8 Ways Manufacturers Can Manage Costs and Position Themselves for Future Growth

80%

of manufacturers expect the pandemic will have a financial impact on their business.

41%

say it would take 3-12 months for their businesses to recover if COVID-19 ended today.

(sources: National Association of Manufacturers Survey, PwC Survey)

Unique Pressures Put Manufacturing at Risk

The manufacturing sector is particularly vulnerable because most jobs are on-site, global recession dampens demand and fragile supply chains are easily disrupted, especially with the lockdown of Chinese factories. To manage the crisis, manufacturers are drilling into their income statements, looking for ways to reduce, eliminate or postpone spending. Here are 8 ways to get started.

1. DEFER CAPITAL SPENDING

67% of CFOs told PwC that they're considering deferring or canceling planned investments. **Cash will be king in the coming months as manufacturers redraw their strategic roadmaps.**

2. RECYCLE RAW MATERIAL

Some manufacturers will be able to recycle and sell raw material rather than disposing it. In general, everyone will be keeping an eye on raw material waste.

3. RENEGOTIATE DEBT AND RENT OBLIGATIONS

Rent and debt payments are recurring, significant expenditures and any forbearance might help you maintain staffing until the market recovers.

4. OUTSOURCE PAYROLL

PwC found that outsourced payroll can be nearly 30% less expensive than inhouse. Hidden costs drive up the inhouse price tag.

5. CONSIDER A TPA FOR BENEFITS

For the self-insured, consider moving to referenced-based pricing. Employers work with a TPA (third-party admin) that negotiates a price for health services based on a percentage of Medicare rates. You'll be trusting the TPA to process claims and keep track of employee records, so work with your broker to find the right partner.

6. REDUCE EMPLOYEE HOURS

As demand decreases, the logical next step is to reduce production, eliminate shifts or furlough workers. You can find furlough forms and letters here.

7. REDUCE YOUR WORKFORCE

If layoffs are unavoidable, it's important to be strategic. You don't want to lay off the wrong people, since it's going to be expensive to fill those positions when the economy stabilizes and improves. (It costs an average of $4,129 just to hire a new employee according to SHRM, and that doesn't count onboarding, training and the ramp time to productivity.)

8. INVEST IN FRONTLINE MANAGERS

Gallup found that managers account for 70% of variance in employee engagement. More than ever, you need your workforce to be productive, so it makes sense to train and support your line managers, who will be called upon to lead people.