Fighting for market share - manufacturing CEOs report aggressive growth strategies: KPMG International

[if !supportLists]- [endif]*More than half categorise growth strategies as 'aggressive'; more than one-in-six say growth strategy is 'very aggressive'.*
[if !supportLists]- [endif]*New markets beckon; Switch on who wants it most. India and China making moves*

The 2016 KPMG International Global Manufacturing Outlook (GMO) stated that seventy-four percent of manufacturing company CEOs reported growth as a high priority over the next two years. Competition for market share is fierce with many are planning rather aggressive strategies in the pursuit of their growth objectives.

More than half of the manufacturing CEOs responding to the KPMG GMO survey categorise their growth strategies as 'aggressive' and more than one-in-six say their growth strategy is 'very aggressive'.
According to Doug Gates, KPMG's Global Chair of Industrial Manufacturing:

"There are fierce competitions being fought over every scrap of market share available and we will certainly see winners and losers. Maintaining the status quo will not drive growth. Manufacturers need to do something different in order to win market share in today's environment."

Indeed, KPMG's GMO survey shows that the responding CEOs do have plans to achieve their growth objectives through multiple channels. With a preference for organic growth over mergers and acquisitions (M&A) activity (sixty-one percent versus forty percent respectively), most manufacturing CEOs say they will leverage the opportunities in entering new markets and making changes to current service and product mixes.

Entering new markets
Ninety-two percent of KPMG's GMO survey respondents are stepping up their focus on entering new markets over the next two years. Forty-three percent say their primary motivation for foreign investment is to capitalise on lower cost manufacturing opportunities and thirty-four percent say it is to gain access to new markets.

Ironically, while many Western manufacturers are talking about a 'sell to China' strategy, it is actually respondents from the emerging markets (India and China in particular) that are most likely to be investing in order to gain access to new markets. Forty-four percent of respondents from China and forty-seven percent of those from India said that gaining access to new markets was the primary reason behind their foreign investments

Changing and investing in new services and products
Of the respondents indicating plans to change their product range, more than half (fifty-six percent) say they will make significant investments to launch one or more new products into the market; Thirty-nine percent say they will invest to launch one or more new services.

"Whether investing in incremental improvements for existing products or inventing entirely new products and services, what is clear is that manufacturers recognise an urgent need to increase their investment into innovation and research and development (R&D). Over the past three years KPMG has been tracking manufacturers' investment intentions. The KPMG data shows that, following a drop in R&D in 2014, investment expectations skyrocketed in 2015 and seem set to continue to grow in 2016," says Gates.

More than one-in-five (twenty-one percent) of all KPMG's GMO survey respondents say they expect to spend more than ten percent of revenues on R&D over the next two years. Almost half (forty-nine percent) say they will spend six percent of revenues or more (in the next two years).

Taking the manufacturing floor high-tech
Respondents to the GMO survey are showing progression to an integrated manufacturing strategy and having a digital factory. Twenty-five percent of the CEOs responding to KPMG's GMO survey say they have already invested in 3D printing and additive manufacturing technologies. An equal number say they have already invested in artificial intelligence and cognitive computing technologies.

KPMG's GMO survey shows that the use of robotics on the manufacturing floor is also likely to attract significant investment. In fact, almost two-fifths of survey respondents say they will definitely channel significant amounts of their R&D investments towards robotics over the next two years.

"Manufacturers are evolving into industry 4.0 and becoming more digital. Investments into new manufacturing technologies are a way to enhance agility, flexibility and speed to market when designing and launching new products and services – critical elements for manufacturing companies to win in the marketplace," concludes Gates.

The domestic manufacturing landscape
The tentative state of the domestic manufacturing sector, which is hampered by weak local demand, soft international trade and renewed cost pressures, is unlikely to recover significantly in the short to medium term.

According to Fred von Eckardstein, Director and Sector Head of Construction, Industrial & Automotive Markets, KPMG in South Africa, a bold and brave industrial policy is long overdue. "Business, labour and government urgently need to form a strong bond to focus on skills development, jobs, growth and export markets. South Africa is facing the inevitable transition from a heavily weighted commodities economy to an export led manufacturing economy.”

“Other countries such as China, South Korea and Germany have shown that an export led manufacturing economy can thrive as long as the political framework promises stability, a skilled labour force remains competitive and business is not only allowed but encouraged to transform the local economy.”