CANADIAN MANUFACTURING

OUTLOOK 2014

Leveraging Opportunities, Embracing Growth

KPMG

cutting through complexity

Foreword

Manufacturing is responsible for almost one third of Canada's exports, contributing significantly to the country's overall wealth and economic stability. In 2013, close to 80,000 manufacturing businesses generated revenues of $591 billion and employed about 1.8 million Canadians, making the industry one of the most dynamic in the country.[1]

On a global scale, however, Canada's manufacturing sector is relatively small. In KPMG's fifth annual *Canadian Manufacturing Outlook*, which consists of interviews with 154 manufacturing executives about the state of the industry, almost three quarters (73 percent) of the companies surveyed have annual revenues of less than $100 million. Compare this with KPMG's global 2014 survey, in which all participating manufacturing companies reported annual revenues in excess of $1 billion.[2]

While Canada has only a modest share of the global manufacturing market, it is well positioned to become more relevant and influential than ever before. In fact, trends in the manufacturing industry globally are driving opportunities that are, literally, right at Canada's doorstep:

- Lead times are becoming more and more compressed – Canada's major manufacturing centres are close to the US, our largest trading partner.
- Rising energy costs are forcing many North American companies to on-shore aspects of their manufacturing operations, moving them closer to home and their key markets – another reason Canada's geographic location is such an advantage.
- Companies are drawing away from low-cost jurisdictions such as China and India to find products manufactured with greater quality and consistency – two characteristics Canadian manufacturing has a strong reputation for.
- A shortage of skilled workers is a challenge that manufacturers are facing around the world – Canada has the people, the colleges, universities, trade and technical institutions and the government support to train the right individuals for the right jobs.

While we cannot influence these trends, Canadian manufacturers can find ways to leverage them to become more significant in the global market.

The timing could not be better. The economic progress we are starting to see in the US, Canada and elsewhere around the world is bringing these opportunities to the forefront, now more than ever.

1 Defalco, Frank. "PM participates in Q&A session with CME Members." *CME-MEC*. CME, 01 March 2014. Web. 30 May 2014.
2 KPMG International Cooperative. *Global Manufacturing Outlook: Performance in the crosshairs*. Toronto: KPMG International, 2014.

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Canadian Manufacturing Outlook 2014

The first part of this year alone has seen positive signs for the Canadian manufacturing industry and the Canadian economy as a whole. Revenue increased 1.4 percent in February 2014 across the industry, the highest monthly growth since July 2008,[3] and Canada recorded an overall trade surplus of $290 million in the same month.

February 2014 also marked an increase in exports over the previous month to Canada's key trading partners including Japan (12 percent), the US (4.4 percent), and EU (6.8 percent),[4] further bolstering the national economy. With the Canada-EU Trade Agreement less than two years away and expected to add $12 billion to Canada's GDP,[5] it is clear manufacturers will have an even greater role to play in Canada's economic growth and prosperity in the years to come.

Are manufacturers ready? They are preparing. Between now and 2016, Canadian manufacturing companies will focus more than ever on their key markets – Canada and the US. Some plan to on-shore their sourcing or invest in supply chain visibility to better manage costs. Others are looking to financing or mergers and acquisitions (M&A) activity to fuel their growth. But many are also grappling with issues around price pressures, lifecycle costing, and balancing the need versus the cost to innovate.

The 2014 *Canadian Manufacturing Outlook* offers clear steps all Canadian manufacturers can take to begin preparing for the future, to leverage the opportunities that are trending globally, and focus on the areas that will help them grow their businesses the most.

Laurent Giguère
National Industry Leader
Industrial Markets

Don Matthew
National Sector Leader
Industrial Manufacturing

3 Government of Canada. Statistics Canada. Table 1 - Manufacturing: Principal statistics - seasonally adjusted Feb. 2014. 30 May 2014 <http://www.statcan.gc.ca/daily-quotidien/140415/t140415a001-eng.htm>.
4 Government of Canada. Foreign Affairs, Trade and Development Canada. Monthly Trade Report: Monthly Report on Canada's International Merchandise Trade Performance, March 2014 Mar. 2014. 30 May 2014 <http://www.international.gc.ca/economist-economiste/performance/monthly-mensuel.aspx?lang=eng>.
5 Defalco, Frank. "PM participates in Q&A session with CME Members." *CME-MEC*. CME, 01 March 2014. Web. 30 May 2014.

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Contents

Executive Summary

Strategic Priorities

Integrated and Cost Efficient Supply Chains

Product Cost and Profitability

Technology and Collaboration Models for Innovation

Key Takeaways for Canadian Manufacturers

About the Survey

Contact Us

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Canadian Manufacturing Outlook 2014

Executive Summary

Canadian manufacturers are focusing their efforts over the next two years on increasing sales, and they see Canada and the US as the key markets that will fuel that growth. Many are moving their sourcing back to North America, maintaining their operations closer to their client bases to reduce energy and transportation costs, and better prepare themselves to respond to increasingly tighter lead times. Others are pursuing growth strategies that include seeking financing or mergers and acquisitions, enhancing existing product lines and services, investing in innovation to enhance existing products, and adopting more collaborative business models with suppliers and customers.

Challenges also abound including: remaining competitive on price, managing supplier performance, finding skilled supply chain talent, understanding customer needs, and dealing with a lack of company mindset and budget for integrated planning.

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Canadian Manufacturing Outlook 2014

Other key findings:

Increasing speed to market and R&D investment represent key opportunities for Canadian manufacturers. Focusing on increasing revenue and tightening cost structures has proved a successful formula throughout the global recession. As the global economy rebounds, Canadian companies have the opportunity to respond to the growing demand among their customer base for more and better products delivered faster, and gain competitive advantage by investing in R&D and increasing speed to market.

Elevating supply chain efficiency requires skilled talent. Companies need to align themselves with and market themselves to graduates of post-secondary programs that specialize in supply chain management in order to acquire the resources they need to take advantage of this critical global trend.

Automating costing systems involves more than purchasing ERP systems. Companies need to focus on enhancing the quality of cost data and regularly monitor, review and update their processes to ensure accuracy.

Canadian companies are focused on incremental innovation. While enhancing existing products can provide significant value and is a less risky strategy, ideally, manufacturers should also invest in breakthrough innovation in order to remain competitive with their less risk-averse global peers.

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Strategic Priorities

North America Comes into Sharper Focus

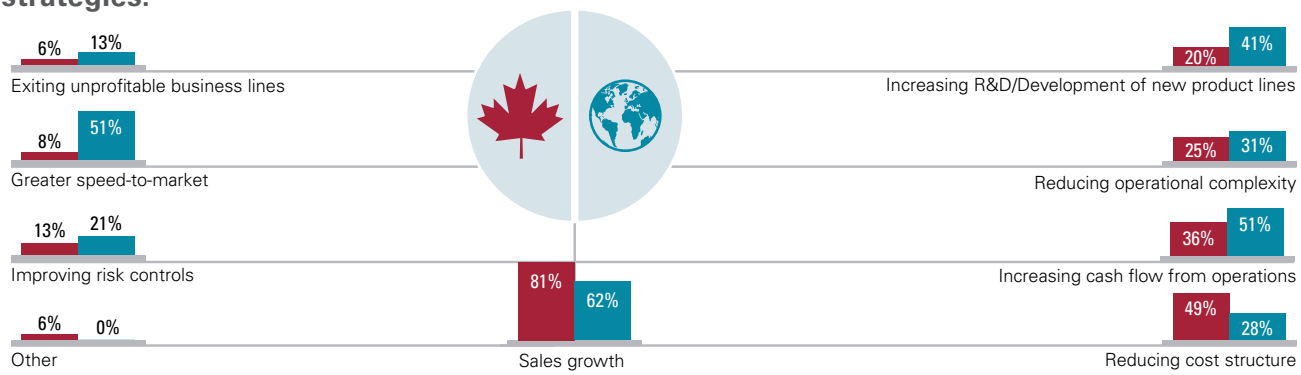
Rising energy costs, added pressure on lead times, and increased inflation in China has made Canada and the US more competitive as sourcing nations. Issues with quality and consistency of product have also driven Canadian manufacturers to look to on-shoring for their sourcing strategies.

Gradual signs of recovery in the US, and confidence in Canada's consistent economic performance continue to drive the focus on North America for sales and profit among Canadian manufacturers. The US and Canada also continue to be key sourcing markets, while China and India dropped in significance dramatically from our 2013 report. In our 2013 survey, 31 percent of manufacturers planned to source from China, compared with only 14 percent in 2014. Likewise, 12 percent of survey respondents planned to source from India in 2013, compared with just 3 percent this year.[6]

Rising energy costs, added pressure on lead times, and increased inflation in China has made Canada and the US more competitive as sourcing nations. Issues with quality and consistency of product have also driven Canadian manufacturers to look to on-shoring for their sourcing strategies.

When asked what will be at the top of their list of priorities over the next two years, Canadian companies overwhelmingly looked to increasing revenue (81 percent). Sales growth is also number one globally (62 percent), followed closely by improving speed to market (51 percent) and increasing R&D (41 percent). In contrast, increasing speed to market (8 percent) and increasing R&D (20 percent) were not high priorities among Canadian companies.

Top Strategic Priorities Over the Next Two Years



Instead, in addition to sales growth, most Canadian manufacturers plan to continue to focus their efforts on increasing cash flow and reducing operational costs – a strategy that has served them well throughout the last five years of the global recession.

Looking to the future, Canadian companies have opportunities to grow their market share and enhance their ability to compete among their global peers by placing greater emphasis on developing new product lines and increasing the speed with which they drive those products to market. Both strategies require investment of resources, time and capital, but they can also help Canadian companies create a solid foundation for future success as the global economy rebounds in the years to come.

6 http://www.kpmg.com/ca/en/issuesandinsights/articlespublications/pages/canadian-manufacturing-outlook-2013.aspx.

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Leveraging Opportunities

Intense competition and pressure on prices, and business model competitiveness continue to be the standout challenges for Canadian manufacturers.

Many leading Canadian manufacturers are addressing these challenges today by leveraging cutting-edge innovation including **introducing robotics to the shop floor**. While the investment can be significant, introducing automation and robotics to the most routine and mundane aspects of the manufacturing process helps innovative companies create consistent, better quality products, so they can focus more of the efforts of their skilled workforce in areas such as R&D and innovation.

Another strategy among high-performing manufacturers is to **outsource elements of their businesses** to specialized third parties so the manufacturers can concentrate on what they do best and do it better than their competitors.

Still others are enhancing their business models by **guaranteeing quality, consistency and availability of supply to customers**. When manufacturers can produce what the customer wants, when they want it, in a cost effective way and to a consistently high quality, they find customers are willing to pay a premium for their products, which helps them edge out their competitors and gain greater market share.

Get Ready, Get Set, Go!

Preparing For a Change In Ownership

Not unusually, one third of Canadian manufacturers say they plan to seek financing/capital investment for their business over the next two years, while almost a quarter are looking to M&A transactions to launch their companies into a new phase of ownership. At the same time, only one fifth have a formal succession plan, and 29 percent have no plans to even create one.

Before either seeking additional financing or a capital investment to grow the business, or enter into an M&A transaction, Canadian manufacturing companies need to prepare themselves – a process that can take many years.

First, you need to review your strategic position. Understanding how the company fits into its market will help you understand who your buyers are and what you can do today to make your business more attractive to that group or to potential investors.

Next, you need to understand your business performance and where you are in your business lifecycle. Many times, companies try to squeeze one more year of growth and profitability before they sell – then find themselves at the top of the business lifecycle where the only way to go is down. Instead, buyers are more interested in acquiring the business at a time when the company is still showing signs of growth and potential.

Third, you must understand where you make your money. Companies need to examine which products are the most profitable, and continue to outsource the products or services that don't increase cash flow. Preparing the business in this way before you go to market helps generate better deals and puts you in a better position with potential investors.

Lastly, you need to determine how you will manage the goodwill of the business, post sale. Is there a proper management team outside the owners? Can the buyer maintain the goodwill, or does it walk out the door when you do? The answers to these questions will affect the sale price of your business and it is why succession planning is so important.

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Integrated and Cost Efficient **Supply Chains**

Benefiting from Know-how, Technology and Communication

Companies that can obtain a more accurate picture of their supply chain will be able to plan ahead, be more strategic and achieve better pricing overall – giving them a definite competitive advantage over others in the industry.

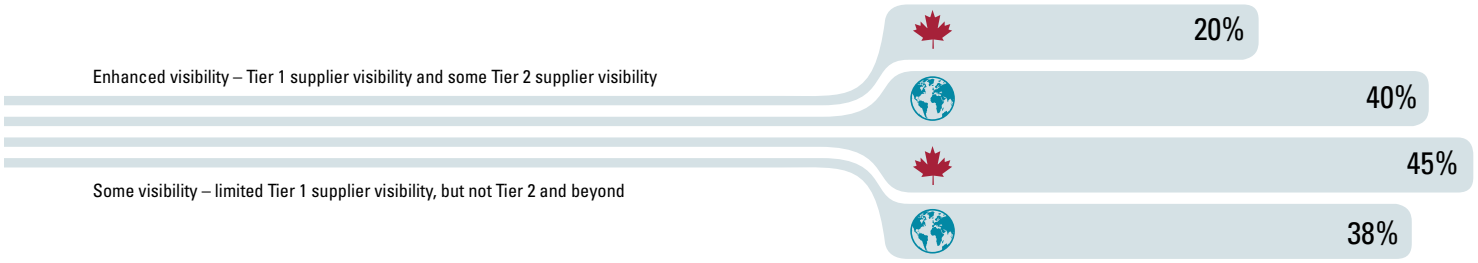
The majority of Canadian manufacturers (65 percent) have enhanced or some visibility into supply and capacity information across suppliers and partners, which is consistent with their global counterparts (78 percent). A further 9 percent of Canadians have complete visibility into Tier 1 and 2 suppliers and beyond.

This is positive news for Canadian manufacturers as they embrace growth. Companies that can obtain a more accurate picture of their supply chain will be able to plan ahead, be more strategic and achieve better pricing overall – giving them a definite competitive advantage over others in the industry.

Canadian manufacturers understand this and other benefits that come with increased supply chain visibility. Twenty-eight percent say the ability to better manage costs is the greatest motivator for enhancing visibility into the supply chain, 22 percent point to risk, and 11 percent cite the ability to use the data to offer new products and services to customers. Enhanced visibility can also lead to more robust preferred-vendor relationships – for example, ones in which manufacturers manage inventory for customers, replenishing stock when needed in exchange for higher pricing.

What are the top obstacles to adopting new technology for communication along the supply chain? Cash/capital/resources (30 percent) and lack of strategy (18 percent). While cost is less of an issue for accessing good supply chain software today, having the skilled resources to make full use of it is – so it is not surprising manufacturers see it as a key challenge to technology adoption.

Supplier Visibility



Benefits from Increasing Supply Chain Visibility

28% Better managed costs

22% Better managed supply chain risk

11% Capability to expand into new products and services

Obstacles to New Technology Adoption

30% Inadequate resources – cash/capital/resources

18% Lack of strategy

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Leveraging Opportunities

The risk, reliability and quality associated with supplier performance is the top challenge among Canadian manufacturers today (34 percent).

Addressing supplier performance can be a significant task, but one of the first steps is **involving procurement early on** in supplier selection and throughout the lifecycle of the relationship. This strategy is gaining greater momentum today because procurement is seen more as an enabler to organizations, helping to not only identify the right vendor, but also to establish validation and monitoring processes that address risk, reliability and quality on a regular basis throughout the year.

Procurement can also **develop a risk matrix** to examine key factors for each supplier, including top-level issues such as geography and the category of goods they supply, but also more detailed issues like understanding the vendor's business and the risks the vendors themselves face.

Keeping pace with fluctuations in customer demand came in a close second, at 30 percent.

Many manufacturing companies are coming to understand that managing real-time fluctuations in customer demand begins with **small steps**:

- First is to increase accuracy in sales and demand forecasting, then establish a sales, inventory and operating plan (SIOP) – with input from across the organization including finance, sales, supply chain and production – to better align forecasted sales with production schedules.
- Next is demand planning collaboration with a few suppliers and clients – perhaps suppliers who represent a major portion of the raw material sourcing or clients who are eager to collaborate more on planning and forecasting.
- Step three involves establishing an online integrated system to see the evolution of customer sales and be able to react to those actual sales vs forecasted sales. This allows the company to react on a weekly or even daily basis, producing and distributing the right type and amount of SKUs to their major customers.

Finding skilled supply chain talent was also noted as a key challenge by 30 percent of Canadian manufacturers.

Finding skilled supply chain talent has always been more challenging in Canada compared to the US and Europe. Over the last five to six years, however, that trend has started to change as post-secondary schools across the country began offering undergraduate and graduate degrees specializing in this area. Canada now has a wave of young professionals entering the market with a background in and understanding of demand planning, forecasting, distribution management, and production management. To ensure they have the resources to manage their supply chains effectively to help prepare for future growth, manufacturers need to **develop relationships with these post-secondary schools** and market their organization to their students and graduates.

Top Challenges for Supply Chain

Supplier performance in terms of risk, reliability and quality

Aligning operations to real-time fluctuations in customer demand

Lack of skilled talent to manage supply chain execution/planning

Canada now has a wave of young professionals entering the market with a background in and understanding of demand planning, forecasting, distribution management, and production management. To ensure they have the resources to manage their supply chains effectively to help prepare for future growth, manufacturers need to develop relationships with these post-secondary schools and market their organization to their students and graduates.

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Supply Chain Sustainability

Increased Scrutiny Creates New Opportunities for Canadian Manufacturers

Many businesses today are seeing the impacts of 10 "megaforces" operating as a complex system on our planet that will change the world over the next 20 years and beyond: climate change, energy and fuel, material resource scarcity, water scarcity, population growth, wealth, urbanization, food scarcity, ecosystem decline, and deforestation.

These megaforces are contributing to unprecedented environmental and social changes that are creating risks and opportunities for businesses worldwide: population growth is putting ever-increasing demands on the world's limited supply of resources; increasingly frequent extreme weather fluctuations are affecting global supply chains; the rapid expansion of the middle class in emerging markets such as China, India and Brazil is increasing the spending power of these countries on a massive scale.

Ignoring these risks and opportunities is no longer an option for businesses today. *The KPMG Survey of Corporate Responsibility Reporting 2013* finds that almost all the world's top companies realize the importance of sustainability and currently report on their challenges and progress. In Canada, 83 percent of the country's top 100 companies report on sustainability.[7] While many programs initially focused on managing risks, many large businesses now indicate that a critical motivation for sustainability programs is the creation of new business opportunities.

What does this mean for Canadian manufacturers? Opportunities and risks associated with sustainability issues are increasingly being identified as key business drivers by large businesses, with many businesses indicating risks such as physical climate change will crystallize in the short term (between one and five years). Small and medium sized businesses are no less exposed. They too have the opportunity to gain a better understanding of how sustainability issues may affect their businesses both as a risk management strategy and as a way of identifying opportunities for new markets, services and products.[8]

Further, as sustainability reporting evolves, the spotlight is now being turned to the supply chain. The most recent version of the Global Reporting Initiative (GRI) Guidelines, G4, released in 2013, broadens the scope of disclosure to provide greater focus on supply chains. This is likely to have a spin off effect on small- to medium-sized manufacturing companies as large companies following the GRI guidelines seek to better understand and manage the sustainability impacts in their supply chains, and seek opportunities to enhance risk management and maximize efficiency in relation to non-financial metrics such as water usage, greenhouse gas emissions, energy consumption and labour practices.

By building a clear understanding of the business risks associated with sustainability issues in their own operations and supply chains, Canadian manufacturers can better manage their own exposure to the risks – and their ability to profit from the opportunities – brought on by the current environmental and social changes. They can create value for their customers and for themselves, and at the same time build resilience into their businesses so they can better manage expected future changes.

7 KPMG International Cooperative. *The KPMG Survey of Corporate Responsibility Reporting 2013.* Toronto: KPMG International, 2013.
8 Goldstein, Allie. "Companies Bracing for Escalating Climate Change Risks." *Ecosystem Marketplace.* The Katoomba Group. 20 May 2014. Web. 30 May 2014.

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Product Cost and Profitability

To Automate or Not To Automate

Manufacturers should aim at improving their forecast accuracy and choose the right level of aggregation for their improvements: SKU level for the short term, family or category level for longer term. Each percent of greater accuracy goes right into the bottom line, reducing work-in-progress and raw material requirements, as well as greater efficiency in production capacity management.

Almost half of Canadian manufacturers (46 percent) believe their business processes and systems are effective or very effective at determining product and channel profitability.

Automating costing systems is only half the story, however, since ERP solutions often do not deliver the cost data companies expect, and instead require specialized software and/or improvements in underlying data to derive benefit from these systems. Instead of implementing ERPs before they are ready, companies can benefit from taking measured steps to gradually improve the quality of cost data, before finally adopting sophisticated systems to understand and track costs.

With or without automation, companies need to monitor, review and update their processes to ensure they are using accurate attributes. When manufacturers have accurate information on the full cost of each product, from drafting the initial design to purchasing the raw materials to delivering the final product to the customer, they understand how far they can go on price and are in a better position when negotiating with customers.

When it comes to supporting business analysis and decision-making, 41 percent of Canadian companies rely heavily on their forecasting and planning processes, but almost half rely on them only moderately.

Without accurate forecasting and planning, companies risk significant waste of effort, inventory, cash and capital. Manufacturers should aim at improving their forecast accuracy and choose the right level of aggregation for their improvements: SKU level for the short term, family or category level for longer term. Each percent of greater accuracy goes right into the bottom line, reducing work-in-progress and raw materials requirements, as well as greater efficiency in production capacity management.

Canadian companies feel they can rely highly on their current margin and cost information to determine individual product or service profitability (44 percent) as well as product or service line profitability (46 percent), so much so that few plan to make substantial investments in the next two years to enhance their systems and processes (13 percent and 12 percent respectively) related to these areas.

With Canadian companies already subject to global competition on price, however, and given the intense competition and price pressures they expect to experience over the next two years, manufacturers should continue to invest in both areas to help them remain competitive and prepare for future growth.

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46% of Canadian manufacturers believe their business processes and systems are effective or very effective in determining profitability.

Reliance on current processes to support business analysis decision-making

46% determine product or service profitability

44% determine individual product or service profitability

41% rely on forecasting and planning

Planned investment to enhance systems and processes

13% plan on making substantial investment to enhance how they determine individual product or service profitability

12% plan on making substantial investment to enhance how they determine product or service profitability

Leveraging Opportunities

Lack of integrated planning mindset (18 percent) and lack of budget (14 percent) are the top two challenges companies face when it comes to building a life-cycle view of product cost and profitability.

Establishing an integrated planning mindset is about ensuring all functions within the organization communicate with each other, work together, and contribute to every aspect of the business. It can also include understanding and integrating the company's own data with market, supplier and customer data so that the company understands all the short- and long-term cost impacts of a given product. It requires time, thought, investment, and a clear business case that every function buys into, but it is key to building a lifecycle view of product cost and profitability.

As a challenge, lack of budget suggests incomplete or no buy-in from functions within the business. If, however, organizations make strong enough business cases for lifecycle costing and receive buy-in from everyone, questions around budget would likely disappear.

Challenges to Building a Life-cycle View of Product Cost and Profitability

18% Lack of integrated planning mindset

14% Lack of budget

From Lust To Dust

Understanding the Impacts of Lifecycle Costing

When purchasing an asset to produce a product, many companies tend to look only at the acquisition cost without considering the operational, maintenance and other costs that can have a significant impact on the profitability of the end product. Companies may not realize they made the wrong decision or that they are not making the profits they had hoped with a particular product for months or even years into producing it.

Using lifecycle costing to make product cost/profitability decisions can mean the difference between updating an asset and purchasing a new one, or using an asset to its full potential versus running out of money to operate and maintain it over time.

Understanding the impacts of lifecycle costing requires taking a long-term view that draws input from different functions of the business – from operations to finance to HR. In the end, however, it provides the most complete view of the true costs to the business, mitigates risk, and helps the organization make the right decisions to ensure its products can compete and succeed in the market, now and in the future.

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Technology and Collaboration Models for **Innovation**

Broaden, Monitor, Invest, and Integrate

Although incremental innovation can create significant value and sometimes even more value than disruptive innovation, ideally, manufacturers should be leveraging both.

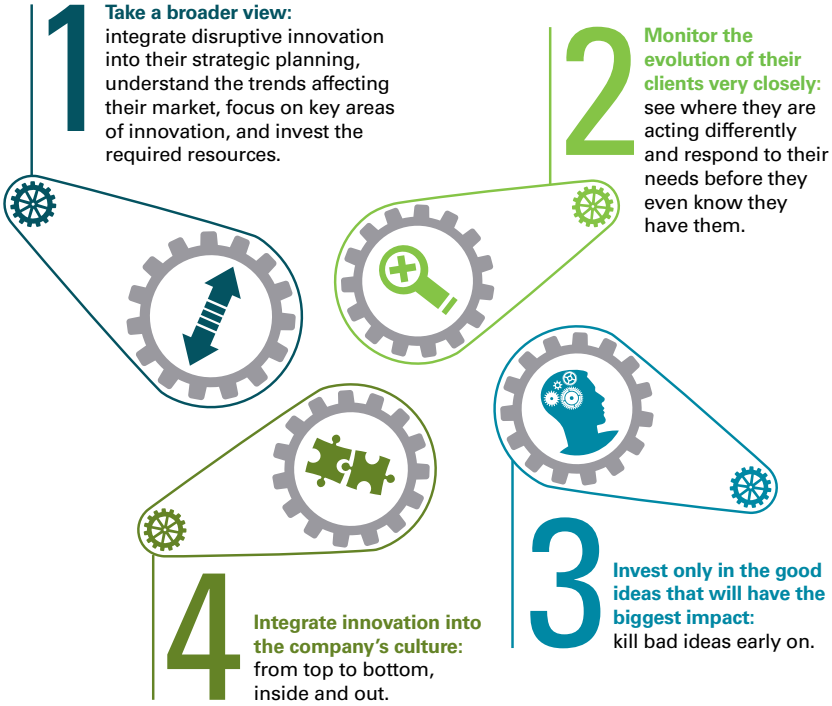
Three quarters of Canadian manufacturers engage in innovation by enhancing existing products and services and 15 percent have a primary strategy involving breakthrough innovation. Over the next two years, more than two thirds plan to spend up to 15 percent of revenue on new innovation and product introductions.

Strategy to enhance innovation

Breakthrough 'disruptive' innovation and product introductions

Canada's conservative, risk-averse culture and our lack of significant venture capital funding make it easy to understand why incremental innovation is more common here at home, compared to the US and globally. Although incremental innovation can create significant value and sometimes even more value than disruptive innovation, ideally, manufacturers should be leveraging both.

To break into break-through innovation, companies need to:



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Canadian Manufacturing Outlook 2014

Instead of considering just their direct competitors when making decisions about innovation investments, companies should look at underlying trends that could impact their business including everything from substitutes to foreign market entrants to new business models that could make them obsolete – basically the company's whole value chain.

When innovation resides solely within the R&D function, companies are limiting their potential for breakthrough ideas for innovation. Key to any drive for innovation is establishing a culture of open innovation – ensuring every employee, supplier and customer can contribute ideas, and that there are processes and tools in place to be able to capture, escalate and develop those ideas.

Leveraging Opportunities

Standing in the way of innovation for 29 percent of manufacturers is a lack of knowledge of potential markets.

Manufacturers often do not understand their potential markets because they may be looking at the business in a fairly narrow way. Instead of considering just their direct competitors when making decisions about innovation investments, companies should look at underlying trends that could impact their business including everything from substitutes to foreign market entrants to new business models that could make them obsolete – basically the company's whole value chain.

One fifth (20 percent) feel they have difficulty understanding their customers' needs.

To better understand customers' needs, manufacturers need to think outside the box to understand what drives customers' behaviours as opposed to the solutions they would like. Instead of solving the need, manufacturers need to think about why the need is there in the first place.

A further 18 percent cite a shortage of ideas.

When innovation resides solely within the R&D function, companies are limiting their potential for breakthrough ideas for innovation. Key to any drive for innovation is establishing a culture of open innovation – ensuring every employee, supplier and customer can contribute ideas, and that there are processes and tools in place to be able to capture, escalate and develop those ideas.

Also critical is having leadership that believes in innovation, HR practices focused on recruiting people who are innovative, incentives to support innovation, and giving employees the time to innovate – including making mistakes along the way.

Challenges to Innovate

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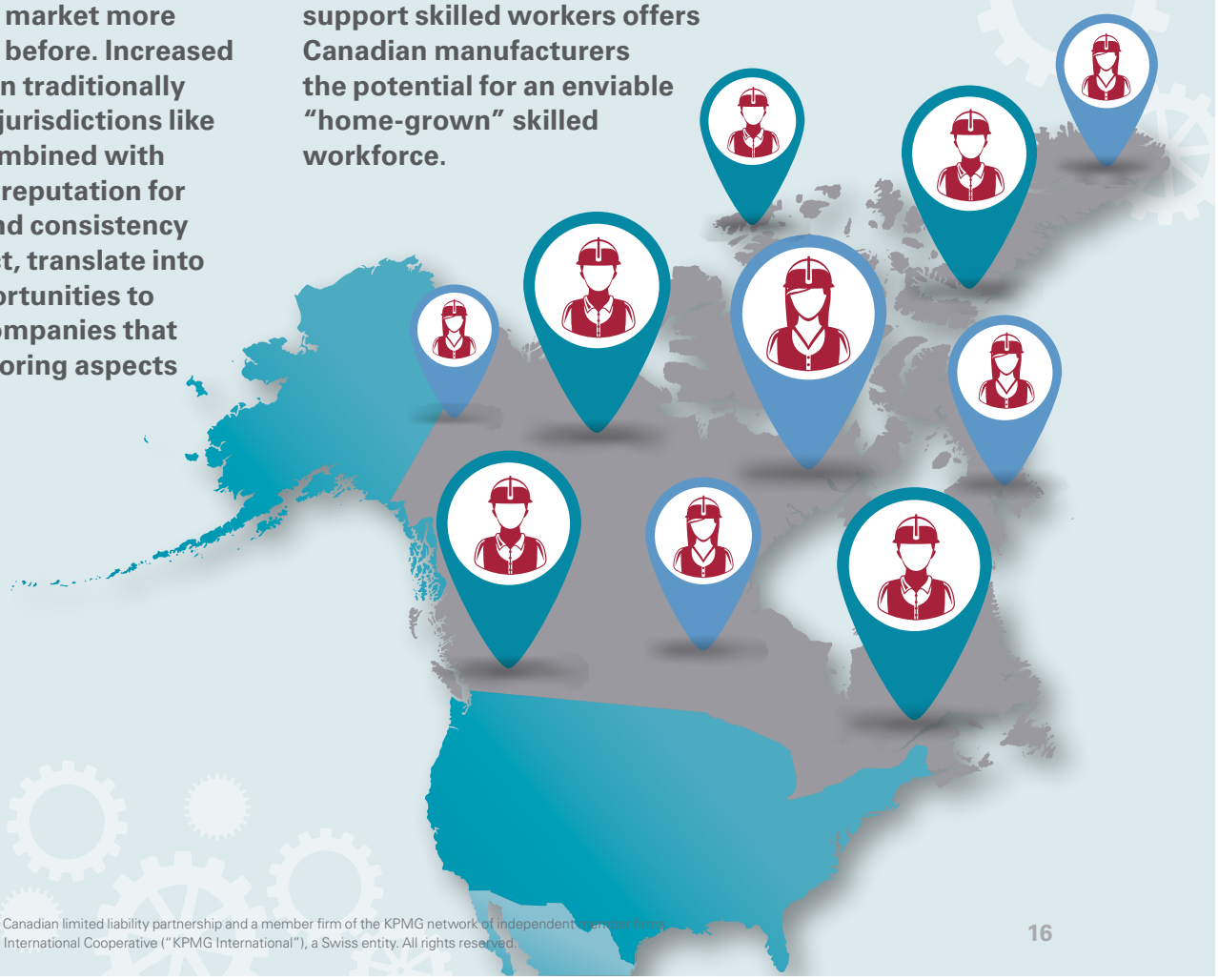
Canadian Manufacturing Outlook 2014

Key Takeaways for **CANADIAN** Manufacturers

Manufacturing has a significant influence on Canada's overall economic prosperity, but it plays a relatively minor role on the international stage. Various global trends and shifting economic times are reaching a confluence, however, bringing with them opportunities for Canadian manufacturers to gain greater significance here at home and around the world.

Tightened lead times and rising energy costs means Canadian companies can leverage their proximity to the US market more than ever before. Increased inflation in traditionally low-cost jurisdictions like China, combined with Canada's reputation for quality and consistency of product, translate into new opportunities to attract companies that are on-shoring aspects of their manufacturing to North America. A strong education system backed by government grants that support skilled workers offers Canadian manufacturers the potential for an enviable "home-grown" skilled workforce.



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Canadian Manufacturing Outlook 2014

Other key points of interest arising from KPMG's ***2014 Canadian Manufacturing Outlook:***

Increasing R&D Investment and speed to market represent opportunities that can help Canadian companies compete with and succeed among their global peers.

Growth through M&A requires preparation to truly understand your strategic position and business performance lifecycle, the products that generate cash flow, and what happens to goodwill.

When investment in integrated and efficient supply chains has the top-down buy-in and skilled resources it needs to be successfully implemented, it can provide a significant competitive edge.

Getting a true picture of product cost and profitability requires taking measured steps, followed by ongoing monitoring, review and investment to ensure accuracy.

Understanding the impacts of lifecycle costing needs a long-term view and support from across the business, but it can be a boon to manufacturers grappling with tight margins and significant price pressures.

Successful break-through innovation depends on taking a broad view of the business, monitoring client behaviour, killing bad ideas quickly, and making innovation part of the company culture.

As the Canadian and global economies rebound and continue to grow, the industry's opportunities for gaining influence also expand. If Canadian manufacturers are able to keep important global industry trends in sight and seize the opportunities they bring, they will be well positioned for continued growth and success in the years to come.

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ABOUT THE SURVEY PARTICIPANTS

CANADIAN MANUFACTURING
OUTLOOK 2014

ANNUAL REVENUE

$100 million

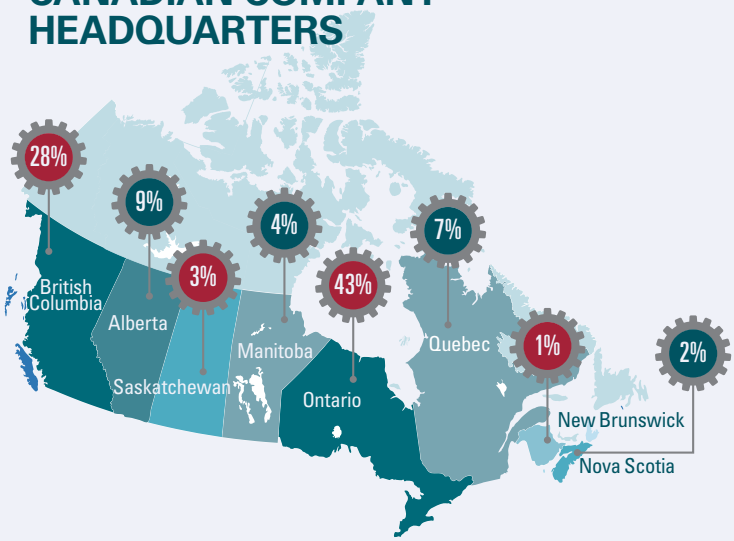
$1-$5 billion

Almost ¾ **of Canadian** respondents indicate that their revenue is less than $100 million. **Globally** ⅔ of respondents indicate that their revenue is between $1–$5 billion.

Canada (%)

Global (%)

CANADIAN COMPANY HEADQUARTERS



PRIMARY INDUSTRY

- 17% Industrial Products, Machinery & Equipment
- 13% Automotive
- 12% Transportation
- 8% Aerospace & Defense
- 6% Forestry
- 6% Plastics & Chemicals
- 6% Food, Beverage & Consumer Goods
- 3% Technology & Electronics
- 3% Metals
- 2% Pharma & Biotech
- 19% Other

JOB TITLE

Canada

- 49% CEO/President/ Managing Director
- 34% CFO, Treasurer, Comptroller or Equivalent
- 17% Other

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Canadian Manufacturing Outlook 2014

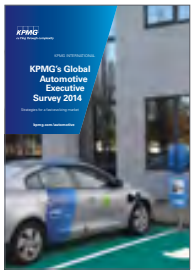
Industry Insights

KPMG professionals are engaged in the manufacturing industry. We proactively monitor the Canadian and global manufacturing business environment for new developments and challenges that can impact your organization. We then share this knowledge with you through on-going communications, publications, and professionals development seminars.

Some of our recent publications include:

2014 Global Manufacturing Outlook: Performance in the crosshairs

This report examines the continuing evolution of the strategies that manufacturers are deploying to drive value and performance.

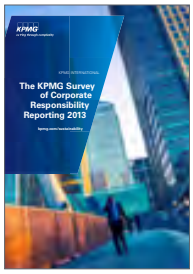


KPMG's Global Automotive Executive Survey 2014

KPMG's annual assessment of the current state and future prospects of the worldwide automotive industry.

Industrial Manufacturing Megatrends Research

KPMG has identified and analyzed 10 overall megatrends, which are seen as most important in today's manufacturing world.



The KPMG Survey of Corporate Responsibility Reporting 2013

This report provides a snapshot of current global trends in corporate responsibility (CR) reporting. The survey covers 4,100 companies in 41 countries and a deep-dive into the quality of reporting among the world's largest 250 companies.

KPMG's 2013 Global Aerospace & Defence Outlook

This report explores the challenges and opportunities present in today's A&D market and offers some practical and forward-looking insight for players around the world.

R&D incentives and services – adding value across the Americas

This guide examines the tax policies behind R&D programs in 11 countries including Canada and the United States.

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