Manufacturing Trends

PwC takes an in depth look at the top 40 manufacturing companies and their outlook on the future
PwC researched our top 40 Industrial Manufacturing audit and non audit clients globally based on revenue, to learn more about what they are focusing on in the years ahead. Three key themes stood out across a majority of those companies.

1. Acquisitions for expansion, growth and increased sales
2. Cost reduction and restructuring
3. Focus on product technology and innovation

There is an optimism around manufacturing acquisition, growth and an eye on the need for increased talent and technology. Additionally, companies are also looking to restructure their organizations to better align themselves for future growth.

“The future in industrial manufacturing revolves around the way companies embrace strategic change; how they leverage constantly developing digital technology and data analysis. As industrial manufacturers continue to expand their use of intelligent systems and platforms, such as the cloud, that securely gather and enable data analysis, they will optimize business processes, reduce supply chain and manufacturing costs and, ultimately, drive improved profitability.”

*Barry Misthal*

*Global Industrial Manufacturing Leader*
Acquisitions for expansion, growth and increased sales

Industrial machinery continues to lead the M&A activity with a total deal value of $11.1 billion, representing 49% and 35% of deal value and volume for Q1 17, respectively.

The Asia and Oceania region remains as the top contributor to M&A activity, and accounted for 42% and 60% of deal value and volume in Q1 17. UK & Eurozone was the only region with growth in Q1 17 vs. Q4 16.\(^1\)

As such, confidence holds strong when it comes to growth in manufacturing. In these economically and politically challenging times, Industrial Manufacturing CEOs maintain healthy, relative optimism about their own company’s growth during the next year. 41% of these CEOs said they were very confident in PwC’s 20\(^{th}\) CEO Survey. Looking longer term over the upcoming three-year horizon, all CEOs, including IM, are bullish on their companies—with a global average of 51% very confident. In historical context, this compares to only 33% in our first 1997 survey.

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\(^1\) Global industrial manufacturing deals insights: Q1 2017
Cost reduction and restructuring

As previously mentioned, manufacturing CEOs are confident when it comes to growth in their industry. Much of this growth will likely come from within. They’re expecting the lion’s share of growth to develop organically (76%) or be driven by cost reduction (61%), with new alliances and mergers and acquisitions following at 41% and 39%².

Recent PwC analysis highlights global trends and challenges facing manufacturers. One key topic mentioned throughout this thought leadership included cost reduction opportunities. Below are certain cost savings or cost optimizations:

- Facility consolidation programs aimed at improving the efficiency of companies’ global manufacturing operations.
- Vertical integration, divestitures, spin-offs, and other restructuring efforts.
- Continuing to improve the alignment between the costs of raw materials and selling prices to customers.
- Operational rationalization and efficiency optimization through lean manufacturing.
- Factory automation as an effort to reduce the impact of labor cost inflation, to increase product quality consistency and reliability.
- Supply chain realization to improve the speed of supplier delivery times, which would allow greater flexibility in input buying and stock holdings.
- Globalizing best practices to improve quality, increase productivity, and control operational costs.
- Aligning cost structure to better leverage the markets as they return to growth.
Product technology and innovation

Leading manufacturing companies are focusing heavily on digital and technology capabilities, customer experience and M&A. But the human factor presents a challenge: executives deem recruiting most difficult when it comes to attracting people talented in creativity and innovation or leadership2.

Companies are deploying a number of key technologies to digitize production as well as their entire supply chain. These include big data analytics solutions, end-to-end, real time planning and connectivity, autonomous systems, digital twinning and work augmentation, among many others3.

Those companies that are able to leverage ubiquitous data in meaningful ways - across product development, sales and operations; across devices; and with customers - are developing new models of collaboration. The companies that will likely succeed will be those that use digitisation to successfully introduce greater flexibility, customisation and speed into their operations while also staying cost-competitive4.

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2 PwC 20th CEO Survey, Industrial Manufacturing cut
3 Digital Factories 2020
4 From the plant floor to the top floor: Doing great work together
How we can help...

As you begin to think about these themes and how it applies to your organization, please reach out to us so we can connect you with our broad network of specialists with in depth industry knowledge.

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