

2019 Outlook: Manufacturing

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by Kara Kurylłowicz

Uncertainty is in the Canadian air as 2018 comes to a close. Questions about trade deals, interest rates, housing values, oil prices and the GM plant closure are all weighing on the collective mind as we close out what has been a strong year.

Economists say we should expect further growth in 2019, in spite of an overall gloomy outlook for world economies. In fact, the OECD revised Canada's GDP growth outlook for 2019 upwards in a November update.

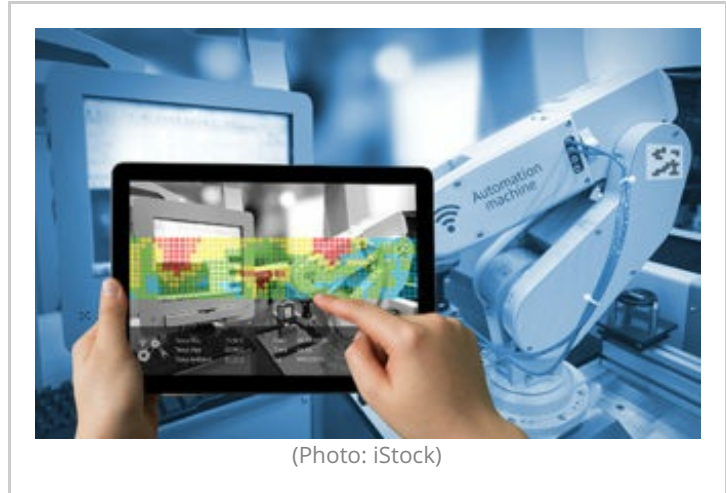
Of course, a lot of our economic success is predicated on factors beyond the control of our own businesses, like politics south of the border, trade deals and wars, interest rates and oil prices. And with that knowledge business continues, dealing with many familiar challenges.

To get some insight into how several of Canada's key sectors are faring, freelance writer Kara Kurylłowicz spoke with business leaders and asked them about the challenges they see for 2019. Here's what she found out.

Innovation is a challenge to Canadian manufacturers' supply chains when tried-and-true methods can't deliver the necessary results.

For manufacturers, the "demand, supply, inventory and production planning" approach is an innovation that provides the visibility and transparency required to accurately analyze demand for the finished product. It outlines a procurement plan along with operational and distribution requirements.

"The impact on cost, efficiency and customer satisfaction is significant as there is a one-to-three ratio between improvement in demand accuracy, inventory decrease, and cash flow position," says Jérôme Thirion, partner, management consulting, national lead supply chain, KPMG Canada, Toronto.



(Photo: iStock)

Demand, supply, inventory and production planning in a connected enterprise may seem like the only logical approach now that labour and warehouse costs, as well as customer expectations have skyrocketed. In this new era, a disconnected enterprise can't be as competitive, and collaboration with both customers and partners is paramount. There was a time, however, that customer, procurement, production and distribution departments operated independently within the same organization with acceptable results.

"A connected supply chain is a strategic advantage, allowing manufacturers to gain market share and increase revenue and margins, but the challenge of connecting the value chain is compounded by the speed at which it must be achieved, and conservative past investments," Thirion says.

"Manufacturers have no choice but to adopt smart, cloud-based technologies, or better, to transform their operational processes."

In 2017, a KPMG survey of supply chain professionals ranked full supply chain visibility as the third most important strategic priority. Yet, just six per cent of those supply chain professionals said they had achieved that goal.

Top-tier manufacturers will be more selective and demanding when committing to suppliers and even customers, because such visibility requires deeper, longer-lasting relationships and an ability to secure sensitive, confidential data.

As a result, Canadian manufacturers are seeking new talents such as data specialists with superior analytics, statistics and operational research backgrounds; distribution centre equipment and software engineers, and business transformation specialists.

"Manufacturers, their suppliers and customers will need to collaborate at unprecedented levels to consider the overall landed cost and cost to serve," says Thirion. "Together, they need to determine how many distribution centres are required and identify the most efficient locations versus fast-changing customer service levels."

Manufacturers that source parts and components globally and ship finished products worldwide also need to be more agile and in turn, they're asking their suppliers for comparable flexibility. In certain industry sectors, a component may take eight or more trips to various locations before arriving at the OEM's plant and leaving as part of a finished product.

"The unpredictability of tariffs and trade agreements is forcing manufacturers and their suppliers to reconsider the locations of their warehouse, distribution, production and assembly facilities to get closer to their customer base," Thirion says.

KPMG's recent "Global Manufacturing Outlook – Transforming for a Digitally Connected Future" report surveyed 1,300 CEOs in 11 countries in early 2018. Nearly two-thirds of manufacturing CEO respondents said acting with agility is "the new currency of business; if we're too slow, we will be bankrupt".