr. 2022].

and downs throughout the year, plummeting the most in the second quarter when the pandemic shut down much of the US manufacturing capacity; rebounding solidly into positive territory over the summer when US production resumed; and finally ending the year in negative territory. In particular³⁷, imports of Chinese manufactured goods into the United States experienced a similar fluctuation: Covid-19 hit first in China, and US manufacturing imports from Asia's largest low-cost economy fell in the first quarter before rising substantially in the second quarter when the epidemic forced many US plants to close. According to a second study of US manufacturing plant managers, Covid-19 has also disrupted the labor productivity increases many facilities had accomplished in prior years.

Table 3 : A.T Kearney Analysis - US manufacturing import ratio (2008-2020)



Source: www.kearney.com. (n.d.). Read @Kearney: Global pandemic roils 2020 Reshoring Index, shifting focus from reshoring to right-shoring. [online] Available at: <https://www.kearney.com/operations-performance-transformation/us-reshoring-index>.

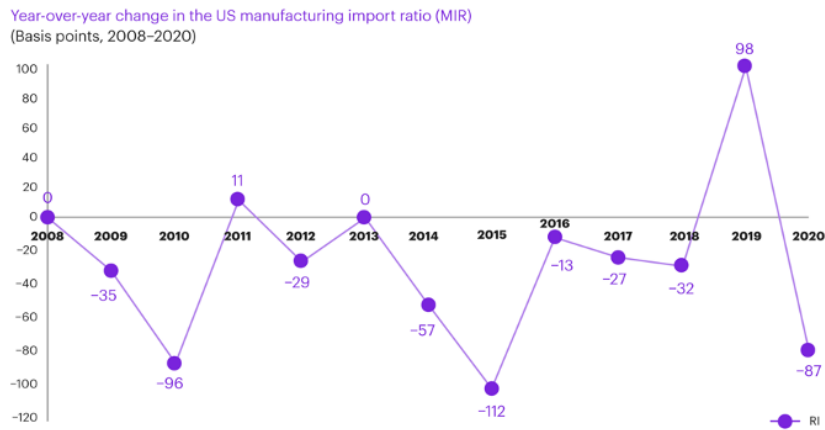
On the one hand, the above bar chart gives us information about the US manufacturing import ratio from 2008 until 2020. We can notice that imports of manufactured items from the 14 Asian low-cost nations studied in our annual report accounted for 12.95 percent of US gross manufacturing output in 2020, up from 12.08 percent in 2019.

On the other hand, the table below shows us the Reshoring index fluctuations. A closer look reveals that the Reshoring Index was moving decidedly positively as 2020 approached. Then the pandemic arrived, causing massive factory closures in the United States and a significant

³⁷ www.kearney.com. (n.d.). Read @Kearney: Global pandemic roils 2020 Reshoring Index, shifting focus from reshoring to right-shoring. [online] Available at: <https://www.kearney.com/operations-performance-transformation/us-reshoring-index>. [Accessed 19 Apr. 2022].

drop in global demand for US manufactured exports. The drop in US output also exacerbated the country's reliance on imports from low-cost countries. As a result, the Reshoring Index fell into negative territory in the second quarter of 2020. The ensuing rebound, on the other hand, was almost as crucial.

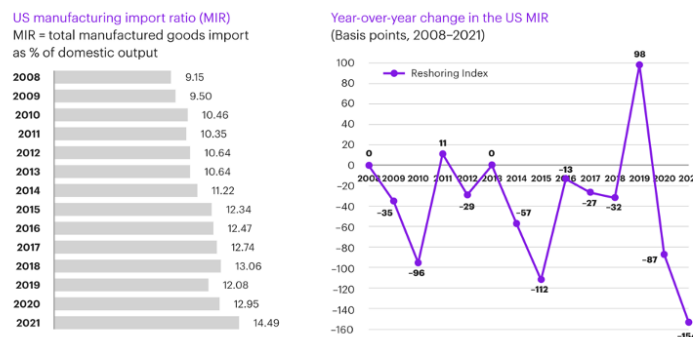
Table 4 : A.T Kearney Analysis - The Reshoring Index reflects an increase of 87 basis points in MIR (2008-2020)



Source: www.kenney.com. (n.d.). Read @Kearney: Global pandemic roils 2020 Reshoring Index, shifting focus from reshoring to right-shoring. [online] Available at: <https://www.kenney.com/operations-performance-transformation/us-reshoring-index>.

In this view, the -87 Reshoring Index for 2020 appears to be more of a complication brought by the global pandemic than a true reversion to the pre-2019 norm.

Table 5 : A.T Kearney Analysis - US manufacturing imports from 14 Asian low-cost countries rose in 2021, resulting in a negative score on the Reshoring Index.



Source: www.kenney.com. (n.d.). Read @Kearney: Global pandemic roils 2020 Reshoring Index, shifting focus from reshoring to right-shoring. [online] Available at: <https://www.kenney.com/operations-performance-transformation/us-reshoring-index>.

The graph above reveals that the Reshoring Index has been negative for the second year in a row, as a result of the US-China trade war, reversing and canceling the positive trend that began in 2018–2019. The year-over-year change in Manufacturing Import Ratio (MIR) has decreased by 67 basis points since 2020.

Nonetheless, there are clear signs³⁸ that attitudes and techniques are shifting. As a result of the pandemic, trade conflicts and tariffs, and the accompanying supply chain disruptions, American businesses are becoming more serious about expanding their reshoring efforts.

More companies³⁹ are redefining reshoring by focusing on the best cost rather than the lowest cost, and weighing cost against other aspects including supply chain robustness and sustainability. More companies are looking at their other to see if there is enough critical mass in this reimagined reshoring movement to create a supplier ecosystem that can compete with what China has developed, whether locally or in a nearshore location.

However, due to a dramatic increase in worldwide demand and the introduction of export limits by some governments, the Covid-19 pandemic⁴⁰ has put several manufacturing lines, notably in the healthcare industry, under considerable strain. Supply has sometimes been able to keep up with demand, as we can see through the insatiable demand for protective masks, hand sanitizer, and anesthetics, but this hasn't always been the case. The consequent shortages fueled the argument for industrial reshoring, which was widely promoted as the greatest way to reclaim lost autonomy.

³⁸ Post Covid-19 value chains: options for reshoring production back to Europe in a globalized economy Policy Department for External Relations. (n.d.). [online] Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653626/EXPO_STU\(2021\)653626_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653626/EXPO_STU(2021)653626_EN.pdf). [Accessed 19 Apr. 2022].

³⁹ www.kearney.com. (n.d.). *Read @Kearney: Global pandemic roils 2020 Reshoring Index, shifting focus from reshoring to right-shoring*. [online] Available at: <https://www.kearney.com/operations-performance-transformation/us-reshoring-index>.

⁴⁰ Hyppolite, P.-A. (n.d.). *November 2020 RESHORING MANUFACTURING AFTER THE COVID-19 OUTBREAK?* [online] Available at: <https://www.fondapol.org/app/uploads/2020/11/fondapol-study-paul-adrien-hyppolite-reshoring-production-2020-11.pdf> [Accessed 21 Apr. 2022].

Covid-19 has caused so many problems in terms of reshoring considering that it has slowed down the economy, causing a decrease in the use of reshoring as a dominant strategy. Subsequently, it would be interesting as well as relevant to scrutinize what ideas could be proposed to revive reshoring, to bring it back to the forefront.

3.3. Solutions to be proposed to relaunch reshoring

The reshoring phenomenon has been exposed to so many events that have caused its progressive decline. How to face and overcome this decline? Are there solutions to be proposed to relaunch reshoring and leverage the increase of occupation?

As previously anticipated, the Reshoring Initiative has been a huge innovation to face and try to relaunch reshoring. In particular, the Reshoring Initiative⁴¹ is a nationally known non-profit organization dedicated to making reshoring possible and convenient. Resources are available on the site to assist and accelerate supplier activities. It is a partnership of major manufacturing trade organizations and technology suppliers and is a strong advocate for bringing manufacturing jobs back to the United States and maintaining them there. In other words, this Initiative aims to assist businesses in shifting their collective thinking away from offshore as a cost-cutting strategy and toward localization as a cost-cutting strategy. In addition, the Reshoring Initiative recently established a collaboration with Walmart⁴² to assist enterprises in producing more consumer goods in the United States. Walmart has announced to increase its annual turnover in the United States by \$50 billion by January 2023. The founder of the Reshoring Initiative stated that being asked by Walmart to assist its Made in USA program was an honor and would have been very profitable. He expects that the company's increased orders will result in the creation of 300,000 manufacturing jobs in the US. Especially, the program gives 35 manufacturing trade associations, firms, banks, US Commerce Department offices, and other organizations direct, personal access. Each group has specialized resources to assist businesses in developing and implementing plans to create

⁴¹ Walmart Jump. (n.d.). *Walmart External Resources: Reshoring Initiative*. [online] Available at: https://engage.walmart-jump.com/app/knowledge/detail/a_id/280. [Accessed 21 Apr. 2022].

⁴² manufacturingdigital.com. (2020). *The Reshoring Initiative and Walmart launch effort to help suppliers reshore*. [online] Available at: <https://manufacturingdigital.com/lean-manufacturing/reshoring-initiative-and-walmart-launch-effort-help-suppliers-reshore> [Accessed 21 Apr. 2022].

or obtain more products made in the United States. The program's inauguration coincided with Walmart's Open Call and the United States Manufacturing Summit in Bentonville, Arkansas, which drew the US Commerce Secretary, two governors, and present and potential suppliers. Also, by combining expertise from more sources and adding more participating shops, the Reshoring Initiative hopes to broaden the scope and effect of the Resources for Retail Suppliers website.

Moreover⁴³, companies can aid in the improvement of manufacturing employment by using advanced analytics for supply chain sourcing decisions on a regular basis. The Total Cost of Ownership Estimator from the Reshoring Initiative is the most well-known publicly available tool for this purpose. The TCO Estimator makes calculating the total cost of offshore straightforward by accounting for and understanding key offshoring factors including inventory carrying costs, shipping costs, intellectual property concerns, and more. On the one hand⁴⁴, the Reshoring Initiative provides guidance on how to choose the proper items and profitably manufacture or source products in the United States. On the other hand, based on Walmart's reshoring research and feedback from some suppliers, there are still obstacles to U.S. manufacturing growth, such as: U.S. manufacturing costs that can be higher, especially if suppliers use offshore manufacturing procedures and practices. Then, tooling costs, small electric motor production, and garment cut and sew can be difficult, but there are numerous workarounds and offsets available. Despite these and other challenges, there still is a positive trend that supports continued manufacturing expansion in the United States.

Furthermore, considering that reshoring is becoming more and more popular, legislation may be enacted to encourage even more corporations to relocate their manufacturing supply chains back to the United States. The President of the USA has signed an executive order establishing a "Buy American" initiative⁴⁵. This executive order sets a government

⁴³ Post Covid-19 value chains: options for reshoring production back to Europe in a globalised economy Policy Department for External Relations. (n.d.). [online] Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653626/EXPO_STU\(2021\)653626_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653626/EXPO_STU(2021)653626_EN.pdf). [Accessed 21 Apr. 2022].

⁴⁴ Walmart Jump. (n.d.). *Walmart External Resources: Reshoring Initiative*. [online] Available at: https://engage.walmart-jump.com/app/knowledge/detail/a_id/280. [Accessed 22 Apr. 2022].

⁴⁵ www.jobsohio.com. (n.d.). *Made In America: Why Reshoring in Ohio Can Restore America's Supply Chains | JobsOhio*. [online] Available at:

procurement policy with a waiver system. To be given a waiver authorizing the use of non-US goods, products, or materials, federal agencies must present their case to the Director of the Made in America Office, demonstrating that their project cannot be completed using only US commodities. Cost parameters have been increased to make the usage of non-American-made items and non-American-sourced materials even more difficult. Another strategy of the federal government's intention to not only reshore industrial facilities but also better prepare for future crises is to provide tax incentives to enterprises that retain the capacity to create crucial products during a national emergency.

Based on the facts analyzed and the reports examined I am convinced that reshoring might be revived if seen as a strategic step for the country.

To revive the reshoring the following remedying actions should be thoroughly analyzed:

1. Support the reshoring choice by working systemically through a 'one-stop shop' support such as the Reshoring initiative in the USA or the European Reshoring Monitor to be proposed to the Italian Ministry of the economic development;
2. From an execution standpoint, reshoring proved to be successful when well thought, designed in a structured manner, adequately planned and executed with strict discipline and tight control;
3. Government incentives could help and encourage to make the initial decision, but the business case must be well prepared and reviewed, to ensure the sustainability in the long run
4. Another way to encourage reshoring is to learn from the shortfall and supply chain issues experienced during the pandemic situation by proposing local to local policies with finance/ tax incentives to be given to organizations producing critical goods for healthcare, manufacturing, pharma, food; through the acceleration of the digital transformation(e-commerce, automation, robotics, and Artificial Intelligence) and the upskilling and increase of the national workforce these organizations could recover the personnel cost and improving the TCO; this initiative could reinforce the Made In Italy brand on one hand while allowing the Strategic Autonomy on the other.

<https://www.jobsohio.com/blog/made-in-america-why-reshoring-in-ohio-can-restore-americas-supply-chains/>
[Accessed 22 Apr. 2022].

However, it is important and crucial to remember that these solutions to relaunch this phenomenon be implemented continuously to avoid its relapse.

IV. RESHORING PHENOMENON IN ITALY

4.1. Data in Italy

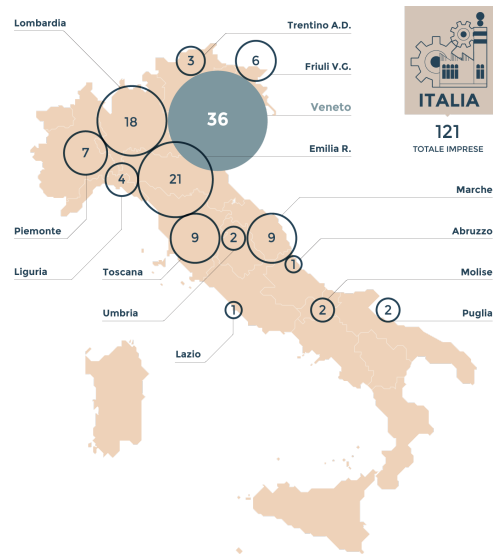
So far we have analyzed and studied the reshoring phenomenon in-depth, also disentangling the causes of its slow-down and proposing solutions to relaunch the phenomenon to leverage, among other factors, the increase of occupation. Therefore, this third and last chapter will focus on Italy: How has reshoring been perceived and adopted in Italy?

An analysis of global data made in 2016 on the reshoring strategy shows that America is in first place with around 326 business cases, followed by Italy with 121⁴⁶, then by the United Kingdom with 68, and finally Germany with 63.

In Italy, nearly 100 cases are in Northern Italy, approximately twenty in the center, and only four in the south. The graph below shows that the Northeast has about 45 cases, with 36 in the Veneto zone alone, 6 in Friuli Venezia Giulia, and 3 in Trentino Alto Adige. There are significant strategic decisions of this type in Emilia Romagna and Lombardy, with 21 and 18 respectively.

⁴⁶ Il Sole 24 ORE. (n.d.). *Italia in prima linea nel 'reshoring'*. [online] Available at: https://st.ilsole24ore.com/art/impresa-e-territori/2016-05-23/italia-prima-linea-reshoring-090139.shtml?uid=A DaYeTN&refresh_ce=1 [Accessed 29 Apr. 2022].

Table 1 : Luciano Fratocchi - Italy in the forefront of reshoring



Source: *Il Sole 24 ORE*. (n.d.). *Italia in prima linea nel 'reshoring'*. [online] Available at: <https://st.ilssole24ore.com/art/impresa-e-territori/2016-05-23/italia-prima-linea-reshoring-090139.shtml?uuid=ADaYeTN#:~:text=Al%20secondo%20posto%20alle> [Accessed 29 Apr. 2022].

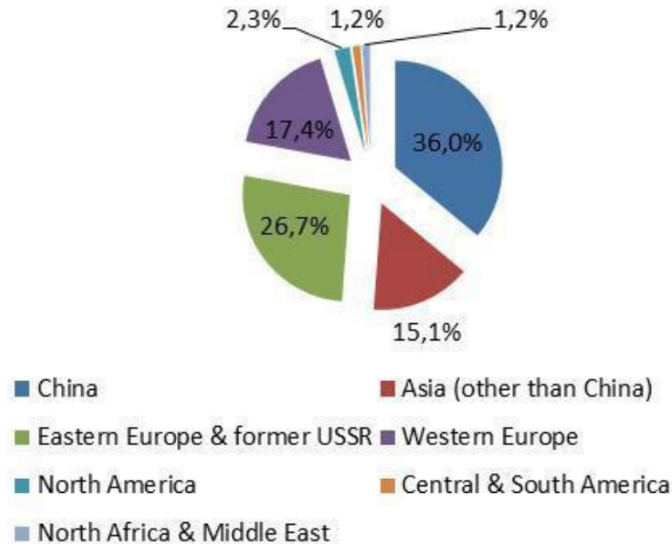
As a result, we can deduce⁴⁷ that the phenomenon is primarily found in northern Italy. Unlike the United States, which encourages manufacturing to return to the country through incentives and marketing, Italian reshoring appears to be happening in a random sequence, owing to the initiative of individual entrepreneurs who lack political support and incentives. In addition, looking at the host nation's provenience of Italian enterprises that returned to Italy⁴⁸, we can observe from the graph that China and other Asian countries are the most prevalent origins. The novelty of Italian reshoring data is that, when compared to worldwide evidence, Eastern European countries have a substantially higher weight. Simply comparing

⁴⁷ The Italian Way. (n.d.). [online] Available at: [https://home.kpmg/content/dam/kpmg/pdf/2016/06/it-KPGMTheItalianWay\(ItalyWorks2015\).pdf](https://home.kpmg/content/dam/kpmg/pdf/2016/06/it-KPGMTheItalianWay(ItalyWorks2015).pdf) [Accessed 29 Apr. 2022].

⁴⁸ docplayer.it. (n.d.). *Gruppo di ricerca Uni-CLUB MoRe Back-reshoring. Il contributo del reshoring al rilancio industriale dell'Italia - PDF Free Download*. [online] Available at: <https://docplayer.it/32034208-Gruppo-di-ricerca-uni-club-more-back-reshoring-il-contributo-del-reshoring-al-rilancio-industriale-dell-italia.html> [Accessed 29 Apr. 2022].

the percentage of returns from Eastern Europe (26.7 percent) with the one from Asia reveals this truth (other than China with 15.1 percent)

Table 2: Italian reshoring cases organized by host nation provenance.



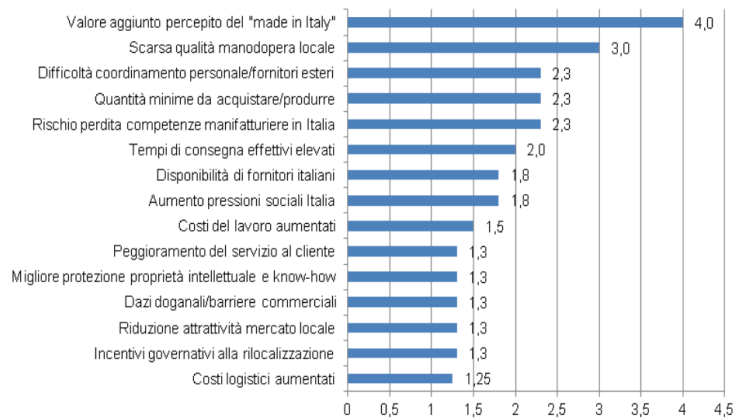
Source: Uni-CLUB MoRe Back-reshoring Research Group

Moreover⁴⁹, in Italy, about 41% of enterprises that have decided to bring production back home are in the fashion industry, 25% in electronics, and 16% in mechanics. All of these industries are strategic for our national economy. In particular, the apparel and footwear industry is the most active in reshoring activities in Italy, followed by ANIE sectors (which means, electrotechnical and electronic companies) and electronics, furniture, and automotive. These findings are consistent with global data; however, the fashion industry has a greater percentage, which can be explained by the powerful “Made in Italy” label effect.

⁴⁹ docplayer.it. (n.d.). Gruppo di ricerca Uni-CLUB MoRe Back-reshoring. *Il contributo del reshoring al rilancio industriale dell'Italia - PDF Free Download*. [online] Available at: <https://docplayer.it/32034208-Gruppo-di-ricerca-uni-club-more-back-reshoring-il-contributo-del-reshoring-al-rilancio-industriale-dell-italia.html> [Accessed 29 Apr. 2022].

As the graph below reveals⁵⁰, one of the fundamental elements that strongly supports reshoring and induces firms to go back to Italy is the importance of being able to use the “Made in Italy” label, which differentiates Italian production from the rest of the world.

Table 3: What drives Italian companies to return to their nation of origin



Source : Ricciardi, A., Pastore, P., Russo, A. and Tommaso, S. (2015). *Strategie di back-reshoring in Italia: vantaggi competitivi per le aziende, opportunità di sviluppo per il Paese IPE Working Paper*. [online] Available at: https://www.ipeistituto.it/master/images/file-pdf/IPE_working_paper_5_2015.pdf [Accessed 29 Apr. 2022].

According to the KPMG Report⁵¹, the essence of Made in Italy is made up of two complementary aspects: the material element, which is represented by the quality of the materials used and the technical perfection in the manufacturing process, and the intangible factor, which is reflected by the product's inventiveness and uniqueness in design and aesthetic, which is the outcome of a typically Italian historical, cultural, and environmental context. Made in Italy is difficult to recreate outside of Italy due to its aesthetic, creative, and innovative components, and reshoring is one of the main reasons for Italian companies to reshore.

⁵⁰ Ricciardi, A., Pastore, P., Russo, A. and Tommaso, S. (2015). *Strategie di back-reshoring in Italia: vantaggi competitivi per le aziende, opportunità di sviluppo per il Paese IPE Working Paper*. [online] Available at: https://www.ipeistituto.it/master/images/file-pdf/IPE_working_paper_5_2015.pdf [Accessed 29 Apr. 2022].

⁵¹ Investment in Italy. (n.d.). [online] Available at: https://assets.kpmg/content/dam/kpmg/it/pdf/2020/06/KPMG_InvestmentInItaly_2019.pdf [Accessed 29 Apr. 2022].

4.2. Made in Italy and Consumer Behavior

As mentioned previously, Made in Italy is one of the main drivers of reshoring, one of the reasons why companies decide to return to their home country, to enhance their local business and promote in our case Made in Italy label, the most popular brand in the world after Coca-Cola and Visa. As a matter of fact⁵², most businesses, mostly in the textile, garment, and footwear industries, go backward to enhance product quality, earning a competitive edge that only the Italian brand can overcome. Therefore, going back to producing in Italy means promoting Made in Italy. However, this label does not always have the same meaning for everyone and does not correspond to the same production characteristics for every product. What is “Made in Italy”?

Made in Italy label is a brand of know-how that distinguishes Italy in the eyes of other countries; it goes hand to hand with the Italian lifestyle, with employee creativity and quality, with superiority in apparel, furnishings, design, and fashion; but it is more than that.⁵³ Existing regulations governing this national brand must strike a balance between competing needs. On the one hand, some multinational corporations and businesses have relocated or plan to relocate their manufacturing operations outside of their home countries. On the other side, there are enterprises that have maintained production in Italy or that seek to return to their home country after a period of delocalization. The latter, in contrast to the former, want to have the guarantee of a regulation that effectively values effectively the real and total production in Italy.

Furthermore, to gain a better understanding of the significance of this term, it is necessary to look at various decrees and regulations that attempt to define its proper use and possible penalties. As a matter of fact⁵⁴, the Italian legal system adheres to this agreement through

⁵² Il back-reshoring per il rilancio del Made in Italy. (2014). *Mark Up*. [online] 9 Dec. Available at: <https://www.mark-up.it/il-back-reshoring-per-il-rilancio-del-made-in-italy/> [Accessed 29 Apr. 2022].

⁵³ Girardi, A. (n.d.). *‘Made In Italy’: What Is Behind The Worldwide Famous Label?* [online] Forbes. Available at: <https://www.forbes.com/sites/annalisagirardi/2019/04/03/made-in-italy-what-is-behind-the-worldwide-famous-label/?sh=6ad6b8936556> [Accessed 29 Apr. 2022].

⁵⁴ Lexology. (2010). *New rules on designations of origin and ‘made in Italy’ designations*. [online] Available at: <https://www.lexology.com/commentary/intellectual-property/italy/ip-law-galli/new-rules-on-designations-of-origin-and-made-in-italy-designations> [Accessed 29 Apr. 2022].

Presidential Decree No. 656/1958, which limits itself to defining the administrative detention by the customs offices of goods for which there are well-founded suspicions that they bear false indications of provenance; internal rules indeed limit themselves to prohibiting deception of provenance.

In addition, it is crucial to understand the difference between a mark of origin, the place of production, and a mark of provenance, the place from which a good is shipped. Article 60 of the Union Customs Code⁵⁵ states “Goods wholly obtained in a single country or territory shall be deemed to originate in that country or territory.” In particular, the second paragraph of that Article specifies that where two or more countries are involved in the production, the country of origin of the good shall be deemed to be the country where the last substantial and economically justified processing or working took place, resulting in the creation of a new product or which may be a very important stage in the production process, and operations that lead to changes in the external appearance of the product are indeed excluded. Then, the Italian legislation sought to further strengthen the protection of the national brand through Law No. 80/05⁵⁶, which extended sanctions to false indications of origin; “Designed & produced by Alfa srl Rovereto Italy”, a slogan that was sanctioned by the Court of Cassation as it was considered likely to mislead the consumer as to the origin of the product, which was manufactured in Moldova. Finally, through Law no. 166/09⁵⁷, we wanted to define a distinction of the great “Made in Italy” label, as we want to specify brands such as “100% Made in Italy”, “100% Italy”, “all Italian”, which can only be used by businesses that complete all stages of the manufacturing process within our country's boundaries, including

⁵⁵ ec.europa.eu. (n.d.). *Origin labelling*. [online] Available at: https://ec.europa.eu/food/safety/labelling-and-nutrition/food-information-consumers-legislation/origin-labelling_en.

⁵⁶ Lupo, P. and Mancini, R. (n.d.). *CORTE DI CASSAZIONE -SEZIONE TERZA PENALE*. [online] Available at: https://www.diritto.it/pdf_archive/21713.pdf [Accessed 29 May 2022].

⁵⁷ Shoes, D.D.I. (n.d.). *Sustainable innovation -30% CO2 | DIS*. [online] www.designitalianshoes.com. Available at: <https://www.designitalianshoes.com/fr/dis-shoes-sustainable-innovation> [Accessed 1 May 2022].

design, planning, processing, and packaging. The ultimate goal is to reward 100% Italian production.

Nonetheless, it is more than fundamental to scrutinize how a business strategy can influence the consumer, and how the brand name on the product label can determine the customer's choices. Let's start with the concept of the Country of Origin effect, which is one of the elements that, along with the brand, directs the consumer's choice, not only in modern times but already since 1965⁵⁸, as explained by an experiment carried out by the scholar Schooler, where he analyzed the choices referred to products, made by some students from Guatemala who only knew the country of origin of the product; the choice for most of them fell on goods coming from their country of origin.

It seemed appropriate after the arrival of phenomena such as internationalization, globalization, and reshoring, to differentiate⁵⁹ between the country of origin, a country that is associated with a given product, the designed in-country, the country where the conception, design, or creation of the design took place and made in the country, the actual country where the production phase takes place. Indeed, it has become increasingly difficult to define the exact country of origin. Also, a study carried out by Gfk Eurisko in 2007⁶⁰ identified the qualities and characteristics that consumers attribute to the Made in Italy brand: aesthetics, craftsmanship, culture, social and relational quality, variety-multiplicity, and overall quality of life. Therefore, for a foreign consumer, the choice to buy Italian products is very often synonymous with high quality and prestige goods. Made in Italy is associated with higher prices than the competitive average, a premium price that is justified by its exclusive

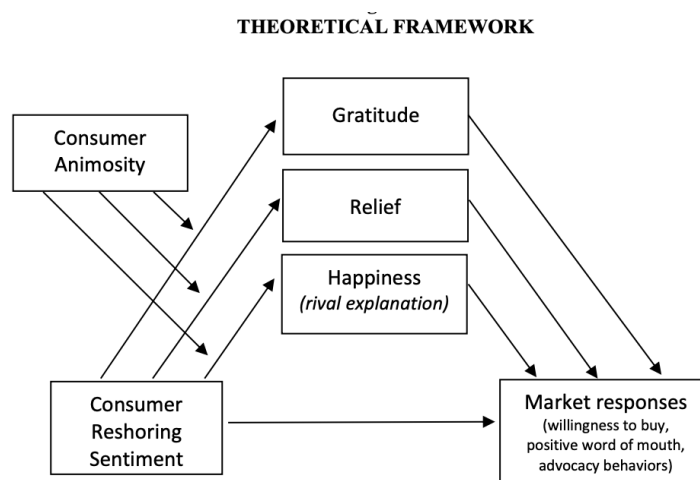
⁵⁸ Schooler, R.D. (1965). Product Bias in the Central American Common Market. *Journal of Marketing Research*, 2(4), p.394.[Accessed 29 Apr. 2022]

⁵⁹ Luiss Open. (2020). *Il reshoring: la percezione del consumatore e suoi effetti sul mercato*. [online] Available at: <https://open.luiss.it/2020/02/03/il-reshoring-la-percezione-del-consumatore-e-suoi-effetti-sul-mercato/> [Accessed 29 Apr. 2022].

⁶⁰ THE ITALIAN WAY I valori degli Italiani e del made in Italy. (n.d.). [online] Available at: <https://images.youmark.it/wp-content/uploads/2014/07/23221343/The-italian-way-I-valori-degli-italiani-e-del-Made-in-Italy-Seminario-10-luglio-2014.pdf> [Accessed 29 Apr. 2022].

aesthetics and high manufacturing skill. However, to prevent and control consumer behavior within our territory, it becomes useful to analyze attitudes, considered a primary form of expression of the individual. There is a close sequential link between attitude and intention, which develops in the consumer's willingness to support the business. In other words, the purchase intention refers to the business that has decided to return home. Actual consumer behavior can be explained through the graph below by Silvia Grappi⁶¹, which relates all the factors that directly and indirectly can trigger a consumer's reaction of anger or gratitude towards the company's strategic choice.

Table 4: Theoretical Framework - S. Grappi



Source: Grappi, S. (2020). *Consumer Reshoring Sentiment and Animosity: Expanding our understanding of market responses to reshoring*. [online] pdf. Available at: file:///Users/Connie/Downloads/post-print_MIR_Grappietal2020.pdf.

One of the factors includes the actual willingness to buy, identifying the premium price the consumer is willing to pay for products characterized by a reshoring process. This may prove to be a real competitive advantage in favor of the company implementing such a practice over possible competitors, thus influencing the decision of consumers to turn to companies that have relocated to our country. Also, another factor that could multiply the effect of a rapprochement between returning company and consumer is the important role of the

⁶¹ www.ibs.it. (n.d.). Il reshoring visto dal consumatore. Sfide ed opportunità per l'impresa - Grappi, Silvia - Ebook - PDF con DRM | + IBS. [online] Available at: <https://www.ibs.it/reshoring-visto-dal-consumatore-sfide-ebook-silvia-grappi/e/9788891747556> [Accessed 1 May 2022].

relationship between consumer and brand, the Brand relationship Quality⁶² (BRQ) defined by Fournier. Therefore, it corresponds to the relationship that the customer wants to maintain, if not implement, with a specific brand, influencing the degree of loyalty towards it.

In conclusion, it is important to highlight consumer awareness of the company's decision to reshore, the greater this awareness, the more positive the consumer response. It is more convenient for the company to communicate to consumers the decision to reshore in their home country.

4.3. “Progetto Reshoring” - “Reshoring Project”

To further promote reshoring, in Italy, the “Reshoring Project” has been a key pillar for the expansion of this phenomenon. It started as a project to support Italian companies in the reshoring process and it⁶³ was promoted by Sistema Moda Italia (SMI) in collaboration with PriceWaterhouseCoopers (PWC) to give governmental support to companies in the textile and fashion sector that want to bring their production back home.

The “Reshoring Project” aims to create the necessary conditions for returning production to Italy and increasing productivity in two pilot areas, Puglia and Veneto. The former is characterized by 4 districts, including footwear in the North of Barese, clothing in Salento, and footwear in Casarano. Although, the latter is well known in Italy for the presence of many small and medium-sized enterprises in numerous industrial districts. The project aims also to promote assistance to companies and retraining and training of personnel through the establishment of an academy, using the incentives provided by the Europe 2020, amounting to approximately EUR 70 billion for Italy.

Moreover, the project is driven by territorial redesign, a desire to recreate employment and training, seeking to meet the needs of the new demand, and ensuring the competitiveness of

⁶² Cayolla, R., Loureiro, S. and Reis, J.L. (2019). Fournier (BRQ) Versus Rusbult (IM): Is Love Really Important in Consumer-Brand Relationship? *Marketing and Smart Technologies*, pp.341–349.

⁶³ Il Sole 24 ORE. (n.d.). *Reshoring della manifattura: debutta il piano Smi-PwC*. [online] Available at: <https://st.ilssole24ore.com/art/moda/2015-06-11/reshoring-manifattura-debutta-piano-smi-pwc--102415.shtml> [Accessed 8 May 2022].

the sector through investment and innovation. According to an analysis carried out by PWC⁶⁴, about 89% of the sample considered revealed that they would do Reshoring if the conditions were appropriate and attractive; this would be influenced especially by a specific factor such as Time to Market, quality, district expertise, and R&D.

One of the first companies to fully embrace this project is Benetton⁶⁵, which in 2016 brought the production of a new jumper, Treviso 31100, back to Castrette (Treviso), creating 50 direct and indirect jobs, the majority of which were the result of retraining of employees who completed specific training courses. "This is not only a project of production relocation, but also of knowledge, of know-how. Cutting distances and bringing the style and design offices closer to production also means shortening the chain, finding solutions quickly, responding to the market" explains the president of Benetton Group.

Let us now take a closer look at reshoring cases in Italy in order to better grasp the dynamics of this phenomenon.

⁶⁴ Reshoring. (n.d.). [online] Available at:
<https://www.pwc.com/it/it/publications/assets/docs/reshoring.pdf>. [Accessed 8 May 2022].

⁶⁵ Il Sole 24 ORE. (n.d.). *Benetton debutta con il progetto reshoring*. [online] Available at:
<https://st.ilsole24ore.com/art/moda/2016-10-18/-benetton-debutta-il-progetto-reshoring--193728.shtml?uuid=ADnAhweB> [Accessed 10 May 2022].

4.4. Cases of reshoring strategy (2014 to 2019)

4.4.1. GTA MODA

Gta Moda founded in 1955⁶⁶ by the Tognolo family near Padova, has always been considered one of the best-known manufacturers of men's trousers in the Triveneto, Italy and all over the world. In 2014, Alberto Badan, head of Venetwork took over the majority shares of the company for a total investment of around 70% of the capital, the 30% remains with the founders, the Tognolo brothers. From this moment on, Sartoria began a process of continuous innovation and change while maintaining the quality of Italian manufacturing and traditions as its cornerstones.

The company wanted to focus on the recovery of manufacturing to return to Veneto, moving part of the production from Romania to Tencarola (Padova). "The goal we have set ourselves is to challenge made in Italy, maintaining the tradition of quality and Italian creativity alongside new 'lean' production processes for packaging, optimizing production times and facilitating service,"⁶⁷ said Alberto Badan, after the investment of almost one million euro.

As a result, about 20 jobs have been shifted to Tencarola; however, it should be noted that production in Romania continues to employ over 300 people today. Gta Moda chose this option to emphasize the importance of Italian quality, which provides better competitive benefits in meeting both domestic and international demand.

In addition, going through Gta Moda's current marketing strategy, it's clear that the company wants to increase the number of multi-brand retailers both within and outside of Italy; the current reference sales markets are Italy, Japan, Korea, and the Benelux, but they're also looking to expand into Germany, France, Spain, Denmark, and Sweden. The company has a

⁶⁶ Economyup. (2015). *Back in Italy: 10 aziende che tornano in patria*. [online] Available at: <https://www.economyup.it/made-in-italy/back-in-italy-10-aziende-che-tornano-in-patria/> [Accessed 13 May 2022].

⁶⁷ Nord Est Economia. (2016). *Ritorno alle origini: nasce Sartoria padovana*. [online] Available at: <https://nordesteconomia.gelocal.it/economia/2016/02/15/news/ritorno-alle-origini-nasce-sartoria-padovana-1.38787242> [Accessed 13 May 2022].

yearly turnover of roughly 6.5 million euros, with half of that generated in Italy and the rest outside.⁶⁸

Through this experience, one can really understand how reshoring does not really limit markets with foreign countries, but rather develops and emerges as a decision to favor one's own area due to the competitive advantages it can provide, while still maintaining and expanding contacts with the foreign market.

4.4.2. ARTSANA

Artsana⁶⁹ is an important Lombardy company founded after World War II, 1946 by Pietro Catelli, it includes important brands, Chicco Prenatal, Pic, Lycia, and Control. During a phase of generational change and following the appointment of new managing director Claudio de Conto, the company faced a reshoring strategy, returning to produce part of its product lines in Italy, leaving mainly the territories of India and China. It is a difficult period, following the great economic crisis, and also there are generational logistical issues and reshoring is being used to try to bring the company's accounts to break even.

The relocation to Italy was planned in a plant in Verolanuova, Brescia, for the expansion of light childcare production. "It will not only give us more control over the production cycle, but it will also lower overall costs by increasing the productivity of the Italian plants and bringing production closer to our suppliers and major markets, which include Italy, Europe, and, particularly, the United States, where we are experiencing strong growth. Furthermore, by maintaining production in Italy, we will be able to differentiate ourselves through innovation, which would otherwise benefit our future competitors"⁷⁰ said the CEO at the

⁶⁸ Archivio - il mattino di Padova. (n.d.). *IL LUSSO È VENETO E DIOR RADDOPPIA IL POLO IN RIVIERA - il mattino di Padova*. [online] Available at: <https://ricerca.gelocal.it/mattinopadova/archivio/mattinopadova/2016/02/16/padova-il-lusso-e-veneto-e-dior-rad-doppia-il-polo-in-riviera-31.html?ref=search> [Accessed 13 May 2022].

⁶⁹ BresciaToday. (n.d.). Cina andata e ritorno: Artsana riporta la produzione in terra bresciana. [online] Available at: <https://www.bresciatoday.it/economia/reshoring-artsana-produzione-verolanuova-brescia.html> [Accessed 13 May 2022].

⁷⁰ S.r.l, D.C. (n.d.). Artsana lascia la Cina e torna a produrre in Italia. [online] Business People. Available at: http://www.businesspeople.it/Business/Economia/Artsana-lascia-la-Cina-e-torna-a-produrre-in-Italia-_89676. [Accessed 13 May 2022]

commencement of the new manufacturing process in 2013. As in many other cases, the choice was forced by too high costs due to the location and strength of the Italian brand, which is able to annihilate much of the competition.

In recent years⁷¹, the company had to face further major changes and decisions, including the acquisition of 60% by Andrea Bonomi, and the subsequent loss of the majority shareholding of the historical Catelli family. Artsana also created a joint venture with Giochi Preziosi, but this agreement was short-lived due to turnover results and management problems; in 2017 Artsana committed to taking over 50% ownership of Giochi Preziosi.⁷²

4.4.3. BENETTON GROUP

Benetton Group, as previously stated, is considered a pillar and promoter of relocation back home, the important case of the Veneto region, which decided to locate the entire production of the TV31100 jumper in Castrette (TV).

In April 2017⁷³, an important conference featured the National Association of Professional Fashion System Technicians, ANTIA, and the Benetton factory in Castrette. In this assembly entitled “Sustainable 4.0. Reshoring and the future”, there was a desire to combine the importance of Italian production, valorized by the pioneer brand in fashion, with innovation and sustainable production.

⁷¹ la Repubblica. (2020). *Puntare al made in Italy strizzando un occhio al digitale*. [online] Available at: https://www.repubblica.it/dossier/cronaca/italia-riparte/2020/06/29/news/puntare_al_made_in_italy_strizzando_un_occhio_al_digitale-259648835/ [Accessed 13 May 2022].

⁷² reshoring.eurofound.europa.eu. (n.d.). Artsana (China) | European Reshoring Monitor. [online] Available at: <https://reshoring.eurofound.europa.eu/reshoring-cases/artsana-group> [Accessed 13 May 2022].

⁷³ FashionUnited (2016). Benetton punta sul reshoring. [online] FashionUnited. Available at: <https://fashionunited.it/news/moda/benetton-punta-sul-reshoring/2016101915326> [Accessed 13 May 2022].

In particular⁷⁴, TV31100 is defined as a strategic product that combines tradition, as is produced entirely in the same city where the Benetton company was founded and uses highly automated and innovative production methods. The factory comprises the automated distribution center, the Pick&Pack area, and the Seamless area specifically for the production of the Italian product, a symbol of reshoring. Every year, 220000 Made In Italy branded garments are produced, which enhance the brands and distinguish their quality from the competition.⁷⁵

Benetton, as in most cases, wanted to focus the reshoring strategy only for a part of the production, in this case, only for a single product, continuing to keep most of the production phase outside our territories.⁷⁶ To be a strong brand in international trade and introduce an additional strength with a single product of even higher quality brings countless economic benefits that in later periods will be able to cover the investments used to finance these types of projects; in using this strategic pathway you are also able to give an economic advantage to the surrounding area that sees the opening of new workplaces and an essential and profitable technological advancement.

⁷⁴ Nord Est Economia. (2021). Le produzioni a basso costo in Asia non sono più di moda, anche Benetton riporta nel Mediterraneo le sue produzioni. [online] Available at: <https://nordesteconomia.gelocal.it/imprese/2021/10/07/news/le-produzioni-a-basso-costo-in-asia-non-sono-piu-di-moda-anche-benetton-riporta-nel-mediterraneo-le-sue-fabbriche-1.40784440> [Accessed 13 May 2022].

⁷⁵ FASHION. (n.d.). [online] Available at: <https://www.its-tessileabbigliamentomoda.it/web/wp-content/uploads/Technofashion-giugno-2017.pdf> [Accessed 13 May 2022].

⁷⁶ Supply Chain Italy. (2021). Benetton annuncia il reshoring (anche) per via degli alti costi e della scarsa qualità dei trasporti via mare. [online] Available at: <https://www.supplychainitaly.it/2021/10/06/benetton-annuncia-il-reshoring-anche-per-via-degli-alti-costi-e-della-scarsa-qualita-dei-trasporti-via-mare/> [Accessed 13 May 2022].

4.4.4. STEELCO S.P.A

Steelco is a company established some 16 years ago specializing in the production of equipment and systems for washing, disinfection, and sterilization for healthcare facilities and the pharmaceutical industry.⁷⁷ In 2016, the major German company Miele bought a majority stake in Steelco, gaining a large part of the control; an event that brought positive effects for our country. It is crucial to mention this company as a new case of reshoring. During this year, Steelco was also assigned the productions previously based in Germany and Austria, concentrating the production phase in Riese, Pordenone.

Decisive is the actual Made in Italy production, for high manufacturing and technical quality, with the introduction of an additional 60 jobs for experts with qualified technical and engineering backgrounds. Bringing parts of the production phases back to Italy also meant building an additional five thousand square meter factory for the actual production. As well as an internal expansion for the company, this also brought economic benefits to the surrounding area.⁷⁸

Steelco in 2017⁷⁹ had closed its accounts with a turnover 21.7% higher than the previous year, and increased up to 160 million towards the end of 2020; an important strong point is the concentration of production in Italy, although 90% of its products are destined for the foreign market, with 10 commercial subsidiaries in the USA, Mexico, Spain, France, Benelux, Germany, Denmark, Hungary, India, and Malaysia.

⁷⁷ Corriere del Veneto (2018). *Miele sposta in Steelco le linee di Austria e Germania*. [online] Available at: <file:///Users/Connie/Downloads/Corriere%20del%20Veneto%2014%20febbraio%202018.pdf> [Accessed 14 May 2022].

⁷⁸ reshoring.eurofound.europa.eu. (n.d.). *Reshoring cases | European Reshoring Monitor*. [online] Available at: https://reshoring.eurofound.europa.eu/reshoring-cases?field_company_name_value=steelco+spa&field_reshoring_announcement_dat_value%5Bmin%5D%5Bdate%5D=01%2F01%2F2014&field_reshoring_announcement_dat_value%5Bmax%5D%5Bdate%5D=14%2F05%2F2022 [Accessed 14 May 2022].

⁷⁹ www.steelcogroup.com. (n.d.). *Steelco S.p.A. - Washer disinfectors and Sterilizers - About us*. [online] Available at: <https://www.steelcogroup.com/en/company/about-us> [Accessed 14 May 2022].

This business case demonstrates how reshoring does not imply commercial isolation for our country, but rather how this strategy can be the key to expanding contacts with the entire world market, starting with our own territory.

4.4.5. DIADORA

Diadora is a footwear and clothing brand, headquartered in Veneto, in Caerano di San Marco (Tv). An increasingly popular company in Italy and the world in the field of sports for 70 years and controlled by the family group Geox.⁸⁰ In recent years, consolidated turnover has increased significantly, with 2016 numbers of EUR 152.6 million (+18.4 percent compared to 2015) and a further 7% growth in 2017 with EUR 162 million.

In 2015, Enrico Moretti Polegato⁸¹, president and CEO of the brand, declared his intention to bring back to the headquarters in Caerano, at least 10% of the total production in the next three years. Producing footwear with actual Made in Italy certification allows you to present the market with a product defined by all-Italian style and quality, classifying it as a high-end product. Diadora is once again developing in-house production with the use of actual original machines, the only ones capable of highlighting the traits of craftsmanship and accentuating the prestige of the product presented. "Having the production line in-house is very positive for a company like Diadora that focuses on product innovation and furthermore the R&D and production can work side by side" stated the CEO in 2015.

Most of the production, however, continues and is active in Asian countries, such as China Thailand and Vietnam.

As of today, the target markets primarily include Italy and Germany, France, the United Kingdom and Spain, and also include countries such as Japan and the United States. In the

⁸⁰ Il Sole 24 ORE. (n.d.). *Diadora, le ultime notizie - Argomenti del Sole 24 Ore*. [online] Available at: <https://argomenti.ilsole24ore.com/tag/diadora> [Accessed 14 May 2022].

⁸¹ Moretti Polegato junior, lezione all'università 'Salvataggio Diadora: identità e reshoring'. (n.d.). [online] Available at: <https://economia.unipd.it/sites/economia.unipd.it/files/giovanni%20costa%205-05.pdf> [Accessed 14 May 2022].

last interview⁸², the CEO explained how important the high-quality production line re-introduced in our country is and how it is appreciated especially by foreign markets, especially in the United States, requiring continuous replenishment.⁸³

Once again, this highlights a reshoring strategy aimed at a specific production line, to differentiate the quality of a particular product and make it inimitable in all world markets.

⁸² Arnold, D.H. <1993> (2018). Industry 4.0 – The Implementation of Sustainable Business Models and Strategies From Off- to Reshoring The Case Study Adidas & Diadora. *dspace.unive.it*. [online] Available at: <http://dspace.unive.it/handle/10579/14060> [Accessed 13 May 2022].

⁸³ reshoring.eurofound.europa.eu. (n.d.). Diadora | European Reshoring Monitor. [online] Available at: <https://reshoring.eurofound.europa.eu/reshoring-cases/diadora> [Accessed 14 May 2022].

Table 5 : Specific cases of Reshoring in Italy

Name	Place of offshoring	Reasons of delocalization	Year and place of reshoring	Reasons of reshoring
GTA Moda	Romania	Decrease cost of production	2014, Tencarola Padova	- Made in Italy effect - Strategies based on the innovation of product and process innovation
Artsana	India - China	Reduce labor costs	2014, Verclnuova Brescia	- Made in Italy effect - Customer and supplier proximity - Logistic costs - Know-how in the country of origin - Generational change
Benetton	East European Countries	Strategy of cost of production reduction	2016, Castrette Treviso	- Made in Italy - Strategies based on the innovation of product and process innovation - Loyalty to the country of origin
Steelco S.P.A	Austria and Germany	Expansion of production sites	2018, Riese Pordenone	- Made in Italy effect - Reorganisation of the company - Excessive cost in the countries of delocalization
Diadora	China	Decrease cost of production	2017, Caerano di San Marco Treviso	- Made in Italy - Strategies based on the innovation of product and process innovation

Source : personal elaboration

V. CONCLUSION

Location choices are strategic and should be seen with a holistic view taking into account that the economic variables on which they are based change over time; therefore, flexibility is required from the management in adapting them to changes in the global scenario.

Through this detailed study, on the one hand, we have listed and analyzed all the definitions to avoid the mistaken use of reshoring, back shoring, offshoring, and outsourcing in order to offer a clear comprehension of the phenomenon by getting rid of ambiguous terminology.

We started clearing the distinction between reshoring and back shoring, offshoring and outsourcing which finally led to the concept of delocalization, which is one of the main reasons for the development of reshoring. We have then identified the main driving factors of reshoring, which caused the rethinking of the delocalization strategies and opened up the opportunity to understand why reshoring strategies could have been a positive and profitable decision. Then, we have evaluated how the phenomenon spread globally, focusing on countries that are developing reshoring and studying the effect of this strategic decision on the companies.

In the third chapter, we have studied the causes of the decrease in reshoring, how the outbreak of Covid-19 jeopardized the progression of this phenomenon, and what hypotheses could be proposed to relaunch reshoring and leverage the increase in occupation taking into account also the potential global fracture of the economy putting significant challenges on business strategies based on economic globalization.

Last but not least, the last chapter focused on Italy precisely on how reshoring has been perceived and adopted in Italy. We started with the analysis of the actual data in Italy, leading to the study of Made in Italy model hand to hand with the analysis of how corporate strategy affects consumers and how the brand name on a product label influences consumer decisions. Finally, we went through the discovery of the “Reshoring Project” and examined some cases of companies that are using reshoring as the main strategy.

Analyzing the phenomenon from theoretical concepts to actual case studies of companies has enabled us to become real **reshoring experts**, perceiving how different motivations have concretely influenced the aforementioned companies.

Furthermore, today the topic of reshoring continues to be extremely current and strategic and we can figure it out with the development of the Russia-Ukraine war. Nowadays, with the supply chain crisis, six out of ten companies are reviewing their strategies for sourcing semi-finished products and raw materials which represents a great opportunity for Made in

Italy. In particular, it is crucial to highlight how the magnitude of the repositioning towards home is accentuated by the war in Ukraine, new technologies, and the need to shorten response times to the market, and the importance of being “Made in Italy” has restored the importance of a domestic production base.

We can conclude that reshoring particularly in light of the present situation of disruptions of the supply chains and the fracture of the global economy, could finally be implemented and regain the success it had at its beginning always taking into account all the elements that may profitably create value for the organizations, the economy and more in general for the country.

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