

FRANKLIN FURNITURE

INSTITUTE HIGHLIGHTS

MISSISSIPPI STATE UNIVERSITY

GLOBAL MANUFACTURING COMPETITIVENESS

Dramatic shifts in manufacturing competitiveness have occurred in the last decade causing companies throughout the world to reassess manufacturing investment and sourcing decisions, according to a new report on global manufacturing released by the Boston Consulting Group (BCG). BCG has developed a Global Manufacturing Cost-Competitiveness Index based on comparative cost shifts in manufacturing wages, exchange rates, labor productivity, and energy costs for the world's 25 leading exporters of manufactured products. This analysis uncovered some striking shifts in relative manufacturing-cost structures and concluded that there has been a dramatic reordering of competitiveness among countries throughout the world.

“There has been a dramatic reordering of competitiveness among countries throughout the world.”

For example, the U.S. and Mexico are currently seen as “rising stars” in global manufacturing competitiveness due to significantly improved factors including stable wage growth, sustained productivity gains, steady exchange rates, and energy-costs advantages due primarily to a significant drop in natural gas prices. BCG

estimates that Mexico currently has lower manufacturing costs than China on a unit cost basis and that manufacturing costs in the U.S. are 10 to 25 percent lower than the world's ten leading product-exporting nations except China and South Korea.

Many countries long-considered low-cost manufacturing areas have seen significant loss of cost advantages since 2004. Contributing factors vary by economy but some of these include substantial wage increases, lagging productivity growth, currency fluctuations, and increases in energy costs. Brazil, China, The Czech Republic, Poland, and Russia are categorized as “Under Pressure” by the BCG report and many of these countries have average manufacturing costs estimated to be higher than the U.S. Labor rates have basically tripled in China in the last decade while U.S. manufacturing wage rates have risen only about 27 percent in the same time period. In Brazil, manufacturing wages have doubled in the past 10 years along with weak productivity growth. The combination has further weakened their position as a manufacturing region of choice.

Many Western European countries including Belgium, Sweden, France, Switzerland, and Italy, have continued to decline in manufacturing cost competitiveness due mainly to higher energy costs and slow or no productivity increases. India, Indonesia, the Netherlands, and the UK seem to be holding steady as related to manufacturing

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Produced by the
Franklin Furniture Institute
Mississippi State University
Bill Martin, Director
662.325.6787
w.martin@msstate.edu

Institute Faculty and Staff

Chip Bailey
Outreach Coordinator
Franklin Furniture Institute
662.325.6489
ennis.bailey@msstate.edu

Bill Martin
Director
Franklin Furniture Institute
662.325.3348
w.martin@cfi.msstate.edu

Amy Garrard
Outreach Coordinator
Franklin Furniture Institute
662.325.8453
a.garrard@msstate.edu

Debbie Miller
Project Coordinator
Franklin Furniture Institute
662.325.6787
d.miller@msstate.edu

Affiliated Faculty and Staff

David Jones
Sustainable Bioproducts
david.jones@msstate.edu

Dan Seale
Sustainable Bioproducts
rds9@msstate.edu

Beth Miller
Interior Design
bmiller@caad.msstate.edu

Bob Tackett
Sustainable Bioproducts
bob.tackett@msstate.edu

John Moore
Center for Advanced Vehicu-
lar Systems Extension
jpm186@msstate.edu

John Usher
Industrial Engineering
usher@enr.msstate.edu

Sarah Pittman
Extension Center for
Technical Outreach
sarahp@ext.msstate.edu

Clay Walden
Center for Advanced Vehicu-
lar Systems Extension
walden@cavse.msstate.edu

Franklin Quin Jr.
Sustainable Bioproducts
fq3@msstate.edu

John Wyatt
Instructional Systems &
Workforce Development
wyatt@colled.msstate.edu

Jeffrey Rupp
Division of Business Research
jeffrey.rupp@msstate.edu

Jilei Zhang
Sustainable Bioproducts
jz27@msstate.edu

DIRECTOR'S CORNER

Bill Martin, Director



Bringing jobs back to America, creating new jobs, retaining jobs, training people for today's high skill and technical jobs, finding people to fill available jobs—that's the focus of this issue of Furniture Highlights and the focus of two federal grants which are providing training, workforce development, and technical assistance to the manufacturing sector in our state.

You may have seen our display booth highlighting available services through the Rural Jobs Accelerator Grant (RJA) and the new Make it in Mississippi, or MIIM, program at the Mississippi Manufacturers Association annual meeting in Biloxi or the annual Manufacturing Summit at the Franklin Furniture Institute. RJA aims to create and retain more than 500 jobs with an economic development impact of more \$30 million in private investment and cost savings to rural and economically-distressed areas in Mississippi. We described many of the programs available to you through RJA in the last newsletter: (available online at <http://www.ffi.msstate.edu/pdf/newsletter0713.pdf>).

The Make it in America Challenge made possible through the U.S. Commerce Department's Economic Development Administration, the U.S. Labor Department's Employment and Training Administration and the Delta Regional Authority recently awarded a \$1.9 million federal grant to a collaborative team from Mississippi State University, four community colleges, two workforce investment areas, Mississippi Development Authority, and the Reshoring Initiative. The mission of the MIIM is to strengthen Mississippi's manufacturing supply chains focusing on the automotive and furniture manufacturing clusters through job creation, business formation, export promotion, and foreign direct investment activity.

The grant program is a three-pronged approach to enhance workforce skills and build competitiveness of our manufacturing industries through retaining, creating, and bringing jobs back from other countries. Itawamba Community College and other area community colleges are developing an internship program to enhance skill sets and build workforce capacity in all manufacturing industries through a comprehensive manufacturing internship program. CAVS Extension, the Franklin Furniture Institute, and Innovate MEP Mississippi, or the Manufacturing Extension Partnership of Mississippi, are managing efforts to help manufacturers solve supply chain problems and strengthen supply chains. Several listening sessions are being held around the state whereby a diverse group of manufacturers, suppliers, and MIIA team members come together to uncover specific supply chain concerns and obstacles and find solutions based



The Franklin Furniture Institute is an institute of Mississippi State University's Sustainable Bioproducts Department, Forest and Wildlife Research Center and MSU Extension Service.

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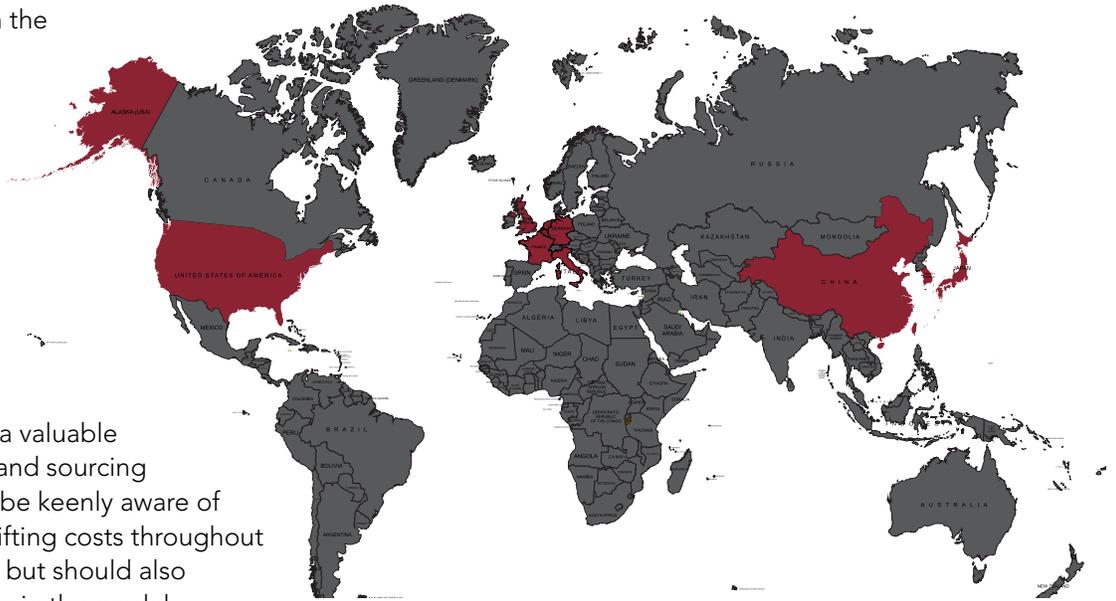
GLOBAL MANUFACTURING COMPETITIVENESS

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costs with the UK surprisingly emerging as the lowest-cost manufacturing economy in Western Europe. BCG attributes this to steady productivity growth. In fact, many of these economies have steadily improved their competitiveness within regions. Productivity growth has been such that wage hikes were offset and declining currencies have worked together to slow increases in manufacturing costs in Indonesia and India.

Currently, the ten countries with the most cost competitive export economies, according to BCG, are China, United States, South Korea, United Kingdom, Japan, Netherlands, Germany, Italy, Belgium, and France.

“The Shifting Economics of Global Manufacturing” provides a comprehensive overview of shifting cost trends and considerations that can be a valuable resource in making investment and sourcing decisions. Companies need to be keenly aware of these major driving forces of shifting costs throughout the global manufacturing world but should also consider costs not accounted for in the model including transportation and logistics costs, overall costs of doing business, and local political environments. In summary, the authors recommend, “Rather than seeing the globe in terms of low cost versus high cost, manufacturing investment and sourcing decisions should increasingly be based on a more current and sophisticated understanding of competitiveness within regions. The winners are likely to be companies that align their operations with the shifting economics of global manufacturing and build in the flexibility to shift gears as those economics continue to evolve.”



The entire report can be found at <https://www.bcgperspectives.com>.

DIRECTOR'S CORNER (continued)

on best practices and information sharing. Watch your inbox for information on locations for the next supply chain listening session.

Harry Moser, founder of the Reshoring Initiative and a crucial member of the MIIA team was the featured speaker at our annual National Reshoring Conference here at the Franklin Center in September. Harry demonstrated his Total Cost of Ownership Estimator, a software application that quantifies manufacturing costs and presented the keynote address, “To reshore or offshore? How to objectively decide.” This outstanding presentation as well as other reshoring presentations, best practices, and case studies are available online at <http://www.ffi.msstate.edu/webinars.asp>. By the way, March 18, 2015 has been set as the date for our next Manufacturing Summit. The University of Southern Mississippi's Center for Logistics, Trade and Transportation will be lending a hand in program development so expect a great lineup of speakers.

So as you can see, we at the Institute are working diligently to provide the services and tools to help Mississippi manufacturers, especially furniture manufacturers, stay competitive and grow their businesses. We aim to keep Mississippians working and to help you provide more jobs for our people. Together, we can make it happen.

MISSISSIPPI AIMS TO BRING JOBS HOME

A statewide initiative is being launched in Mississippi with the goal of creating and saving 750 jobs and achieving a positive economic impact of \$40 million in the state during a three year time frame. A federal grant of nearly \$2 million has been awarded to a Make it in Mississippi team through the 2013 Make it in America Challenge grant program.

The Make it in Mississippi team is comprised of Mississippi State University, four community colleges, two workforce investment areas, the Mississippi Development Authority, and the national Reshoring Initiative.

The mission of the Reshoring Initiative is to encourage U.S. companies to keep, expand, and reshore their manufacturing operations in the U.S. and to encourage foreign companies to consider locating production operations in the U.S. The Mississippi reshoring efforts are targeted in keeping advanced manufacturing jobs in the state and returning manufacturing jobs back to the state, leading to enhancement of the state's global competitiveness.

The Make it in Mississippi team is funded by a collaborative group of agencies including the U.S. Commerce Department's Economic Development Administration, the U.S. Labor Department's Employment and Training Administration, the Commerce's National Institute of Standards and Technology's Hollings Manufacturing Extension Partnership, and the Delta Regional Authority.

Services available through the Reshoring Advanced Manufacturing Jobs in Mississippi: Enhancing Skills and Building Competitiveness grant are focused on two general areas including training workers to acquire advanced manufacturing skills through workforce development efforts and helping Mississippi manufacturers strengthen their supply chains.

A coalition of community colleges including Itawamba Community College, East Mississippi Community College, Holmes Community College, and Mississippi Delta Community College, along with Three Rivers Planning and Development District and South Delta Planning and Development District are working together to implement an extensive internship program designed to develop Mississippi's workforce capacity in high skill, high demand job areas. The grant will fund 276 six week-long advanced manufacturing internships with an expected 85 percent job placement rate after internship completion.

Program efforts aimed at the development and strengthening of supply chains are being coordinated by Mississippi State University's CAVS Extension Center and the Franklin Furniture Institute, as well as InnovateMEP Mississippi, a division of Innovate Mississippi. Substantial emphasis is being placed on creating and improving sourcing opportunities for small-and medium-sized firms within regional supply chains.

Several issues and needs are being addressed through program activities targeted towards strengthening supply chains. These include:

1. Sourcing suppliers closer to Mississippi's manufacturing plants.
2. Providing technical assistance to help companies achieve lower costs and improved quality and finding suppliers to help accomplish these objectives.
3. Achieving growth and increasing production through sourcing of suppliers and internal production improvements.
4. Deploying new technologies and innovative solutions within a company and locating suppliers to provide these technologies.
5. Meeting new qualifications or certifications such as Six Sigma and Lean for employees.



Current opportunities available to manufacturers through the strengthening supply chain portion of the grant include participating in listening sessions in which manufacturer supply chain problems, issues, and opportunities will be identified; and participating in follow-up Tiger Team projects to find solutions to supply problems and issues. Half day listening session workshops are being held throughout the state. These facilitated discussions provide an overview of the program on strengthening supply chains and include a one-on-one breakout session with each participating manufacturer to identify the participating company's supply chain issues and opportunities. Examples of the benefits accrued by companies that have reshored jobs back to the U.S. will also be shared at the listening sessions.

Follow-up Tiger Team projects, in which members of the Make it in Mississippi team and representatives

from the manufacturer work to find solutions to supply chain issues specific to the participating company, evolve from the listening sessions. The Tiger Teams identify new and alternative suppliers, which can become part of the manufacturer's supply chains and also provide, or refer other organizations that can provide onsite technical support to address improvements to supply or internal manufacturing processes. The expected outcome is to help manufacturers identify the location of suppliers closer to manufacturing plants which can include the reshoring of suppliers, work, and jobs from outside of the U.S.

To learn more about opportunities and programs available through the Make it in Mississippi grant, please contact Clay Walden, Director, CAVS Extension, at 601-407-2713 or walden@cavse.msstate.edu.

BASIC INTERNATIONAL SHIPPING TERMS

As an exporter, understanding international shipping terms is essential in order to quote prices profitably. While the terms of sale in international business often sound similar to those commonly used in domestic contracts, they often have different meanings. Confusion over these terms can result in a lost sale or a financial loss on a sale. This is why it is essential to understand what terms you are agreeing to before you finalize a contract. Incoterms (international commercial terms) are a set of uniform rules for the interpretation of defining the costs, risks, and obligations of buyers and sellers in international transactions. Here are the most common terms an exporter needs to know:

Ex Works (EXW)

This term states that the merchandise is to be made available to the importer by the exporter at the exporter's own shop or warehouse, or their supplier's warehouse or factory. The exporter should have the product ready go, properly packaged for shipping, stacked on a shipping pallet if necessary, and properly banded and labeled at the time the importer has specified for pickup. In an EXW transaction, the exporter's responsibility for the merchandise ends when the customer or his representative picks up the goods and he's taken legal possession or title.

Free Alongside Ship (FAS).

This is used only for ocean or inland waterway transport and, instead of just having the goods ready for pickup; the exporter agrees to deliver them to the ship or plane to be loaded. "Ship" can also mean a warehouse in the port area



BASIC INTERNATIONAL SHIPPING TERMS

where a steamship will later pick up the products and take it to the ship, but the exporter will pay for transportation to the ship or ship's warehouse and have responsibility for the product until the shipping line representative signs for it and takes over the title.

Free Carrier (FCA).

This is the same as EXW except the exporter agrees to clear the goods for export and load whatever carrier is sent to pick up the goods as specified by the importer.

Free On Board Vessel (FOB).

The exporter is not only responsible for delivering the merchandise to the port, but is responsible for the costs and risks of delivering goods past the ship's rail at the named port of shipment. In other words, the exporter has taken on several additional charges, including the transportation fee to the port and the terminal receiving charges which the shipping line charges to load the goods onto the ship. There is also a freight forwarder's fee which makes the merchandise the responsibility of the exporter until it is safely loaded onto the ship and signed for by the captain or his representative. This is commonly used in shipping container loads of goods.

Cost and Freight (CFR).

This means that the exporter will not only transport the packaged product to the port or airport and have it loaded onto the ship, but will also be responsible to pay the shipping charges associated with delivering the goods past the ship's rail at the port of shipment. However, once the goods pass the ship's rail at the port of shipment, the importer assumes responsibility for risk of loss or damage as well as any additional transport costs.

Cost, Insurance, and Freight (CIF).

This term tacks on one more stipulation – the exporter will arrange and pay for having the product insured, transported to the port or airport, shipped or flown to

its international destination, and then delivered directly to the importer's specified location by local ground transportation. CIF is only for maritime use and the exporter means to leave to ship on board of a vessel and leave the goods within the depot of the ship, which is tied up in the destination port.

Cost, Insurance, and Freight Paid To (CIP).

Under this term, the exporter is responsible to arrange and pay for having the product insured, shipped to the international destination, and delivered to the importer's specified location by local ground transportation. CIP allows more flexibility than CIF since, besides being used with any type of transport mode and combination, an agreement may be made upon any point of destination, whether it is an airport, a train terminal, a port, the importer's home, or a second transporter.

Delivered at Frontier (DAF).

This applies to ground transportation only and the goods are dropped off at the border (or frontier). The exporter pays the freight costs to the drop-off point, but the importer is responsible for making arrangements to unload and secure the goods at that location.

SAVE
THE DATE

03.18.2015

**2015 Manufacturing Summit:
Focus on the Future**
Franklin Furniture Center
Mississippi State University

Keynote Address by
MSU President Mark Keenum

MADE IN MISSISSIPPI

Franklin Furniture Institute's Mississippi-Made Catalog now exhibits 25 categories of products made in Mississippi. Since placing the catalog online in July of 2012, almost 10,000 users have visited the site, resulting in about 30,000 page views of products listed in the catalog. The top ten countries now using this catalog are the United States, Canada, United Kingdom, India, Australia, Brazil, Indonesia, Mexico, and the Philippines, respectively. U.S buyers and distributors to most utilize the catalog are from Florida, Washington DC, California, Texas, New York, Georgia, Arizona, Ohio, Nebraska, and Oklahoma.

This catalog is designed to help Mississippi manufacturers showcase and promote their products across the nation and throughout the world. It puts Mississippi businesses in touch with retailers, distributors, and buyers, and it links products directly to company websites and company contact information. Viewers can locate an individual manufacturer or find a specific type of manufacturer or supplier in the state. This catalog is provided at no cost to Mississippi manufacturers and suppliers and is an excellent way to market a company's products.



Mississippi State University Rural Jobs & Innovation Accelerator Program receives leadership award

The Mississippi State University Rural Jobs and Innovation Accelerator Program received Innovate Mississippi's 2014 John I. Rucker Community Innovation Leadership Award.

Innovate Mississippi presents this award to recognize outstanding efforts that have been formed in partnership with academia, government, and the private sector with the mission to drive innovation-led economic development that benefits high-growth companies and communities.

"The Mississippi State University Rural Jobs and Innovation Accelerator Program is connecting the dots for rural entrepreneurs and bringing them access to resources from all over the state," said Tony Jeff, president and CEO of Innovate Mississippi.

The MSU Rural Jobs and Innovation Accelerator Program was selected for their outstanding efforts in strengthening communities, growing companies, developing entrepreneurs, and expanding manufacturing clusters. Formed by a coalition of five Mississippi State University entities, the Mississippi Development Authority, and Innovate Mississippi, the program was funded by four federal agencies.

"I am honored to receive this prestigious award on behalf of the broader Mississippi State University Rural Jobs Accelerator team and our strategic partners, Mississippi Development Authority and Innovate Mississippi," said Clay Walden, Ph.D., the MSU Rural Jobs and Innovation Accelerator Program principal investigator. "As we enter into the last year of the program, we are proud to report that we have already exceeded our objectives with over 700 jobs created and facilitating over \$31 million in private investment. It has been exciting to see efforts make a difference across the Delta and Appalachian areas of our state."

Discrimination based upon race, color, religion, sex, national origin, age, disability, genetic information or veteran's status is a violation of federal and state law and MSU policy and will not be tolerated. Discrimination based upon sexual orientation or group affiliation is a violation of MSU policy and will not be tolerated.

MISSISSIPPI WORKS!

A NEW JOB SITE & APP CONNECTING MISSISSIPPIANS TO JOBS

Jobs for Mississippians is the ultimate goal of a new interactive web-based resource and a just-released app for smartphones, developed by Mississippi State University's National Strategic Planning and Analysis Research Center (nSPARC) through a partnership with the Office of the Governor and the Mississippi Department of Employment Security.

The website, Mississippi Works, and the mobile app, MSWorks, connect jobseekers to available jobs throughout the state. The service allows jobseekers to search for job openings based on type, location, or degree requirements, and allows employers to post job openings at no cost and to connect with qualified applicants. The website contains a real-time job count of openings in the state workforce system, offers instant keyword search of the job dataset, and provides easy-to-follow links to download the system's mobile app. MSWorks enables users to maintain a list of favorite jobs, browse downloaded jobs offline when the internet is unavailable, and apply for a job through one simple click. To access the system database, jobseekers create a profile including their education, skills, and experience. Employers post openings to the site and are able to immediately determine possible matches for qualified applicants. The system matches jobseekers with jobs for which the individual is qualified. In addition, users may opt to receive text or email notifications when new jobs that match their qualifications are posted.

USERS MAY ENTER THE MISSISSIPPI WORKS SYSTEM PORTAL THROUGH THREE POINTS:

1. Mississippi Works portal at <http://www.mississippiworks.org> and the MSWorks app, available for download in the Apple App Store and Google Play.
2. Mississippi Department of Employment Security's online employment system at <https://wings.mdes.ms.gov>.
3. Mississippi Grad Jobs at <https://msgradjobs.com>.

Don't overlook this opportunity to obtain access to a qualified labor pool and excellent employment candidates. As of August 2014, Mississippi Works had more than 23,000 job openings available in Mississippi listed.