

State of the Sector Survey Manufacturer Feedback: October 2023





State of the Sector Survey Manufacturer Feedback: October 2023

Introduction

This is the fourth quarterly EDA State of the Sector Survey for 2023: the survey launched on Friday 6 October 2023 and closed on Thursday 19 October 2023.

The survey represents the feedback from EDA manufacturer affiliates. There is a separate survey for EDA wholesalers.

This survey attracted 57 responses, a 52% response rate. As at 23 October the EDA has 107 manufacturer affiliates.

A summary of wholesaler and manufacturer feedback was shared at our Talking Shop Dialogue on Tuesday 24 October 2023.

Highlights

In this fourth survey of 2023 we asked EDA manufacturers our standard questions regarding [turnover in Q3 2023 compared](#) to the same period in 2022; [turnover in Q3 2023 compared to Q2 2023](#).

Manufacturers are asked to identify their [top 3 operational](#) and [strategic challenges](#).

After months of talking about inflation, we introduced a [question about deflation](#).

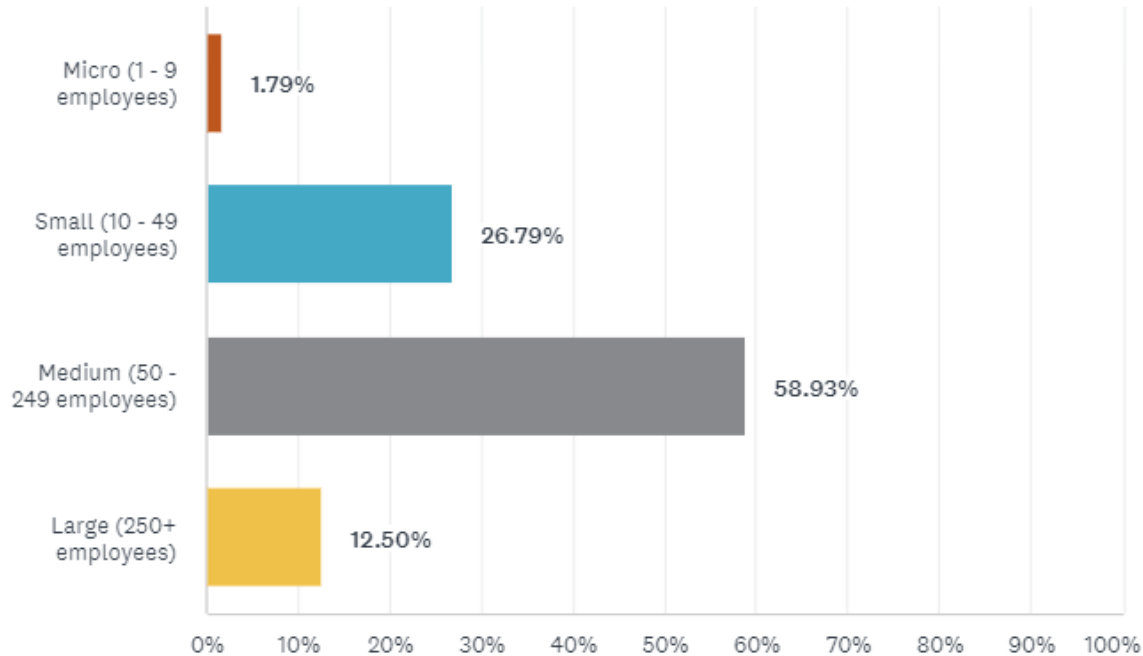
Artificial Intelligence (AI) and its use for business purposes [was explored in this section](#).

Manufacturers were asked about wage bill increases and the [potential business impact of the increases in National Living Wage and National Minimum Wage that are expected in April 2024](#).

They were also asked to look [forward to 2024 and make first predictions on sector performance](#) for next year.

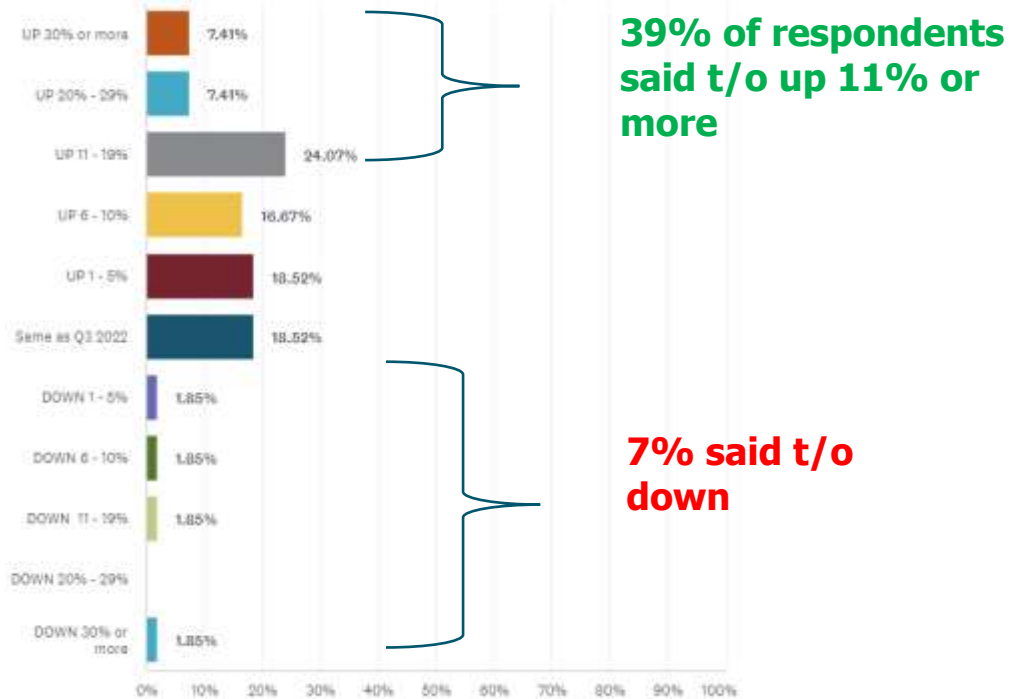
State of the Sector Survey Manufacturer Feedback: October 2023

Q1: Please tell us the size of your business



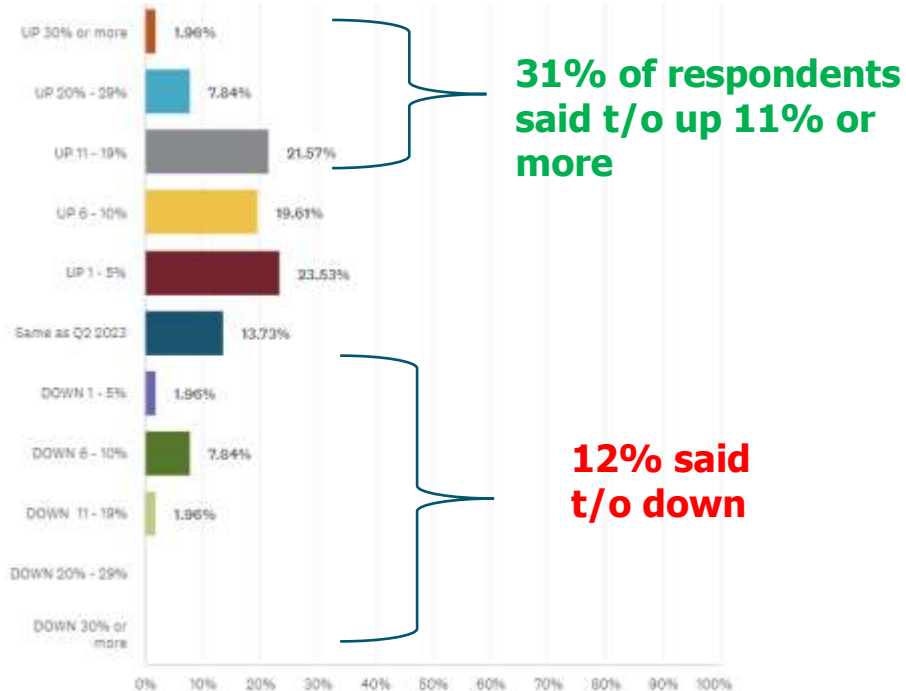


Q2: Please tell us how your turnover in Q3 2023 compares with turnover in the same period last year - Q3 2022.



State of the Sector Survey Manufacturer Feedback: October 2023

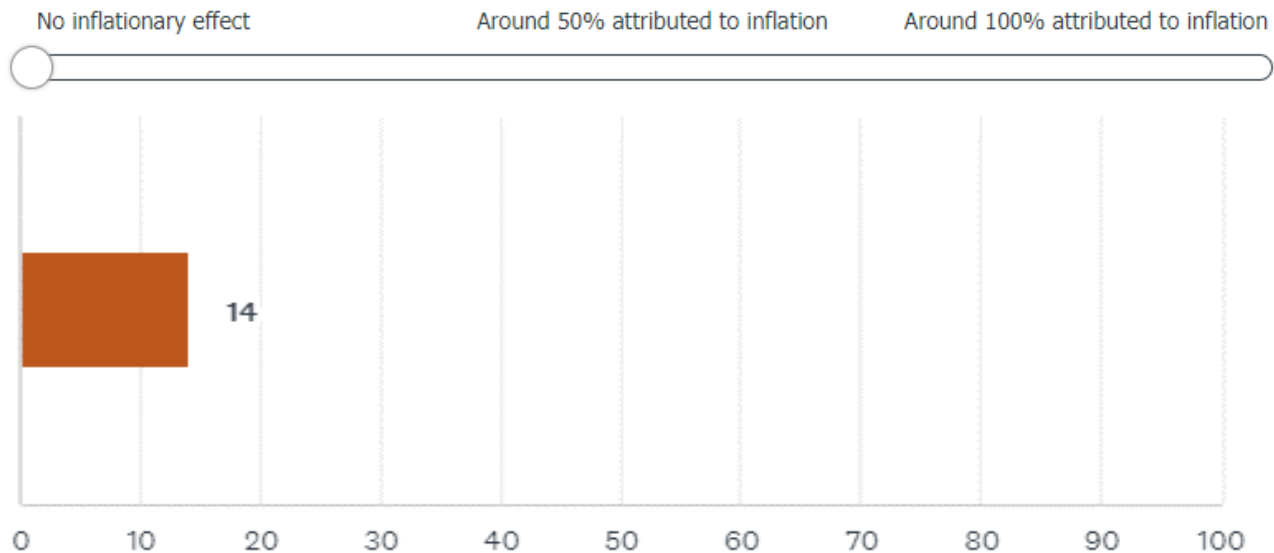
Q3: Please tell us how your turnover in Q3 2023 compares with turnover in Q2 2023.





Q4: If you have experienced growth in turnover, how much is inflation related?

We asked Manufacturers to use the following slider to indicate percentage:



Q5: Have you experienced a change in turnover in Q3 2023 compared to Q2 2023 for the following sectors? **Ranked by growth (grey band)**



Decline No change Growth N/A

Infrastructure, govt projects, and local authority projects
up from 4th place in our July 2023 survey

Industrial (warehouse and factories)
down from 1st place in our July 2023 survey

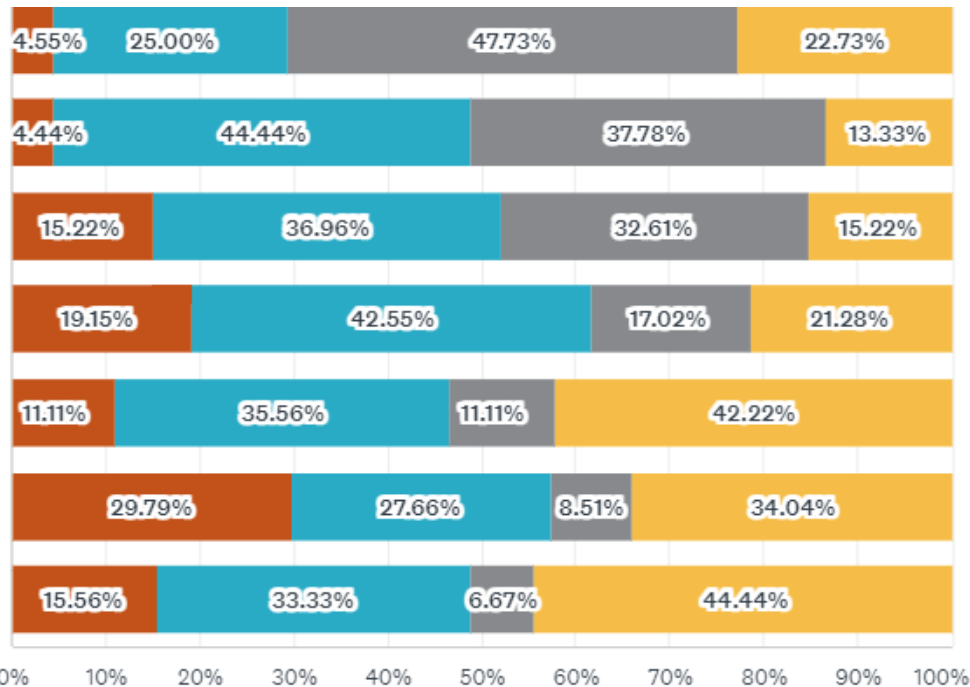
Commercial (offices of all types, new and renovation)

RMI public housing

RMI private housing
Down from 2nd place in our July 2023 survey

New private housing

New public housing



State of the Sector Survey Manufacturer Feedback: October 2023



Q6: Please use the space below to add further comments about the performance of these sectors.

Manufacturer comments on sector performance:

“Domestic demand is flat, commercial/industry projects busy.”

Q7: Your Operational Challenges: from a prompted list please tell us which 3 operational challenges are your most pressing at this time?

(Manufacturers were offered a list of challenges from which to select – these are shown on the next page. They were also asked to identify any challenges not included in the list.)

| | January 2022 | April 2022 | July 2022 | October 2022 | January 2023 | April 2023 | July 2023 | October 2023 |
|---|--|--|--|--|--|--|-------------------------------------|---|
| 1 | How to manage increasing costs across all areas of the business | Raw material price increases | Raw material price increases | Devaluation of sterling against foreign currencies | Devaluation of sterling against foreign currencies | Attracting and retaining staff | Attracting and retaining staff | Increases in salary bill |
| 2 | Forecasting manufacturing output, stock levels and managing allocation | Attracting and retaining staff | Raw material or component availability | Raw material prices increases | Attracting and retaining staff | Devaluation of sterling against foreign currencies | A downturn in demand | Attracting and retaining staff |
| 3 | Attracting and retaining staff | Increased running costs + Raw material or component availability | Attracting and retaining staff | Attracting and retaining staff | Raw material price increases | Raw material price inflation | Raw material price inflation | A downturn in demand equal place with Increased exposure to bad debt |

State of the Sector Survey Manufacturer Feedback: October 2023





Q7: Prompt list of operational challenges from which Manufacturers chose their top 3.

ANSWER CHOICES

- ▼ Increases in salary bill
- ▼ Attracting and retaining staff
- ▼ A downturn in demand
- ▼ Increased exposure to bad debt
- ▼ Devaluation of sterling against foreign currencies
- ▼ Resources and time to develop our product data
- ▼ Raw material price inflation
- ▼ Cash flow challenges including customers paying more slowly
- ▼ Raw material or component availability
- ▼ Raw material price deflation
- ▼ Shortage of warehouse capacity in the UK

Challenges mentioned which were not on prompted list:

Increase in overheads



Q8: Manufacturers: please tell us your most pressing **strategic** challenges. (Manufacturers were offered a list of challenges and these are shown on the next page. They were also asked to identify any challenges not included in the list.)

| | April 2022 | July 2022 | October 2022 | January 2023 | April 2023 | July 2023 | October 2023 |
|---|---|---|--|---|---|---|--|
| 1 | Improving my business systems and processes | Improving my business systems and processes | Adapting my business for a green future | Moving away from an over-reliance on China for our manufacturing | Adapting my business for a more digitalised world + Improving my business systems and processes | Improving my business systems and processes | Market and economic uncertainty |
| 2 | Identifying growth areas for my business | Identifying growth areas for my business | Slowdown in infrastructure investment | Improving my business systems and processes | Adapting my business for a green future | Identifying growth areas for my business | Competition from cheaper inputs to the UK |
| 3 | Adapting my business for a green future | Adapting my business for a green future | Moving away from an over-reliance on China for our manufacturing | Identifying growth areas for my business | Identifying growth areas for my business | Adapting my business for a more digitalised world | Workforce challenges: including attracting and retaining staff, attracting a diverse team, and developing our programme of staff development and training |

State of the Sector Survey Manufacturer Feedback: October 2023



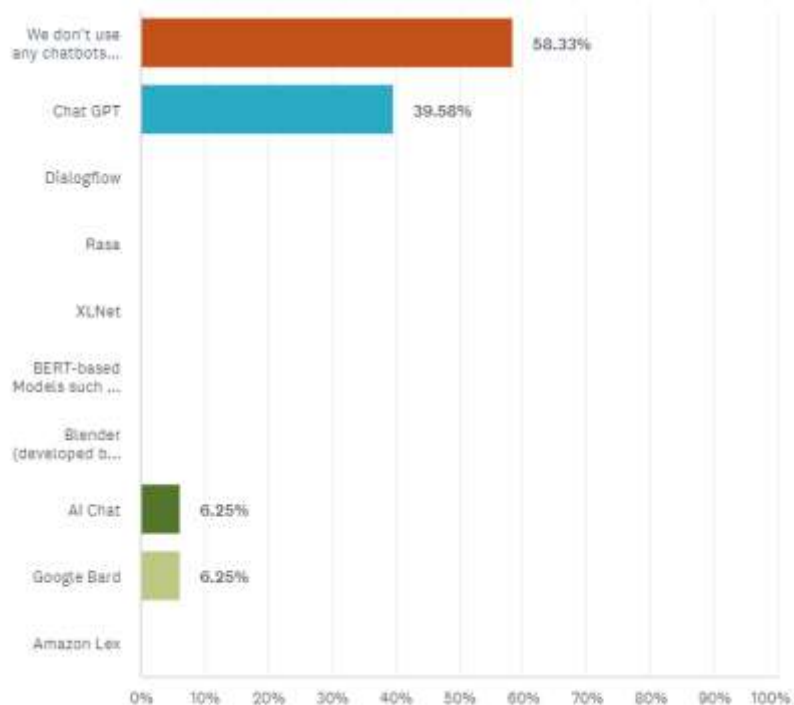
Q8: Prompt list of strategic challenges from which Manufacturers chose their top 3.

- ▼ Market and economic uncertainty
- ▼ Competition from cheaper imports to the UK
- ▼ Workforce challenges: including attracting and retaining staff, attracting a diverse team, and developing our programme of staff development and training
- ▼ Improving my business systems and processes
- ▼ EU logistics difficulties - time taken to get goods across borders and returns from the Republic of Ireland and other EU countries
- ▼ Succession planning and attracting younger team members
- ▼ Identifying growth areas for my business
- ▼ Moving away from an over-reliance on China for our manufacturing
- ▼ Deflation and the impact on our business
- ▼ Adapting my business for a green future
- ▼ Adapting my business for a more digitalised world
- ▼ Large retail platforms approaching to purchase brands direct, disrupting traditional wholesale route to market
- ▼ Adapting my business in the light of the new Building Safety Regulations
- ▼ Developing new digital skills in my workforce
- ▼ Introducing electric vehicles for both deliveries and representatives

State of the Sector Survey Manufacturer Feedback: October 2023



Q9: Which AI chatbots are you using in your business if any?



Others mentioned:

Gocharlie: a bespoke internal platform based on ChatGPT

In house developed software

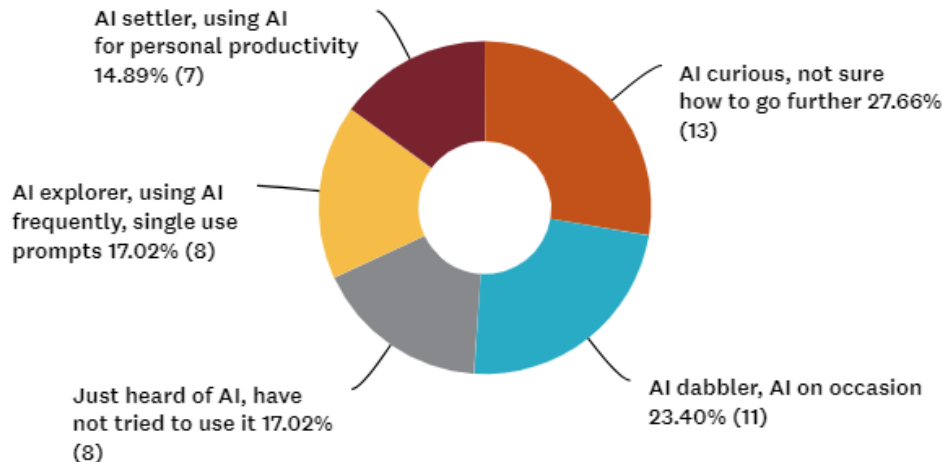
Jasper

Smartsupp

State of the Sector Survey Manufacturer Feedback: October 2023



Q10: What is your knowledge and/or experience of Artificial Intelligence (AI)?



ANSWER CHOICES

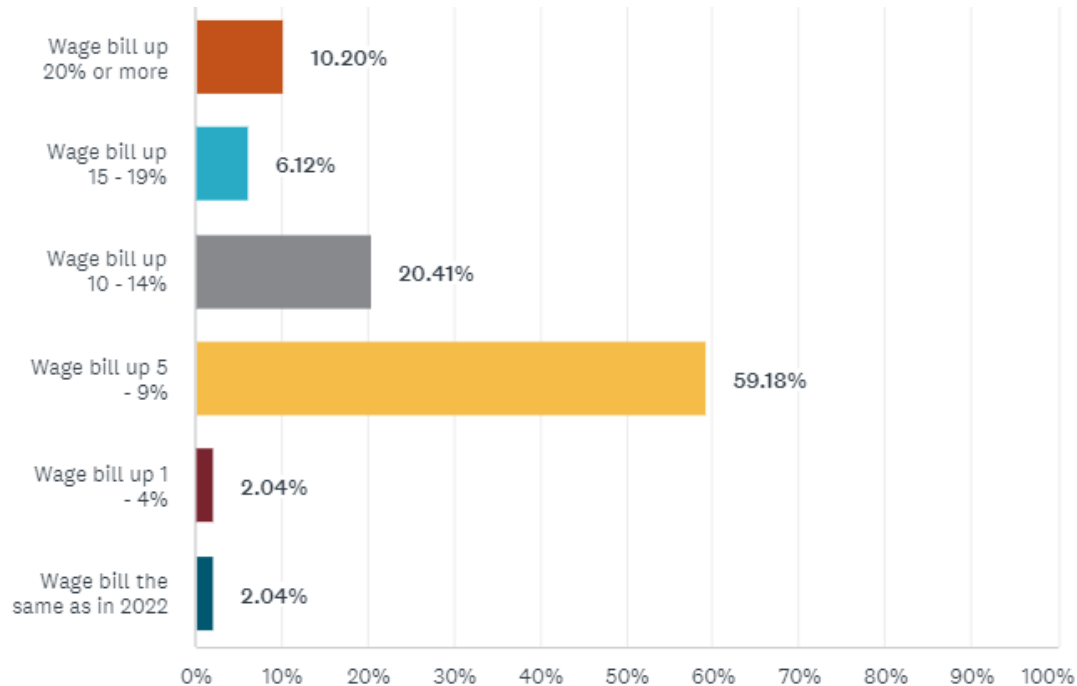
- ▼ AI curious, not sure how to go further
- ▼ AI dabbler, AI on occasion
- ▼ Just heard of AI, have not tried to use it
- ▼ AI explorer, using AI frequently, single use prompts
- ▼ AI settler, using AI for personal productivity
- ▼ AI evangelist, I am Prompt Engineer 3.0

Comments:

"We use this to speed up content generation."

"If you [are] not embracing [AI] you will not be in business."

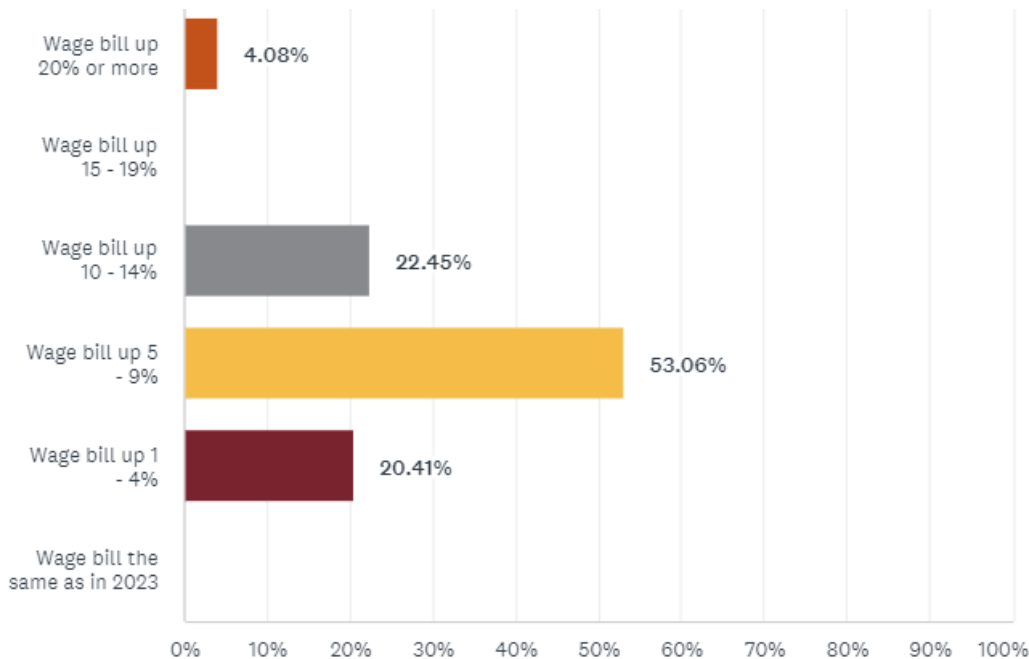
Q11: By the end of 2023 please estimate the likely increase in your wage bill compared to 2022.



State of the Sector Survey Manufacturer Feedback: October 2023



Q12: In 2024 please estimate the likely increase in your wage bill compared to 2023.



Comments:

“Recruitment drive.”

“This is only through some restructuring and automation of the business.”

Q13: Impact of planned April 2024 increases in National Minimum Wage (banded for 16-22 year olds) and National Living Wage (for 23 and above)

“Very little as all staff earn over that anyway.”

“Not good.”

“No impact.”

“This is not good news. We pay higher than minimum wage but will need to increase ahead of budgeted rates to maintain the differential.

“Impacts c. 50% of our workforce at NMW or close to it so see a similar % increase.”

“The significant increase at the lower end with NLW has forced wages up at all levels in order to maintain a differential between skilled and unskilled employees. This is putting a strain on business costs.”

“Increases in operational costs will be passed on in price to the market.”

“With the continued increase in NMW & NLW, the gap continues to close between skilled workers and unskilled and making recruitment even harder.”

“Impacts c. 50% of our workforce at NMW or close to it so see a similar % increase.”

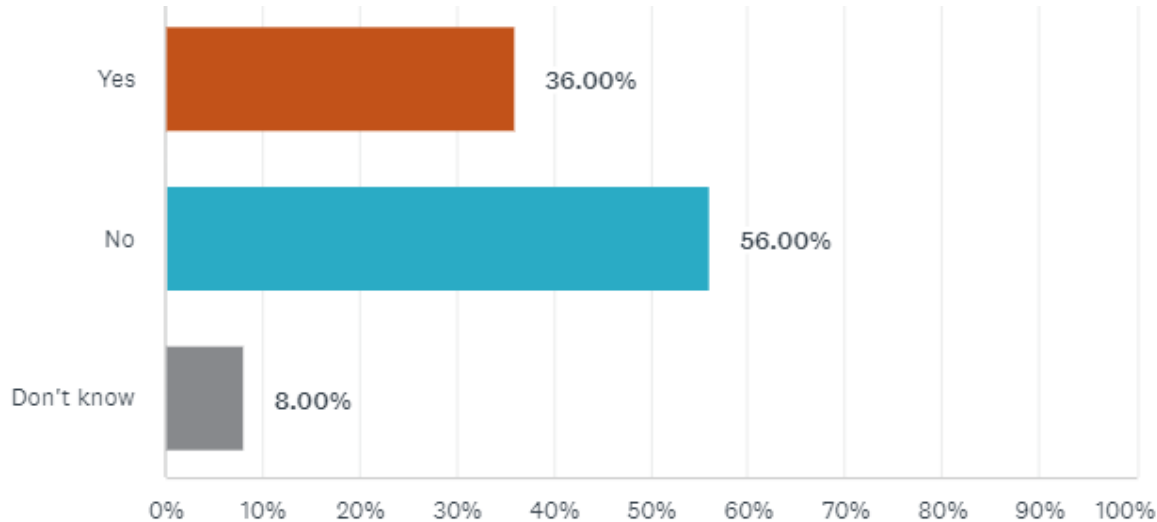
“NLW will result in increased wage inflation. The impact is higher if you allow those employees to salary sacrifice. May result on differentiating salary increases across job functions.”

“There will be no impact to our business as we pay significantly above the NMW and NLW already.

State of the Sector Survey Manufacturer Feedback: October 2023



Q14: Is your business feeling the impact of deflation?



Comments

"Deflation on raw material can have a positive impact on some costs, but the inflation on everything else is diluting any benefit and in some cases becoming structural (wages)."

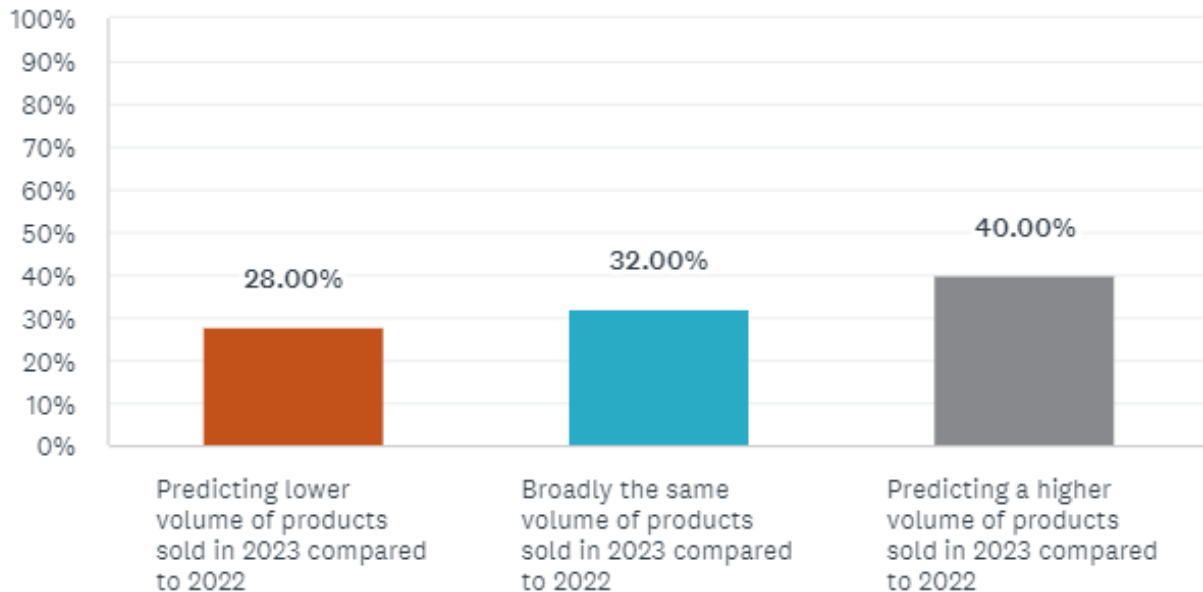
"Copper price and increased global demand."

"More bad debts from customers this year than previous."

"We have substantial stocks bought at higher prices and shipping costs than the current market rate."

State of the Sector Survey Manufacturer Feedback: October 2023

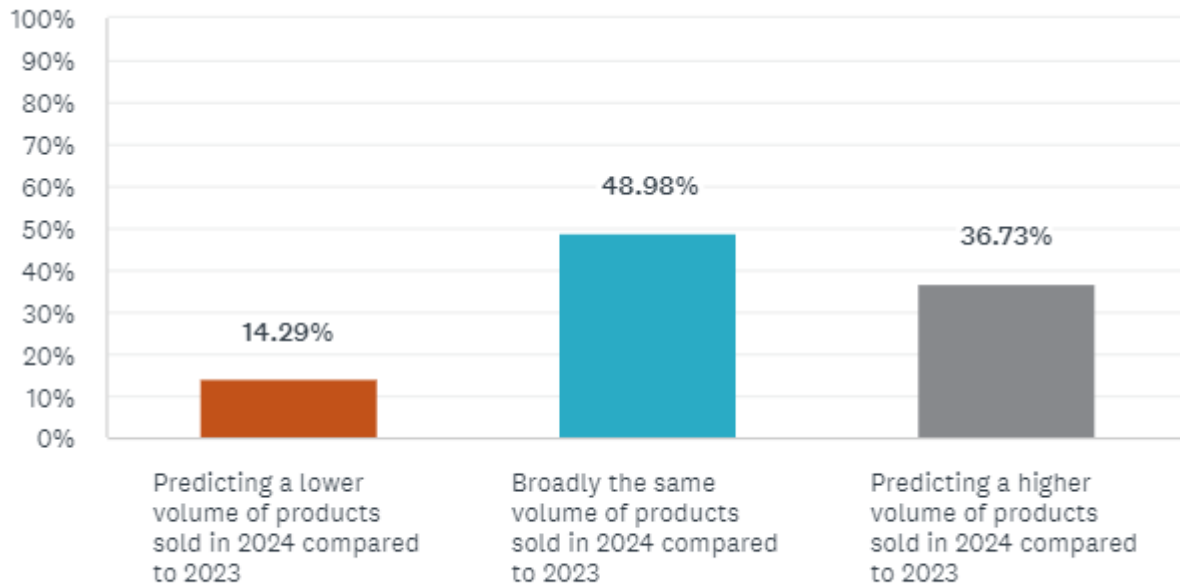
Q15: As we are now in Q4, what are your thoughts on business growth and the volume of products sold by your business. How will 'like for like' sales in 2023 compare with 2022?



State of the Sector Survey Manufacturer Feedback: October 2023



Q16: What are your thoughts on sector performance in 2024? How will 'like for like' sales in 2024 will compare with 2023?

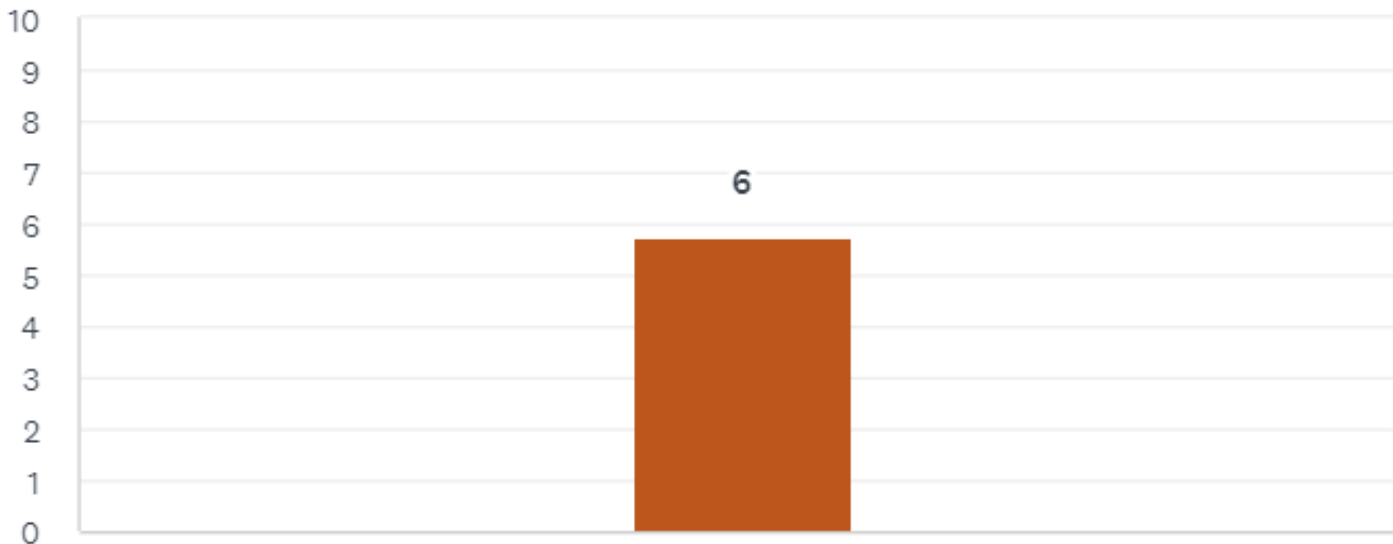


Comments

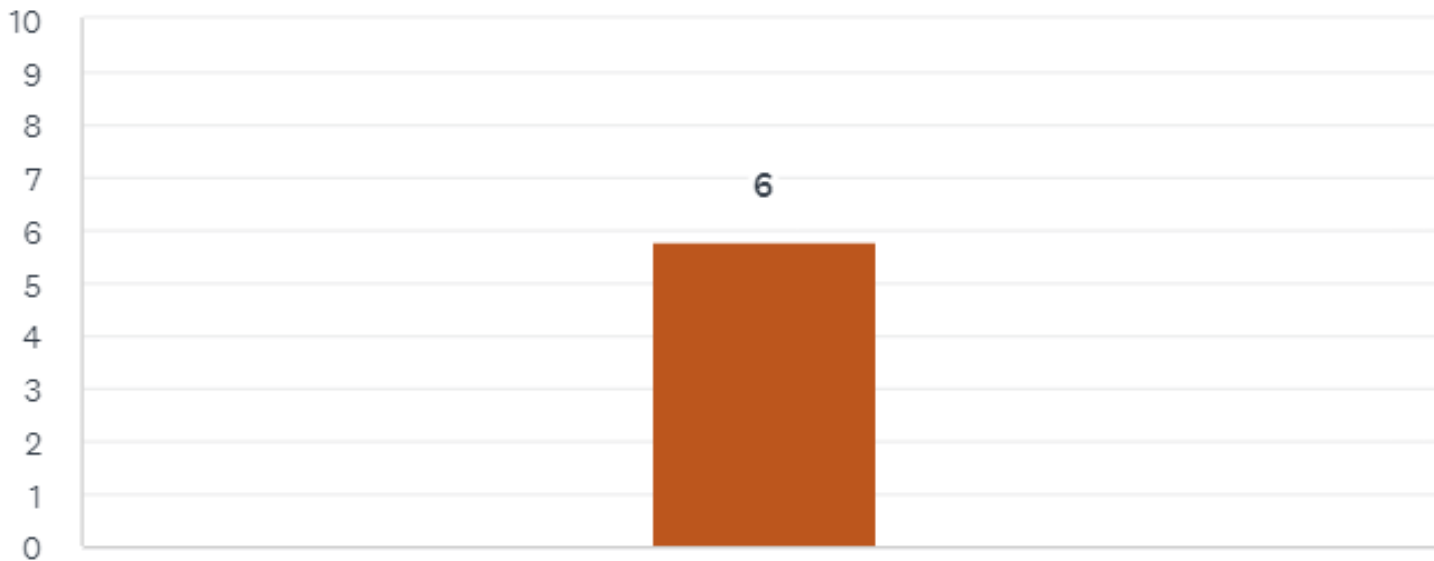
“The general election will be challenging but with inflation softening consumer confidence should return driving the RM&I sector.”

“A little apprehensive at this stage, margins will take a significant hit in order to maintain business at current levels.”

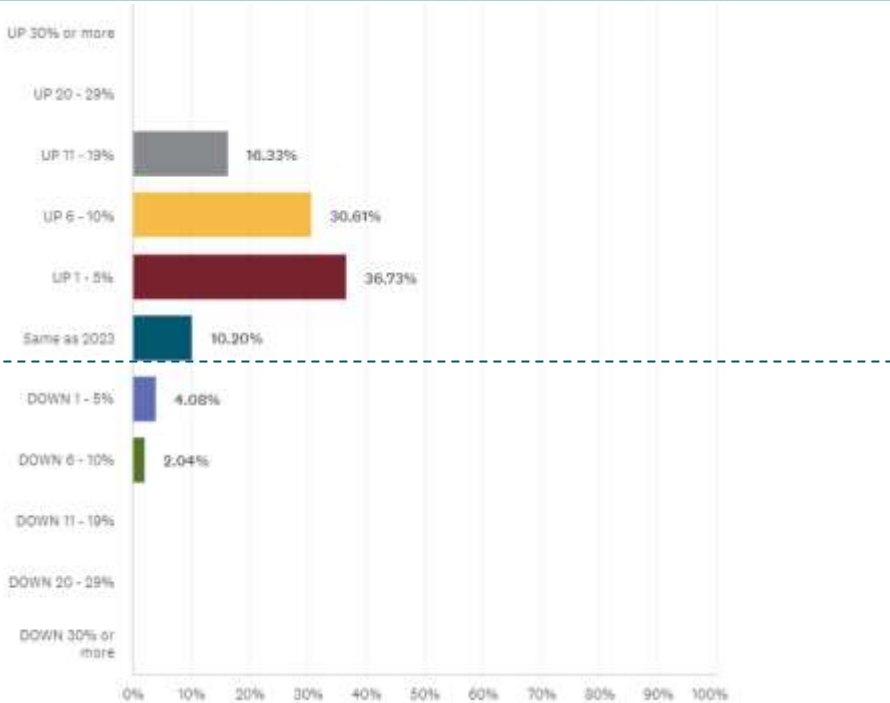
Q17: On a scale of 1 – 10 how optimistic do you feel about the sector’s **performance potential for the rest of 2023**. Where 1 is not at all optimistic and 10 is extremely optimistic.



Q18: On a scale of 1 – 10 how optimistic do you feel about the sector’s **performance potential for 2024**. Where 1 is not at all optimistic and 10 is extremely optimistic.



Q19: What is your view in percentage terms of the likely difference in business performance in 2024 compared to 2023?



State of the Sector Survey Manufacturer Feedback: October 2023

