East Bay firm counting on 'reshoring' trend

MANUFACTURING East Bay firm uses 'reshoring' for help

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Wright Engineered Plastics in Santa Rosa uses more machines to compete with Chinese manufacturers. Photo: Erchi Zhang, Special To The Chronicle / SF

When Jeff Bollengier and Richard Stump founded their East Bay company in 2008, they dreamed of revolutionizing the way people eat. Simple Wave makes a bowl with an inward-curving lip to guide food back onto the spoon and help prevent over-the-edge spills.
But when it came time to choose where to manufacture the bowls, Bollengier and Stump followed the pack and opted to outsource production to a factory in China. "We basically did what we thought everybody else did," Bollengier said.

Not anymore. Last fall, Simple Wave decided that its product, called a Calibowl, would be manufactured entirely in the United States. It's a trend being seen elsewhere. Businesses ranging from Master Lock in Wisconsin to Chesapeake Bay Candles in Maryland have moved manufacturing jobs back to the United States, something President Obama promoted as "insourcing" in his January State of the Union address. Others use the term "reshoring" or "onshoring."

Last week, the New York Times reported that Google would assemble its new media player, the Nexus Q, in a San Jose factory and have the words "Designed and Manufactured in the U.S.A." etched on the device.

"There is a lot of talk about reshoring in recent years," said Eric Appelblom, vice president of sales at Jatco, the Union City plastic molding and injection company that makes the Calibowl for Simple Wave. About six months ago, Appelblom said, he started to see reshoring go "from idea to reality."

**Costs an issue**

Total costs weigh heavily on any decision to manufacture products in the United States. Salaries at factories in China are increasing an average of 15 to 20 percent a year, according to a Boston Consulting Group report. Other costs that need to be considered include shipping expenses, inventory and even the risk of natural disaster. Taking all costs into account, by 2015 the expense gap between outsourcing to China and manufacturing in some Southern states, such as South Carolina and Alabama, will be minimal if the products are made for the North American market, the report said.

California did not make the list of "low-cost states" in the report. The average annual salary for employees of manufacturing companies in California was $53,200 in 2009, 21 percent higher than in South Carolina, according the Department of Commerce.

Still, Appelblom said California has advantages over other states, notably that products can be easily delivered anywhere on the West Coast.

Bollengier described Jatco, his new East Bay manufacturer, as a "perfect fit" for his company. His office in Hayward is 5 miles from Jatco's headquarters in Union City. Relieved of the inconvenience of flying to China and "babysitting" the quality of overseas production, Bollengier said he now visits Jatco every other day.

While the reshoring trend has gained a lot of attention from company executives, a number of obstacles remain. Community colleges in many states abolished manufacturing programs as more jobs went overseas, creating a job-training vacuum. There's also a shortage of skilled workers across the country, while the training of new workers has become a financial burden for small companies.

At an industry panel discussion in Santa Clara in March, California executives mentioned the difficulty of recruiting enough skilled workers to make reshoring attractive.

**Lack of workers**

Fred Gapasin, vice president of operations at Gigatronics, which makes microwave components and signal generators in San Ramon, said he was looking for technicians who could repair the machines used by his company, but found the skill "a dying art" in the United States. Unable to find enough technicians, he said his company is considering a move to Singapore because that is where his competitors are based.

"It is hard to find any community college that's doing manufacturing programs right now," Mission College President J. Laurel Jones, a panelist that day, said in an interview. Jones said her Santa Clara community college stopped teaching manufacturing skills about 10 years ago in response to offshoring. Despite growing industry demand, Jones said manufacturing programs are "very expensive" and only benefit "a small number of students."
And trained workers could be hard to retain. Many job seekers consider manufacturing jobs a steppingstone to other opportunities, said Todd Rinella, general manager of Corwil Technology Corp., an integrated circuit assembling and testing company based in Milpitas.

Traditionally, "we have not admired manufacturing jobs," said David Beach, co-director of the Stanford Alliance for Innovative Manufacturing at Stanford University. "Our culture has characterized manufacturing as dirty, noisy, doesn't pay very well and doesn't have much future," he said. "Why would there be an education infrastructure preparing young people to go to a field that their parents think is inappropriate?"

But companies that move manufacturing back to the states are finding value in the "Made in the U.S.A" brand.

Bollengier's company, Simple Wave, promotes that brand on the Calibowl website and on the package of every product. "Made in U.S.A." is "a brand in demand," Bollengier said, referring to countries specifically asking for American products.

**U.S. benefits**

About half of his products are sold to customers from South Korea, Australia and Singapore and other countries. Bollengier said years of thinking "margins, margins, margins" in the United States have caused many companies to lose sight of the quality and innovation associated with American products.

Reshoring "is inevitable," Bollengier said, predicting a snowball effect once more companies try it. "With the labor cost rising in China by the minute, I can guarantee you that."

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