

Manufacturing sector

➤ Top 5 tips to reduce costs, improve efficiency and increase revenues

Factsheet

How can you improve the profitability of your business? Here are some top tips on ways in which you can reduce your costs, improve your efficiency, and increase your revenues. Some of the suggestions are quick and easy to implement and some are more costly and time-consuming. If these suggestions have inspired you to make some changes, please contact us to see where we may be able to support you at bgh@growthco.uk

Reduce costs

1. Reduce your material costs

Negotiate with your current suppliers and look for alternative suppliers, without compromising on quality.

Supply Chain Fundamentals fact sheet:

Build a resilient supply chain.

2. Check your inventory - Are you keeping too much stock?

Reduce the cost of your stock held by buying materials only as you need them. This also reduces the warehouse space you need - which is another cost saving.

Inventory management fact sheet: Understand the true cost of inventory to your business.

3. Minimise staff costs

Avoid over scheduling staff and paying overtime by careful production and staff planning.

4. Consider your production quantities

Do not over produce 'just in case' unless proven necessary. This is just extra cost in materials, labour and inventory.

Stock fact sheet: Understand the best supply model to adopt for your business.

5. Plan your maintenance

Keep on top of your maintenance to avoid costly unplanned breakdowns by creating a preventative maintenance schedule.

Maintenance fact sheet: Learn how to optimise the performance and availability of your production assets.

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Improve efficiency

1. Start measuring

Record your output and measure it against targets. Look into the root causes of poor performance and take action to prevent it from recurring.

Key Performance Indicator (KPI) fact sheet:

Learn how to identify and establish key measures for your business.

2. Standardise your work

Create procedures to make products in the safest, easiest and most efficient way. Demonstrate them visually on the shop floor.

Standard work fact sheet: Learn how to standardise activities either on the shopfloor or in office processes and gain access to a Standard Operating Procedure template.

Visual Management fact sheet: Enable your team to better understand and improve its own performance.

3. Ensure good housekeeping at all times

Keep work areas neat, orderly and safe. This will make the workspace more efficient. Consider a programme of 5S.

5S Workplace Organisation fact sheet: Learn how to make best use of your workspace and embed a culture of continuous improvement.

4. Make your work value adding

Minimise non-value adding activities within your processes and reduce the 8 wastes.

Value Add and 8 Wastes fact sheet: Engage your employees in identifying and eliminating waste.

5. Train your staff

Invest in staff training to upskill your teams and have the right skills in the right place at the right time.

Multiskilling fact sheet: Reduce your reliance on a limited number of employees with key skills by developing a multiskilled factory.

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Increase revenues

1. Know your market

Understand your customers and competitors.
Consider outsourcing your marketing to get a good market insight.

2. Build customer trust and loyalty

Encourage and build repeat customers by making it easy to work with you and keeping in contact e.g. through social media and newsletters.

3. Know your margins

Promote and sell more of your high margin products.

4. Pricing strategy

Work on your pricing strategy – a sudden large jump in price may have a negative impact, but slow and small increases will still have an impact on your profitability. Always bear in mind what your competition is charging.

Target Cost and Market Pricing Model Fact sheet:

Ensure that new and existing products and services meet customer price expectations while also delivering sufficient profit to your company.

5. Upsell and cross sell

Encourage customers to buy a premium product (upsell) or buy an additional complementary product (cross sell).