

**February 2008**

**UK manufacturing – engineering a brighter future**

Ian Ritchie, Managing Director of Brammer UK, argues that there's plenty to be positive about for companies that are able to think ahead, innovate, and control their costs.

The news, again, is full of doom and gloom. UK manufacturing is often said to be in crisis. There are undoubted serious skills shortages and deficiencies. Labour-intensive and low-cost production is shifting relentlessly to the Far East and Eastern Europe. Rising energy costs are front page news.

Yet there are many distinctly more promising angles which get little attention. The UK retains a strong business base - not just in the form of our 140,000 active manufacturing companies, but also in research, product design and development.

Overseas companies continue to be attracted by our scientific and technological excellence, our working culture, and the added value we can bring to their enterprises.

The UK market has improved in the last two years, with key indicators showing a stable position and even some modest growth.

What is unquestionably true is that the industrial landscape in this country has changed significantly – with less heavy engineering and machine building, but more high tech companies, process industries, construction, transportation and logistics.



And UK businesses, like all others, simply have to get used to operating in a highly competitive global market. We are all constantly challenged to achieve ever greater efficiency improvements and cost-effectiveness across all of our processes – and this can only continue.

From Brammer’s perspective, as the leading European distributor of Maintenance, Repair and Overhaul (MRO) products, we’re determined to play a key role in helping the UK economy and UK manufacturers to find new ways to meet these challenges, and prosper.

**Environmental imperative**

But to do this we need to take a positive view – and recognise that the changes in our economy should be seen as opportunities rather than terminal threats. Businesses that continue to think ahead, innovate, invest and control their costs can still have a very bright future.

New technologies and innovation in production will without question play the most critical role in transforming products and processes to improve output and efficiency in every sector of industry.

At the same time, however, these new technologies must also be combined with far greater environmental emphasis. Those companies whose strategies balance best-practice processes with environmental sustainability will be the ones who reap the greatest rewards.

Rising energy costs, environmental regulation and awareness of corporate and social responsibility issues will continue to make impact. All of these will accelerate the need for more successful and cost-effective energy management.



Both manufacturers and suppliers will have to focus tirelessly on new ways of reducing energy consumption and carbon emissions as a primary way of reducing costs, meeting regulations, and winning business as environmental performance becomes ever more of a key supplier selection factor. This is the new environmental imperative.

### Controlling MRO costs

Another critical contributor to the challenge of improving efficiency and enhancing competitive position is MRO expenditure: an area where Brammer is actively taking the lead. We see attitudes changing as manufacturing companies get serious about applying professional supply chain management practices to their MRO operations – which invariably feature in their top ten indirect spend areas.

Effective maintenance management will continue to gain influence on competitiveness, through improving production output and efficiency and reducing business costs – by reducing both the total cost of component acquisition and working capital.

Equally, supplier reduction is a trend that will continue to deliver savings to industry as purchasing professionals streamline processes to reduce costs. Suppliers who can reliably provide a comprehensive range of components and services will strengthen their own position, and enable their customers to gain administrative efficiencies.

But managing MRO inventory isn't always easy. With many parts involved, and unpredictable demand for slow-moving items, inventory can quickly spiral out of control. A key issue here is the relative roles of buyers and stores personnel.



At worst, “promiscuous buyers” court multiple quotes for an item from different suppliers to get the best deal on the day – failing ever to leverage the potential of focussing on one or two key sources. Similarly, “stores squirrels” acquire greater quantities of an item than are necessary to get a lower unit cost – ending up with piles of non-moving stock which tie up cash and ultimately become obsolete and written off. Reconciling these with more rigorous supplier management and purchasing controls continue to be critical for effective cost containment.

Another pressing issue is the growing global menace of counterfeit parts, which can lead to grave consequences for any company that buys and uses them. Machinery, production uptime and health and safety can all be catastrophically compromised as fakes inevitably fail – with no redress from their manufacturers for any costs, liability or claims.

Buying genuine and fully branded products through authorised distributors is the obvious answer. Quality assurance, consistent part numbers, instant confirmation of availability, total product traceability, and full manufacturer’s warranty far outweigh any transient cost argument.

### **Sitting at the cutting edge**

So what does the future really hold?

It’s true that we operate in an evolving and competitive industrial landscape that’s under continuous pressure to increase efficiency under challenging legislative and environmental conditions.

But the UK sits at the cutting edge of modern manufacturing. This is central to our future as a leading knowledge-driven economy. And with the right attitudes and commitment we can continue to build on this strong position.



While labour-intensive manufacturing will continue to migrate to lower-wage countries, we need to fully leverage and develop further the skills that we have.

By taking pride in our achievements, responding imaginatively to the challenges we face, pushing for ever greater innovation and working relentlessly to manage energy costs, UK manufacturing can have a strong future - and continue to play a key role in a successful and globally competitive UK economy.

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