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Manufacturers: 6 Strategic Steps to Help Spur Growth in 2017

Former New York City Mayor Ed Koch was famous for asking his constituents, "How am I doing?"

Similarly, leaders in the manufacturing industry like to take the pulse of the sector from time to time, especially after the economic struggles of the last decade and a lull stretching over the past two years.

Although the Institute for Supply Management said its index of national factory activity rose to 57.8 in June, from 54.9 in May, manufacturing is still expected to weaken somewhat after the "Trump Bump" wears off and the Bull market slows.

Are You Proactive or Reactive?

Uncertainty regarding political, social and economic events is a major concern for manufacturers. It's difficult to project what the remainder of 2017 will bring, but proactive firms aren't waiting to see what happens next. Here are six strategies that industry leaders are implementing today to help spur growth tomorrow.

1. Incorporate technology. The old way of doing things might not be the best way. For instance, if your firm relies more heavily on new technology, it may be able to replace the outdated models that required firms to sell an entire machine and a service agreement for maintenance and repairs.

Instead, new technology can allow you to offer a combination of services, including real-time monitoring of equipment to determine its maintenance needs, daily collaboration with customers to customize and modify equipment, and predictive performance management for large and small projects.

Bundling these services can lead to a more robust operation. With this approach, manufacturers may solidify customer retention and gain access into more lucrative activities.

2. Adjust pricing models. Successful manufacturers don't use guesswork to set prices. Traditional pricing models may need to be altered based on changes in the marketplace. One example is the movement from paying for products to paying for performance.

For instance, if performance-based maintenance based on technology becomes common, fewer repair visits will be needed. Although customers may expect more favorable terms, they may also be willing to share some of the risks. Rather than basing pricing on products and fixed maintenance or warranty costs, fee structures may be tied to results.

For example, a manufacturer may be paid more if downtime is effectively reduced or productivity is improved. Some manufacturers prefer a "blended" fee structure that combines traditional fixed pricing and performance-based pricing.

3. Find a partner. If technology isn't your firm's strong suit, consider partnering with a third-party provider that can help improve equipment connectivity and data analysis. If you find a good match, it could be beneficial for both parties and lead to additional engagements.

Strategic alliances aren't risk free, however. So, you need to balance the benefits of collaborating with a partner with your ability to maintain market share. Consider, too, whether your partner will keep up with the rapid advances in technology. There's also a chance that your firm could eventually compete with your partner, endangering the entire relationship and perhaps defeating its purpose.

4. Mine customer data. If connectivity becomes the backbone of manufacturing in the future, as many have predicted, there will be an influx of data from a multitude of sources, including sensors, integrated equipment and platforms. What's more, information systems will be able to process the data faster than before.

In light of this technological evolution, manufacturers may be able to achieve a competitive advantage if they hire people who can use this information to help customers improve equipment performance and increase overall productivity. By proactively mining customer data, manufacturers can boost overall revenue.

5. Overhaul IT systems. It can be difficult to manage technology integration and big data analytics if internal IT systems become unwieldy. As company operations expand into new product lines and global markets, IT systems often become tangled and twisted.

To avoid problems, update your IT systems and create a new streamlined infrastructure. As manufacturing technology evolves, it's critical for IT to communicate throughout the organization with standardized procedures. This can help your firm manage data from thousands of equipment pieces in the field, support supply chains and deliver timely customized reports.

6. Recruit top talent. Unless your firm is located in Silicon Valley or another technology hub, it may not be easy to find IT experts. In many markets, job openings are expected to outpace viable candidates for the foreseeable future. However, a formal technology plan can help you attract high quality talent.

Map out a robust technology strategy with specific benchmarks and goals for, say, the next two or three years. Then share this story with job candidates.

During the recruiting process, don't just advertise for someone who can read data without emphasizing the manufacturing basics. Balanced capabilities are important, allowing the equipment manufacturers to use smart operational data and sensor analysis in a real-time context. This will drive innovation for improving equipment functionality and performance.

Guaranteed Success?

Will taking these steps at the end of 2017 guarantee success for 2018 and beyond? Of course not. But they'll likely improve your operation and better position your firm for the challenges that lie ahead.

The Future Is Here

The Industrial Internet of Things (IIoT) has taken over.

Almost every new piece of equipment or technology is equipped with data capture and processing capabilities. Machines can essentially "talk" to one another. For example, the

printer on your desk can alert your smartphone if ink runs low.

A recent report by Synchrono, a Minnesota-based software company, identifies how every new upgrade leads to greater use of the IIoT in manufacturing. It indicates that manufacturers that haven't upgraded systems recently will be faced with added challenges in implementing digital processes. Changing today is critical to meeting tomorrow's demands.