10 Simple Money Saving Ideas for Manufacturing Companies

By: Stephanie Young Friday, April 24th 2020

As a manufacturer, you're always on the lookout for potential savings. That pretty much goes without saying. But do you really know where the money is going? Do you have a sense for your operational inefficiencies and materials waste?

Surely, you have many cost-cutting measures in place—but is it possible there's more you can be doing to optimize and save? Of course, there is! No matter what you're doing today, no organization has every single i

To that end, here are 10 of the most effective and innovative ways you can slash costs to support profitable growth and remain competitive.

1. Drive Workforce Efficiency With Digital Work Instructions

It's hard to believe that in today's technology-driven, future-forward world, many companies are still relying on basic applications like Word or Excel for instructional documentation—or worse: paper! While these tools may have been appropriate in a past life, today it's all about going digital.

Unlike the antiquated processes of yesteryear, digital work instruction solutions, like VKS Lite, make it possible for manufacturers to not only deliver guidance digitally, but also track their work and information, facilitate communication across teams and get full visibility into in-process work. More than driving process improvements and ease-of-use for employees, electronic work instructions help cut costs by reducing defects by up to 95%, increasing productivity by 20%, and accelerating and improving the accuracy of operational decision-making. You can also use digital work instructions to reduce training time by capturing tribal knowledge and minimizing the skills gap.

Lose It

2. Implement Tighter Quality Control Practices for Reduced Materials Waste

Sadly, waste happens. It's a fact of life for manufacturers, and it can be costly. It comes down to quality control. Plants that don't have tight QC processes in place, or those that rely solely on the human eye of their human workers to catch flaws, are frequently plagued by post-production defects and excess scrap material.

So how can you remove human error and up the ante on quality control? You guessed it: technology—smart technology, to be more precise. The advent of IoT has made it not just possible, but easy to monitor material quality, identify defects across the assembly line and send out real-time alerts when something goes awry. It's all about the data—capturing, communicating and receiving the data, and taking action on it. In an IoT-enabled facility, when a problem does arise (and it will), it can be flagged and immediately addressed—before it turns into a production-line reject.

3. Keep Your Workforce Healthy and Safe

rate, productivity takes a hit, as do the company's finances, not to mention morale (which, let's face it, can affect even a healthy worker's desire to put in 100%). An unhealthy or injured workforce impedes the functioning of assembly lines, as manufacturers are either faced with a workforce that's operating at partial capacity or forced to bring in temporary workers who may not have the skills or specialized experience to perform required tasks up to par. Add to that costly insurance claims associated with on-the-job illness and injury, and you're looking at a significant financial liability for the company.

But, there's good news: there are things you can do to keep your workers healthy and drive costs down. How? First, the company's senior leaders need to adopt the critical mindset that they are personally responsible for their workers' safety. Next, it's all about the technology —things like automation, robotics and IoT. With the right technology in place, managers can track illness to uncover trends that need to be addressed, flag near-misses in the plant and be alerted should an environmental hazard arise (e.g., an otherwise unnoticed gas leak). Additionally, by equipping workers with sensor-enabled wearables, they can be warned when they're too close to a machine to prevent a potentially devastating injury. Together, these measures can significantly affect the overall wellbeing of your company's most valuable resource: your workers.

revealed that 83% of senior management and operations personnel saw a marked increase in productivity following the implementation of a safety program, with decreased injury- and insurance-related costs.

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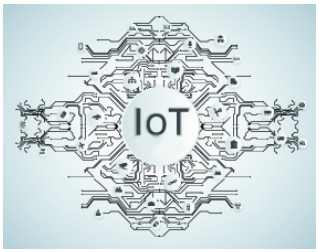
4. Scrutinize Your Supply Chain



If your company's supply chain processes and protocols are not actively monitored and managed, then your bottom line is most certainly taking a hit. Take carrying costs, for example. Maybe you're keeping extra supply on hand to respond to market fluctuations and variations. Sure, the buffer of surplus inventory may offer some degree of comfort—but it comes at a cost, literally.

With the help of our above-mentioned friend, smart technology (aka IoT), manufacturers can ensure they have just enough inventory on the shelves with perfectly timed reordering processes. It's all about the sensors on the machines that transmit the data that

assets in real-time, monitor events across the supply chain and make cost-effective inventory-related decisions.

5. Negotiate, Negotiate, Negotiate!

Tech is not your only path to supply-chain savings; you may need to tap into your negotiation skills to ensure you're getting the best price for raw materials. In other words, take nothing at face value. Ask for discounts—every time. And keep asking until the order is placed. The squeaky wheel gets the oil. Other tactics you might try include asking for prepaid freight, favorable financing terms or anything else they may be willing to throw your way. If that doesn't work, consider doing a cost-compare with other suppliers. Use competitive pricing as a foothold to negotiate better deals with your current suppliers or suppliers of choice.

There are many tactics you can take when it comes to negotiating with suppliers. Relationships are fluid; thoroughly understand your contract terms and conditions, and don't be afraid to redefine your existing supplier relationships for more mutually beneficial outcomes.

6. Cut Energy Costs With Better Technology

reaching benefits can also be seen on your utility bills. Think about the everyday functioning of your energy-consuming facility—you've got heating, cooling, lighting and the powering of equipment, to name a few. By making even slight improvements to each of the above processes, you'll take a significant chunk out of your energy costs.

For example, you can:

- Install smart thermostats and sensors to manage your heating and cooling functions;
- Find leaks in your air system using ultrasonic detection equipment;
- Upgrade to more energy-efficient manufacturing equipment;
- Use smart technology to power down equipment when not in use.

There are so many ways you can chip away at your energy consumption to cut costs. An added bonus? You'll also shrink your carbon footprint to the benefit of the planet. Something to consider.

7. Listen to Your Staff

Your workers are the ones using the machinery, tools and processes—and they're the ones who are seeing, first-hand, how smoothly (or not) things are going. All too often, strategic decisions are made at the top

bigger picture. Sure, the black and white data is critical. But human input from those who are most intimately familiar with what takes place every day cannot be replaced by an algorithm or a graph.

The fact is, your factory floor workers know where the operational waste is happening, and they'll likely have recommendations of where improvements can be made. Additionally, by involving them in more strategic company discussions, you'll improve morale, engagement, and, ultimately, productivity—all of which translate to bottom-line growth.

8. Employ Preventative Maintenance Practices

Despite the proliferation of IoT in manufacturing facilities, many still take the if-it-ain't-broke-don't-fix-it approach to equipment upkeep, guided by a schedule-based maintenance strategy. However, research tells us that equipment fails at random (i.e., before maintenance is scheduled to occur) 82% of the time. When this happens, manufacturers are forced to take a reactive (and costly) approach to machine repairs. Even one unplanned malfunction means unplanned downtime, production delays, and—yes, a hit to your bottom line.

By adopting a predictive approach to maintenance, powered by sensor-equipped machines that can detect

saving benefits. In fact, according to a PWC report, predictive maintenance has been shown to reduce costs by 12%, improve uptime by 9% and lengthen the lifetime of an aging machine by up to 20%.

9. Automate Repetitive Manual Processes

There's no replacement for the human worker in a manufacturing facility. At least, not entirely. They are crucial to the functioning and success of the plant. However, there are some repetitive manual processes that can be replaced or consolidated with automation.

By letting technology take that which doesn't require human involvement, tasks will be completed faster, more efficiently, and likely with higher quality output. Let's face it, much as we don't like to admit it, we humans are a flawed species; we are, as it turns out, prone to mistakes. When technology comes to our aid and tasks are automated, human error is removed. Not only will you save money with more efficient processes, but you'll also optimize your workforce by re-allocating them to tasks that actually require human attention.

10. Establish KPIs

Measure twice, cut once. You likely heeded this warning the last time you engaged in a DIY project at home—and

Now, apply that principle of measurement to your manufacturing operations. When you measure your various processes across the facility, you can monitor, analyze and course-correct before costly mistakes are made. How? With KPIs (Key Performance Indicators).

If you're new to KPIs, here's the gist: you identify the variables within your manufacturing process that would benefit from ongoing performance measurement. They might include:

- Production volume
- Production costs
- Machine downtime/unplanned downtime
- Defect density
- Rate of customer returns
- On-time delivery
- Asset turnover
- Unit costs over time

Only when you measure and track will you learn what you're doing right, what you're doing wrong and where changes need to be made.

It's important to remember, there's no one-and-done solution or quick fix that'll result in dramatic cost-cutting and profitability. It's a series of actions that, when taken together, can have a significant impact on your organization's financial health. With technology

every day. It's all about being smart, being innovative, being open to challenging the status quo and partnering with others to ensure a holistic approach to keeping your costs down and profits up.

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