Sage survey of U.S. manufacturers and distributors 2014

Summary report

Introduction

This is a summary of a survey of U. S. manufacturers and distributors that was conducted among potential respondents who were designated by SIC as a manufacturer or distributor on October 31, 2013. By December 2, 215 responses were received. Of the respondents about two out of five were manufacturers, one out of five both manufactured and distributed their products, and a similar proportion were distributors only. The margin of error is +/- 6% with a confidence level of 95 percent.

Slightly less than one in five did not qualify for the survey. About one in five manufacturers were in the primary metal, fabricated metal, and machinery sectors, followed by electrical equipment and appliances. Distributor industry sectors were more widely distributed. About half of the respondents came from companies with more than ten employees. About three out of five distributors had fewer than ten employees.

Optimism about the economy

Respondents are optimistic about the outlook of the U.S. economy in the next six months. When asked if the economy will grow or stay the same over the next six months, slightly more than a third of all respondents (36%) felt that it would grow, while less than one in eight (16%) felt it would contract.

Optimism was strongest among distributers, with 53% feeling it would grow, while manufacturers were more conservative (30%). Overall, about half the respondents (49%) felt that new orders and 42% that production would increase over the next six months. Conversely, they feel that order backlogs and inventories would decrease (29% and 25%, respectively), while the majority (56%) felt they would stay the same. Distributors are more likely than manufacturers to feel that new orders and production would increase, while manufacturers are more likely to feel that their order backlogs would decrease.

Investment priorities

The top three investment priorities in the coming year are increasing sales (53%), increasing productivity (36%), and developing new markets (36%). While manufacturers are more focused on increasing productivity, efficiency, and sales, distributors are more focused on increasing sales, investing in better customer service, and developing new markets.

Investing in new technology

While 46% of all respondents plan to invest in new technology to support their investment priorities in the next six months, interest in technology investment is especially strong among respondents who distribute their products (53%). About one out of four of those who are pure manufacturers (38%) plan to investment in new technology.

Business is coming back from overseas

About one out of five respondents (22%) is gaining new business as the result of domestic companies’ bringing their manufacturing back to the U.S. (“reshoring”). About a third of manufacturers (33%) are gaining new business this way.

Manufacturers who are gaining business from “reshoring” are benefitting by offering their customers greater flexibility to make adjustments to the product based on the market response and by the ability to produce smaller lots.

None of the manufacturers responding planned to “off-shore” any manufacturing to other countries, while 5% planned to bring some of their production back to the U.S.

Future positive and negative impacts on business

Among the three areas that respondents see as having the most positive impact on their businesses are: Stronger domestic demand (68%), the global economic recovery (36%) and the “reshoring” of manufacturing (26%). The “reshoring” of manufacturing was mentioned by two out of five manufacturers. The weakened U. S. dollar or stronger regulations favoring U.S. businesses were considered to be relatively minor impacts.

Among the trends that respondents foresee as having the most negative impact on their businesses, a domestic slowdown was the greatest concern (53%), followed by stronger regulations (quality, environmental or financial) (35%) and a global economic slowdown (29%). Manufacturers were especially concerned about a domestic economic slowdown.

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