

Miscellaneous Manufacturing Industry Snapshot Report

8 November 2018

Meet the Miscellaneous Manufacturing Market

MARKET SNAPSHOT

Industry Defined

The Miscellaneous Manufacturing market is a fragmented group of manufacturing companies that do not fit into any of the other NAICS headingsⁱ, and cover a wide range of products. The definition of this category by the U.S. Census Bureau takes the approach of defining what is excluded from this category, instead of what is included. According to the U.S. Census Bureau, companies in this industry include establishments engaged in “miscellaneous manufacturing (except medical equipment and supplies, jewelry and flatware, sporting and athletic goods, dolls, toys, games, office supplies (except paper), musical instruments, fasteners, buttons, needles, pins, brooms, brushes, mops, and burial caskets).”ⁱⁱ

Classified under the NAICS 339, the U.S. Census Bureau reported in its Annual Survey of Manufactures that companies in this sector reported total product shipment value of \$156.3 billion in 2013.ⁱⁱⁱ Again the industry is highly fragmented, as it encompasses a wide range of products that are manufactured, and do not fit into other categories.

Key Companies

Company	Employees	Sales USD (mil)	Assets USD (mil)
Johnson Controls, Inc.	139000	36866.0	29673.0
Carrier Corporation	44545	12272.4	NA
Tyco International Management Company, LLC	39000	14521.5	NA
Ingersoll-Rand US Trane Holdings Corporation	29000	11714.9	NA
Trane Inc.	29000	11714.3	.2
Mattel, Inc.	28000	4882.0	5053.4
The Intertech Group Inc	15832	1596.3	1167.3
Nortek, Inc.	11400	2526.1	2174.9
Lennox International Inc.	10600	3839.6	2099.4
Thi-Nortek Investors, LLC	10000	357.5	NA

Movers and Shakers

Name	Title	Company
Mario Halkyer	Principal Info Technologist	Johnson Controls, Inc.
Sandy Morrow	Human Resources Compliance Manager	Carrier Corporation

Maggie Weaver	Vice President of Organizational Development	Tyco International Management Company, LLC
Louie Enriquez	Branch Manager	Ingersoll-Rand US Trane Holdings Corporation
Dave Regnery	Executive Vice President	Trane Inc.

WHAT'S AFFECTING THE MARKET?

Slow Economy Impacting Demand for Products

Despite the Dow Jones Industrial Average's return to its pre-recession heights, the demand for manufactured products has yet to completely rebound from the depths of the recession. As a result, manufacturers are often left running at less than full capacity, or have been forced to shut down completely. Furthermore, many companies have simply shifted operations to locations where labor is even less expensive, and have used inferior materials, in order to keep product products while maintaining an eye on profitability.

Environmental Image Increases in Importance

Manufacturers are increasingly becoming concerned with their environmental image, especially with respect to energy usage, recycling of waste products and the use of environmentally friendly materials for products and packaging. Companies that do not actively promote a commitment to "green" or "sustainable" business practices are often targeted by activist groups, and may see sales suffer as a result.

Threat of Imports

The domestic manufacturing industry is facing a rise in imports. In industry segments where the manufacturing of goods can be done where the cost of labor is low, manufacturers must consider moving some manufacturing offshore, or reinforcing that its products are "Made in the USA." In some industries, however, a premium can be charged for moving or keeping manufacturing in the United States, provided that the product quality can be shown to be better than goods made overseas.

Right-to-Work Legislation

One of the key changes to occur over the past several years is the strong push by state governments to implement right-to-work legislation, which basically prohibits organized labor from automatically deducting union dues from workers. Government and industry leaders contend that the legislation makes states more competitive and will attract manufacturing businesses and other labor-intensive companies, and gives workers more choice about where their earnings go. However, unions and workers usually feel it is simply a tactic designed to weaken organized labor.

TALKING POINTS

Corporate

The corporate offices of most manufacturing companies are charged with meeting financial goals, retaining employees, and developing long-term plans regarding products and services. Companies in this sector are also faced with large capital expenses when purchasing equipment used to manufacture its products. Talking points might include:

In the next few years, where do you see partnerships occurring that would help expand your service offerings to customers?

As the industry consolidates, mergers and partnerships are top-of-mind issues to all corporate manufacturing executives, especially with products that are high volume, low-value items.

How do you collect feedback on the quality and usefulness of your products?

Consumer attitudes towards the environment help guide the long-term choices of particular products. In some

product categories, given a choice of a “green” product vs. a non-green product, many consumers will choose the environmentally friendly product, even if it costs slightly more.

How do you monitor your customer's product sales to ensure you can meet their inventory needs?

Manufacturing companies need to stay on top of their customers' inventory levels and future demand forecasts to ensure a seamless flow of product to the market.

Environmental

Manufacturing executives are extremely concerned with the environment and regulations that govern production of goods. They must be cognizant of current regulations, as well items under consideration at the local, state and federal level. Talking points might include:

How are you currently keeping in touch with consumer attitudes toward sustainable and recycled products?

Consumer attitudes towards the environment help guide the long-term choices of particular products. In some product categories, given a choice of a “green” product vs. a non-green product, many consumers will choose the environmentally friendly product, even if it costs slightly more.

What techniques do you use to keep plant supervisors apprised of environmentally friendly materials-handling procedures?

Penalties for non-compliance with proper materials-handling or waste-disposal statutes can result in fines or even jail time, depending upon the seriousness of the offense.

Purchasing

A manufacturing company's purchasing department is charged with sourcing the materials and components needed to create the product. It is focused on obtaining reliable, cost-effective raw materials, supplies and equipment, and ensuring that these components are acquired as efficiently and cost-effectively as possible. Talking points might include:

What technologies or sources do you utilize to monitor component prices, and ensure that they are acquired at the best possible prices?

Sophisticated tracking programs that monitor commodity prices and futures are available to even the smallest manufacturers, allowing them to take advantages of pricing shifts as they occur.

Have you conducted an environmental efficiency audit to ensure your plant is running as efficiently as possible?

Major utilities offer free energy audits to commercial and industrial clients to help ensure their operations are run as efficiently as possible. Additionally, simply replacing older, less-efficient technology with newer equipment can often yield immediate gains.

Research & Development (R&D)

R&D is used by manufacturers to not only evaluate and improve its products, but also to evaluate the process used to make its products. R&D departments are also charged with taking competitor products apart and reverse-engineering them to identify potential areas for improvement within their own products. Talking points might include:

What are some of the current technical issues you are trying to solve to make your production process more energy efficient?

Manufacturing can be an energy and labor-intensive process, and R&D is often charged with finding new ways to make goods with less energy or manpower.

What innovations have you introduced that have reduced development time or costs?

Innovations are not limited to the product themselves; many are focused on the manufacturing process itself, which can yield a significant ROI and contribute mightily to a company's bottom line.

Sales

Large manufacturers have direct sales forces to sell their products to distributors and retailers. These companies need sales management systems, communication devices, and information about their customers

in order to be effective. Small manufacturers, despite their lack of size, need some sales personnel to sell and promote products to distributors or retailers, which are often responsible for the end-consumer sales functions. Talking points might include:

How do you forecast the demand for your products? How do you develop lists of new clients in your particular industry?

Sales departments must keep in touch with the long-term perspectives and needs of their key customers and industry-wide trends. Furthermore, manufacturers need to consistently identify and engage new customers, particularly during periods of economic recession, when existing customers may either cut back their orders or eliminate them entirely.

What techniques are you using to identify new potential customers?

Utilizing the Internet, including relevant social media tools, can be a useful complementary strategy for identifying new potential customer leads, in addition to traditional cold-calling or traditional networking.

How are your sales reps staying current with industry news and regulatory developments?

Compiling industry briefing books can be useful for getting reps up to speed on new industries or customer types quickly.

QUESTIONS BEING ASKED

- | What types of manufacturers are moving manufacturing and product back to the U.S., and what factors are driving this decision?
- | Which states have enacted right-to-work legislation, and which ones are likely to adopt similar legislation in the next few years?
- | How is automation and robotic technology being utilized in the home goods production (lamps, shades, storage products) industries?
- | What types of supply chain automation software are available for small manufacturing shops?

INDUSTRY BUZZWORDS

- | **APICS:** American Production & Inventory Control Society.
- | **ASRS:** Automatic Storage and Retrieval System, used in warehouses.
- | **BOM:** Bill of Materials.
- | **Cash Cow:** A product that maintains the highest return on investment.
- | **DMAIC:** Define, Measure, Analyze, Improve, Control. A five-part problem-solving method used in manufacturing companies.
- | **EDI:** Electronic Data Interchange, which are standards and protocols used to share critical business information between suppliers and manufacturers, or retailers.
- | **FIFO:** In, First Out, describing a method of inventory control.
- | **ISO 9000:** A family of standards for quality management systems.
- | **JIT:** Just-In-Time, which is a manufacturing schedule which is based around the theory of supply parts and components as they are needed, rather than stockpiling parts. This is thought to be a more efficient way of manufacturing, though it requires increased coordination.
- | **Pareto's Law (80/20 Rule):** This is a manufacturing theory that states the majority of outcomes stem from a significant minority of sources. This is commonly referred to as the 80/20 rule (e.g., 80 percent of sales typically come from 20 percent of customers).
- | **Parkinson's Law:** The theory that the work will expand to meet the time allotted to it. If a project is allotted 5 days for completion, it will take 5 days, even if in theory it could be completed sooner.
- | **QA:** Quality Assurance, or a series of checks to ensure specific quality benchmarks are met.
- | **SCM:** Supply Chain Management, or the process of monitoring and managing components or

products from component supply through delivery.

Six Sigma: A business methodology that seeks to identify and remove the causes of defects.

SOURCES FOR MORE INFORMATION

Journals

Journals	Websites
IndustryWeek	www.industryweek.com
Journal of Manufacturing Systems	www.journals.elsevier.com/journal-of-manufacturing-systems
Manufacturing & Technology News	www.manufacturingnews.com
Manufacturing Automation	www.automationmag.com
Manufacturing Engineering	www.sme.org/manufacturingengineering
Manufacturing.net	www.manufacturing.net
SupplyChainBrain	www.supplychainbrain.com
The Manufacturer	www.themanufacturer.com

Associations

Association	Websites
American Composites Manufacturers Association	www.acmanet.org/index.cfm
American National Standards Institute	www.ansi.org
American Productivity and Quality Center	www.apqc.org
Association for Manufacturing Excellence	www.ame.org
Consumer Specialty Products Association	www.cspa.org
Institute for Supply Management	www.ism.ws
National Association of Manufacturers	www.nam.org
Society of Manufacturing Engineers	www.sme.org

Trade Shows

Trade Shows	Websites
International Conference on Manufacturing Engineering and Process	www.icmep.org
IIE Annual Conference & Expo	www.iienet2.org/annual2/
ASME Manufacturing Science and Engineering	www.asmeconferences.org/MSEC2013/

Conference	
Manufacturing Expo	www.manufacturing-expo.com

FOOTNOTES

- i 2012 NAICS Definition; 339 Miscellaneous Manufacturing, at <http://www.census.gov/cgi-bin/sssd/naics/naicsrch?code=339&search=2012%20NAICS%20Search>.
- ii 2013 Annual Survey of Manufactures, U.S. Census Bureau, at http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ASM_2013_31GS101&prodType=table.
- iii 2013 Annual Survey of Manufactures, U.S. Census Bureau, at http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ASM_2013_31AS101&prodType=table.