

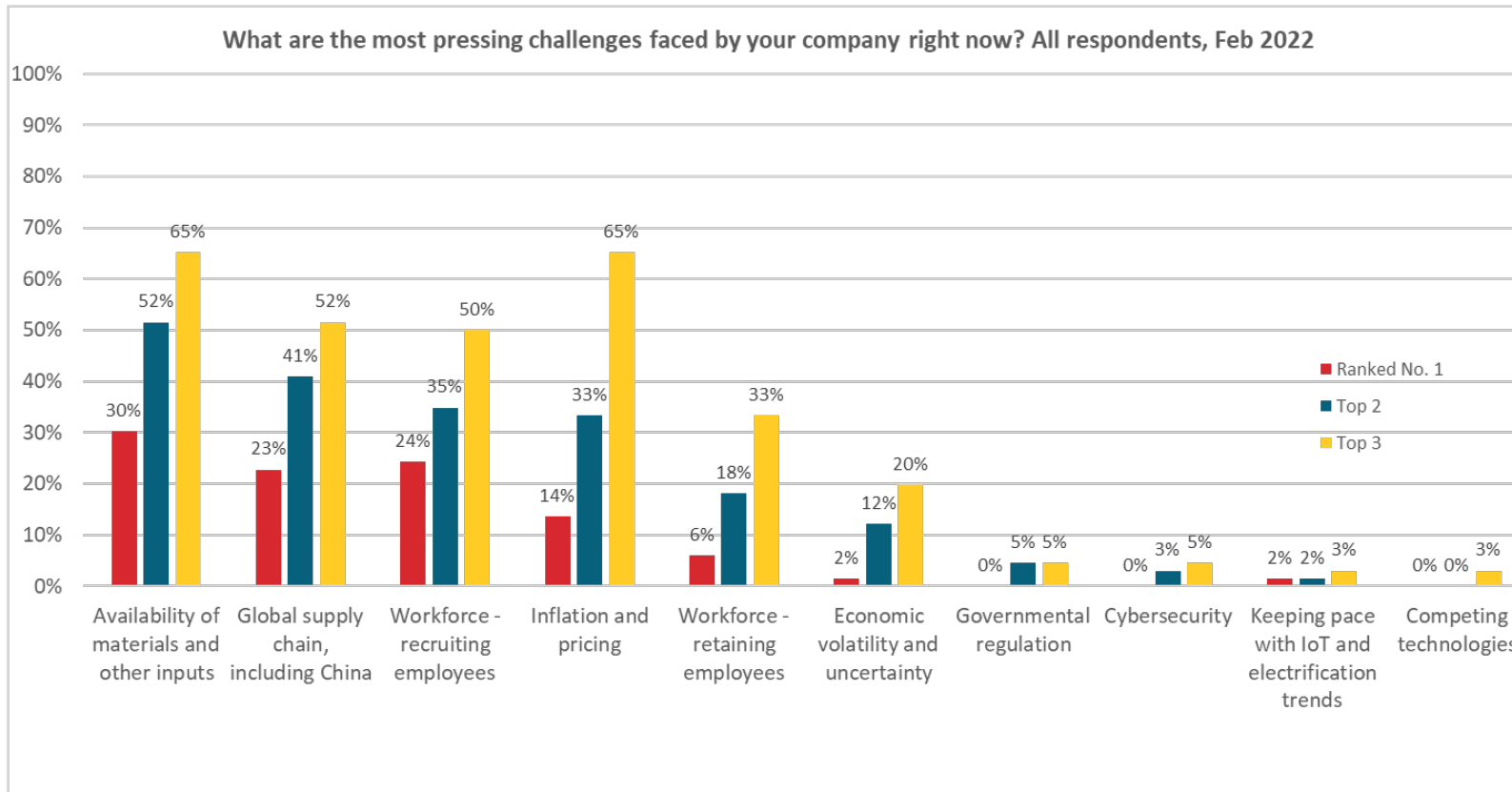
# NFPA Business Intelligence

## Current Challenges Facing Fluid Power Companies

Conducted January 31 – February 11, 2022. 66 respondents.



# Most Pressing Challenges Right Now



Among all respondents, supply chain issues remain most pressing

- 1) Availability of materials and other inputs is ranked first by nearly one-third of respondents, and in top three challenges by 65%.
- 2) Global supply chain is not far behind; and inflation and pricing (often related to supply chain) is a significant challenge.
- 3) Nonetheless, workforce-recruiting employees, remains one of the most pressing challenges.

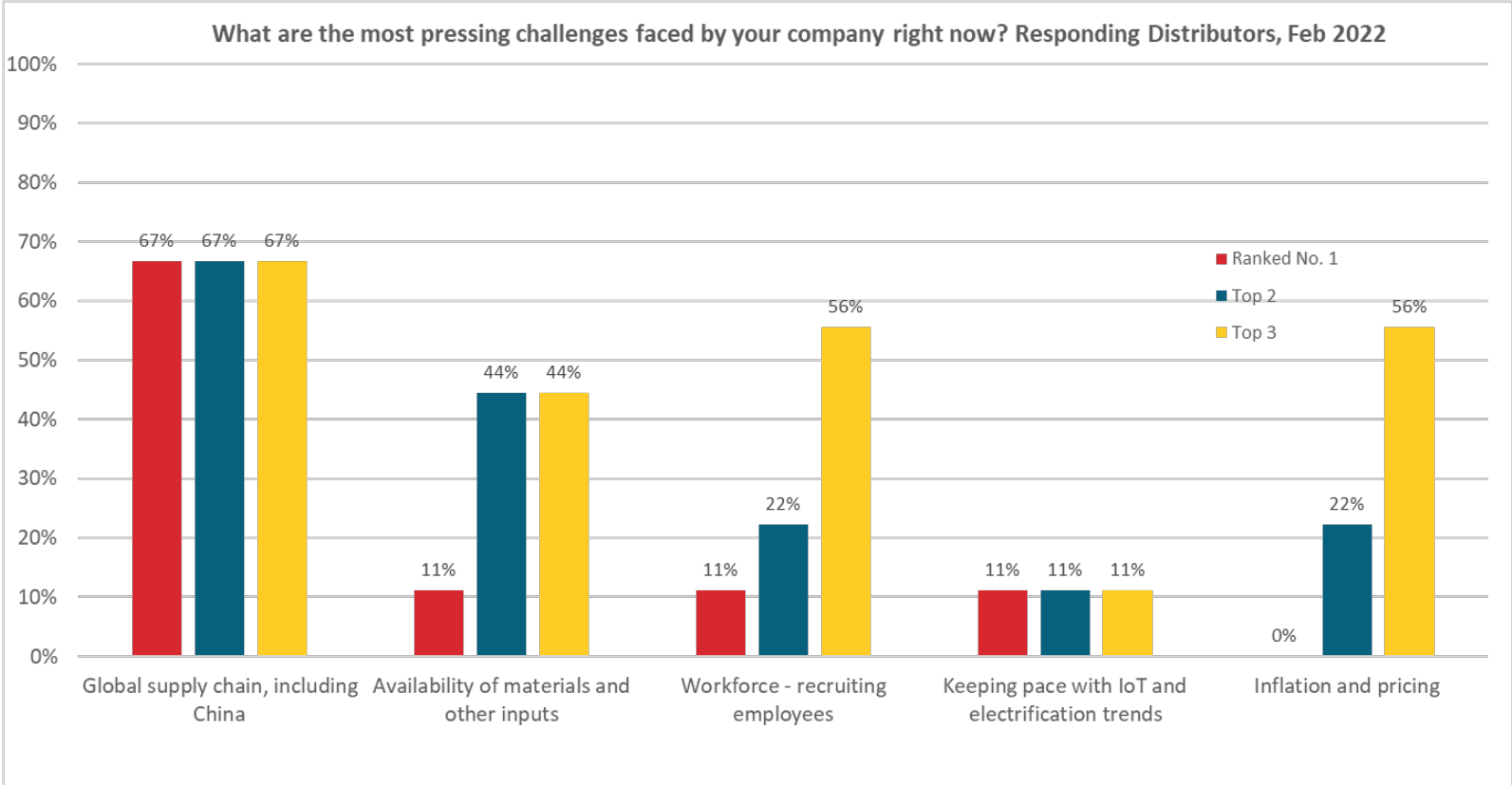
# Most Pressing Challenges - Changes from July 2021



There are very few shifts in responses to report in comparing to the survey conducted in July 2021.

- A little more emphasis now on availability of materials and global supply chain as a concern;
- Slightly less emphasis on workforce vs. the July survey;
- Inflation and pricing moved up the list of concerns a little...a top 3 concern with 65% now, vs. a top 3 concern for 44% in July. The percent ranking it the top concern remained about the same, however.
- Economic volatility and uncertainty declined as a concern, with just 2% ranking it the top concern now, compared with 9% in July.

# Distributors – a somewhat different story, again



Just as in July, responses among distributors stood out from the rest (based on 9 distributors responding);

1. Global supply chain clearly rises to the top concern among distributors;
2. Availability of materials was again a less pressing challenge than for manufacturers, as is inflation and pricing.
3. Concerns about workforce tended to rank lower for distributors
4. One of the 9 distributors indicated keeping pace with IoT and electrification trends was the number one concern.

# Addressing the Challenges



Regarding your highest ranked current challenge, what steps is your company taking to address that concern?

## 1. Availability of materials and other inputs/Global supply chain

- Diversified sourcing strategy, broadened supplier base
- Alternative supply chains
- Stocking more key items when available
- Building inventory
- Reducing capacity to align with supply
- Force majeure in agreements
- Buying domestically, USA only suppliers
- Working closely with suppliers
- Considering alternative products, redesigning products
- Looking for parts through resellers
- Establishing long-term supply contracts
- Qualifying suppliers more quickly

- Hired procurement professionals
- Buying electronic components on spot market
- More communication with suppliers
- Stop selling low margin customers
- Manufacturing more in-house
- Developing contacts in Pacific Rim, India
- Buying forward where possible
- Reshoring nearly all China sourced product
- Hired strategic sourcing manager
- Longer lead times
- Forecasting demand, managing orders
- Blanket orders

# Addressing the Challenges



Regarding your highest ranked current challenge, what steps is your company taking to address that concern?

## 2. Workforce – recruiting/retaining employees, examples

- Offering higher wages, signing bonuses, retention bonuses
- Referral incentives
- Flexible work/time incl 4 day, 10 hour weeks for production
- Working with Chamber of Commerce
- Using recruiters, staffing agency
- Online sources for recruitment
- Hired HR/Training Manager
- Employment branding tools
- Job fairs and more active recruiting
- Automating production processes
- Promoting brand and culture

# Addressing the Challenges



Regarding your highest ranked current challenge, what steps is your company taking to address that concern?

### 3. Others

- Cost reductions and pricing evaluations

- Raising prices more often, firm stance on passing cost increases to customers

- Increase efficiencies to offset higher prices

- Investing in automation

- Using raw material indices to impose dynamic surcharges to a couple large customers

- Evaluating production location shifts

# Other Major Challenges



Are there major challenges not included in our list? The following are additional items mentioned by respondents:

- COVID restrictions and mandates affecting staffing, travel and operations (6 responses)
- Real estate pricing and availability affecting expansion plans (2)
- Training of new employees
- Succession planning
- Energy costs for Euro operations
- Demand for improved sustainability
- Geo-political challenges (Russia/China)
- Weather – hurricane damage



# Challenges Looking Ahead



Looking forward to one year from now, what do you think will be the most pressing area of challenge for your company at that time? This was an open-ended question, with respondents writing in answers...the following is a summary.

**Workforce retention and recruitment**, with related comments about loss of institutional knowledge, difficulty with skilled positions such as machinists, expected retirements – 13 responses

**Inflation and pricing**, with some answers overlapping into availability of materials, expected interest rate increases – 11 responses

**Economic uncertainty** – with comments related to inflation, potential slowdown and expected recession, and concerns that current orders reflect panic buying and inventory building that may lead to recession – 10 responses

**Supply chain, including global**– 9 responses

**Other (single) comments:** sustainability trends, political climate, regulation, growth and remaining competitive

# NFPA Business Intelligence

Thank you to those who responded to this survey.

Questions about this survey, or suggestions for future survey topics...  
contact Pete Alles at 414-778-3350 or [palles@nfpa.com](mailto:palles@nfpa.com)

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