

Kreischer Miller

PEOPLE | IDEAS | SOLUTIONS



2019

Greater
Philadelphia
Manufacturing
Survey



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Results Summary

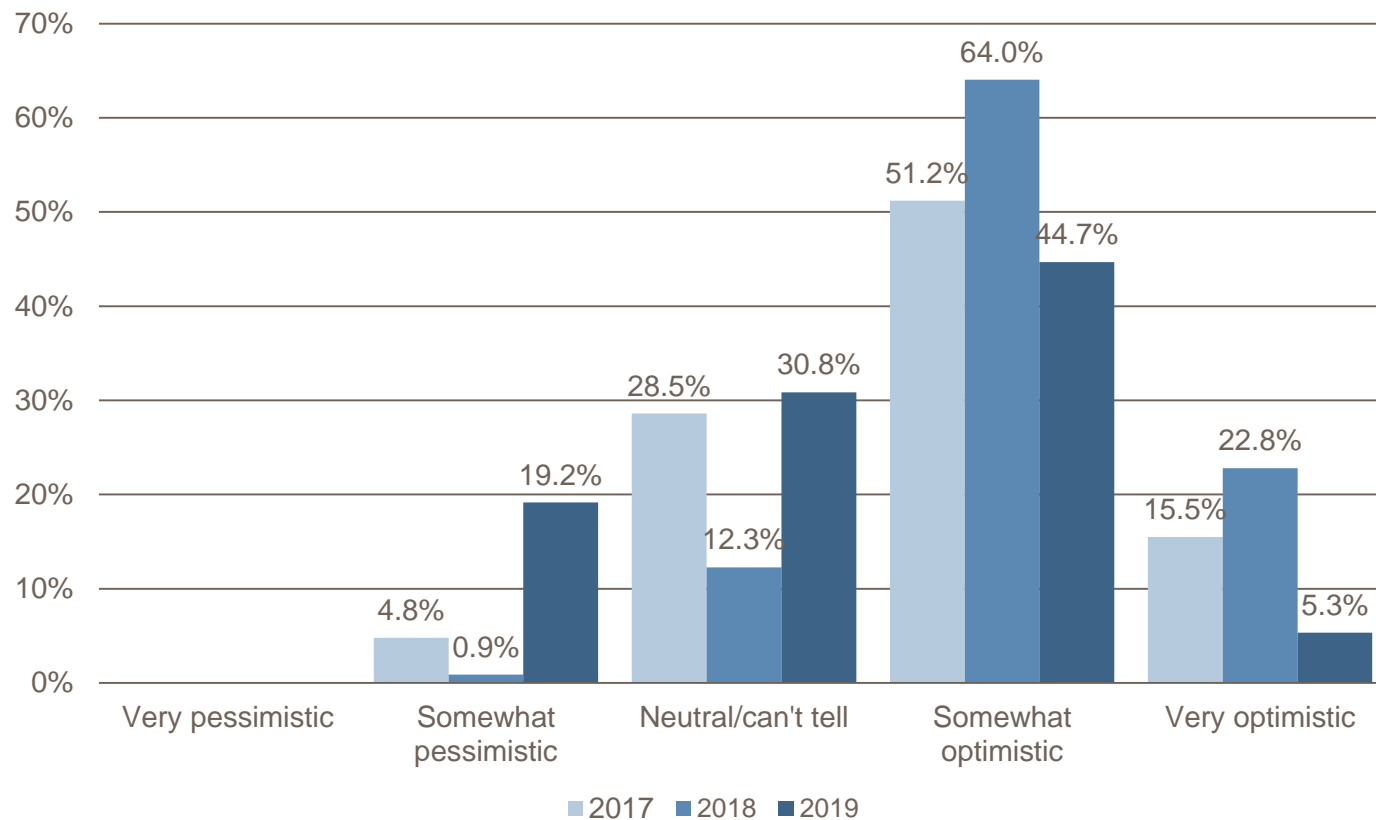
Kreischer Miller recently conducted its seventh annual Greater Philadelphia Manufacturing Survey. The survey is intended to gauge the economic results and outlook of regional middle market manufacturers and to provide manufacturing executives and industry leaders a snapshot of best practices being utilized by their peers, as well as trends being observed in the industry. Some of the highlights identified from the responses to our survey are as follows:

- **Growth expectations continue to rise.** For the third straight year, respondents are forecasting increasing growth rates, with 80 percent indicating revenue increases for 2019.
- **Feelings toward the overall economy remain positive,** though lower this year, with 50 percent of respondents feeling optimistic compared to 87 percent a year ago, and 30 percent feeling neutral or uncertain.
- **Companies continue to add to their workforces but struggle to find qualified candidates.** The skilled labor shortage has consistently been reported in our past surveys among the most significant issues facing manufacturers, and is at its highest level this year (57 percent of respondents).
- **There is significant uncertainty with regard to the Tax Cuts and Jobs Act of 2017,** and a decrease in the number of companies indicating that the tax reform would be beneficial to them (40 percent, down from 58 percent).

When asked for the biggest challenge facing their businesses in the next five years, the lack of availability of skilled labor was far and away the most frequently cited by survey respondents. Growth and competition rounded out the top three. As shown in the survey results that follow, manufacturers in the region are keenly aware of the challenges they face both inside and outside of their businesses but are continuing to make the necessary investments in people, processes, equipment and technologies to drive growth and profitability in these dynamic yet uncertain times.

Economic Outlook

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



Comments from respondents

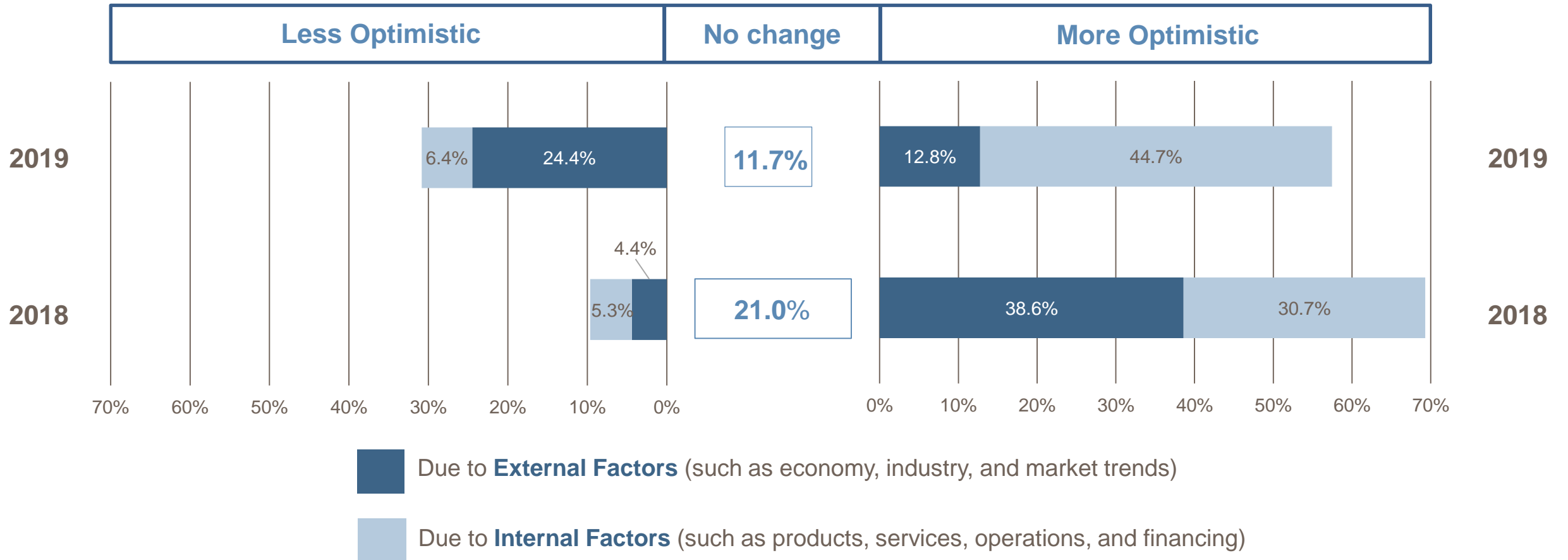
“Trump's policies, both foreign and domestic, are bearing fruit!”

“Worried about Trump chaos - tariffs, unexpected military moves, central bank pressure.”

“First year in many that I don't have a good feel for what the year will bring.”

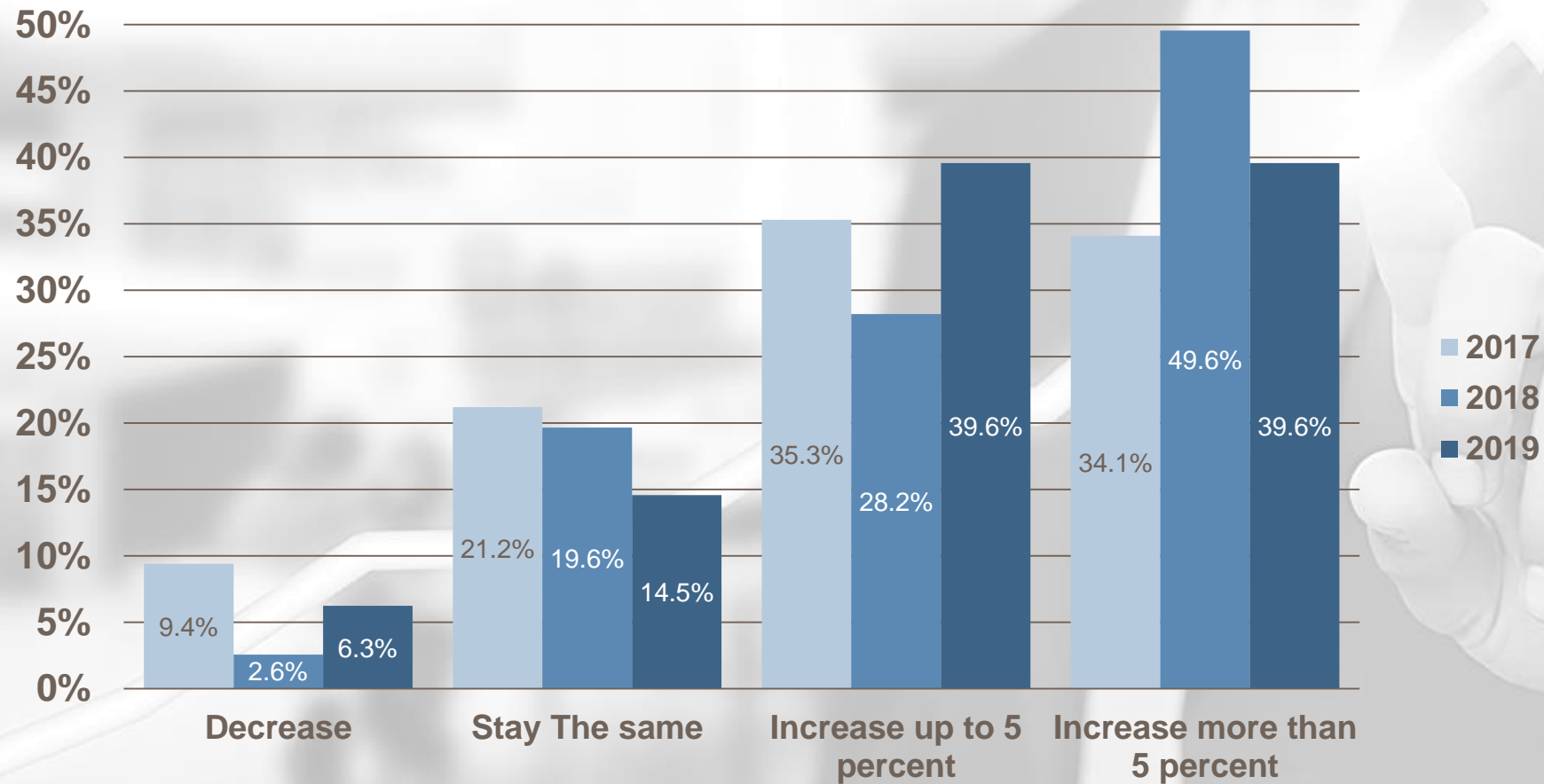
Economic Outlook *Continued*

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



Growth Expectations

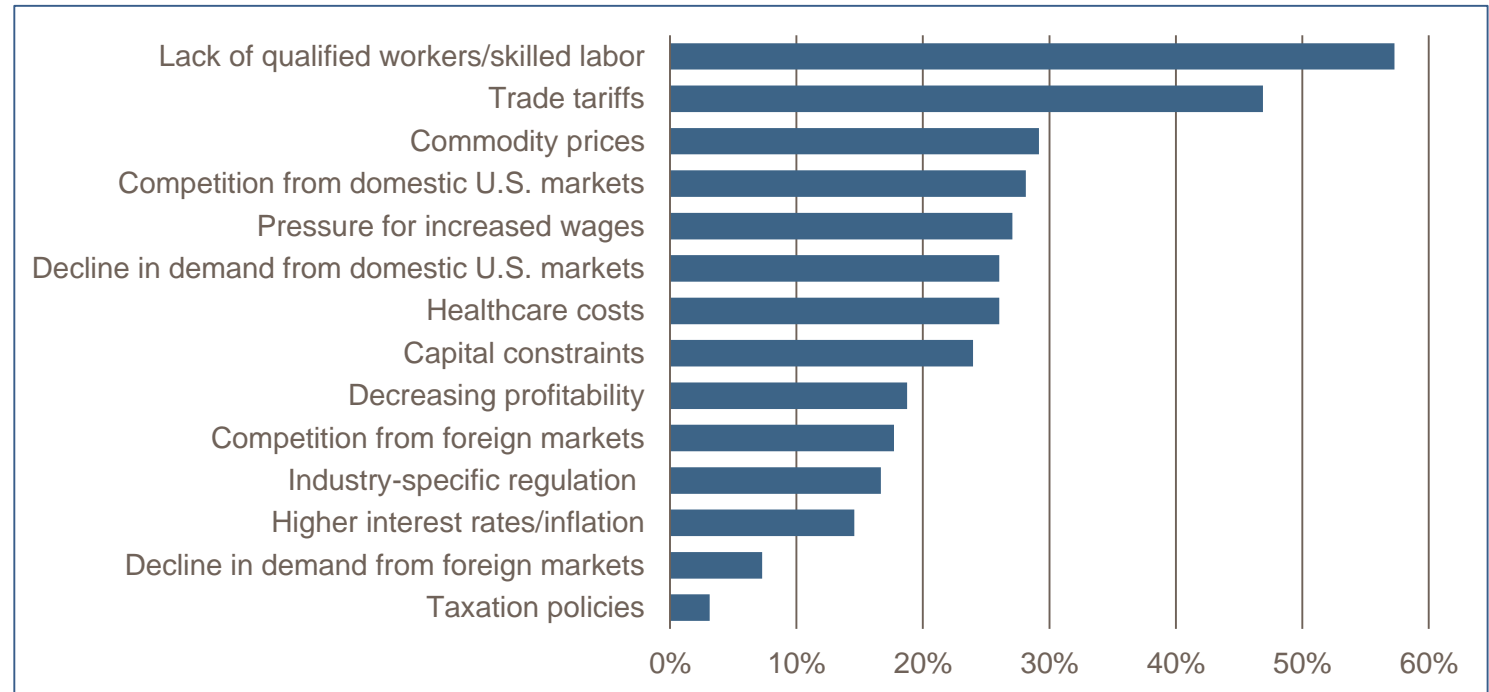
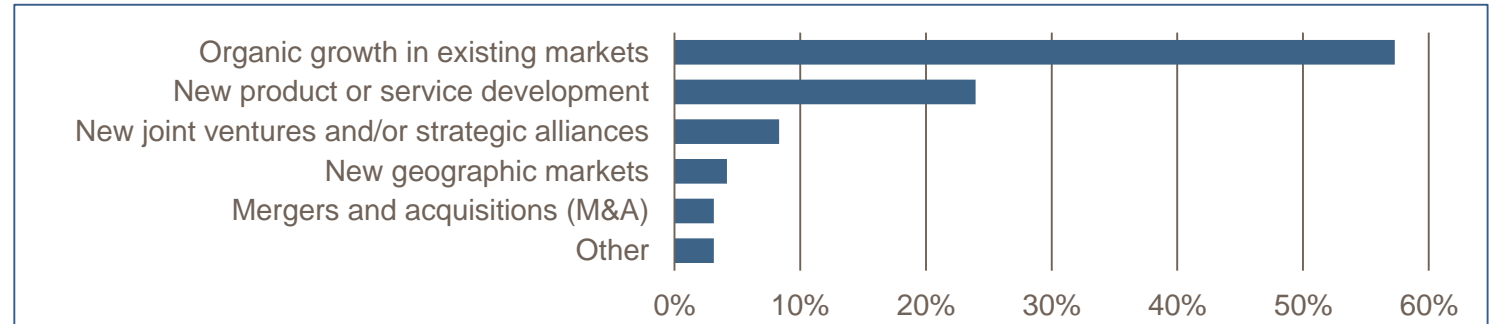
What are your revenue expectations for this year as compared to last year?



Growth Expectations *Continued*

Opportunities to grow
your business in 2019

Expected barriers to
growth in 2019

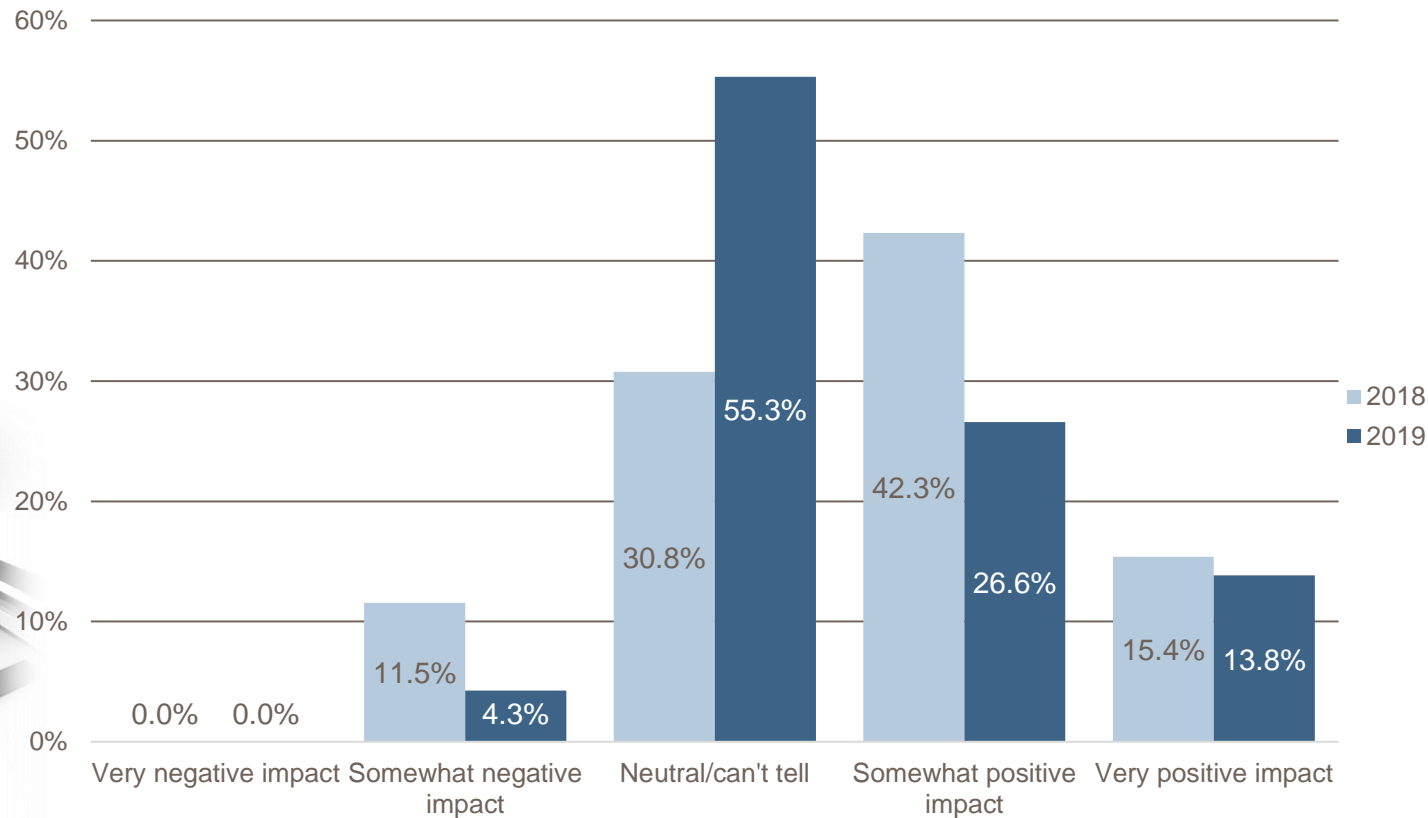


Taxes and Tariffs

How will the Tax Cuts and Jobs Act of 2017 impact your company's profits?

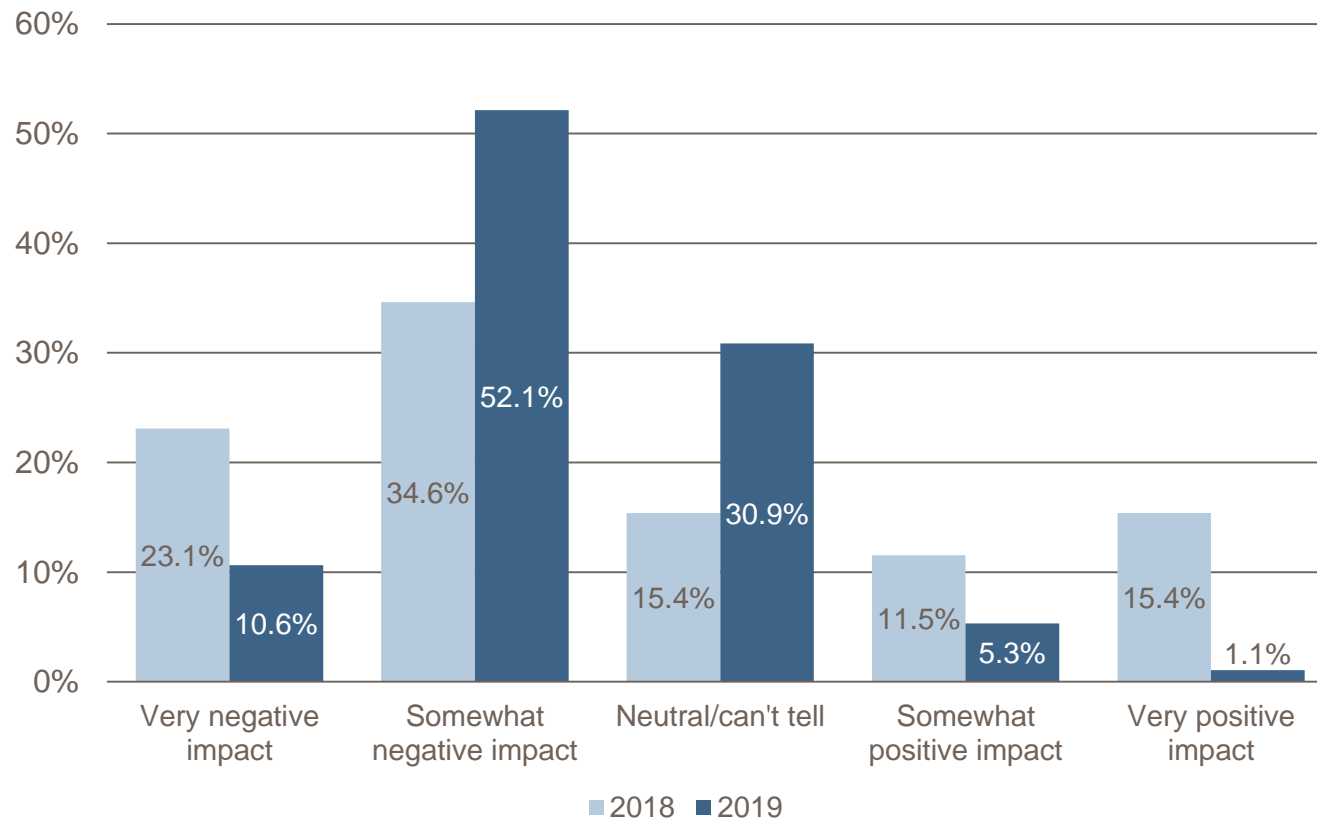
Comment from respondent

“[The Act] encourages profitable businesses to invest in capital improvements and write off capital investments quickly.”



Taxes and Tariffs *Continued*

How are the import tariffs enacted over the past year impacting your business?



Comments from respondents

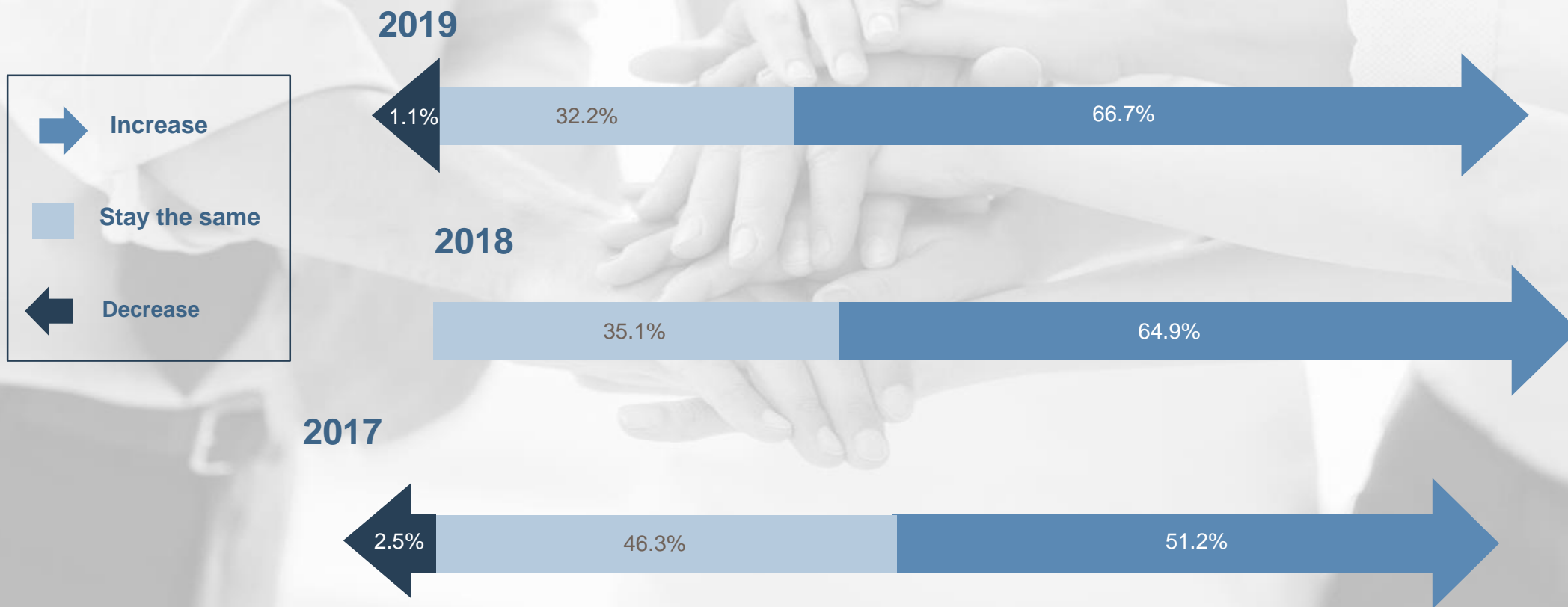
“We buy sheet steel and our costs are up 25 percent. At the same time our customers can buy "finished" fabricated metal and there is no tariff. If the second 25 percent goes into effect on all products from China, this may later help us. For now it is a big negative.”

“We are seeing increased costs.”

“We believe [the tariffs] have contributed to supply chain constraints.”

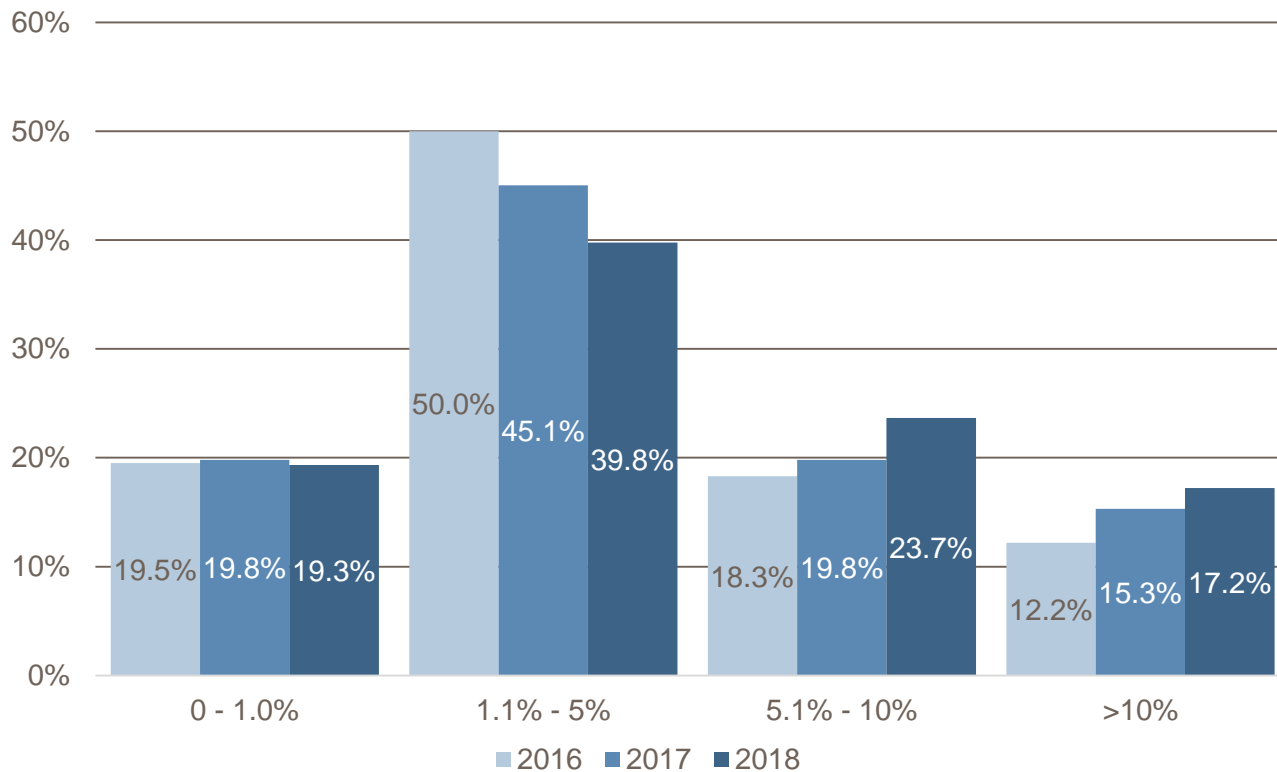
Workforce

What are your planned changes to head count?

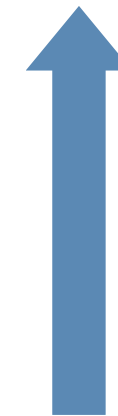


Workforce *Continued*

What is your company's annual labor turnover rate?



In 2018, the number of respondents who experienced turnover rates of...



Workforce *Continued*

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



Comments from respondents

“Lack of qualified skilled and unskilled labor.”

“Unskilled labor is more transient due to low unemployment.”

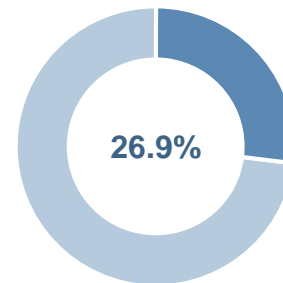
Workforce *Continued*

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

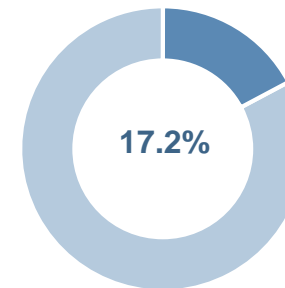
**Online Job Websites
or Social Media**
74.2%



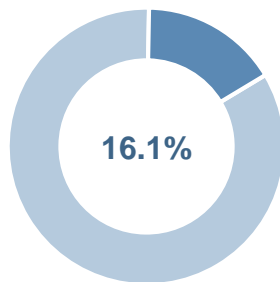
**Local High Schools
and Colleges**



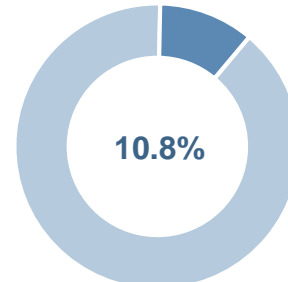
**Apprenticeship
Programs**



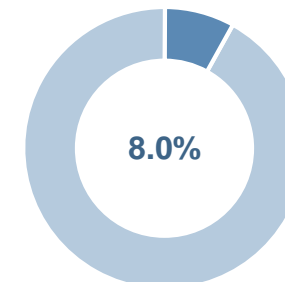
**Workforce Development
Board**



Competitors

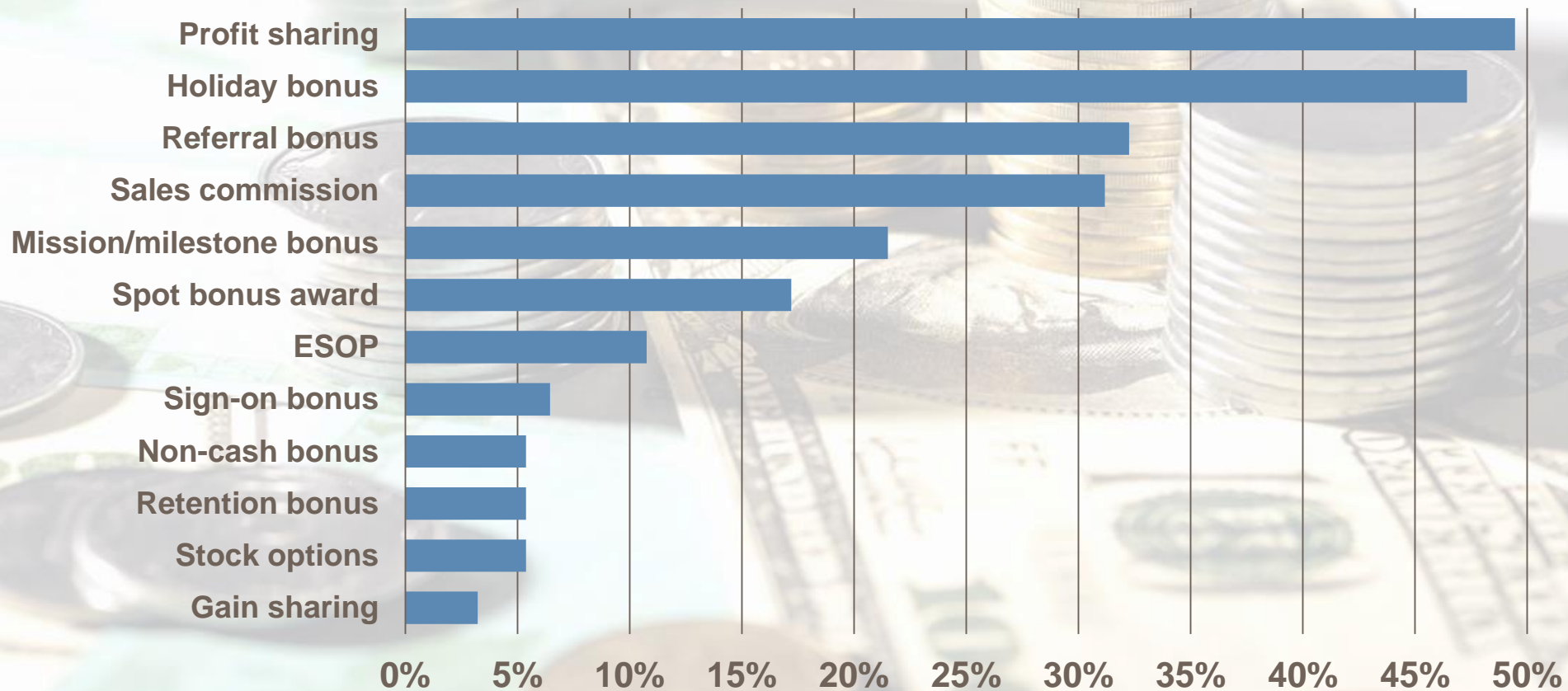


Temp-to-Hire



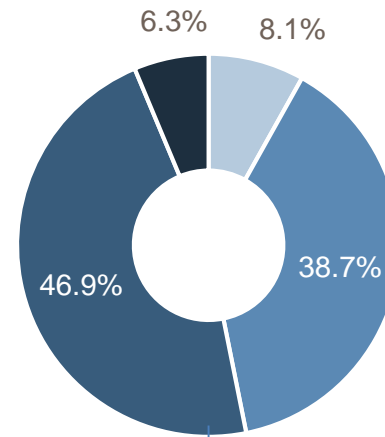
Workforce *Continued*

What types of bonus/incentive programs does your organization utilize?



Labor Costs

What was your average wage increase for production employees?

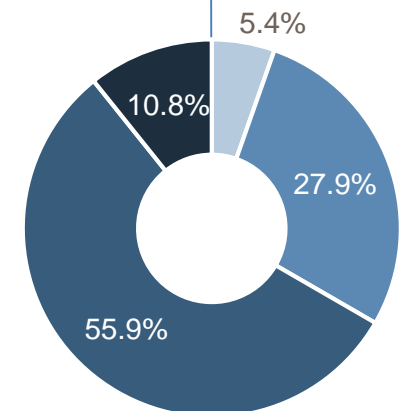
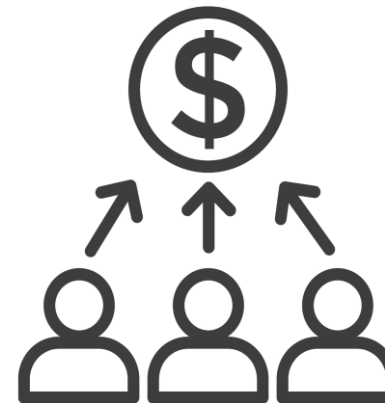
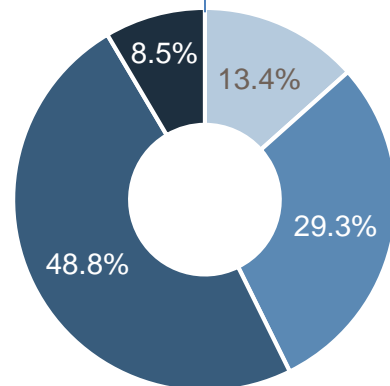
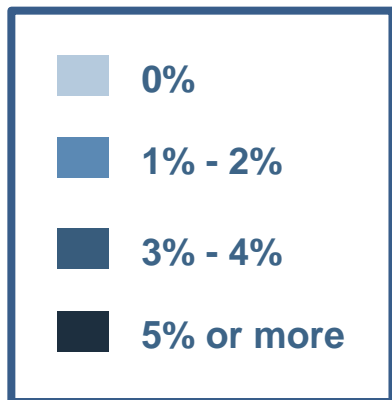


From 2016 to 2018, the majority of respondents had average wage increases for production employees of 3 to 4% annually.

2016

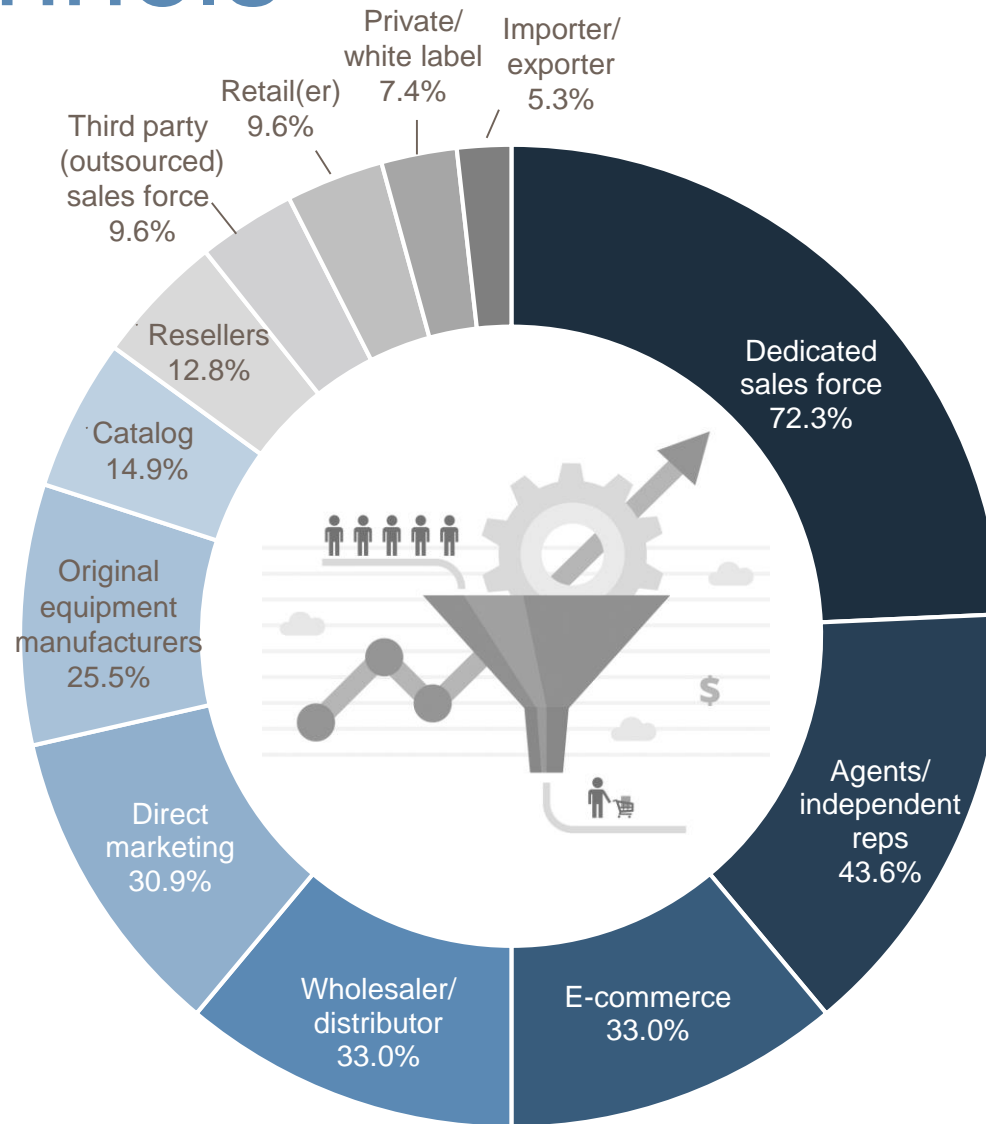
2017

2018



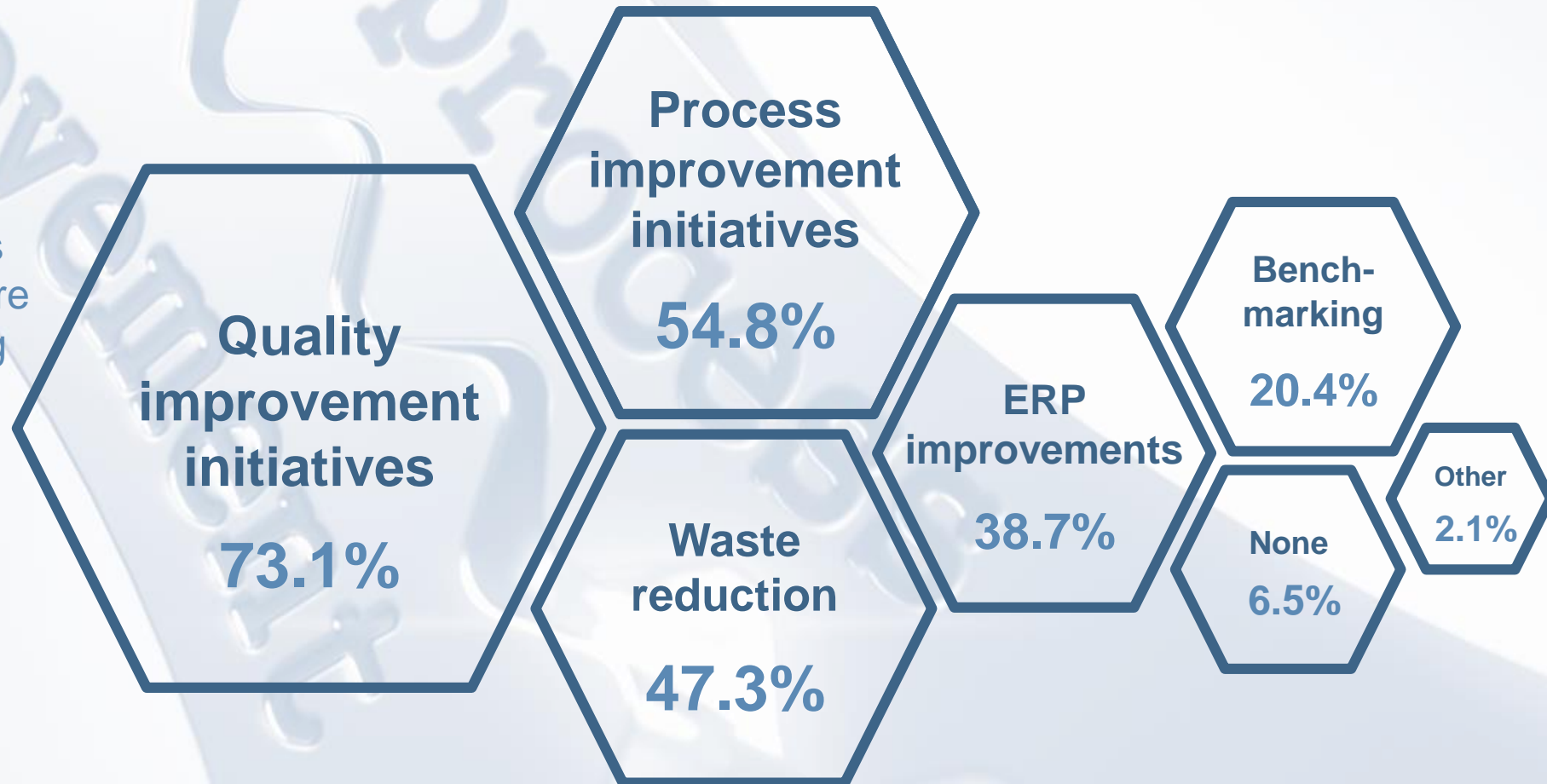
Sales Channels

Which of the following sales channel(s) do you use for selling your products to customers?

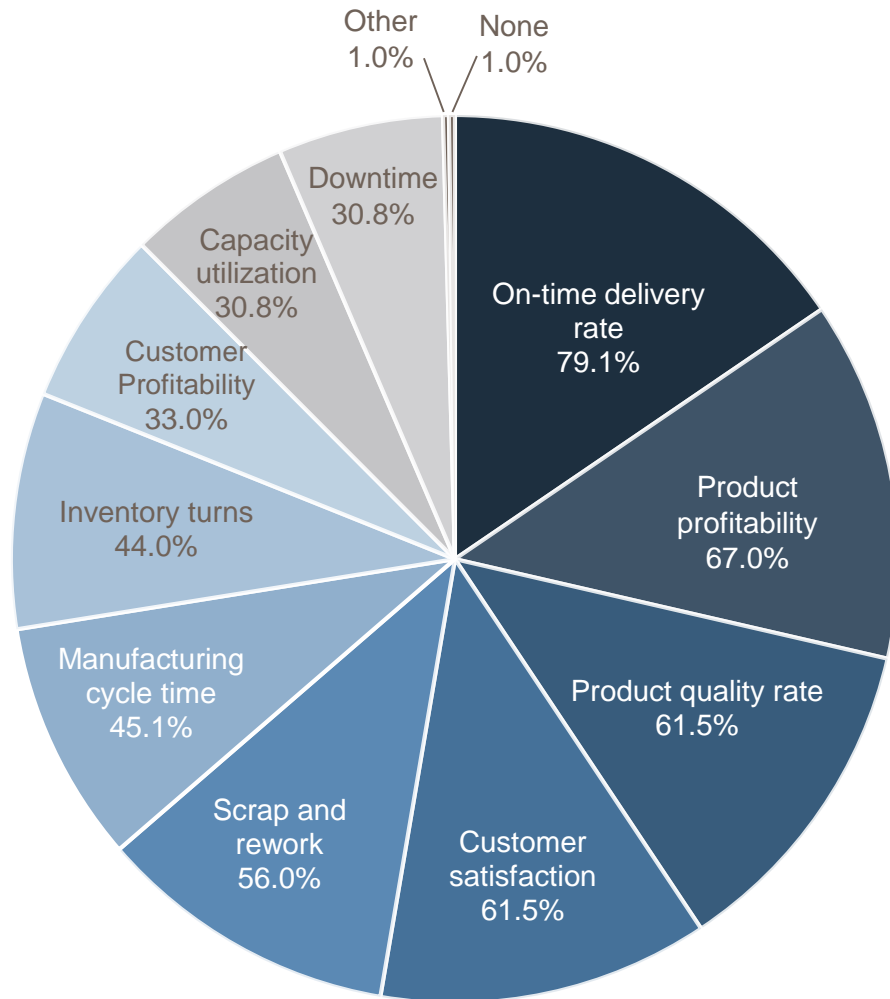


Business Improvement Initiatives

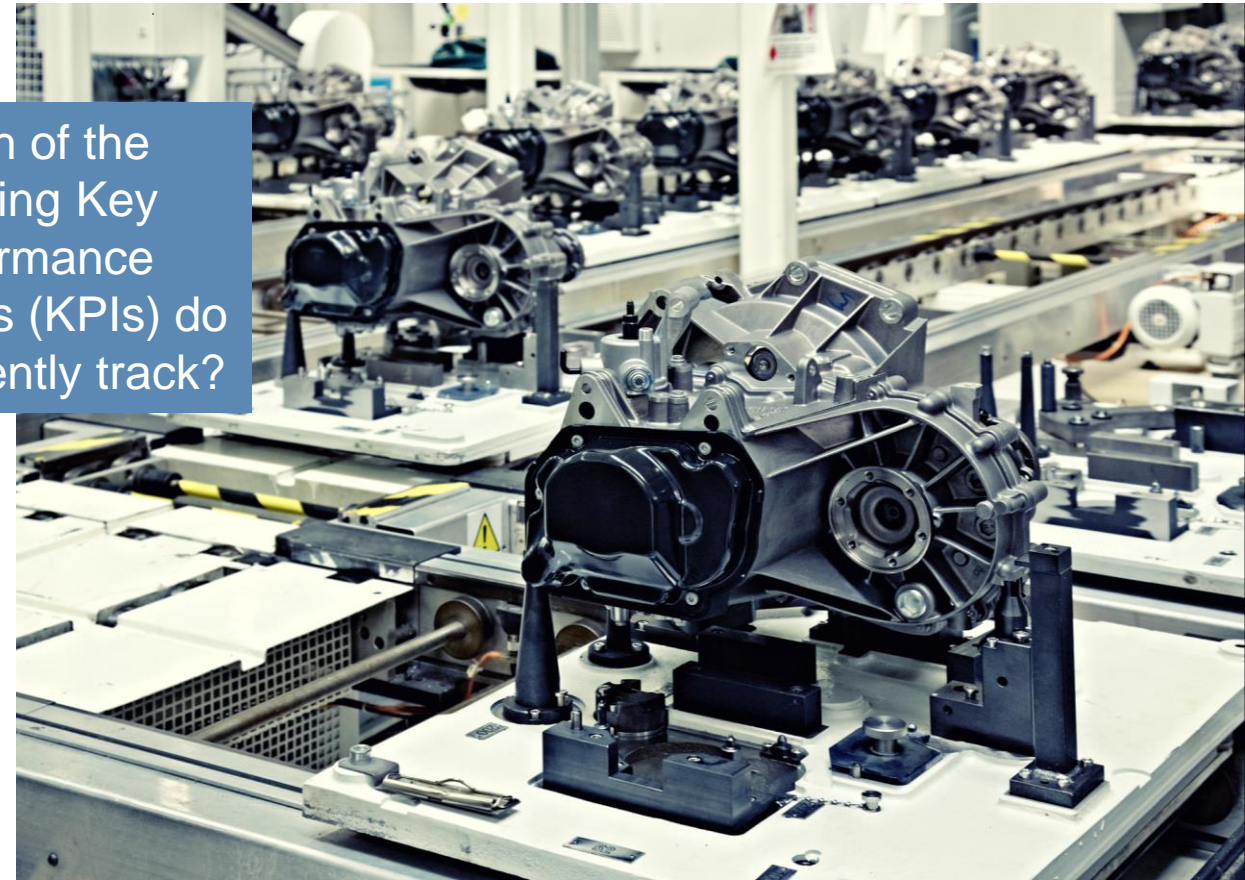
Which improvement methodologies or programs are currently being used in your organization?



Key Operational and Production Measures

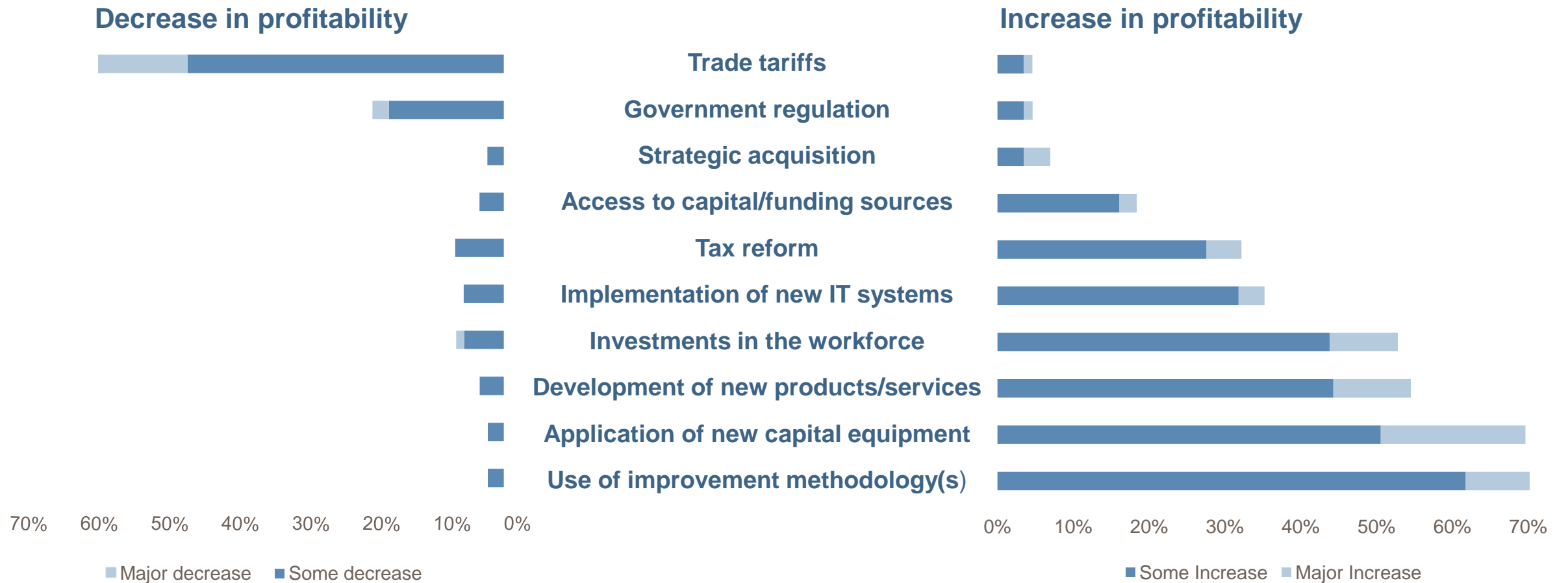


Which of the following Key Performance Indicators (KPIs) do you currently track?



Profitability Influencers

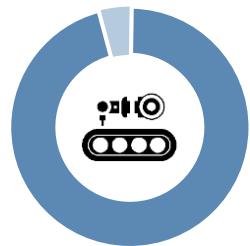
How did each of the following affect your company's profitability or performance in the last year?



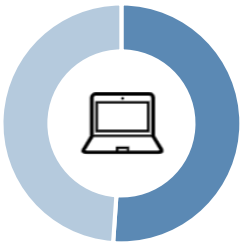
Please note: Where responses in a category do not total 100%, remaining respondents indicated "no change" or "not applicable."

Investment in Capital Equipment

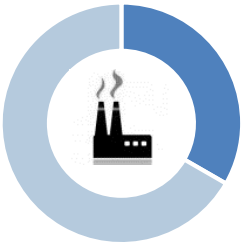
Are you planning capital expenditures in any of the following areas in 2019?



82.2%
Manufacturing
Equipment



51.1%
IT Systems



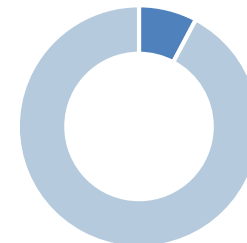
33.3%
Plant Expansion
And Modernization



20.0%
Office Equipment



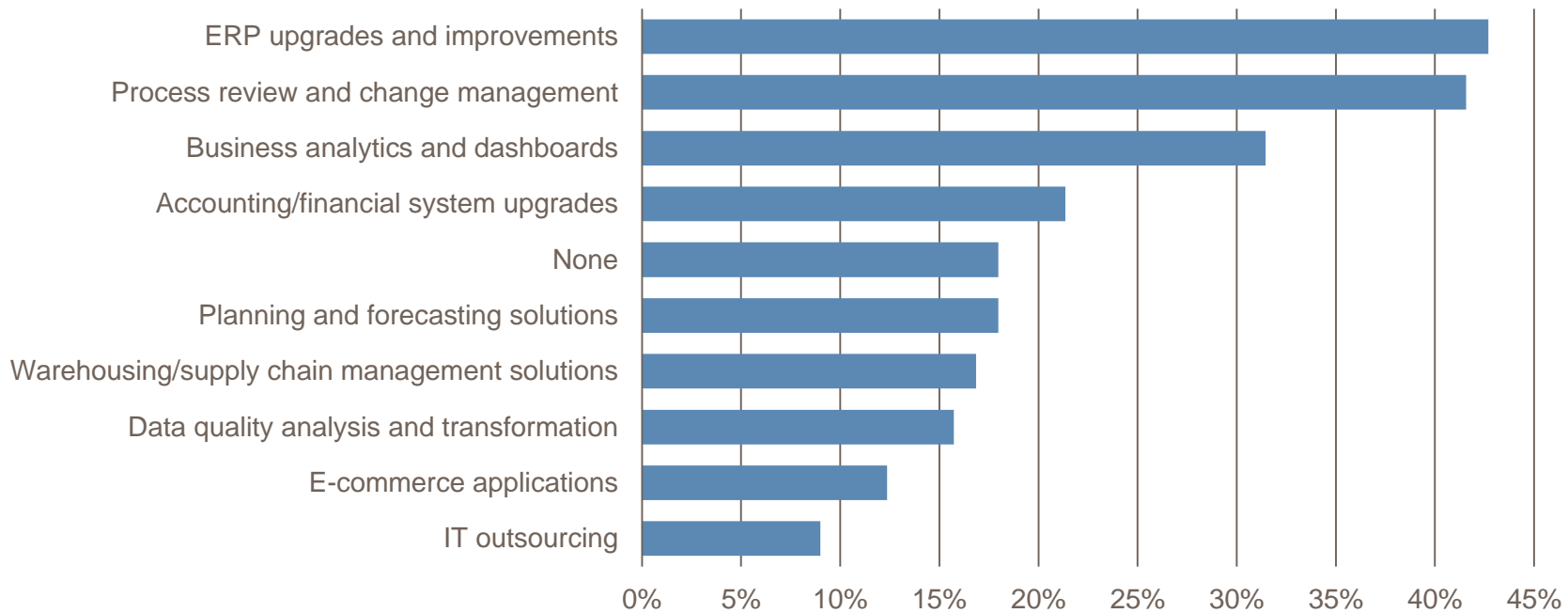
10.0%
Transportation
Equipment



7.8%
None

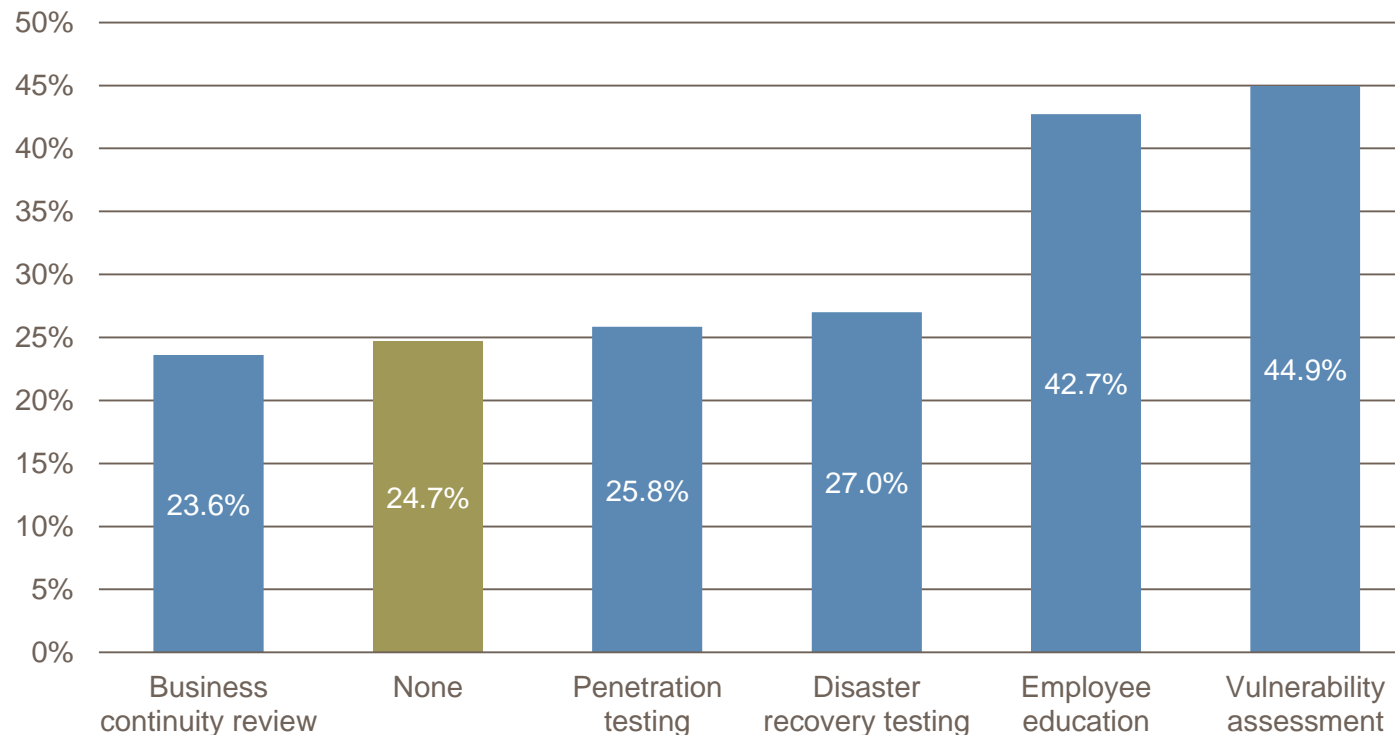
IT-Enabled Business Improvements

Which of the following technology-related business improvement projects did your company initiate in 2018?



Cyber Security Management

Which of the following IT security methods did your company utilize in the past year?



About a quarter (25%) of respondents **have not** taken significant actions towards ensuring cyber readiness for their firms. As a result, they are at a much higher risk to experience business interruptions due to ransomware and data breach attacks.



Methodology

Kreischer Miller's Greater Philadelphia Manufacturing Survey questionnaires were distributed electronically in December 2018 to middle market manufacturers primarily in the Greater Philadelphia region, which includes most of southeastern Pennsylvania, southern New Jersey, and northern Delaware.



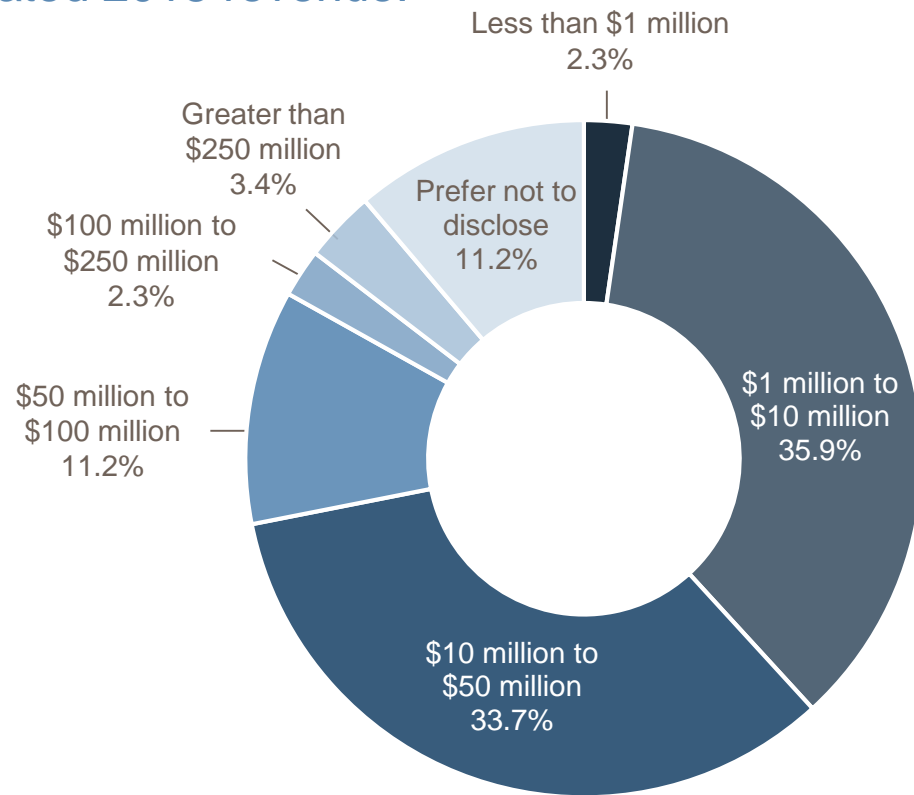
There were 94 total survey respondents, of which **93%** are privately-held companies and **7%** are public companies.



Source: WelcometoPhila.com

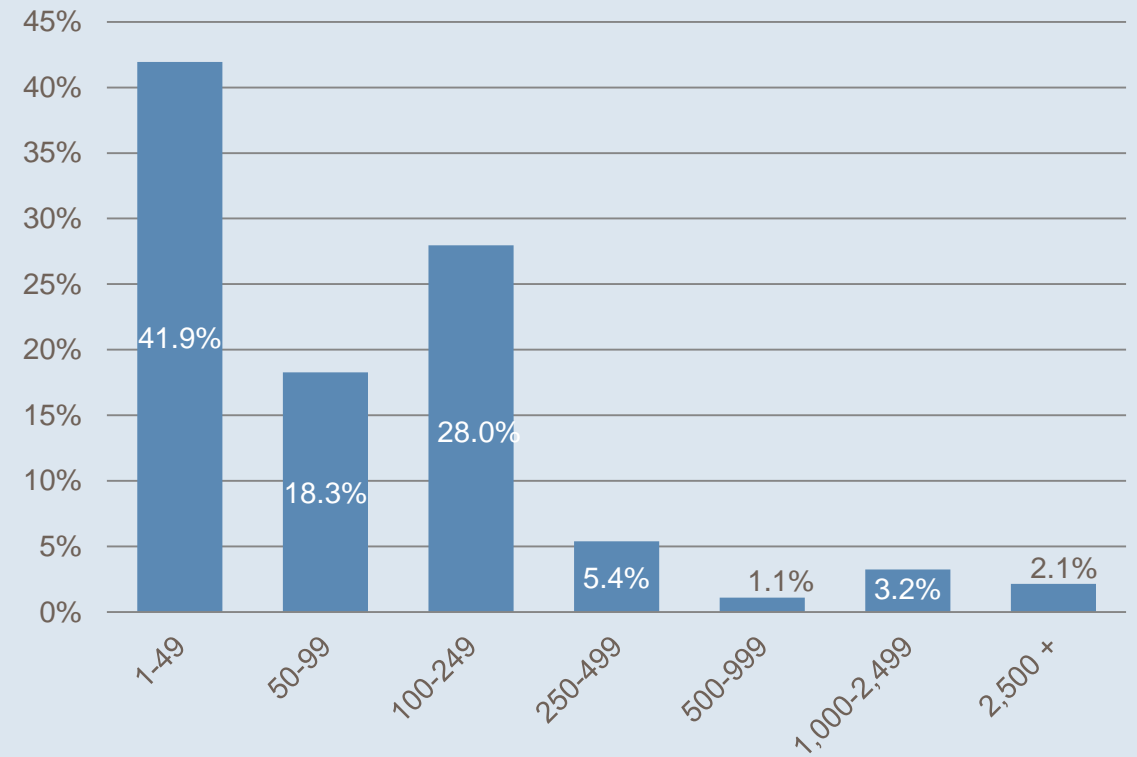
Methodology *Continued*

Survey respondents by estimated 2018 revenue:



Median: \$10 million to \$50 million

Survey respondents by number of employees:



Median: 50-99 employees

Methodology *Continued*

Survey respondents are from the following manufacturing sectors:

19.1% Industrial equipment & machinery	3.4% Chemicals
18.0% Metalwork	3.4% Construction
10.1% Defense	3.4% High tech/computers/electronics
9.0% Consumer product durables	2.2% Automotive
7.9% Other	2.2% Fiberglass and plastics
6.7% Specialty packaging	2.2% Medical devices
5.7% Consumer packaged goods	1.1% Pharmaceuticals/biotech
4.5% Aerospace	1.1% Printing and publishing

For More Information

To learn more about the results of Kreischer Miller's 2019 Greater Philadelphia Manufacturing Survey, or to discuss your company's needs, please contact your Kreischer Miller professional or the authors below.

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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 Industry Group

With a significant portion of our revenue derived from our clients in the manufacturing industry, Kreischer Miller is one of the leading accounting firms serving manufacturers in the Greater Philadelphia and Lehigh Valley areas. Our experience with a diverse range of organizations—from smaller, local manufacturers 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.