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Thomas Industrial Survey

COVID-19’s IMPACT ON NORTH AMERICAN MANUFACTURING

May/June 2020 Report
Thomas’ May/June 2020 COVID-19 Manufacturing Survey (with 746 qualified manufacturing respondents) reveals the following four key trends:

1. **Stronger Reshoring Interest**: Two in three manufacturers (69%) indicate they are ‘likely’ to ‘extremely likely’ to reshore (up from 54% in February), with Agricultural, Energy/Utilities and Food & Beverage leading in interest.

2. **The Need for Skilled Labor and Apprenticeships**: One in three (38%) companies surveyed are actively hiring. Industries engaged in apprenticeship programs were less impacted by the lack of skilled labor.

3. **North America Is Confident in Automation**: Over half of the respondents feel that they meet or exceed industry standards on automation processes.

4. **Digital Marketing Transformation Is No Longer Optional**: Marketing avenues identified as ‘extremely important’ to attract new customers: website (84%), email (73%), and a surge on virtual events, such as webinars (from 15% to 32% post-COVID-19).

**Companies Remain Optimistic About Future**: Although COVID-19 impacts are undeniable (90%), 91% of respondents believe that North American manufacturing can recover from the pandemic.
I. Reshoring Trends and Insights
Increased Interest in Reshoring: 69% of Manufacturers Indicate They Are Likely to Extremely Likely to Reshore in Future

How likely are you to bring more production/sourcing back to North America after this outbreak?

- Not at all likely: 30% (February), 20% (March), 18% (April), 18% (May/June)
- Very likely: 14% (February), 12% (March), 15% (April), 17% (May/June)
- Extremely likely: 20% (February), 18% (March), 15% (April), 18% (May/June)

May/June 2020 COVID-19's Impact on North American Manufacturing
Significant Reshoring Interest Across All Industries

How likely are you to bring more production/sourcing back to North America after this outbreak?

- Agricultural: 23% Extremely likely, 17% Very likely, 12% Likely, 8% Very unlikely, 9% Not at all likely
- Energy/Utilities: 10% Extremely likely, 21% Very likely, 18% Likely, 12% Very unlikely, 5% Not at all likely
- Food & Beverage: 11% Extremely likely, 21% Very likely, 17% Likely, 12% Very unlikely, 3% Not at all likely
- Oil/Gas: 16% Extremely likely, 14% Very likely, 17% Likely, 6% Very unlikely, 7% Not at all likely
- Transportation: 12% Extremely likely, 17% Very likely, 21% Likely, 8% Very unlikely, 3% Not at all likely
- Manufacturing: 19% Extremely likely, 14% Very likely, 12% Likely, 6% Very unlikely, 7% Not at all likely
- Construction: 43% Extremely likely, 14% Very likely, 12% Likely, 6% Very unlikely, 7% Not at all likely
- Automotive: 20% Extremely likely, 14% Very likely, 19% Likely, 6% Very unlikely, 3% Not at all likely
- Aerospace & Defense: 15% Extremely likely, 14% Very likely, 26% Likely, 6% Very unlikely, 3% Not at all likely
- Medical & Healthcare: 20% Extremely likely, 14% Very likely, 26% Likely, 6% Very unlikely, 3% Not at all likely

May/June 2020 COVID-19's Impact on North American Manufacturing
Manufacturing Communities Stepping Up in Time of Crisis

“I think this pandemic has caused a refocus of where we get raw materials, products, and services. In a twinkling of an eye we can lose our connection with companies abroad. Doing more business domestically will force our nation to revisit labor rates which was a big driver at companies looking abroad.”

“The increased communication between industry peers and across industries has been encouraging, [and has] inspired learning and support.”

“We not only source our materials from the U.S., we source most of them locally in Michigan, which makes it a little easy to navigate supply chain issues… We also hire almost exclusively from competitive high school robotics teams.”

“I was SO impressed by manufacturers who made adaptations to their lines and went from making cars to making ventilators or from making craft beer to making hand sanitizer or from making designer clothes to making face masks.”
Top Manufacturing Products and Services Needed in North America Due to Growing Appetite for Reshoring

Which materials and products are you looking to source domestically?

- Metalls: 15%
- Machining tools and parts: 13%
- Fabricated materials: 13%
- Personal protective equipment: 12%
- Packaging: 11%
- Raw materials: 11%
- Electrical or electronic components: 11%
- Crude oil derivatives: 5%
- Batteries: 4%
- None: 3%
- Other: 2%

"Other" includes: Sewn materials, apparel, hardware, printing, and casting.

*Survey participants are able to choose more than one answer. Therefore, total percentages may exceed 100%. Percentage = Count of Responses/Total Respondents
A Boomerang Effect on Manufacturers Affected by COVID-19

Is your business affected by the COVID-19 outbreak?

- February: 60% Affected, 40% Not Affected
- March: 45% Affected, 55% Not Affected
- April: 11% Affected, 89% Not Affected
- May/June: 10% Affected, 90% Not Affected

May/June 2020 COVID-19’s Impact on North American Manufacturing
Optimistic Outlook - 91% Believe Recovery Is Possible

Do you think the North American manufacturing sector can recover from the effects of COVID-19?

Yes: 91%
No: 9%
Manufacturers’ Outlook on North American Manufacturing

“We need to reshore manufacturing and supply. It will increase high paying, skilled jobs, and create an exponential number of support jobs.”

“Sufficient technology exists today to allow for remote working and production automation to accommodate new changes for workplace standards.”

“This event has prepared us for this response in the future. Being prepared is 95% of the outcome.”

“The impact has been severe and recovery will take many years, but over time manufacturing will get back to pre-coronavirus levels. One tailwind will be the transition of the supply chain to North America from Asia which will boost manufacturing and logistics capabilities.”

“Dealing with a crisis is never easy, but it will also force you to come up with outside-the-box solutions and grow stronger as an organization.”

“The impact of COVID-19 was a wakeup call about preparedness, market-positioning, and operations for many less established. Those lessons will likely redistribute business, vectorally diversifying the market, encouraging more sustainable operations, increased collaboration, and inter-regional referrals.”

“We will recover but will take months to years to get back the revenue lost during this time.”
II. The Need for Skilled Labor and Apprenticeships
38% of Surveyed Companies Are Actively Hiring

What fields are you hiring for?

<table>
<thead>
<tr>
<th>Field</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>General factory labor</td>
<td>25%</td>
</tr>
<tr>
<td>Machinist/Machinists</td>
<td>15%</td>
</tr>
<tr>
<td>Machine operators</td>
<td>12%</td>
</tr>
<tr>
<td>Engineers</td>
<td>12%</td>
</tr>
<tr>
<td>Sales/Marketing</td>
<td>12%</td>
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<tr>
<td>Technicians</td>
<td>12%</td>
</tr>
<tr>
<td>Administrative</td>
<td>5%</td>
</tr>
<tr>
<td>Customer service</td>
<td>5%</td>
</tr>
<tr>
<td>Procurement/Supply</td>
<td>4%</td>
</tr>
<tr>
<td>Management</td>
<td>4%</td>
</tr>
<tr>
<td>Account management</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
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<td>IT</td>
<td>1%</td>
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</table>
26% of Surveyed Companies Have Apprenticeship Programs; More Than Half of Those Programs Emerged Unscathed by COVID-19

How has the COVID-19 pandemic affected the program?

- No change: 52%
- We have paused it: 40%
- Other: 5%
- We have ended it: 3%

“Other” includes: increasing the program, restarting the program, and remote or online work.
Industries with Higher Apprenticeship Adoption Rate Are Less Affected by the Lack of Skilled Labor
Industry Feedback on Apprenticeships

“● We have a unique culture, so it is imperative that employees are mentored into their roles within our company.”
● “Our interns are mainly working remotely.”
● “[We are] using online classes and programs so that they can continue their apprenticeship during the semi-shutdown at our facility.”
III. Innovation Acceleration: Automation and Technology
North America Feels Confident in Automation - A Majority Identified as Meeting or Exceeding Industry Standards Across All Processes

Please rank your company’s adoption of the following automation processes:

- Automated Inspection: 61% meet or exceed industry standards, 39% nothing in place/exploring
- Assembly: 70% meet or exceed industry standards, 30% nothing in place/exploring
- Distribution/Logistics: 72% meet or exceed industry standards, 28% nothing in place/exploring
- Facility Maintenance: 73% meet or exceed industry standards, 27% nothing in place/exploring
- Material Handling: 75% meet or exceed industry standards, 25% nothing in place/exploring
- Packaging: 75% meet or exceed industry standards, 25% nothing in place/exploring
- Production Performance: 81% meet or exceed industry standards, 19% nothing in place/exploring
- Product Testing/Quality Assurance: 82% meet or exceed industry standards, 18% nothing in place/exploring
- Process Control: 83% meet or exceed industry standards, 17% nothing in place/exploring

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Automation - Future Outlook: Technologies Manufacturers Are Most Interested To Invest In For The Next 12 Months

Due to the COVID-19 pandemic, how likely is your company to invest in the following automation processes in the next 12 months?

- Production Performance
- Process Control
- Facility Maintenance
- Packaging
- Automated Inspection, Verification & Counting
- Material Handling
- Distribution/Logistics
- Assembly

Very likely: 18%, 16%, 16%, 9%, 5%, 7%, 7%, 6%, 10%
Likely: 37%, 32%, 30%, 34%, 30%, 29%, 27%, 24%, 20%
Unlikely: 26%, 31%, 34%, 33%, 38%, 39%, 45%, 47%, 41%
Not at all likely: 19%, 21%, 20%, 24%, 24%, 25%, 24%, 23%, 29%

May/June 2020 COVID-19's Impact on North American Manufacturing
The Impact of Automation in Times of Crisis

“[Automation] will allow for employees to more effectively use their time completing high value process work, while the lower value and higher time-consuming processes are automated.”

“We have used AR to avoid sending technicians to customers in infected areas.”

“Automation has helped us to meet the ever increasing shorter deadlines within the entertainment industry. 15 years ago our lead times were 6-8 weeks and longer.”

“COVID-19 was an eye opener for us about the position and rate of adoption of automation in businesses similar to ours across the nation.”

“Robotic systems give us more productivity and zero rejects. Faster product assembly for an increase of finished products by 25%.”

“We have been updating our processes, equipment, and software for years and found as a result that all but the shop floor can efficiently work remotely, keeping any work in progress moving forward and potential jobs available for estimating completed on time.”
The Rapid Acceleration of Digital Marketing for Industry

The most important avenues for you to reach new customers - before and after the pandemic started:

- **Website**: 72% before, 84% after
- **Email**: 99% before, 73% after
- **Word of mouth**: 56% before, 63% after
- **Direct sales (e.g. Cold Calling)**: 53% before, 49% after
- **Digital Advertising (e.g. Search & Social Media)**: 31% before, 45% after
- **Webinars & Virtual Events**: 15% before, 35% after
- **Trade Shows & Events**: 13% before, 34% after

*Survey participants are able to choose more than one answer. Therefore, total percentages may exceed 100%. Percentage = Count of Responses/Total Respondents*
Challenges with the Cancellation of Trade Shows

“We are emphasizing webinars right now when customers want to know more about a product, but look forward to getting back to trade shows and business travel when it appears safe to do so. We are also engaging our outside sales reps in social media more. Since they have spent less time on the road they have more screen time and have been good about sharing which increases our exposure exponentially.”

“Additional phone calls, virtual visits, social media, email blasts.”

“It is pretty bleak actually. We have been calling and sending emails but it is not producing results.”

“Case studies and articles published in trade magazines.”

“Our products are very hands-on. Without trade shows it will be challenging.”

“A more proactive initiative to reach out to the very healthy database of existing clients we already have. Reaching out and engaging the procurement departments on a more personal level and [on a] regular basis.”

“Pivoting from B2B to consumer markets.”
Thomas provides the industry with relevant and timely information, like this report, through surveys and the immense real-time data we collect on Thomasnet.com® from over a million industry sourcing professionals who source on our platform daily.

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Thomas COVID-19 Response System

Over 3,000 North American suppliers signed up to expedite the delivery of critical supplies and services.

Learn More: Thomasnet.com/COVID19
Thomas Industrial Data

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May/June 2020 COVID-19’s Impact on North American Manufacturing
Methodology & Firmographics
This Thomas Industrial Survey was conducted over a 22-day period from May 26 - June 17, 2020. A total of 958 respondents participated and 746 responses qualified for the survey.

INVITED PARTICIPANTS:
● Qualifiers:
  ○ Complete, non-duplicate entry
  ○ Required to work in the manufacturing or industrial sector in North America
● Recruitment:
  ○ Respondents were invited to participate via Thomas email. The invitation pool was incentivized with a copy of this report.

RESPONDENT’S FIRMOGRAPHICS:
● Revenue: Business revenues span from less than $4.9 million to over $500 million
● Employees: Company size spans from less than 100 to more than 1,500 employees
● Business Descriptor: The majority of the respondents identify as custom manufacturers and OEMs
● Headquarters Location: Identified by state/province

SURVEY INFORMATION:
● Survey Administration: Qualtrics, online survey
● Survey Language: English
● Questions: 39 questions were included
● February 2020 Thomas Report: Coronavirus’ Impacts on North American Manufacturing

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Respondents Are from Variety of Industries

- Manufacturing: 32%
- Aerospace & Defense: 10%
- Medical & Healthcare: 9%
- Automotive: 8%
- Other: 8%
- Construction: 7%
- Energy/Utilities: 6%
- Oil/Gas: 6%
- Transportation: 5%
- Food & Beverage: 5%
- Agricultural: 4%
Respondents Are Mostly Custom Manufacturers and OEMs

- Custom Manufacturer: 40%
- Original Equipment Manufacturer: 37%
- Other: 14%
- Distributor: 9%

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Company Size by Number of Employees

<table>
<thead>
<tr>
<th>Employee range</th>
<th>Percentage</th>
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<td>Less than 100</td>
<td>77%</td>
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<tr>
<td>101-500</td>
<td>14%</td>
</tr>
<tr>
<td>More than 1,500</td>
<td>5%</td>
</tr>
<tr>
<td>501-1,500</td>
<td>4%</td>
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</tbody>
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