



2022 Greater Philadelphia Manufacturing and Distribution Survey

Kreischer
Miller

PEOPLE | IDEAS | SOLUTIONS



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Results Summary

Kreischer Miller recently conducted its tenth annual Greater Philadelphia Manufacturing and Distribution Survey. The survey is intended to gauge the economic results and outlook of regional middle market manufacturers and distributors and to provide their owners/executives and industry leaders a snapshot of best practices being utilized by their peers, as well as trends being observed in the industry.

Some of the highlights identified from the responses to this year's survey are as follows:

- **Revenue growth expectations for 2022 are positive**, with nearly two-thirds of respondents saying they anticipate growth rates of more than five percent. Profit expectations aren't quite as rosy. Close to 35 percent expect this year's profit to either stay the same as 2021 or decline, and another 37 percent said they expect profit to be less than five percent.
- **A lack of qualified workers and skilled labor continues to be the industry's largest barrier to growth**, with nearly 75 percent of respondents citing it as their top business challenge. With more than half of survey respondents indicating that they plan to increase head count this year, manufacturers and distributors have their recruiting work cut out for them.
- The skilled labor challenge was followed closely by two other more recent issues – **inflation** and **supply chain disruption** – each cited by 57 percent of respondents. Given the challenging state of our economic environment, it is hardly a surprise that 63 percent said they feel some level of pessimism about the U.S. economy over the next 12 months. And, nearly half of respondents said they are less optimistic about their company's prospects than a year ago, primarily due to external factors such as economic, industry, and market trends.



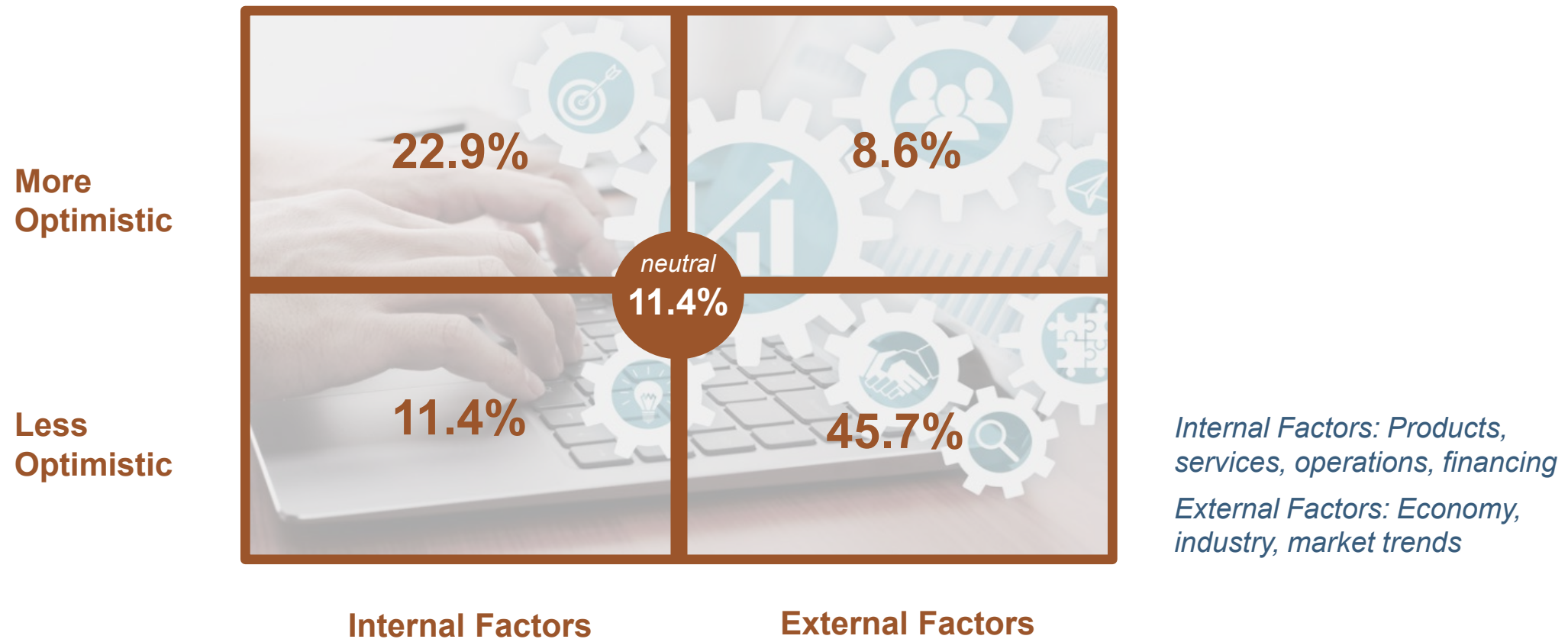
Results Summary *continued*

Looking out on the horizon, we asked respondents about the largest challenge facing their businesses in the next five years. It comes as no surprise that the most common answer, cited by 62 percent of respondents, involved people. Whether dealing with an aging workforce and fewer young people pursuing manufacturing careers, trying to find skilled labor at a reasonable wage, or seeking talent to accommodate growth plans, talent woes continue to plague the industry. Other respondents cited continued concerns about the economy, inflation, raw material shortages, and supply chain issues. Finally, a few respondents noted that they are grappling with how to achieve future sales growth or navigate business expansion plans.

As shown in the survey results that follow, manufacturers and distributors are aware that the current business climate remains challenging. However, they remain fairly optimistic about their growth prospects and are planning ahead for future opportunities.

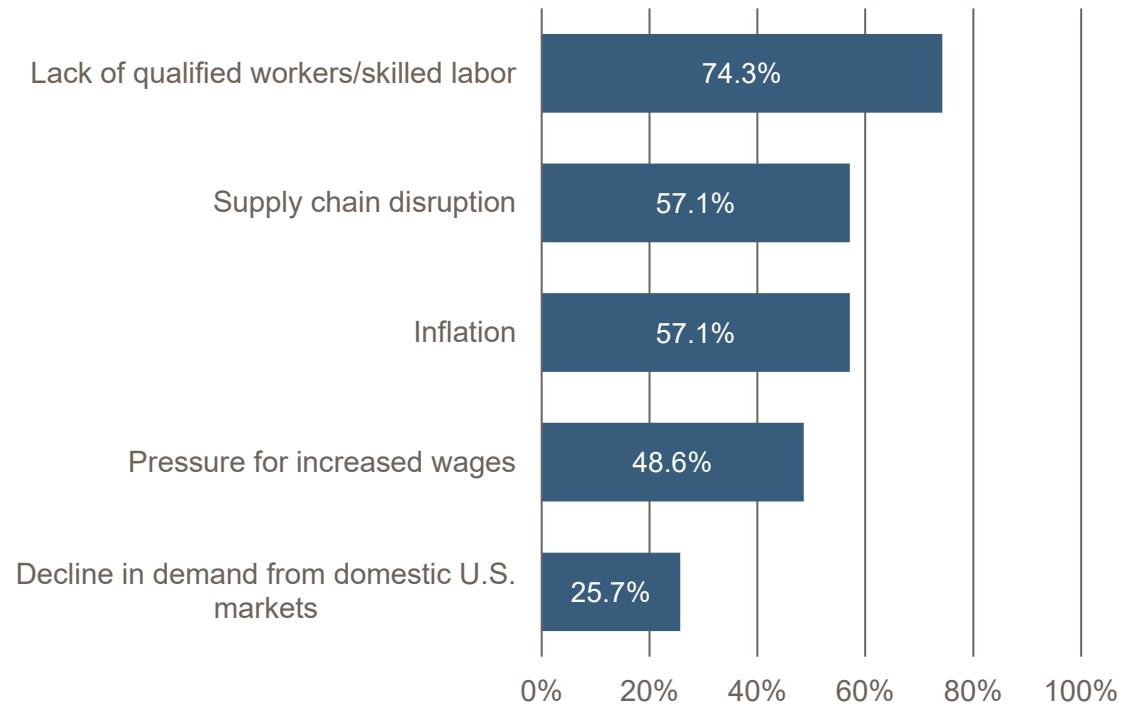
Business Outlook

How does your optimism regarding your company's current prospects compare to last year?

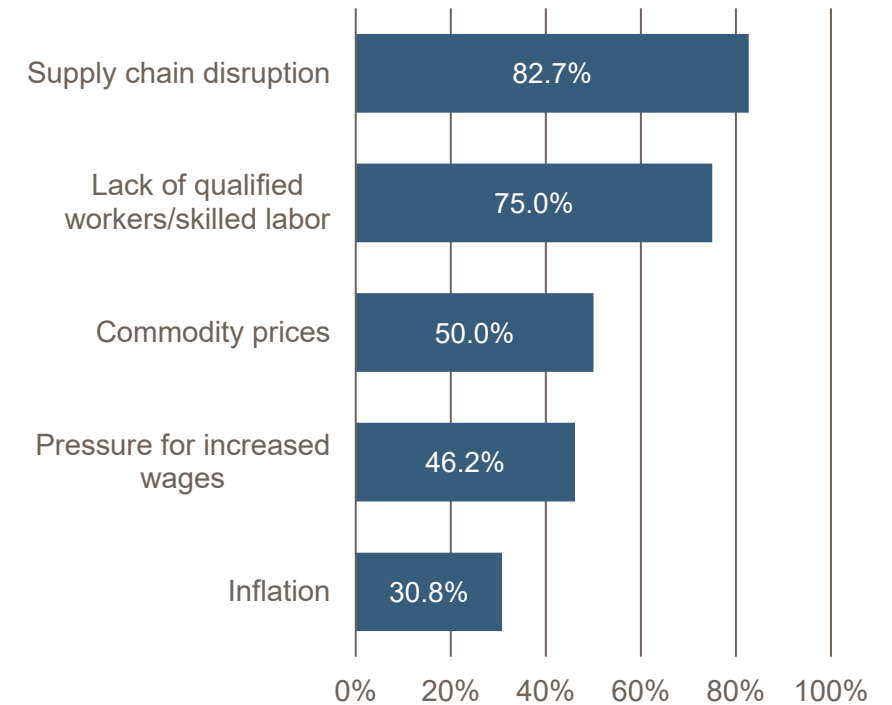


Barriers to Growth

2022



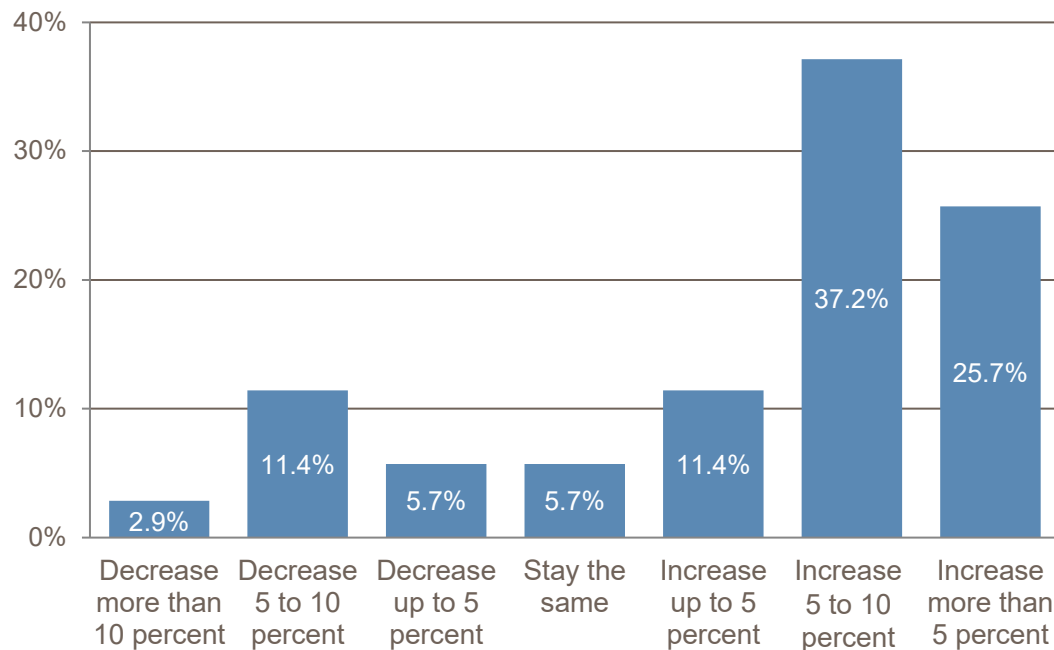
2021



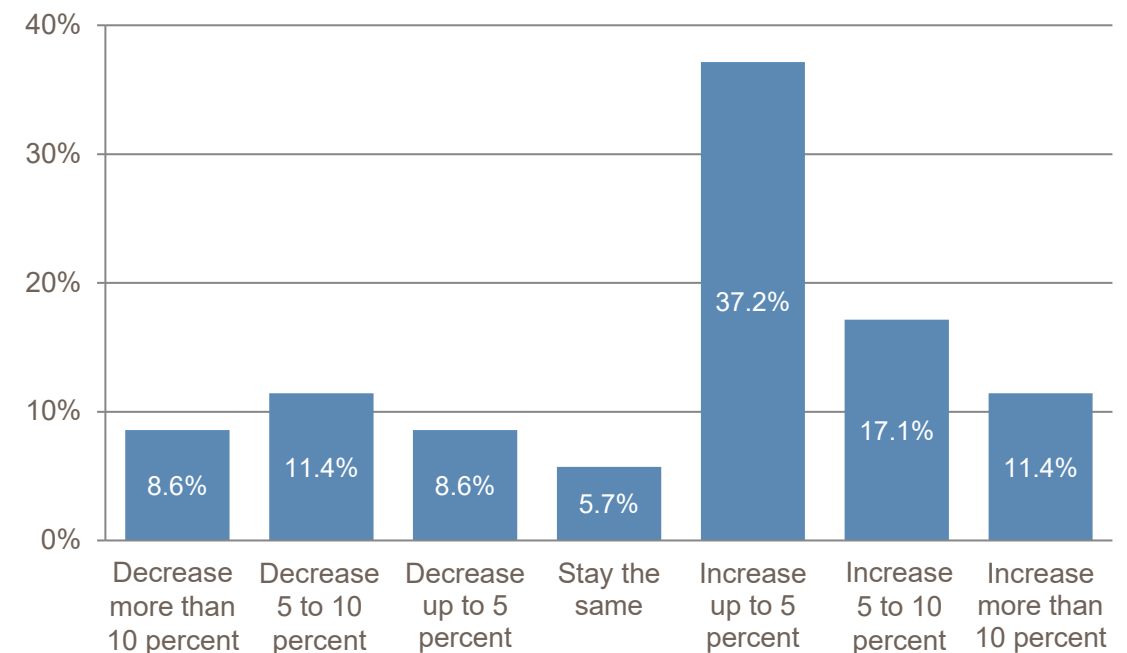
Note: Respondents were able to select more than one answer. These were the top 5 answers cited in 2021 and 2022.

Business Performance and Growth Expectations

What are your **revenue** expectations for **2022** as compared to **2021**?



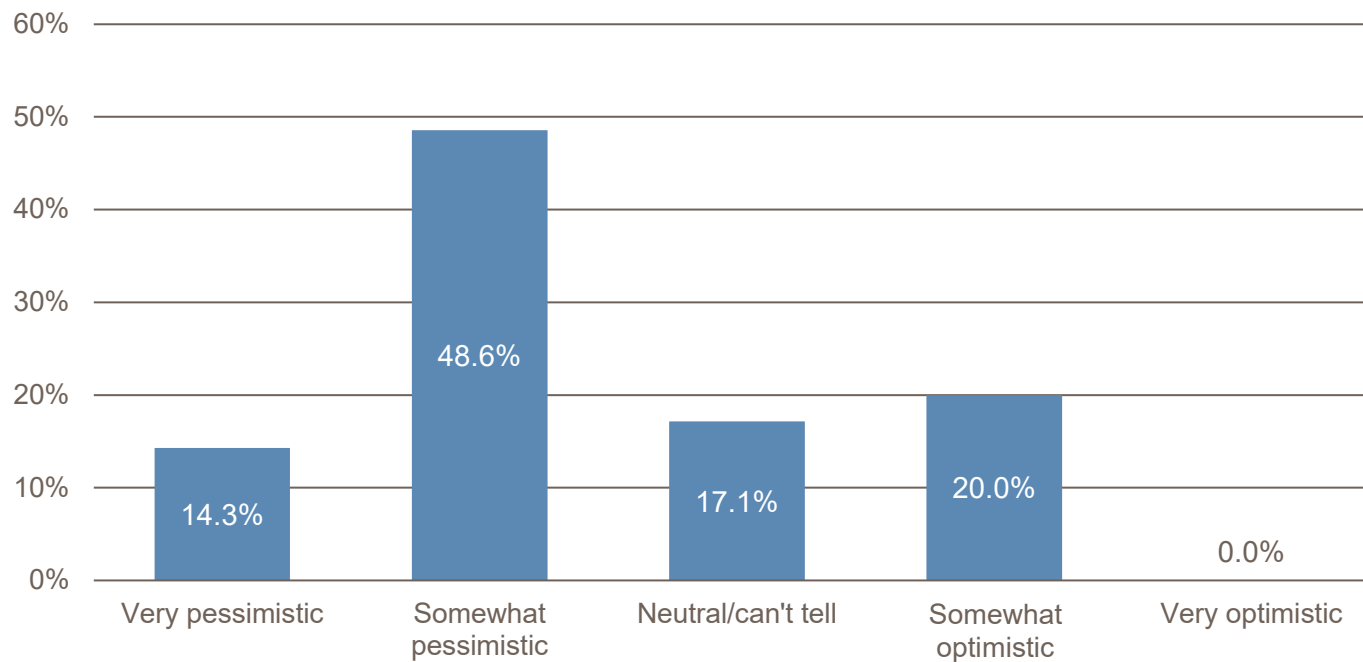
What are your **gross profit** expectations for **2022** as compared to **2021**?



Profits lagging behind revenue projections indicate businesses are having a hard time passing on their cost increases to their customers. When resources are constrained, consider performing an in-depth **customer profitability analysis**.

Economic Outlook

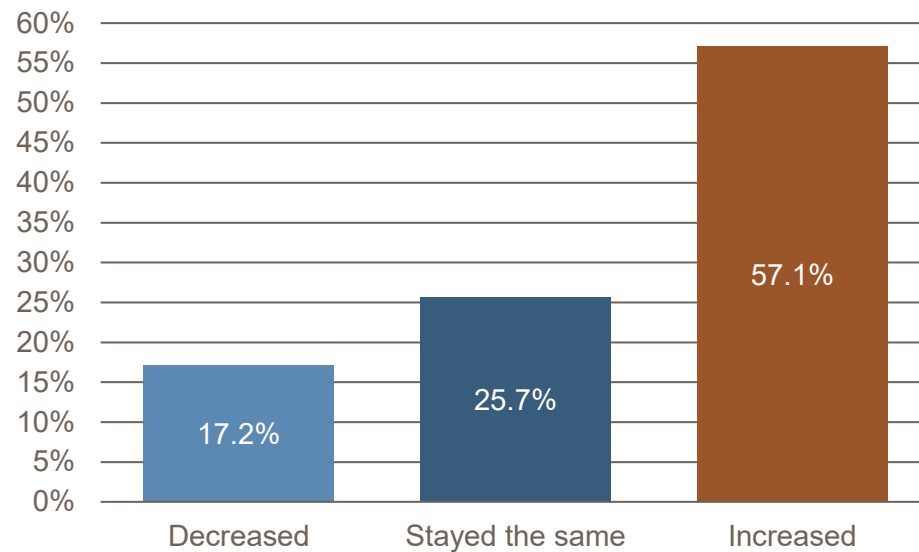
How would you describe your overall feeling towards the U.S. economy over the next twelve months?



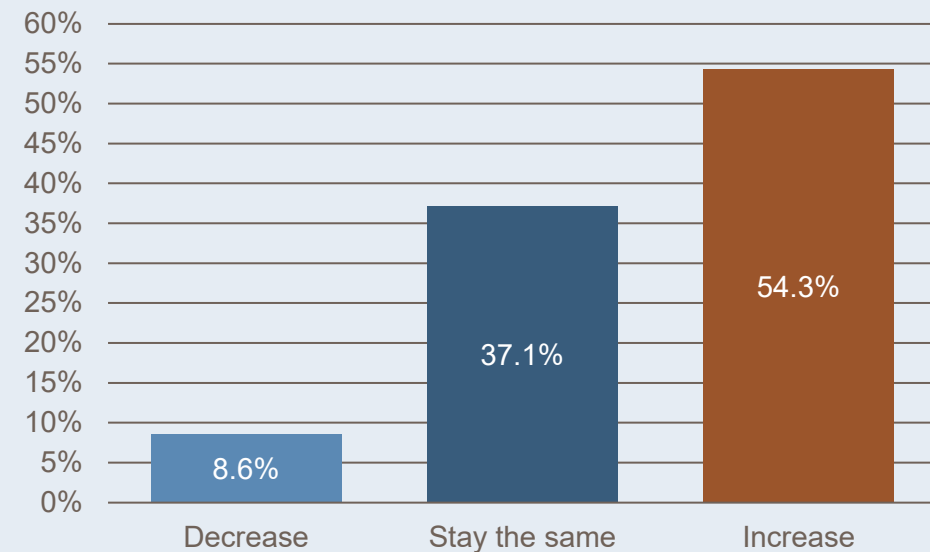
“The pipeline is backfilling and will then overflow, which will provide for a significant period of lack of demand.”

Workforce Changes

How did your head count change in the last 12 months?

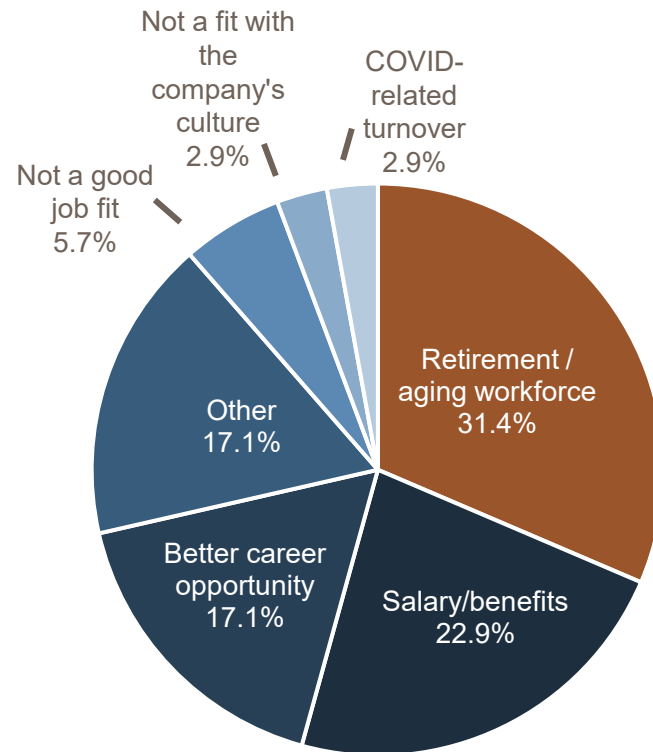


What are your planned changes to head count in the next 12 months?



Employee Turnover

What is the main reason for employee turnover in your organization?

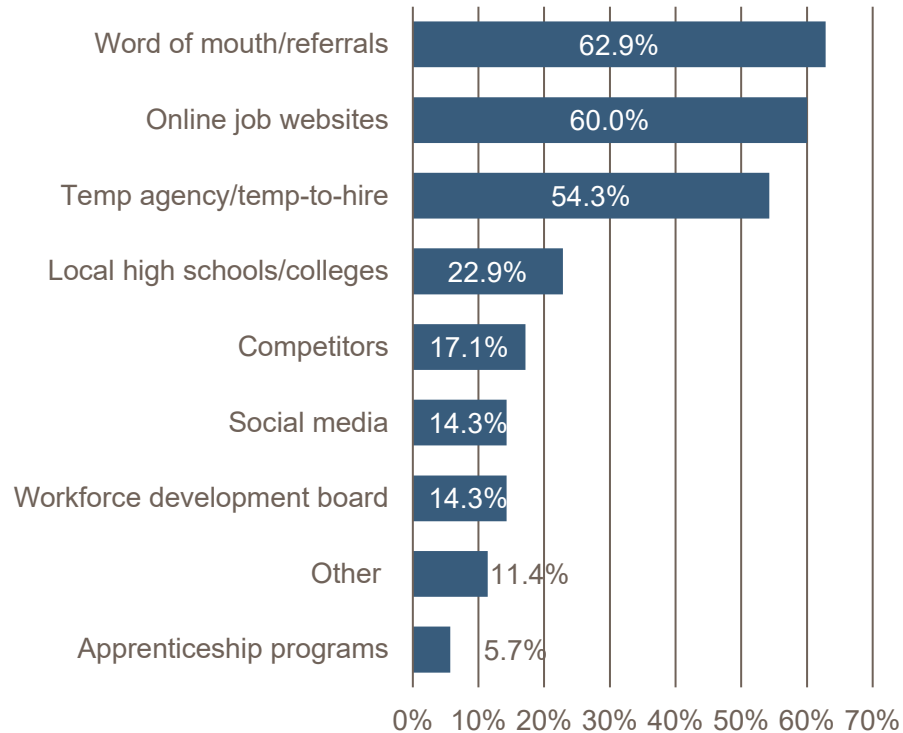


Comments from respondents:

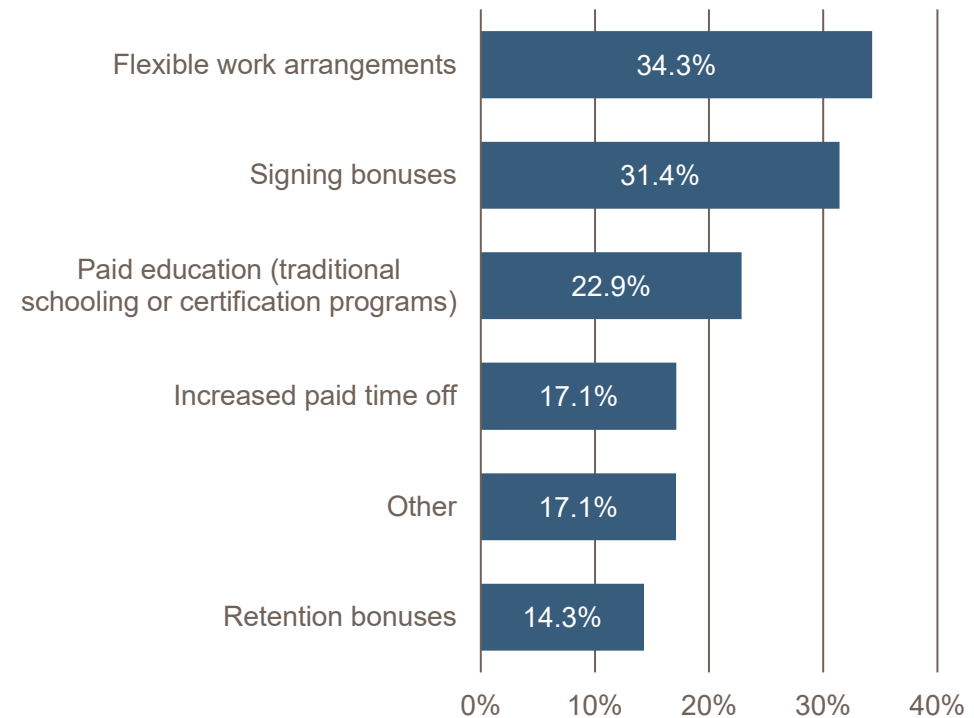
“Inflation driven wage price spiral.”
“Newer employees are being let go due to poor performance and higher wages.”

Sources for Filling Skilled Labor Positions

What are your primary sources for filling open skilled labor positions?



What incentives are you offering to attract candidates?



17.1% of respondents indicated they offer other incentives, including **referral bonuses** and **enhanced benefits packages**.

Note: Respondents were able to select more than one answer.

Business Improvement Initiatives

How important are each of the following to your company's future profitability and performance?



4.1

Investments in the workforce



3.6

Use of improvement methodology(s)



3.4

Investments in new capital equipment (higher automation, newer technology)



3.0

Development of new products/services



2.9

Investments in replacement capital equipment



2.0

Implementation of new ERP systems



1.5

Access to capital/funding sources



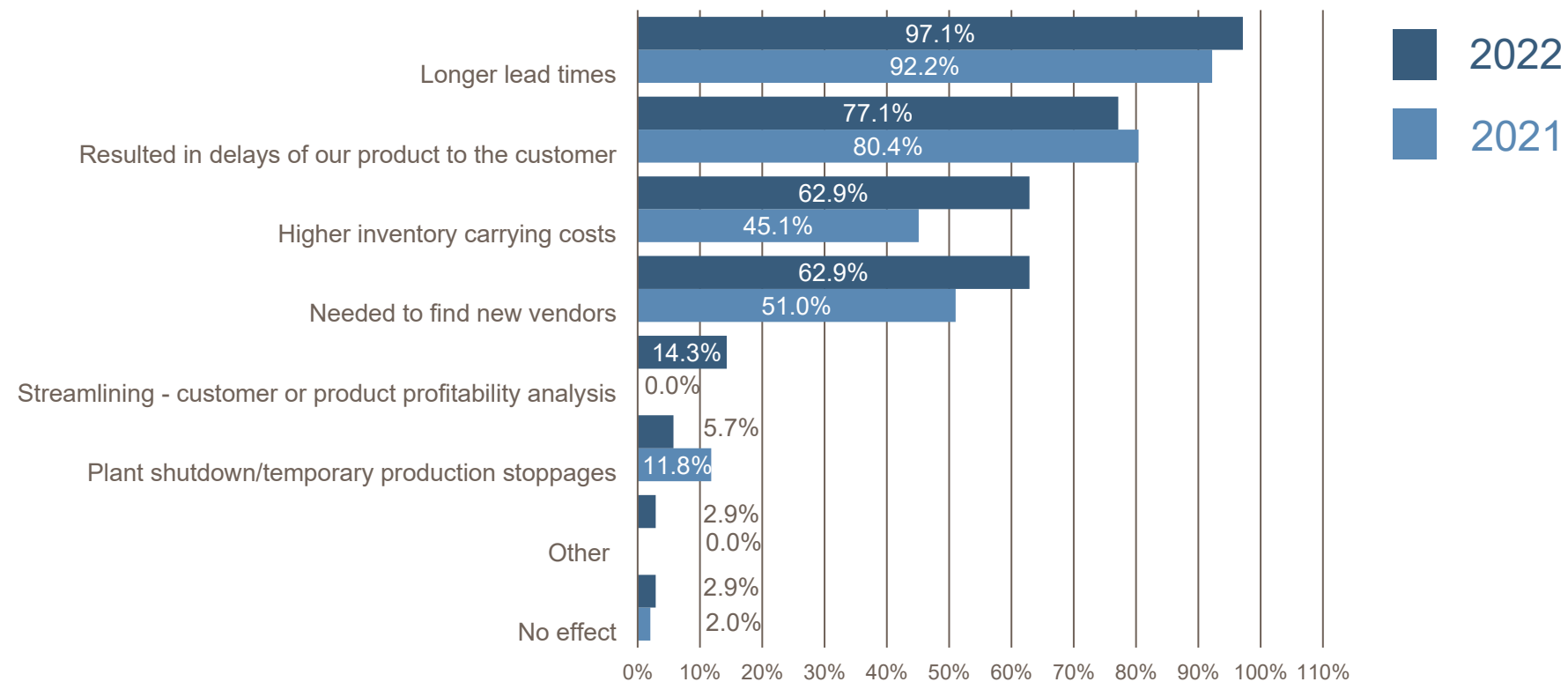
1.5

Strategic acquisition

Please note: This data is represented by weighted averages of respondent rankings from 0 to 5, with 5 being most critical.

Supply Chain Impact

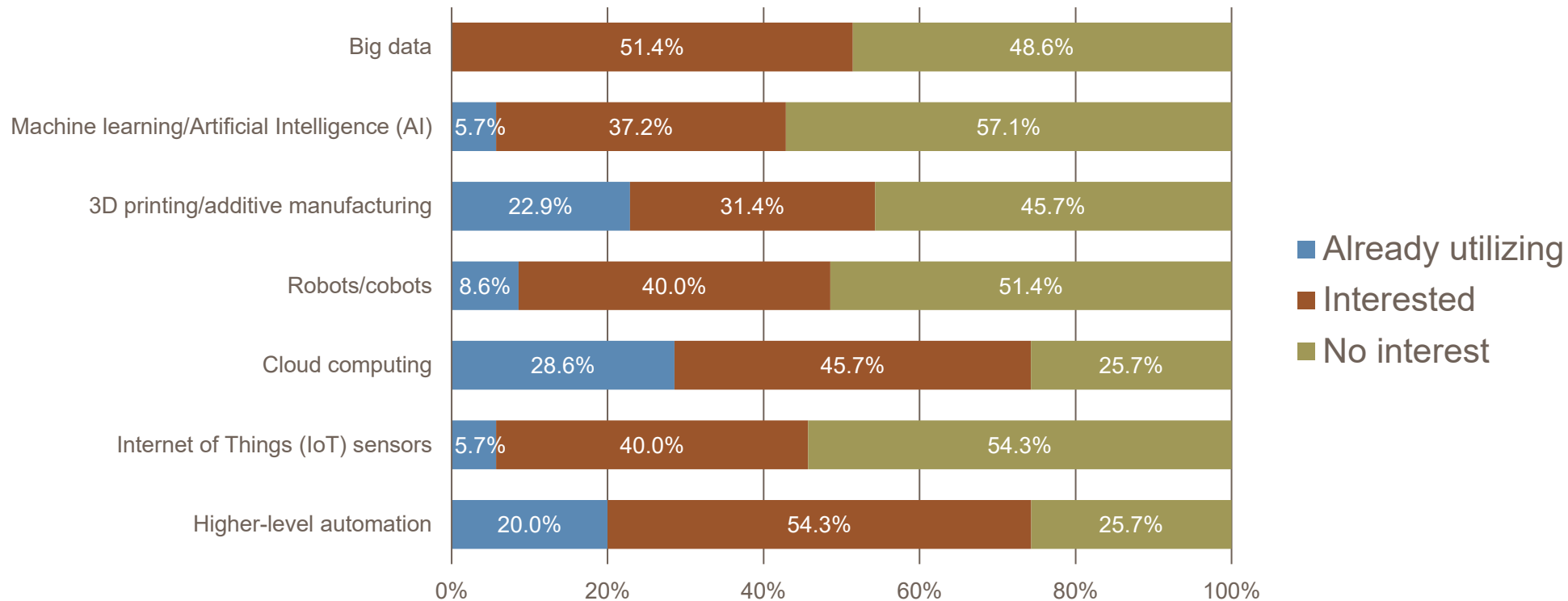
How have supply chain disruptions impacted your business over the last 12 months?



Note: “Streamlining – customer or product profitability analysis” was a new answer option in the 2022 survey.

Embracing Industry 4.0

To what extent do you think your company will implement Industry 4.0 initiatives over the next 3 years?



Methodology

Kreischer Miller's Greater Philadelphia Manufacturing and Distribution Survey questionnaires were distributed electronically in July 2022 to middle market manufacturers and distributors primarily in the Greater Philadelphia region, which includes most of southeastern Pennsylvania, southern New Jersey, and northern Delaware.



Source: WelcometoPhila.com

For More Information

To learn more about the results of Kreischer Miller's 2022 Greater Philadelphia Manufacturing and Distribution Survey, or to discuss your company's needs, please contact your Kreischer Miller professional or the author below.



Steven P. Feimster, CPA
Director, Audit & Accounting
Manufacturing and Distribution
Industry Group Leader
sfeimster@kmco.com





About Kreischer Miller

Kreischer Miller is a leading independent accounting, tax, and advisory firm that serves the Greater Philadelphia and Lehigh Valley areas. We have built our firm to respond to the unique needs of private companies, helping them smoothly transition through growth phases, business cycles, and ownership changes. The companies we work with quickly adapt and respond to changing market opportunities and challenges. That's why our focus is on being responsive, decisive, and forward-thinking. We're up to the challenge – always looking at the road ahead, not in the rear-view mirror.

Our people are leaders in accounting and advising, and are passionate about helping companies achieve their goals.

Kreischer Miller's Manufacturing and Distribution Industry Expertise

With a significant portion of our revenue derived from our clients in the manufacturing and distribution industry, Kreischer Miller is one of the leading accounting firms serving manufacturers and distributors in the Greater Philadelphia and Lehigh Valley areas. Our experience with a diverse range of organizations—from smaller, local organizations to large, Fortune 500 companies with national and international operations—gives us the background and depth to understand the challenges and opportunities that face the industry.

Kreischer Miller is also a member of Manufacturing CPAs, a nationwide network of independent accounting firms specializing in serving the manufacturing industry.