

# Revitalizing aerospace and defense

## Reindustrialization takes flight

Global disruptions have ignited a reindustrialization surge within the aerospace and defense industry. Organizations are prioritizing resilient supply chains, domestic manufacturing, and technological advancements. This shift promises to boost competitiveness, accelerate innovation, and enhance sustainability but, while many businesses are building their strategies, only 22 percent have a comprehensive reindustrialization strategy in place.

A new report by the Capgemini Research Institute, *The resurgence of manufacturing: Reindustrialization strategies in Europe and the US*, reveals key findings that will shape the future of the aerospace and defense sector.

### What is reindustrialization?

Reindustrialization is the re-establishment of global supply chains and manufacturing operations, often with the aim of bringing them closer to – or even within – domestic markets.

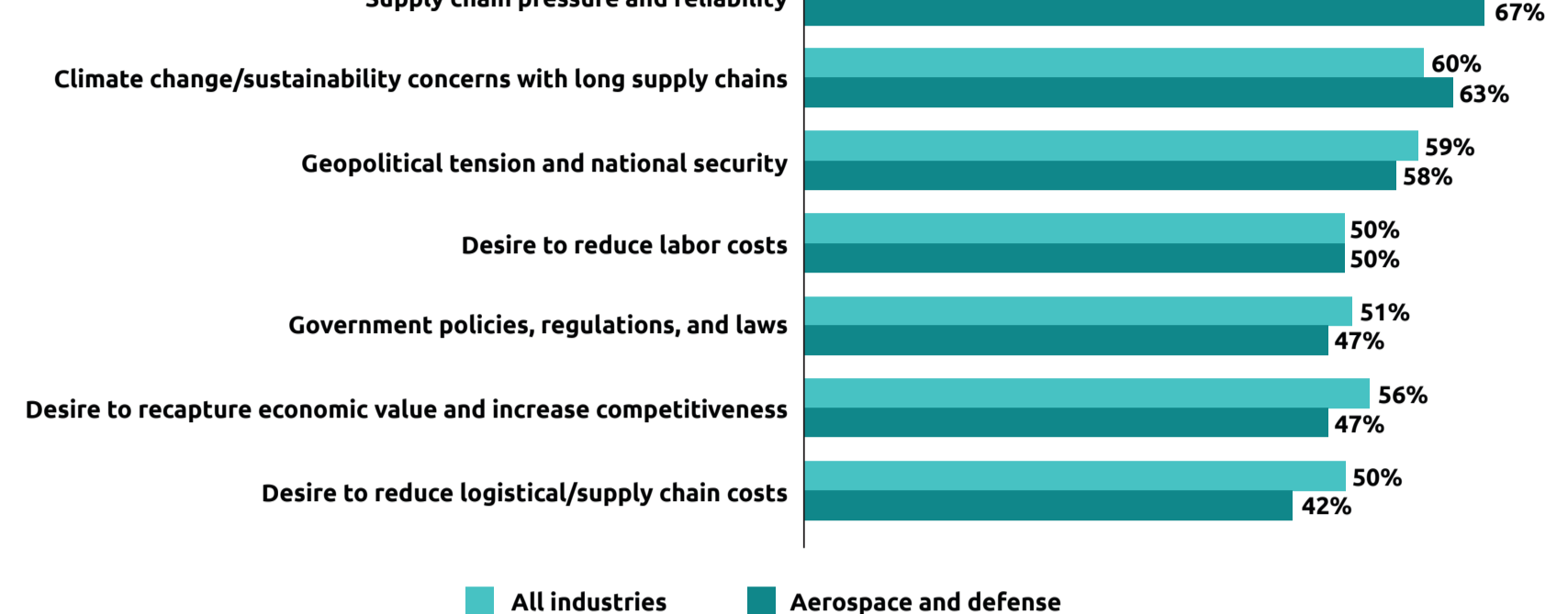
### What are the top factors driving reindustrialization?

Supply chains have proven vulnerable, and more than 60 percent of aerospace and defense organizations we surveyed say supply chain pressure, domestic manufacturing, and sustainability concerns are the top drivers for their reindustrialization. Geopolitical tensions and the desire to reduce labor costs are also key factors.

**67%** of aerospace and defense organizations say supply chain resilience is a primary driver in their reindustrialization strategy

**63%** cite climate change and sustainability concerns with long supply chains

Percent of aerospace and defense organizations stating the below is a top driver of reindustrialization strategies and initiatives



"In our manufacturing process, there are assembly factories where key components are still imported from Asian countries, and then the final assembly takes place in newer facilities in Mexico via nearshoring. This approach allows for efficient production and distribution of goods."

– A chief executive from a prominent US technology company

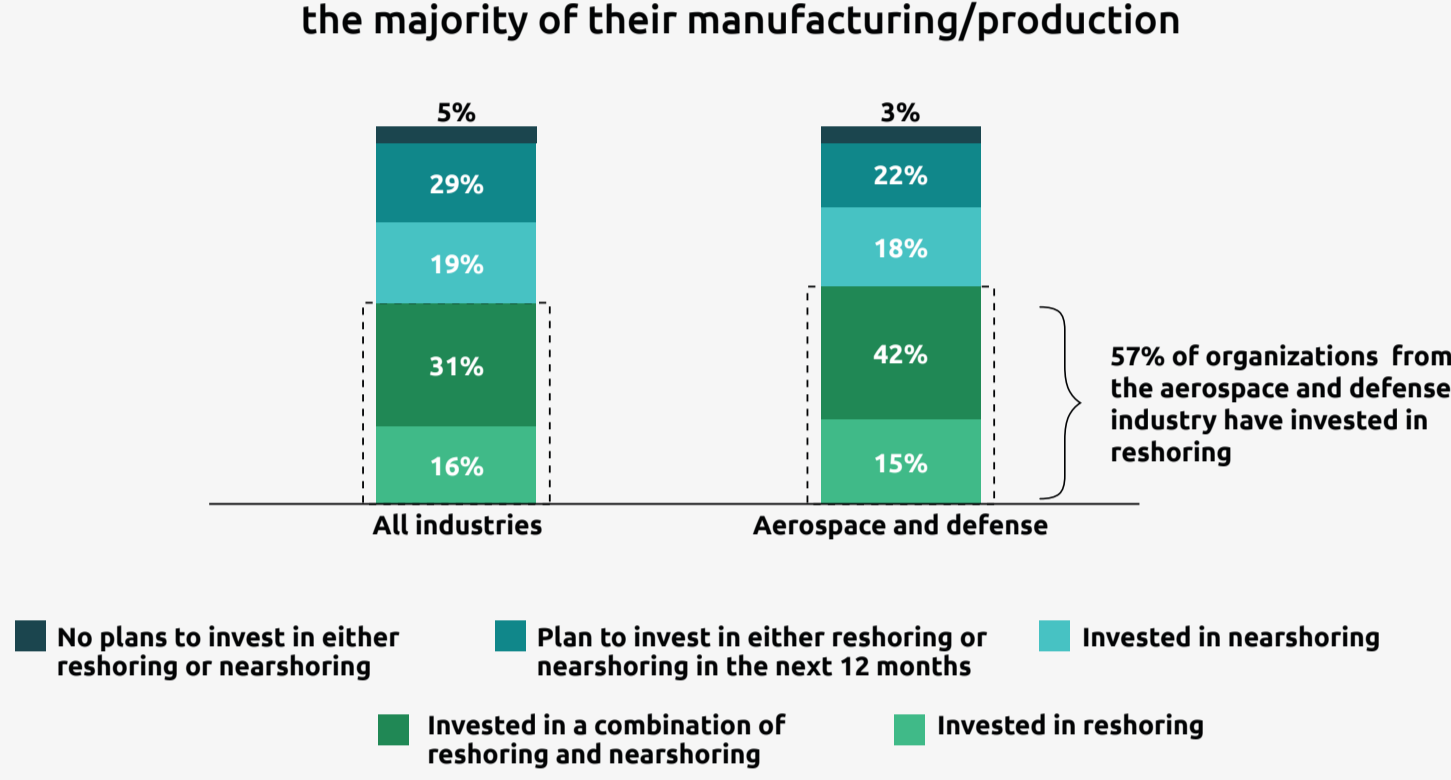
### A push for domestic manufacturing

The aerospace and defense industry is making a decisive shift. Nearly four in 10 organizations have invested in reshoring initiatives. Projections indicate that within three years, onshore manufacturing will comprise 44 percent of total production capacity. What is fueling this trend? Reshoring investments, already made by 57 percent of organizations.

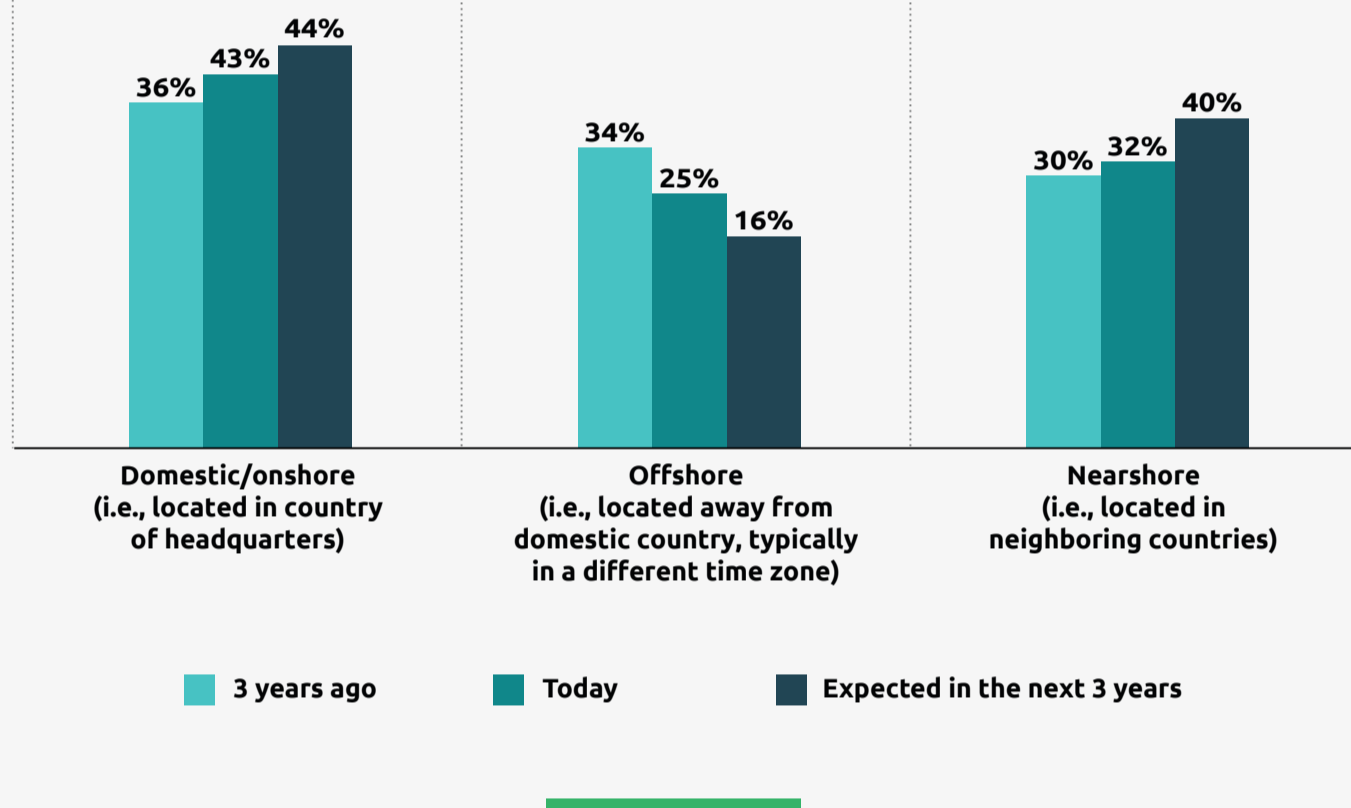
Organizations project onshore manufacturing will reach **44%** of total production capacity within three years

**57%** of aerospace and defense organizations have already invested in reshoring

Percent of organizations that have invested in reshoring or nearshoring the majority of their manufacturing/production



Distribution of manufacturing facilities by location as a % of total production capacity in the aerospace and defense industry



### Achieving sustainability goals

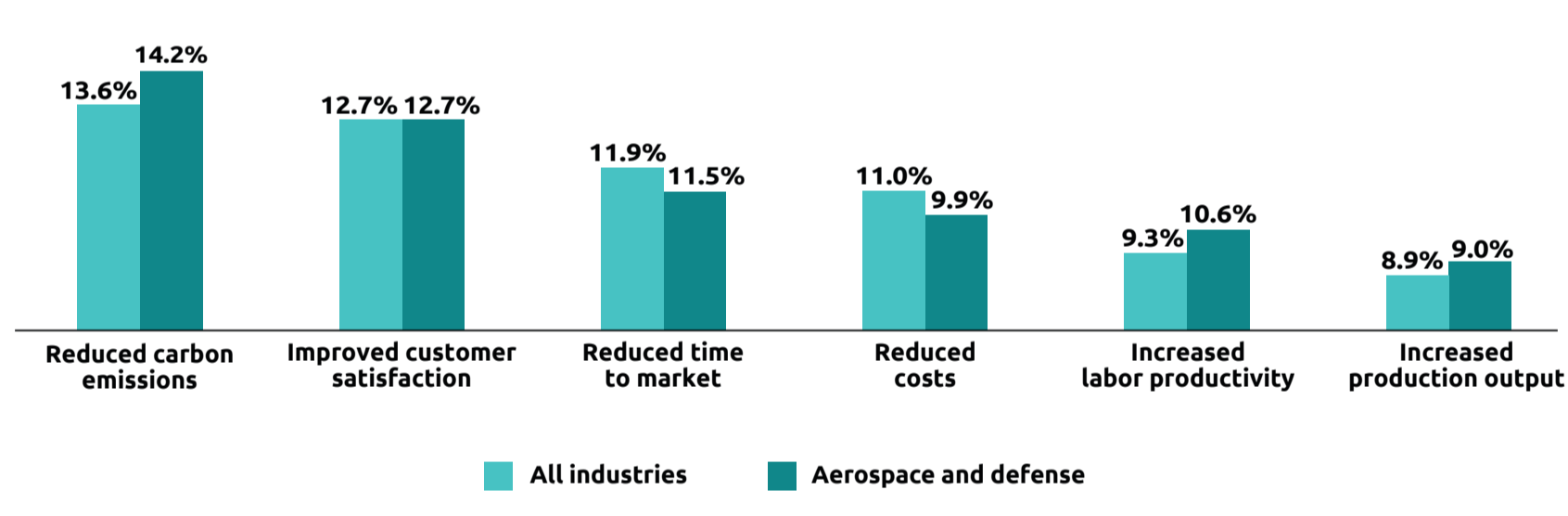
Reindustrialization can help businesses make significant environmental strides. Aerospace and defense companies see a bright future, anticipating a reduction in carbon emissions. Optimism is strong that reindustrialization will help organizations achieve climate ambitions across industries.

Aerospace and defense companies anticipate a **14.2%** reduction in carbon emissions due to reindustrialization

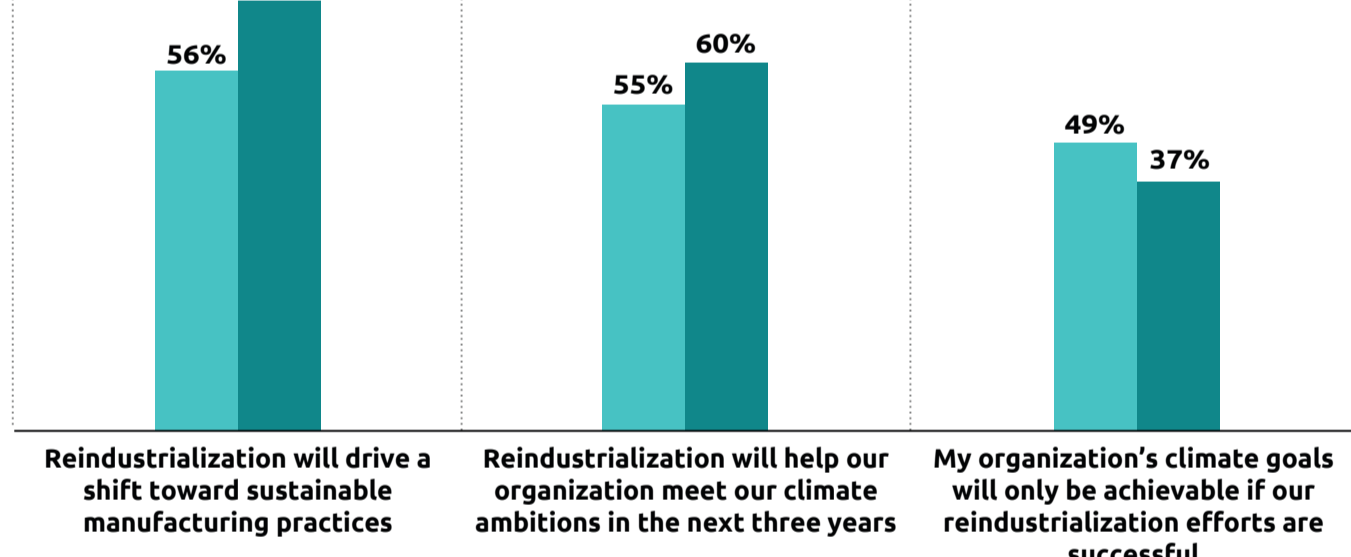
**65%** believe reindustrialization will drive a shift towards sustainable manufacturing practices

In the next three years, organizations from the aerospace and defense industry expect an average 14.2% reduction in their carbon emissions

Percent improvements expected from reindustrialization in the next three years



Percent of organizations who agree to the below statements



"Our commitment to reindustrialization extends beyond economic growth. It encompasses job security for future employees, and the nurturing of local talent – imparting social education, championing environmental benefits, and diligently mitigating all risks – whether they stem from supply chain vulnerabilities, natural disasters, or ecological impact. Reindustrialization is not just about profits; it's about shaping a sustainable and resilient future for all."

– Supply chain executive from a US-based global automotive organization

### Technology is the backbone of change

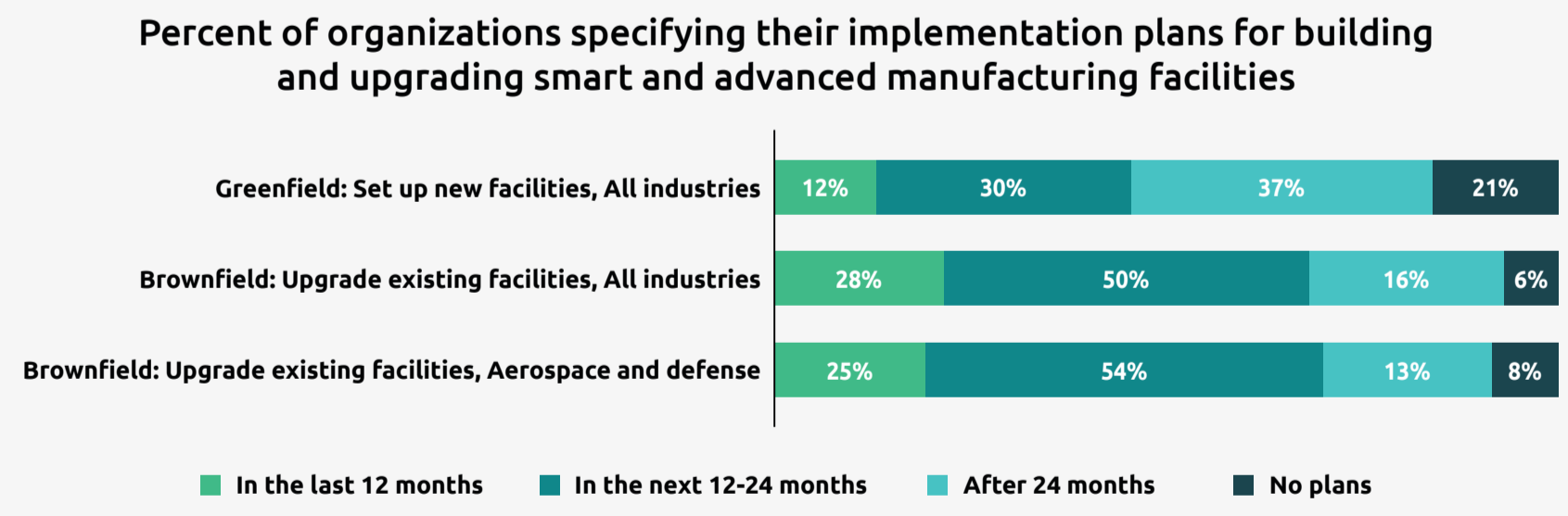
Modernization is at the forefront of the industry's transformation. Many aerospace and defense organizations prefer a "brownfield approach" that involves upgrading existing facilities with advanced technologies. The pace is notable: 25 percent have completed upgrades within the past year, and 54 percent will do so within the next one to two years.

**63%** of organizations prefer the "brownfield approach" or upgrading existing manufacturing facilities

**25%** have completed brownfield upgrades within the past year

**54%** will do so within the next one to two years

Percent of organizations specifying their implementation plans for building and upgrading smart and advanced manufacturing facilities



### Meeting the demand for a skilled workforce

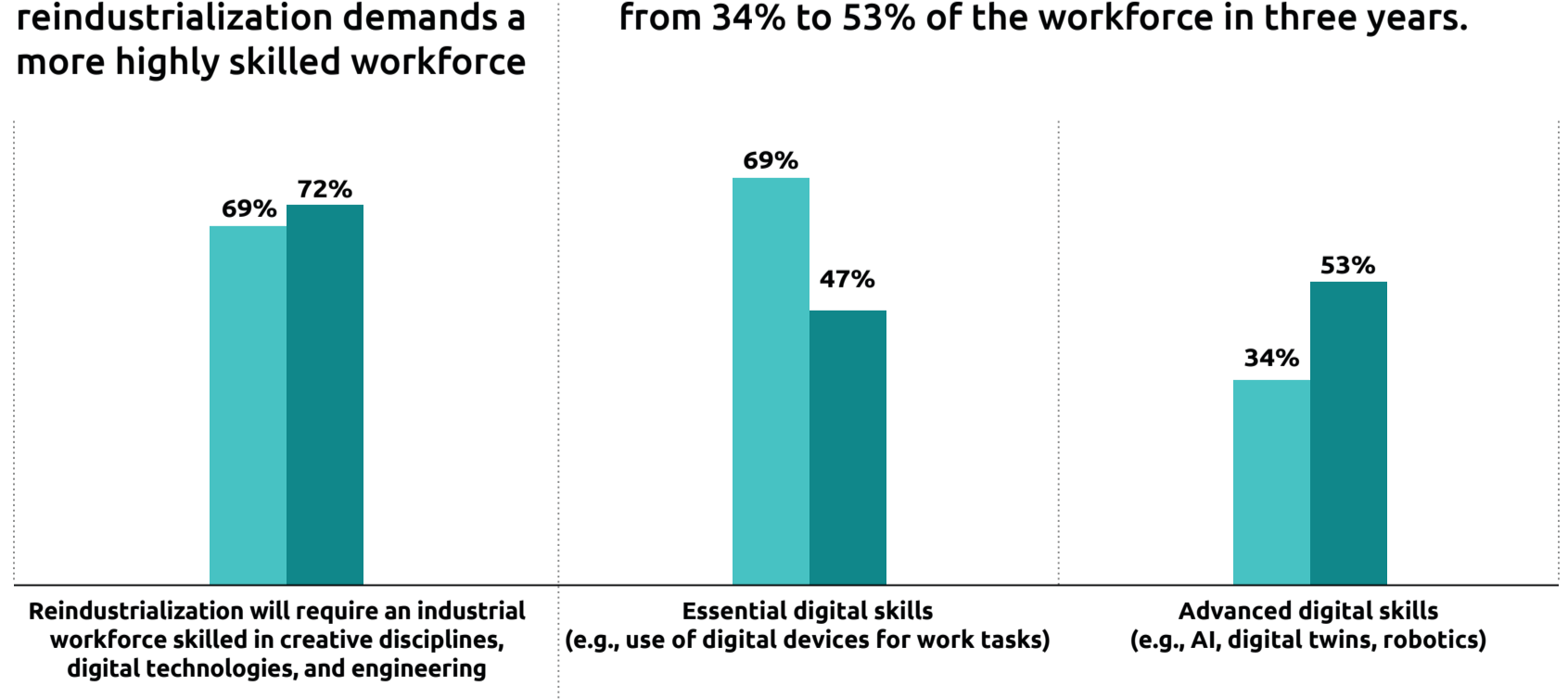
Reindustrialization requires a new breed of worker. The majority of organizations understand that this shift demands a workforce with advanced skills. The focus on digital proficiency is particularly striking, with the need projected to increase from 34 to 53 percent of the workforce within three years.

**72%** of organizations believe reindustrialization demands a more highly skilled workforce

The need for advanced digital skills is set to surge, from **34 to 53%** of the workforce in three years

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### Six steps for acceleration

To maximize the benefits of reindustrialization, Capgemini recommends the aerospace and defense industry should focus on six key areas:

- Conduct strategic assessments to define effective reindustrialization strategies
- Prioritize environmental sustainability throughout the reindustrialization process
- Invest heavily in workforce upskilling programs
- Integrate cutting-edge technologies into planned manufacturing facilities
- Collaborate with partners to enhance domestic industrial capabilities
- Engage with policymakers and regulators to anticipate and react to dynamic legislation and incentives.

Through our research, industry expertise, and deep experience driving intelligent industry transformations at global organizations, we believe reindustrialization will reshape the sector, strengthening its global competitiveness for decades to come.

Read the full Capgemini Research Institute report, *The resurgence of manufacturing: Reindustrialization strategies in Europe and the US*, to learn how leaders plan to revitalize their industrial sectors, create jobs, boost production, and strengthen supply chains.

Download report