



**MARCUM'S
2023 NATIONAL
MANUFACTURING SURVEY**

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MARCUM
ACCOUNTANTS ▲ ADVISORS

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About Our Consumer & Industrial Product Group

Marcum is uniquely qualified to serve manufacturers and distributors with seasoned professionals who understand the industry and specific market forces that are driving business decisions. Marcum's industry professionals guide clients through personalized, innovative strategies to increase profitability and maximize their competitive advantage.

Visit www.marcumllp.com/industries/consumer-industrial-products/industrial-products to learn more.



Marcum Consumer & Industrial Products Leadership Team



MICHAEL SACCO
National
Consumer & Industrial
Products Leader



JONATHAN SHOOP
Midwest
Consumer & Industrial
Products Leader



JEFFREY ROSSI
New England
Consumer & Industrial
Products Leader



THOMAS MIRANDA
New York
Consumer & Industrial
Products Leader



RONALD FRIEDMAN
California
Consumer & Industrial
Products Leader



NICK ANTONIAN
California
Consumer & Industrial
Products Leader



ADAM FIRESTEIN
Southwest
Consumer & Industrial
Products Leader

The 2023 Marcum National Manufacturing Survey was administered in March 2023.
To make sure you are among the respondents for Marcum's 2024 National Manufacturing Survey,
contact jordan.difranco@marcumllp.com.

Executive Summary

The 2023 Manufacturing Survey results show a mix of confidence and trepidation on the part of the hundreds of business leaders who participated. The general resilience of the economy coupled with improving supply chains buoyed spirits. That led to 71% of respondents feeling either confident or cautiously optimistic about the coming year. Pessimism was driven by concerns about rising interest rates, inflation, ongoing labor shortages, and slowdowns across various manufacturing sectors.

The apparent contradictions in the report make sense in the context of an economy coming off more than a decade of historically low rates and entering what is likely to be a “new normal” with the Fed keeping rates higher as it combats inflation. Whether this triggers a recession in the U.S. is still in question – although many countries officially hit recession status in 2023 already.

Against this backdrop, technological change is offering challenges and huge opportunities for manufacturers. Artificial intelligence (AI) is making radical progress and offers promise for easing the labor crunch and driving efficiencies in manufacturing. Companies that tap the power of AI and use technology like enterprise resource planning (ERP) systems to their full potential will come out ahead. On the flip side, cybersecurity continues to grow in importance as companies of all sizes now face sophisticated threats. These days all companies are tech companies on some level.

In analyzing these results, we’ve tried to provide some solutions to common problems and ideas for making your business run better. With sidebar articles featuring actionable insight and industry expertise sprinkled throughout, we hope you find this report engaging and useful.

Sincerely,



JONATHAN SHOOP
Midwest Consumer &
Industrial Products Leader
216.242.0820

Overview – Trends

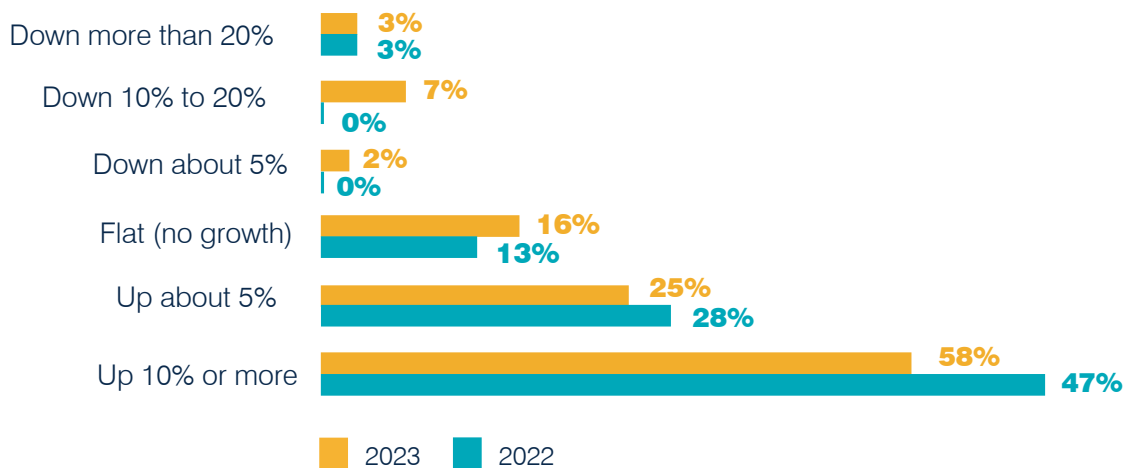
STRIVING TO GROW WHILE PLANNING FOR CHALLENGES

The mixed feelings of respondents were perhaps clearest on the revenue line. While 72% grew revenue at least 5% year-over-year, that cohort was 14% smaller than prior year. Similarly, the 47% reporting revenue growth of at least 10% was also smaller than in 2022. This suggests that a slowdown was beginning early in 2023 when surveys were answered, something that broad manufacturing indices are now showing.

Another indication of sluggishness is seen in the way respondents plan to handle rising interest rates. Whereas last year, 70% planned to raise prices, just 38% plan to this year. And while 33% planned to reduce expenses in 2022, that number rose to 48% this year.

The worries about interest rates and a potential recession have also made manufacturing companies much more careful with cashflow, particularly as many respondents reported that it was much more difficult to pass through higher expenses for materials to customers. Another indication that companies are belt tightening is in workforce planning. Last year, 63% of respondents planned to boost hiring by 5% or more while this year only 36% had such plans. Some of this could be driven by gains in operational efficiencies thanks to AI and technology, but we believe a good portion is based on the need to manage cash reserves and/or lower growth projections.

How did your company's revenues change from last year compared to the year prior?



15%
27%

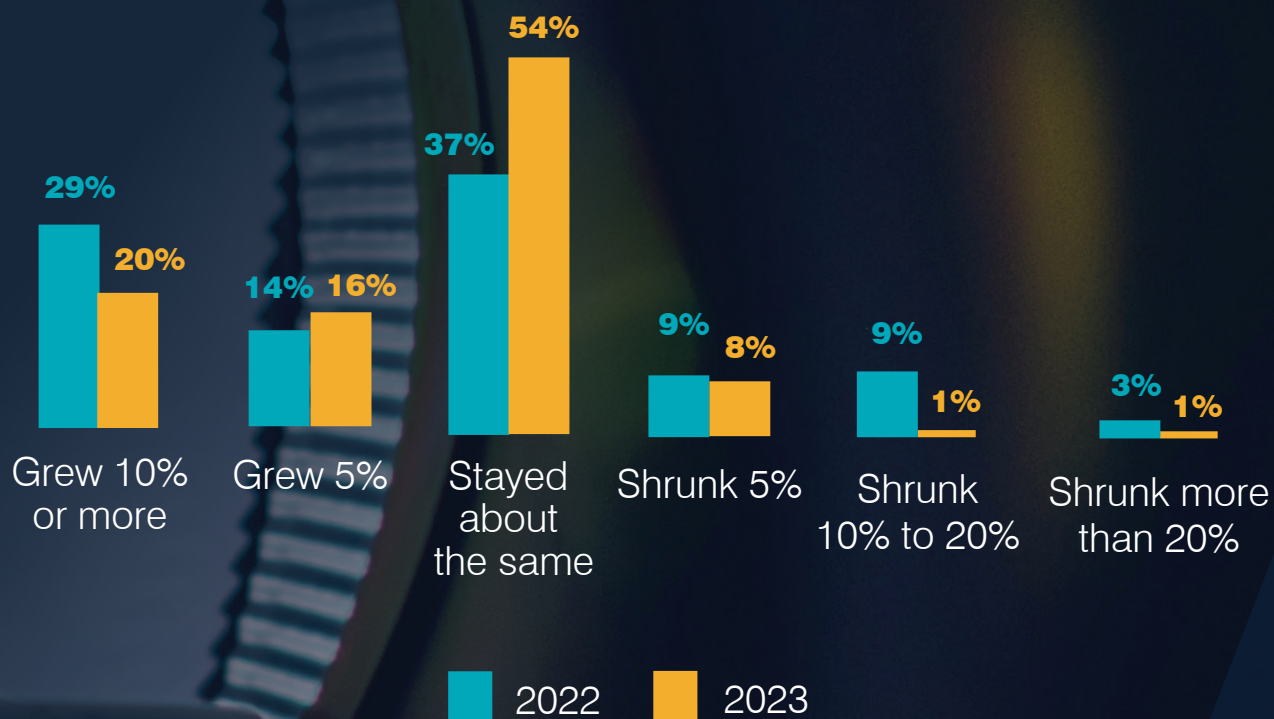
Increased expense reduction plans for 2023

Decrease in hiring efforts

MARCUM



Looking back on the last 12 months, did your company's workforce grow, shrink, or stay about the same?





Even as technology solves some talent problems, companies expect the competitive labor market to continue in the long-term.

Workforce Issues Easing but Persistent

While the “great resignation” has subsided and some economists are speculating that the pendulum is swinging back in the direction of employers, the survey showed that finding and retaining talent – particularly skilled workers – remains a pain point for manufacturers. 75% of respondents said workforce recruitment was a critical issue for their company. This was down a couple of percentage points from 2022, but still points to a heavy burden for most manufacturers.

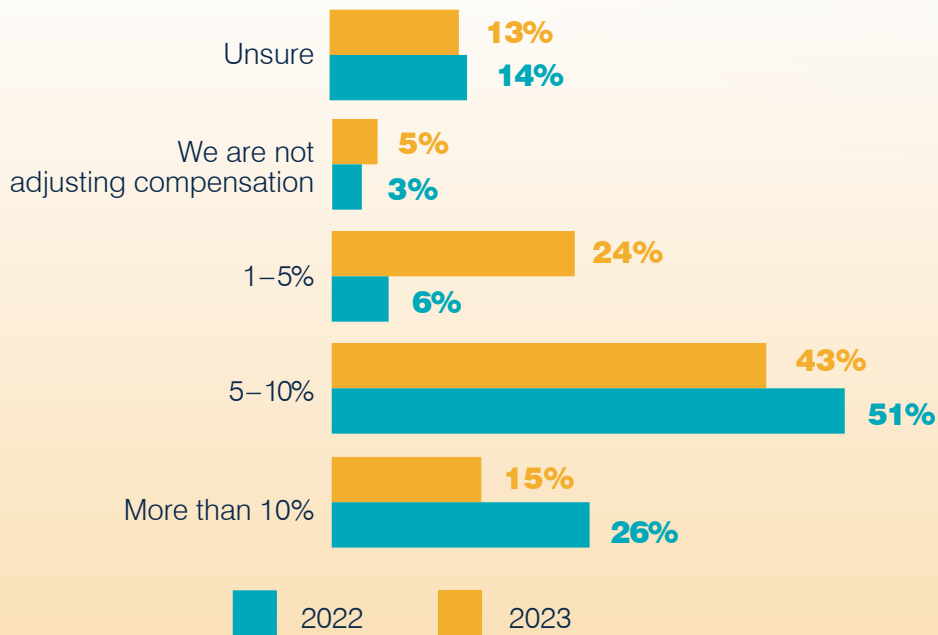
And while securing and retaining skilled labor was cited as the greatest challenge facing respondents for the third year in a row, signs of improvement in employment issues were seen in lower planned employment growth overall, fewer expected retirements, and lower planned wage increases. While 77% planned to increase pay by at least 5% in the 2022 survey, just 58% are looking to this year,

with the number of respondents planning larger pay increases also tapering off.

Even as technology solves some talent problems, companies expect the competitive labor market to continue in the long-term. A high of 88% of respondents said that up to 15% of their employees will need to be replaced due to retirement in the coming four years. Of that group of retirees, respondents said a majority held highly skilled or managerial roles. Building a strong bench continues to be crucial and difficult even in an uncertain environment.

To ease the burden of building a workforce capable of taking your company into the future, partner with an expert like Marcum that can help with HR consulting, training, onboarding, recruiting, and in other key areas.

Over the next two years, how do you expect to adjust average compensation (including benefits)?



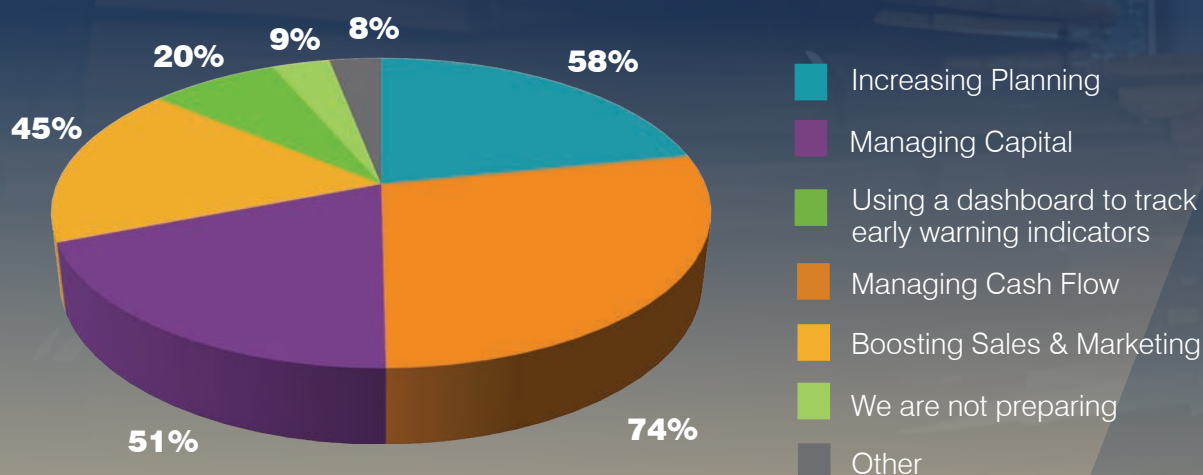
75%

Workforce recruitment is a critical issue for those surveyed

Economic Anxiety Rising Only Slightly

When asked about a potential recession, 74% of respondents said they were managing cash flow, which is a prudent practice, but needs to be balanced by meeting hiring needs, investing for growth, and potentially making acquisitions. The next-largest response was 58% saying they were increasing planning, followed by managing capital. Interestingly, 45% said they were increasing sales and marketing, indicating an aggressive stance and showing confidence in the resilience of both the economy and their companies. Nonetheless, there were clear indications of belt-tightening throughout the survey, most notably in a fairly sharp reduction in planned increases in workforce sizes.

What actions are you taking to prepare for a potential recession?



Economic Anxiety Rising Only Slightly (Continued)

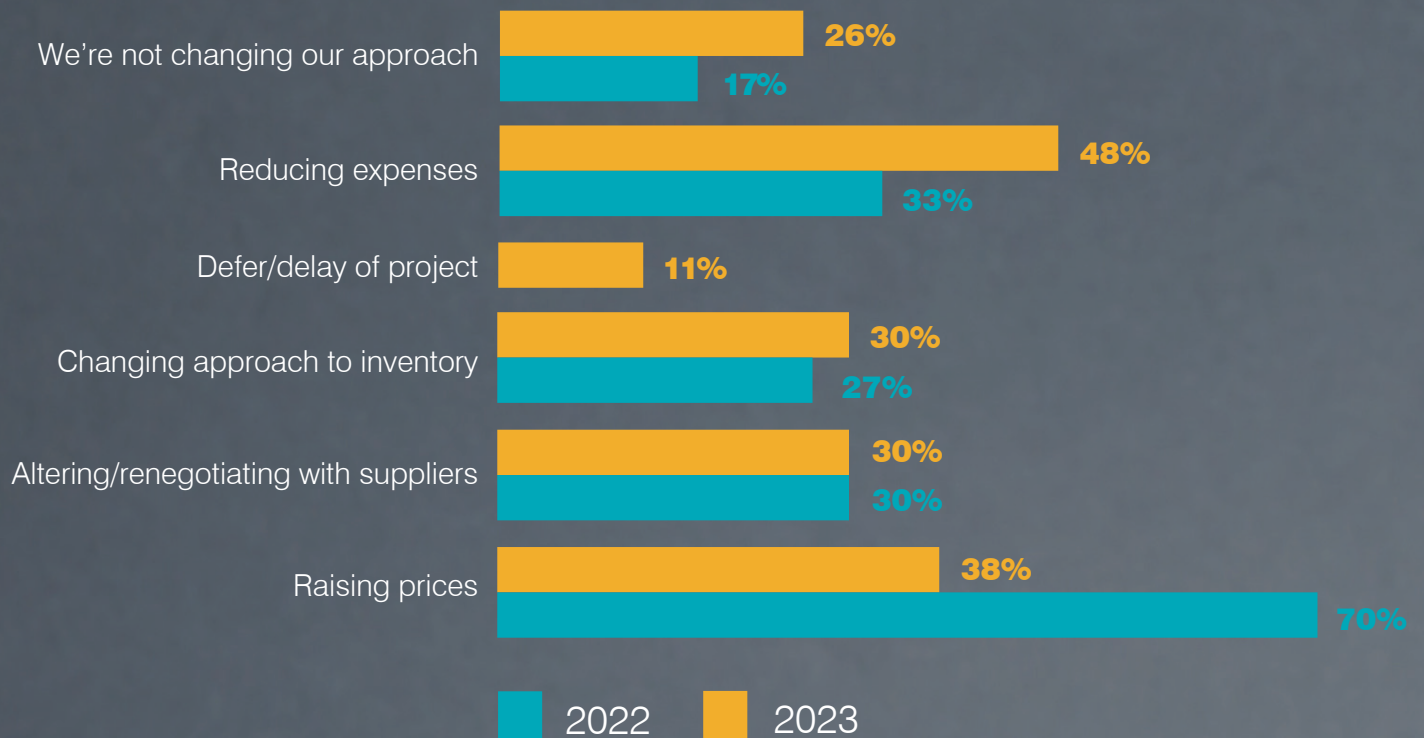
When asked about coping with rising rates, just 38% of respondents were planning to raise prices, falling from 70% last year. Instead, the top answer this year was reducing expenses, at 48%, followed by changing the approach to inventory and altering/renegotiating with suppliers at 30% a piece. While all companies are feeling the pinch of rate increases, just 34% of respondents expected rates to affect their business more in the coming year, perhaps suggesting that people believe the Fed has done most of their work and their companies are prepared for a higher rate environment.



FRAGILE



How does your company plan to address rising interest rates in the coming year? (Select all that apply)



Responses Suggest Tax Opportunities

With some pandemic-related programs ending, there was a decline in the percentage of respondents taking advantage of tax incentives overall. The most notable decline was those benefiting from state & local tax credits, which went from 50% in 2022 to 38% this year. Those leveraging the Work Opportunity Tax Credit declined from 32% in the prior year to 21% this year. For the first time, we asked what percentage of sales respondents planned to devote to research and development (R&D). The overall average of 7% suggests a significant R&D tax credit opportunity, particularly for those doing the work in-house.

Perhaps most notably, a full 20% of respondents said they were not taking advantage of any tax credit. This is remarkable because reducing taxes

was once again the highest political priority cited in this year's survey. With numerous options available from federal, state, and local entities, it's quite likely you're missing out on some ways to improve your profits by tweaking your approach to taxes.

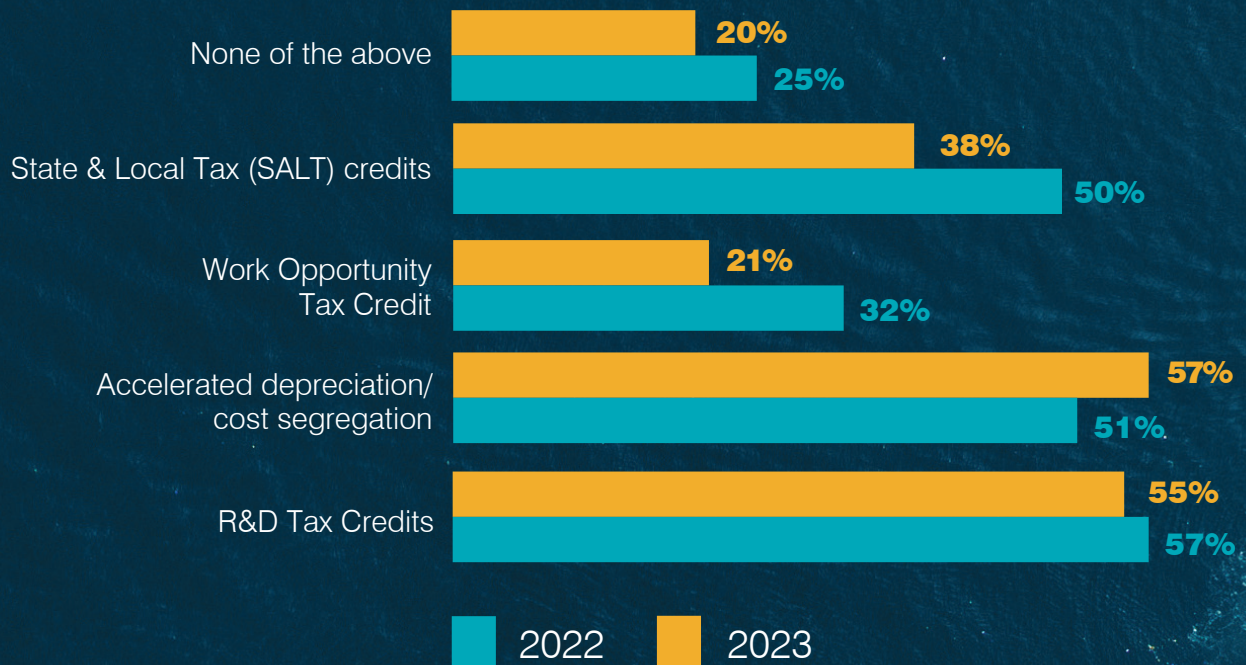
Check out Jon Shoop's sidebar article for more information and be sure to work with a tax expert who understands all the tax possibilities available to manufacturers.



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For the first time, we asked what percentage of sales respondents planned to devote to research & development. The overall average of 7% suggests a significant R&D tax credit opportunity, particularly for those doing the work in-house.

Are you taking advantage of the following tax incentives? (Select all that apply)





Leverage Every Tax Advantage Possible

Each year in this survey, we ask how many manufacturers are benefitting from various tax incentives. Each of the last three years at least one-fifth of respondents say they're not using any tax incentive program. These include federal, state, and local opportunities to reduce tax burdens, stimulate growth, and ultimately boost your bottom line.

I can only assume those people not using any tax incentive or those underutilizing those available simply don't know what's out there, how to access available programs, or where to turn for advice. When it comes to taxes, ignorance is not bliss. Your company could be missing out on thousands or even millions of dollars in savings if you're not consistently evaluating what various government entities offer.

CAPTURE YOUR FAIR SHARE

If you're missing out on tax credits and incentives, you're not alone. More than half of all tax credits and incentives are unclaimed every year. That's not surprising considering many of us view taxes as an annual hassle rather than a way to increase profits and build a stronger company.

Because potential credits and incentives vary based on what type of business is involved, your company's goals, and your location, keeping track of which benefits are best for you is challenging. A strong tax advisor can make this process fast and painless – and will likely more than pay for themselves.

Governments offer incentives for companies creating jobs, conducting research, providing training, and other qualified expenses. The key is finding them. An advisor like Marcum will work with you to find ways to reduce tax burdens and capture refunds. Here are a handful of opportunities you may not know about:

- The Research and Development (R&D) Tax Credit – Since 1981, the U.S. has tried to incentivize R&D work. The best part is that R&D is often a required element of staying competitive and driving growth, so this is a way to benefit from keeping your company healthy. R&D can apply to not only product design but also process improvements in sales or logistics. Meeting this credit does require specific criteria, and an advisor can ensure you hit the thresholds.
- Credits specific to manufacturers – These deductions, property tax deferrals, passthrough entity taxes, and other incentives vary based on state and local entities. Though they may have limited eligibility, the right tax expert can identify those that work for your company.
- Energy efficiency incentives – The 179D federal deduction is potentially available for new construction or improvements to existing buildings. This is aimed at companies that reduce energy use by improving the efficiency of a building's envelope, HVAC system, and/or interior lighting. Select states offer further incentives.

- Are you exporting your products internationally (Canada and Mexico included)? Consider creating an Interest Charged Domestic International Sales Corporation (IC-DISC) to make those export sales. Utilizing an IC-DISC can help reduce Federal income tax on those sales by 7-8% with certain tax structures.

These are just a handful of possible avenues for avoiding unnecessary taxes or even capturing refunds that you'd otherwise miss. The key is doing the research, determining eligibility, and then capturing the opportunities as they arise. Drop us a line to get started.



JONATHAN SHOOP

Marcum Midwest Consumer &
Industrial Products Leader
216.242.0820

At a very high level, what are your company's
TOP THREE business strategies?

(Please rank them –1 being highest, 3 being lowest)

■ 2022 ■ 2023

Increased productivity
and profitability

1

Increased productivity
and profitability

Offer more customized
and specialized services

2

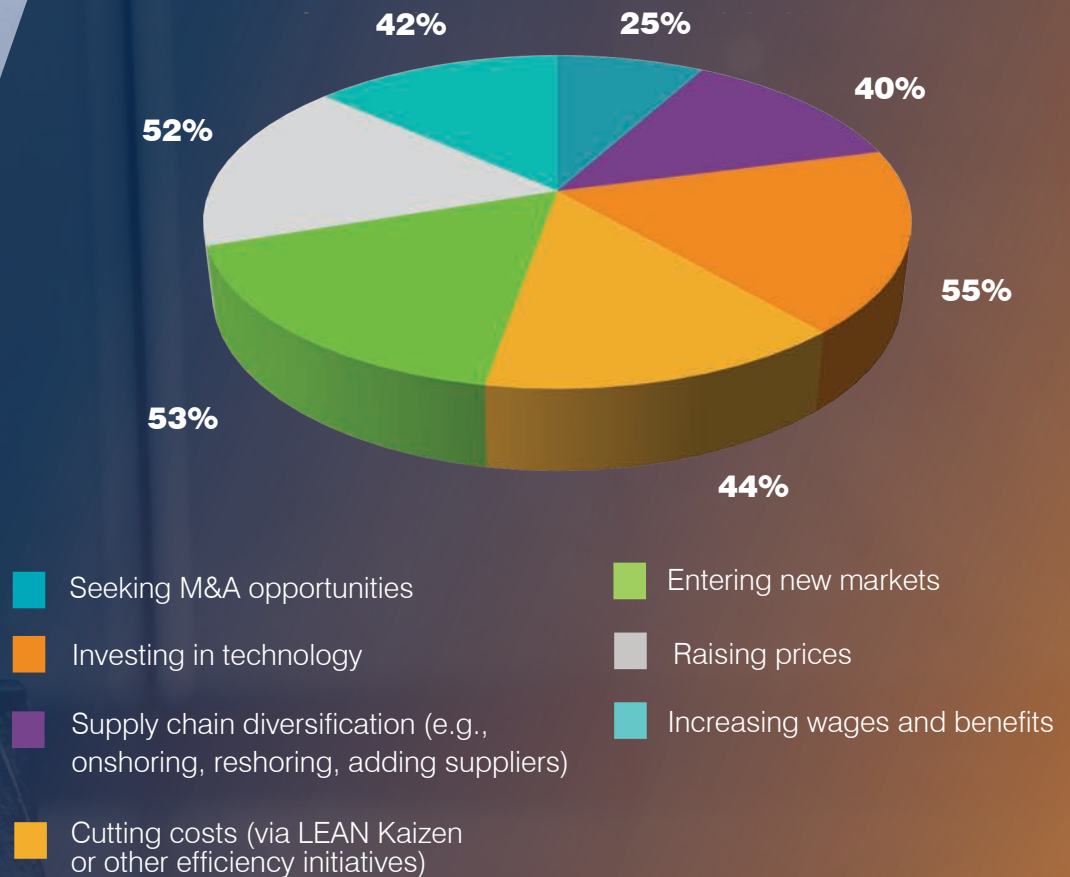
Expand through acquisition
and grow footprint

Expand through acquisition
and grow footprint

3

Compete on price

Which of the following actions does your company plan to take this year:
(Select all that apply)



An ERP Audit Helps Maximize Benefits of Technology

Enterprise resource planning (ERP) has long helped manufacturers run their businesses more effectively and efficiently, but few companies capture all the value possible from these incredibly robust systems.

When used optimally, an ERP helps businesses manage and support a wide range of business activities, including billing and payments, ordering, human resources, manufacturing processes, and much more. Put simply, an ERP system makes businesses run more efficiently and effectively.

FAST-CHANGING TECHNOLOGY

The newest ERP systems are incredible tools that can support automation and improve processes across virtually every aspect of a business. Innovations like data analytics and artificial intelligence are radically reshaping ERPs in real time. Even if your system is newer, it is worthwhile to look closely at how you're using it.

The regular and sometimes dramatic improvements ERPs are undergoing are both an opportunity and a challenge for busy business owners. It can be hard to keep up with the rapid advances of ERP systems, and your current ERP might not be doing all that you ask of it. That's why checking your ERP system's efficacy regularly is well worth the effort. That's where an ERP audit comes in.

HOW AN ERP AUDIT WORKS

An audit involves an unbiased third party, separate from any ERP provider, to test and review your ERP to ensure you're maximizing the

benefits of the system. Key elements of an ERP audit include:

- Technical review that assures users that the system is up-to-date and meeting business needs
- Making sure individual components of the system are "talking" to each other to ensure data quality
- Ensuring the ERP is smooth and easy to use, as difficult interfaces can lead to lower usage and degrade efficacy
- A review of what systems are part of the ERP to help avoid common pitfalls such as having separate payroll or inventory management systems that are fully outside the purview of the ERP
- A look at your evolving business needs to be certain that your ERP is supporting present and future goals

WHY IT'S WORTHWHILE

Audits from professional third parties are a system-agnostic way to deeply analyze an ERP. They often uncover opportunities to improve your business, whether through faster processes, more reliability, improved accuracy, or lower expenses. By carefully reviewing your ERP, an auditor can quickly tell you whether or not the ERP can meet your business needs, if you're fully realizing its potential, and how to remedy any issues or capture opportunities.

Sometimes the fix is as simple as tweaking usage or updating the software, while other times it might mean a more comprehensive change. Either way, a professional ERP auditor can help guide you through the process.

GETTING STARTED

Many companies offer ERP auditing services, including our trusted and experienced team at Marcum Technology. You can learn more about the [ERP auditing process here](#) or contact Vice President, Strategic IT Consulting [Dave Mustin](#) with any direct questions.



BENJAMIN COOK
Marcum Assurance Manager
216.242.0814



MARCUM

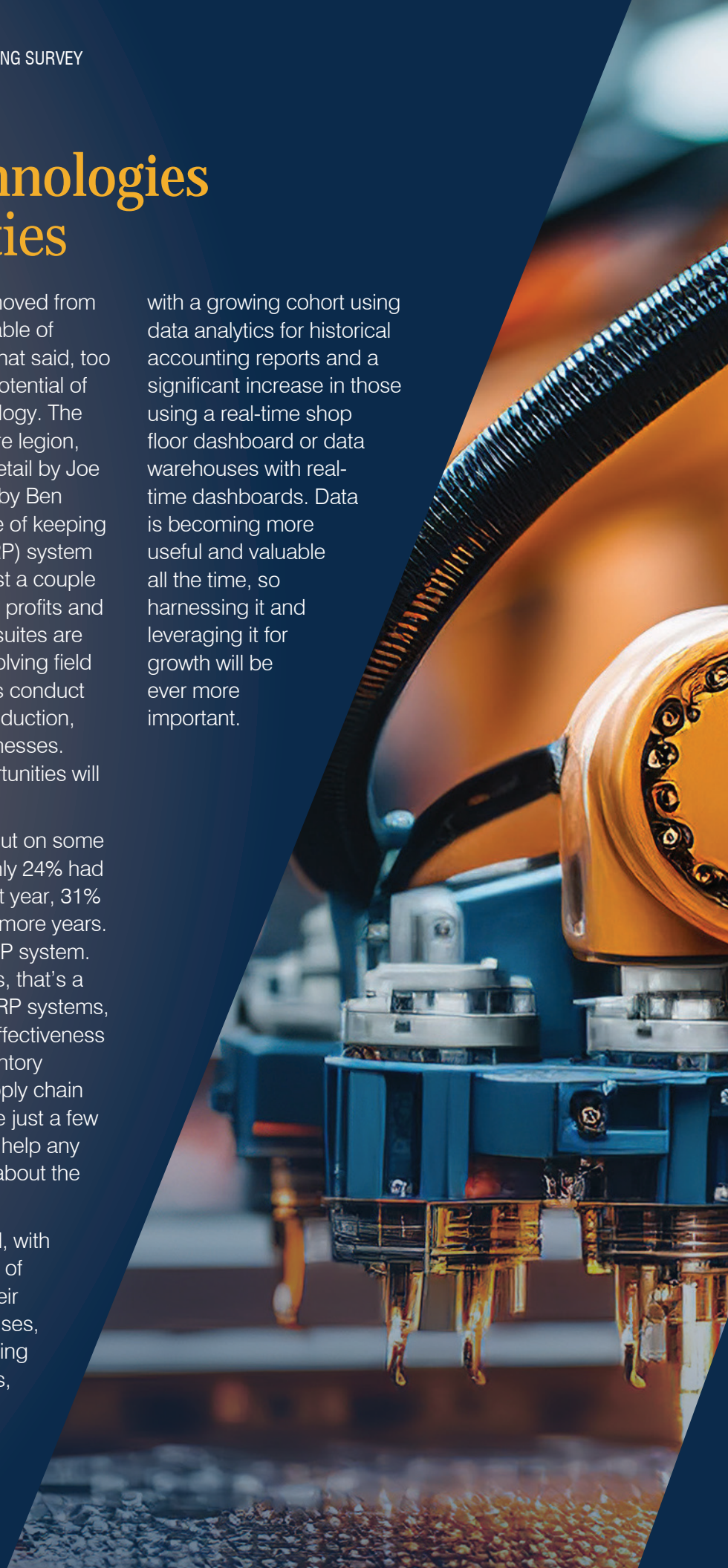
Emerging Technologies Offer Possibilities

Artificial intelligence (AI) has quickly moved from buzzword to a real-life tool that's capable of reducing workloads like a buzzsaw. That said, too few companies fully understand the potential of this powerful and multifaceted technology. The possible benefits for manufacturers are legion, and they are touched upon in more detail by Joe Brady in his sidebar on logistics, and by Ben Cook in his sidebar on the importance of keeping your enterprise resource planning (ERP) system on the cutting edge. And those are just a couple of examples of how AI can boost your profits and drive efficiencies. Scores of software suites are making huge strides in this rapidly evolving field in ways that will affect how companies conduct their marketing, customer service, production, and arguably every facet of their businesses. Those who fail to capture these opportunities will likely be left behind.

Most respondents are likely missing out on some of the potential of ERP systems, as only 24% had made a major ERP upgrade in the last year, 31% had not made an upgrade in three or more years. And 14% said they do not use any ERP system. Given their efficacy in a range of areas, that's a missed opportunity. Of those using ERP systems, 73% said operational efficiency and effectiveness was their top priority, followed by inventory management/control at 61%, and supply chain management at 42%. Again, these are just a few of the ways a strong ERP system can help any manufacturing business, so learning about the latest offerings is well worth the effort.

Data analytics is another growing field, with 89% of respondents using some form of data analytics to better understand their business. Looking at historical responses, manufacturing companies are becoming more attuned to the upside of analysis,

with a growing cohort using data analytics for historical accounting reports and a significant increase in those using a real-time shop floor dashboard or data warehouses with real-time dashboards. Data is becoming more useful and valuable all the time, so harnessing it and leveraging it for growth will be ever more important.



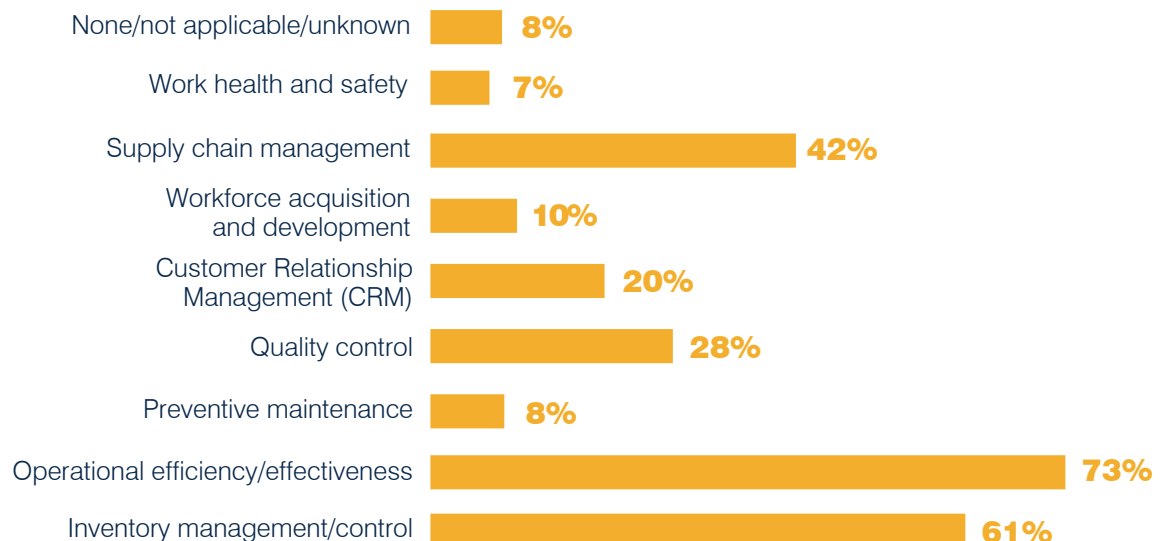
Most respondents were very aware of the need to use technology, with 51% citing a new automation or technology project in the coming year. This was followed by 41% planning to enhance cybersecurity and 24% planning a new or upgraded ERP system. Launching digital manufacturing, Industrial Internet of Things, connected machines or similar technologies was at 15%, while launching 3D printing or additive manufacturing for prototyping or production rounded out the top four at 14%.

EMERGING TECHNOLOGIES ALSO CREATE THREATS

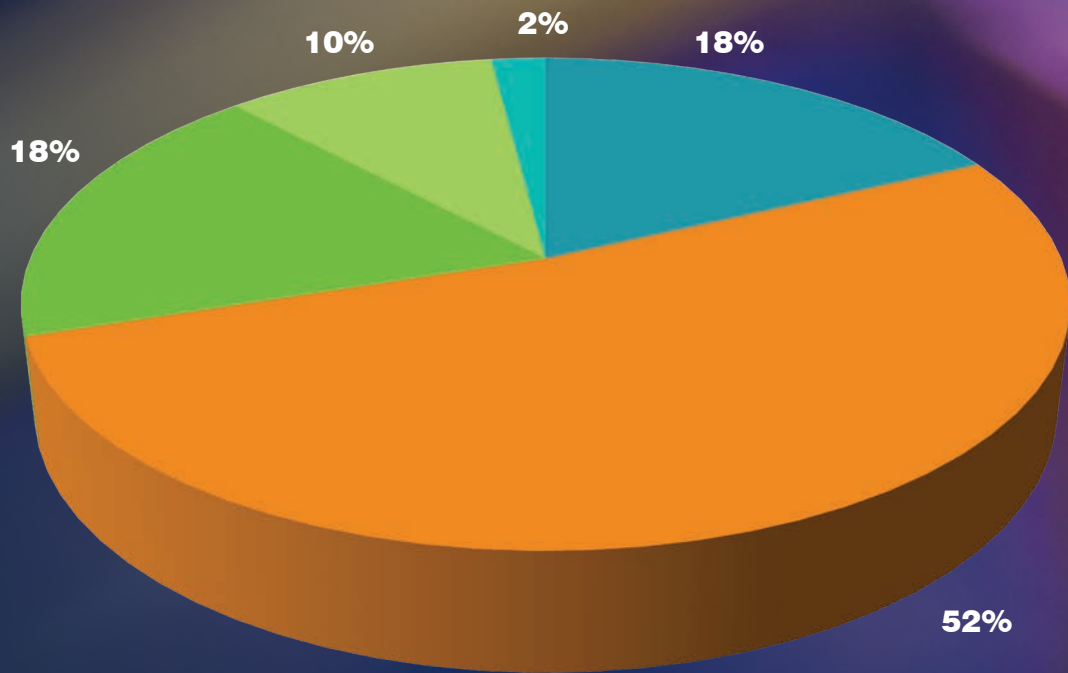
Of course, all that technical innovation means companies increasingly rely upon it. With that comes increased risk. That means cybersecurity is no longer an optional add-on to your company's day-to-day business, and it was good to see increasing awareness of this threat, but a notable 60% of respondents were either "very confident" or "confident" that their technology was protected against cyber threats.

The hard truth is that cybersecurity threats are rapidly evolving and while big breaches affecting millions of users at a time get the headlines, bad actors target companies of all sizes and in all industries. It's crucial to follow some fundamentals to protect company assets. A simple penetration test could reveal weaknesses and save a lot of time, pain, and money. It's an imperative, and Joe Compton's sidebar explains why no company is safe from cyber threats and what you can do to protect your company and its assets.

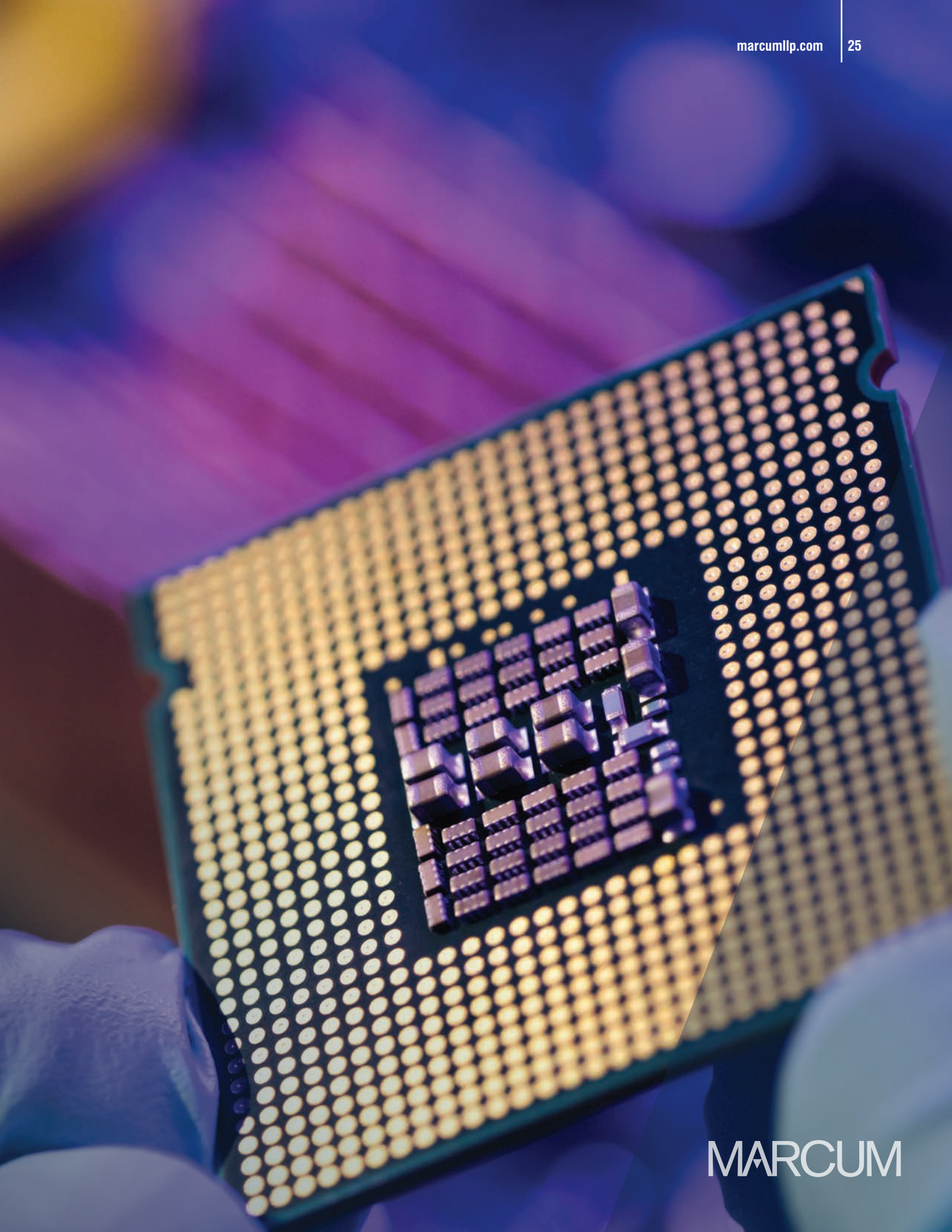
What are your biggest priorities with an ERP system?



How confident are you that your technology is protected against cyber threats?



- Very confident
- Confident
- Neutral
- Concerned
- Very concerned



Manufacturers Renew Focus on Cybersecurity

As manufacturers rely more and more on technology, cybersecurity issues have started to impact operations. While breaches at large companies or governments make headlines, the reality is that everyone online is at risk. In fact, 83% of all organizations had more than one data breach in 2022, according to the IBM Data Breach Report.

Companies must take every possible step to protect data because the consequences of a breach can be devastating. That's true whether your company has a simple website or embraces automation tools and sophisticated operational software. A successful cyberattack will cost time, money, and potentially reputational harm.

WHY IT MATTERS

Even the most old-school manufacturer is still processing customer data, tracking orders, and interacting with clients and prospects online.

Remote work and mobile device use has grown and so have the risks of data loss. These trends and others leave companies exposed to risks from phishing, ransomware, malware, and other threats.

Cyberattacks can do more damage than simply disrupt a company's business. Depending on its systems and processes, a company can experience deep financial, reputational, and even physical harm as the result of a cyberattack. Here are some examples:

- A ransomware attack on a system without proper backups and safeguards can result in the loss of all system data.
- The breach of a network that controls shop floor activity can destroy batches and damage machines.

- The hacking of an enterprise resource planning (ERP) or other data system with privileged data can expose customer information and subsequently cause reputational damage and potential financial liability.
- A hack can result in intellectual property (IP) loss. Bad actors in low-cost manufacturing countries often steal proprietary product information and processes so they can manufacture them cheaper.

Beyond being sound business for any company, a solid cybersecurity plan might be a requirement for some clients. The FBI has heightened concerns around critical providers like powerplants and defense manufacturers, which means that if a company is doing or subcontracting for government work, they may be required to hold some cybersecurity certifications.

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These attacks can do more damage than simple disruption to company business. Depending on a company's systems and processes, a successful cyberattack can cause deep financial, reputational and even physical harm.

– JOSEPH COMPTON
PARTNER, IT RISK & ADVISORY
SERVICES DIVISION

REDUCING RISK

Fortunately, there are some fundamental steps any company can take to make breaches less likely and mitigate the damage of those that occur. All baseline cybersecurity is built around a proactive stance that includes:

- Building cybersecurity into all strategic planning as a vital part of operations, including:
 - Budgeting for it and prioritizing it;
 - Ensuring you have the right resources for executing your security plan; and
 - Maintaining updated policies and procedures to protect all systems, including laptops and mobile devices.
- Conducting regular cybersecurity training for employees, recognizing that:
 - People are the weakest link in any cybersecurity operation, so it is vital to train and test everyone with access to your systems, focusing on phishing and other cybercrime methods to prevent internal breaches.
- Performing regular risk assessments with at least an annual penetration test that:
 - Analyzes controls, evaluates threats, finds and addresses security gaps.

ASK MARCUM

Planning and committing the right resources are key to building the strongest possible cybersecurity defense. The number of threats and their sophistication continue to grow, so any approach must evolve to stay ahead of the criminals.

If you're feeling exposed, subject to regulatory requirements involving cybersecurity, or just wondering how secure your systems are, contact Marcum for a [vulnerability assessment and penetration test](#). It's a fast and easy way to evaluate your cybersecurity protocols and gain some peace of mind.



JOSEPH COMPTON

Marcum IT Risk and Advisory
Services Partner
216.242.0865

Proactive Approach Vital to Logistics Success

Far too many manufacturing executives only notice logistics when something goes wrong. The COVID-driven supply chain agony of the past few years has put the supply chain on the front burner for the first time for many companies. It should stay there for companies that want to boost the bottom line by actively and consistently improving their supply chains.

Scores of emerging trends are creating tremendous opportunities for better customer experiences, more loyalty, more savings, and greater efficiency. Savvy executives know that great logistics is a competitive differentiator that keeps customers happy. They constantly evaluate their operations and those of their competition to remain in the best position.

WHAT LOGISTICS ENCOMPASSES

Logistics is a simple word for processes that can be quite complex. It involves front-end systems like sales forecasting, demand planning, sourcing, tracking products, order management, and more. The back end of logistics includes movement between facilities, inventory management, delivery, claims management, and reverse logistics (returns). Ideally, every aspect of the process maximizes efficiency and creates a simple, seamless process for both employees and customers.

WHY IT MATTERS

Most manufacturing company leaders don't fully appreciate the need for agility in logistics. Details matter a lot and small changes add up quickly. A great logistics setup ensures that the right inventory is in the right place at the right time. It reduces cycle times to make it easier for customers to buy. It ensures you're getting the

best market pricing for all inputs. It provides real-time visibility into all aspects of the process, something which most customers expect nowadays. Finally, it allows companies to view, measure, and understand how logistics affects their margins, valuations, and competitive positions.

BEST PRACTICES

Many small- and mid-sized manufacturing companies have a disconnect between the C-suite and logistics functions. Few logistics professionals have a seat at the executive table, so communication is sparse and all-too-often focused on problems and pain points rather than improvement opportunities and ways to expand customer relationships and increase value.

The best companies focus on several key things:

- **The ideal customer experience** – They put themselves in the customer's shoes and strive to create the perfect order (the right product, at the right time, for the right cost, and hitting the right destination). This creates loyal and reliable customer relationships.
- **Focus on the bottom line** – By benchmarking, constantly improving, and understanding competition, companies can gain and retain an edge.
- **C-suite involvement** – Leadership understands what tools are available and how to leverage them for maximum benefit. This could even include an official logistics council that has outside experts providing insight, goals, and steps for continuous improvement.

THE ROLE OF TECHNOLOGY

As with many aspects of our lives, recent technical strides are transforming logistics. If you're not always paying close attention, you're likely missing out on ways to make your company more effective and profitable. The opportunities are staggering, but you need to understand the emerging and existing technology and how it helps improve operating performance. Here are just a few examples:

- Robotics and drones in warehouses and distribution centers are tools that do repetitive tasks and can easily integrate into improve operations.
- Artificial intelligence, which can help recognize patterns, fulfill orders, improve customer service, and provide dozens of other improvements. This is a newer field but also the one making exponential leaps.
- Cloud software, which adds security, improves visibility, and delivers significant efficiency gains.
- Analytics, which tie everything together and provide insight into how each system is working.

Analytics can not be effective without a highly integrated technical system involving all tech stacks within a company "talking" to each other. Be sure your enterprise resource planning (ERP) software is communicating with all aspects of your business, whether that's a warehouse management system, customer relationship management (CRM) system, or any other system that touches or affects logistics. Everything must integrate and be easy to use to create the most efficient supply chain possible.

PLANNING FOR SUCCESS

The pandemic exposed many companies' logistics weaknesses, showing they were not ready to handle catastrophic issues. While transportation is improving, rates are settling down, and capacity is rising, this is no time to relax.

There are countless cost-reduction opportunities that don't jeopardize capacity, as highlighted here. There are also always some possible storm clouds on the horizon that warrant risk mitigation. Two simmering issues right now are labor issues, like those we saw affecting UPS, which could affect the whole supply chain (not just customers) if they bubble over. Additionally, Yellow Freight is once again in financial trouble and restructuring after a government bailout in 2020. As one of the nation's largest LTL carriers, a collapse there would lead to a huge capacity issue. And that's not to mention wildcard problems that inevitably arise, such as the I-95 bridge collapse in the Northeast. Planning is key.

Proactive Approach Vital to Logistics Success (Continued)

GETTING STARTED

Ask yourself and your logistics professionals: How prepared are we? Assess your current situation and define ideal outcomes. Dive deep to understand your top competencies as they relate to logistics. See how you're performing and how improvements can help your company grow.

A ranking of key issues such as voice of the customer, fulfillment, data visibility, cost complexity, fulfillment cycle time, and other measurable areas will help. Be sure to get feedback from customers, middle management, frontline workers, and executives to get a true understanding of your company's performance. Include a market evaluation to ensure you're getting the best prices, features, and outcomes. Use the results of all this research to build a roadmap for how to dedicate time and resources.

Approaching logistics as a science allows you to go beyond moving product to doing so seamlessly, efficiently, and with the best possible outcomes for the customer and the company. Tapping the best tools and tactics to do so will drive results and help every aspect of your operating performance.



JOE BRADY
President of Brady Partners
440.653.0352





MARCUM

Looking Ahead

With so many macroeconomic and geopolitical questions unsettled, it will be fascinating to see how the rest of the year plays out for manufacturing companies. Will the recent onshoring trend continue? How will a presidential election year affect consumer and company sentiments? We should have more insight into these and numerous other factors affecting macroeconomic performance, including the slowing of the Chinese economy, fallout from the ongoing Ukraine war, and other crises by the time our next survey rolls around. We look forward to getting your thoughts and helping put them into context in our next report. We hope you enjoyed this year's effort and we welcome your feedback as always.



Closing Remarks

First and foremost, thank you to every reader of and respondent to our 2023 Marcum's National Manufacturing Survey.

We are deeply grateful that you turn to Marcum for the insights that drive our industry, and work hard to be a leading provider of information and advice. Your enthusiasm and trust enable us to do work that makes a difference. That opportunity means more than I can say.

This year's survey highlights a few clear challenges on the horizon, and while we strive to overcome them, it's important to recognize that adversity is always accompanied by opportunity. Many of those responding to this year's survey are planning to spend the next 12 months adopting strategies to manage cash flow, expenses, technology and IT investments, and workforce planning. If you're among them, rest assured that the benefits of these initiatives will far outlast any short-term economic trends. There is a significant shift in workforce planning. While some of this change may be attributed to gains in operational efficiency driven by advancements in AI and technology, a considerable portion is influenced by the need to manage cash reserves and adjust growth projections in light of uncertainties and changes in revenue projections.

I'd also encourage those with capital resources to turn this environment to their advantage by seeking out strategic acquisition targets with complementary strengths. Companies that lack the infrastructure to weather the storm may also be on the market with decreased value, and a strategic merger and acquisition strategy can help save the seller and bolster the buyer's strengths.

Finally, keep in mind that it's only when we're up against something that we can show our strengths. Take pride in the resilience you've all demonstrated over the past few years and continue investing in your growth. That may be as simple as exploring new technologies, reassessing operations and accounting practices, or optimizing your tax positions, all of which are simple steps that could reap huge benefits into the future.

Once again, thank you to our readers and respondents. I look forward to another monumental year for our industry and seeing you here again in 2024.

Best,



MICHAEL SACCO, CPA
Partner, National Consumer &
Industrial Products Leader
212.842.7032

Survey Results

Which one of the following best describes your company's primary business? Are you a: (Select one)

Discrete manufacturer	46%
Process control manufacturer	10%
Combination of discrete and process control manufacturer	10%
Not Applicable	10%
Other (please explain)	24%

How many employees (full and part-time) does your company employ in all its facilities?

Less than 25	26%
26 – 100	38%
101 – 500	28%
501 – 1,000	1%
More than 1,000	7%

In 2022, what were your company's annual revenues?

We are pre-revenue	4%
\$0 - 10 million	33%
\$11 - 50 million	37%
\$51 - 150 million	15%
\$150 million	11%

Do you export or import? (Check all that apply)

Export	57%
Import	49%
Neither	31%

How did your company's 2023 revenues compare to 2022?

Up to 10% or more	47%
Up about 5%	25%
Flat (no growth)	16%
Down about 5%	2%
Down 10% to 20%	7%
Down more than 20%	3%

Have you leveraged new technology (AI, augmented reality, etc.) to improve your approach to the following? (Check all that apply)

Logistics	12%
Supply chain management	21%
Reducing expenses	32%
Operational improvements	46%
Training	28%
Automation	28%
Other (please specify)	28%

What actions are you taking to prepare for a potential recession? (Check all that apply)

Increasing planning	58%
Managing cash flow	74%
Managing capital	51%
Boosting sales and marketing	45%
Using a dashboard to track early warning indicators	20%
We are not preparing	9%
Other (please specify)	8%

Over the past year, how has the higher rate environment affected your business?

Delayed decisions on purchasing equipment	12%
Delayed or canceled projects	11%
Sought alternative financing options	10%
Considered joint venture opportunities	0%
Passed additional costs on to customers	39%
Reduced overhead spending	25%
Decline in projects to bid	3%

Looking ahead over the next 12 months, do you expect higher interest rates to affect your business:

More?	34%
Less?	11%
The same?	55%

Looking ahead over the next 12 months, how optimistic are you about your manufacturing revenues?

Confident in substantially increased revenue	21%
Cautiously optimistic	50%
Neutral	13%
Concerned	15%
Very worried	1%

Looking back on the last 12 months, did your company's workforce grow, shrink, or stay about the same?

Grew 10% more	20%
Grew 5%	16%
Stayed about the same	54%
Shrunk 5%	8%
Shrunk 10% to 20%	1%
Shrunk more than 20%	1%

Is workforce recruitment a critical issue for you?

Yes	75%
No	25%

In the next 12 months, does your company expect to increase or decrease the size of its workforce or will it stay the same?

Increase (by 10% or more)	16%
Increase by 5% – 9%	20%
Increase by less than 5%	18%
Decrease by less than 5%	7%
Decrease (by 5%-10%)	5%
Decrease by more than 10%	3%
Stay about the same	31%

Looking ahead four years (2023-2026), what percentage of your employees will need to be replaced due to retirement?

0% – 5%	50%
6% – 15%	38%
16% – 25%	10%
26% – 30%	1%
>30%	1%

Are any likely retirees filling critical roles for your organization? (Check all that apply)

Founder	11%
C-suite	20%
High-level engineer	29%
Supervisor/Manager	33%
IT executive	1%

Over the next two years, how much do you expect to adjust average compensation (including benefits)?

Not applicable - We do not struggle to recruit new workers	0%
More than 10%	15%
5 – 10%	43%
1 – 5%	24%
We are not adjusting compensation	5%
Unsure	13%

What are you doing to attract and retain skilled labor (Check all that apply)

Increasing wages	66%
Offering bonuses	41%
Improving benefits	45%
Onsite/paid training	28%
Tuition reimbursement	17%
Improving work-life balance	49%
Other [please specify]	18%

At a very high level, what are your company's TOP THREE business strategies? (Please rank order them – 1 being highest, 3 being lowest)

Increase productivity and profitability	1
Expand through acquisition and grow footprint	2
Compete on price	3

Which of the following actions does your company plan to take this year: (Check all that apply)

Seeking M&A opportunities	25%
Supply chain diversification (e.g., onshoring, reshoring, adding suppliers)	40%
Investing in technology	55%
Cutting costs (via LEAN Kaizen or other efficiency initiatives)	44%
Raising prices	52%
Entering new markets	53%
Increasing wages and benefits	42%

How does your company leverage automation? (Check all that apply)

Driving greater efficiencies and reducing costs	52%
Filling gaps or increasing capacity	45%
Creating a competitive advantage	25%
We have very little automation/not applicable	30%
Other (please specify)	3%

What percentage of sales do you expect to invest in new product research and development in 2023? (Enter a percentage)

Average	7%
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In the past 12 months, my company has started new projects including: (Check all that apply)

The development of a formal strategic growth plan	36%
Initiating a merger or acquisition	18%
Launching a new product or service	62%
Taking on new technology	51%
Other (please specify)	11%

Over the next 12 months do you expect to? (Check all that apply)

Increase your exports	29%
Decrease your exports	7%
Hold your exports steady	25%
Increase your imports	16%
Decrease your imports	5%
Hold your imports steady	18%
None of the above	30%

How does your company plan to address rising interest rates in the coming year? (Check all that apply)

Raising prices	38%
Altering/re negotiating with suppliers	30%
Changing approach to inventory	30%
Defer/delay of project	11%
Reducing expenses	48%
We're not changing our approach	26%

Did the supply chain challenges of the past two years cause you to? (Check all that apply)

Miss out on sales	42%
Delay shipments	64%
Find new suppliers	64%
Renegotiate customer agreements	34%
Delay production	49%
Stockpile supplies/inventory	56%
Cancel orders and issue refunds	8%
Other (please explain)	4%

How confident are you that your technology is protected against cyber threats?

Very confident	18%
Confident	52%
Neutral	18%
Concerned	0%
Very concerned	2%

When was the last time you had an IT professional perform an IT penetration test or review your cyber preparedness?

Within the past month	27%
Within the past year	48%
Within the past 2 years	8%
Within the past 5 years	6%
Never	11%

What ERP (Enterprise Resource Planning) are you using as your primary system?

Epicor	6%
Global Shop Solutions	4%
Infor (Syteline, Cloudsuite, M3, other)	8%
Microsoft (SL, GP, NAV, AX, Dynamics, Business Central, Other)	16%
Oracle (Netsuite, Oracle ERP, Other)	7%
Sage (50, 100, 300, 500, Intacct, Other)	7%
None	14%
Other (please specify)	38%

How long has it been since your last major update to your ERP system?

< 1 year	24%
1-3 years	30%
3-5 years	16%
> 5 years	15%
Don't know/not applicable	15%

What are your biggest priorities with an ERP system? (Check all that apply)

Inventory management/control	61%
Operational efficiency/effectiveness	73%
Preventive maintenance	8%
Quality control	28%
Customer Relationship Management (CRM)	20%
Workforce acquisition and development	10%
Supply chain management	42%
Worker health and safety	7%
None/not applicable/unknown	8%

Which of the following operations management initiatives does your company use? (Check all that apply)

Green Belt	13%
Yellow Belt	7%
Black Belt	15%
Gemba Walks/Kanban/Kaizen	21%
5S-6S/Root Cause Analysis/5 Whys	21%
Other Lean Manufacturing Initiatives	35%
None	48%

How are you using data analytics from your operations: (Select one)

We have no data analytics capabilities.	11%
We have historical accounting reports.	28%
We have historical accounting and limited shop floor efficiency data.	14%
We have a real time accounting dashboard.	9%
We have a real time shop floor dashboard.	18%
We have a robust data warehouse and real time dashboard systems.	16%
We have predictive dashboards that help us understand what is coming and help us prepare.	4%

Does your company plan to implement any of the following technology initiatives in the coming year? (Check all that apply)

Launching a new automation or technology project within our operations	51%
Implementing a new or upgrading an existing ERP system	24%
Enhancing cybersecurity to protect our facilities, equipment, intellectual property and IT systems	41%
Implementing "Big Data" or predictive analytics to help facilitate decisions	10%
Launching a 3D printing/additive manufacturing capability for prototyping or production	14%
Launching digital manufacturing, Industrial Internet of Things (IIoT), connected machines, or similar technologies	15%

Does your company have dedicated resources for research, new product development, or innovation?

Yes	49%
No	51%

Are you taking advantage of the following tax incentives? (Check all that apply)

R&D tax credit	55%
Accelerated depreciation/cost segregation	51%
Work Opportunity Tax Credit	21%
State and Local Tax (SALT) credits	38%
None of the above	20%

Rank the political priorities of your company: (Choose the TOP THREE responses)

Reduce taxes	1
Promote workforce training	2
Promote infrastructure investment	3

What do you anticipate will be your greatest challenges in 2023? (Check the TOP THREE that apply)

Securing and retaining skilled labor	1
Healthcare costs	2
Managing supply chain relationships	3

How are you building your talent pipeline?

Actively engaging with high schools, vocational schools or community colleges by hosting plant tours, internships, or similar activities for students	32%
Collaborating with local educational institutions for workforce training and recruitment	38%
Developing a formal, company-sponsored training or apprenticeship program	30%



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