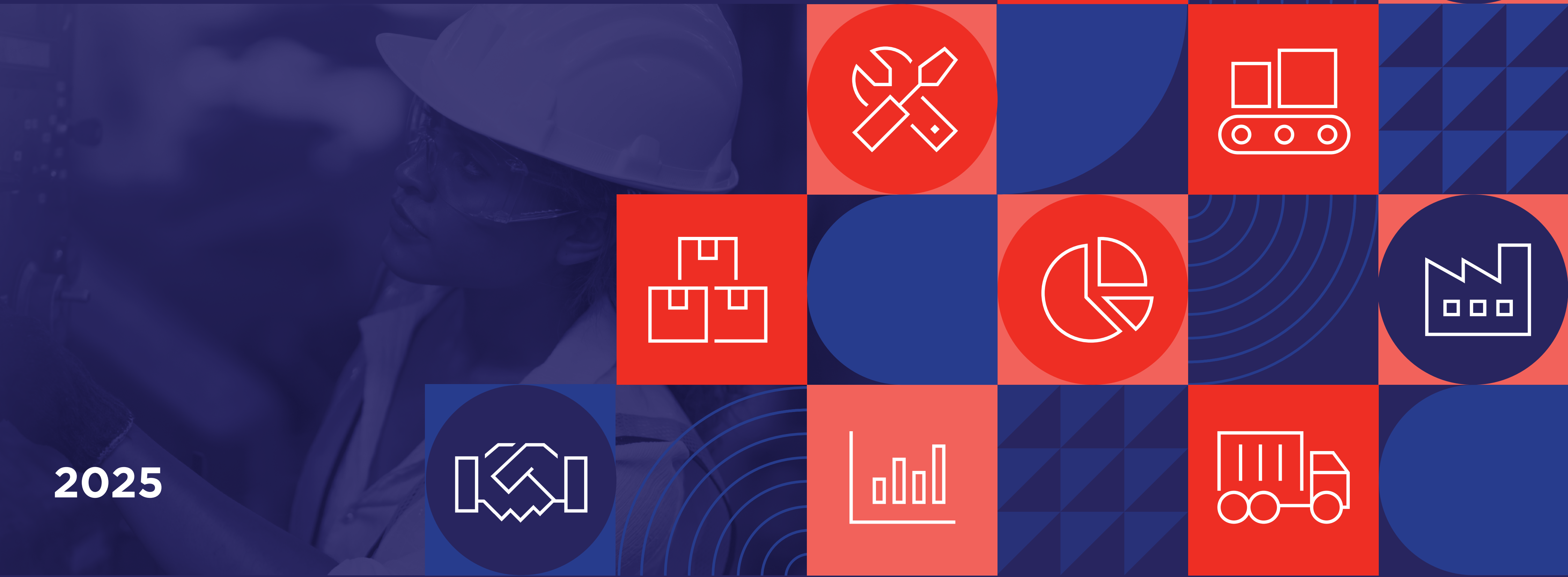
creditsafe

RISING COSTS IN MANUFACTURING **REPORT**



2025

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A Note to Manufacturers from Creditsafe's CEO

Irish manufacturers are at the centre of a puzzling phenomenon – while inflation appears to be declining on paper, this hasn't translated into a bump in demand from consumers or a noticeable reduction in costs. As a result, manufacturers are being pulled in multiple directions, with customers, suppliers, and end-consumers each pushing their own cost priorities.

At Creditsafe, manufacturers form a large part of our client community. Having partnered with them for decades, we understand the ups and downs they've faced in the last couple of years, especially since the onset of the pandemic. This led us to delve deeper—not just into the causes behind rising costs, but also into how Irish manufacturers are responding to them. Most importantly, we sought to identify effective strategies to combat these cost pressures without disrupting operations or stalling growth.

The insights from the report didn't just reflect the panic among many manufacturers, but also the hasty, pressure-driven decisions they made to protect their margins—frequently at the cost of their operational needs.

What also stood out to me was the growing scepticism around ESG. Amid rising costs, many manufacturers now find themselves second-guessing on whether to invest in or support ESG initiatives within their own firms.

Perhaps the most interesting finding was the presence of various strategic misalignments in cost management initiatives. These misalignments are triggering a vicious cycle, where cost pressures shift from one department to another, with each department working in silos to cut costs. The result? Significantly reduced benefits for the business as a whole.

Despite ongoing challenges and market volatility, manufacturers remain optimistic, with many expecting cost pressures and risks to ease over the next year, offering much-needed relief. In a time when so much can feel beyond their control, this report seeks to empower manufacturers—providing strategic guidance on leveraging the right data, insights, and tools, while highlighting actionable areas within their operations to effectively combat rising costs.

I extend my gratitude to all the survey respondents for taking time out to share their experience and current challenges. I also thank all the expert contributors who've offered actionable measures to combat each cost-induced challenge for manufacturers. I hope this report proves helpful as you work toward achieving your goals in 2025.

Best wishes,

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About Our Survey and Respondents

For the 'Rising Costs in Manufacturing' report, Creditsafe surveyed 100 senior-level manufacturing professionals in Ireland, representing three key functions: finance and credit, supply chain and procurement and sales and marketing.

The data in this report has been gathered from a double-anonymous survey conducted through our research partner, NewtonX from November 11 through November 25, 2024. The survey generated 34 responses from finance and credit professionals; 34 responses from sales and marketing professionals; and 32 responses from supply chain and procurement professionals in the manufacturing industry across Ireland.

About NewtonX:

The world's leading businesses find their advantage with NewtonX. The only B2B research company that solves the challenges of today's insights leaders by connecting them with verified business expertise. NewtonX's AI-driven algorithm, the NewtonX Graph, custom recruits the perfect audience for business questions from an open network of 1.1 billion professionals across 140 industries. Every professional is 100% verified so that businesses can make their next bold move with confidence.

34%
Sales and marketing professionals

34%
Finance and credit professionals

32%
Supply chain and procurement professionals

NewtonX

Key Takeaways

Managing Negotiations Amid Rising Costs

47%
Irish manufacturers have reported a spike in challenging negotiations with customers.

1 in 5
Sales and marketing leaders encountered heavy pressure for discounts from clients.

6 in 10
Supply chain leaders have flagged that up to 30% of their supply chains have been compromised due to escalating expenses.

38%
Sales and marketing leaders reported customer sensitivity to prices as the biggest contributor to slowed growth.

Cost-Cutting Tactics: What's Working?

10%
Manufacturers found adjusting or increasing prices 'effective' in fighting rising costs.

46%
Manufacturers who cancelled unprofitable product lines found it very effective in improving their margins.

Strategy Spotlight: Using Tech Tools to Fight Costs

54%
Manufacturers who have used tech tools plan to maintain their investments in them over the next year.

1/3
Manufacturers who deployed automation to optimise processes and tackle rising costs found it 'very effective'.

Is Ethical Manufacturing Paying Off?

44%
Irish manufacturers agree that ESG initiatives have increased costs in their business in 2024.

46%
Manufacturers believe that customers will not pay higher prices, for ethically manufactured products.

The Outlook for 2025

88%
Manufacturers believe their finance, procurement, and sales and marketing teams are aligned in their cost-reduction strategies.

66%
Manufacturers expect rising costs to improve or have no impact to their business in 2025.

Informed Negotiations: A Manufacturer's Best Defense Against Rising Costs

It is a well-known fact in business that the best negotiations are about creating win-win situations for all involved parties. But lately, for Irish manufacturers, negotiations have turned into compromises and anxious settlements as they navigate turbulent market conditions, intense competition, and a new wave of rising costs affecting their own operations, as well as those of their customers and suppliers.

Damaged customer-supplier relations

Rising costs have left Irish manufacturers sandwiched between price pressures from upstream suppliers and tight bargaining from downstream customers. Some findings from our survey demonstrate specific situations where manufacturers are most caught in the crossfire of cost-shifting:

Customers hold all the cards

As end-consumers double down on protecting their wallets, client-facing teams including credit and sales face more aggressive negotiation tactics and risk losing deals to more willing competitors. Our findings reveal the determination of customers find the best deals:

47%
reported a spike in challenging negotiations with customers.

35%
have faced increased ultimatums from customers threatening to take their business elsewhere.

31%
have experienced a rise in cancelled contracts during or after cooling-off periods.

To combat these challenges, **18% of Irish manufacturers** have increased resources to manage relationships with both existing and new customers. Meanwhile, **22% have hurried to renegotiate contracts** with their current customers, on top of allocating more sales resources to navigate longer sales cycles to acquire new business – in an effort to build more trust, increase credibility and reduce buyer's remorse or cancellations during cool-off periods. This underscores how strained customer relations can further drive up costs through additional resource allocation.

The lop-sided nature of manufacturer-supplier relations

Supply chain challenges continue to disrupt manufacturing operations, leaving supply chain teams increasingly at the mercy of suppliers. Our findings highlight the growing strain on supplier relationships and the urgent need for strategic resilience.

60%

of manufacturing firms experienced missed deadlines or unexpected order cancellations.

38%

report intense pressure from suppliers to agree to higher input prices.

25%

experienced issues with the quality of goods delivered by suppliers.

The combination of unreliable service and relentless demands for price hikes have led to **47% of Irish manufacturers** reallocating resources to conduct more extensive quality assurance checks and run financial assessments to safeguard their supply chains.

Balancing the tightrope of revenue growth with cost control

Inevitably, some of the tactics deployed by manufacturers to drive revenue and offset the impact of rising costs on their business will fall wide of the mark. The finance, procurement and sales and marketing professionals in our survey highlighted some of the most common mistakes being made during negotiations:

- Being too lenient in price negotiations with customers
- Offering excessive discounts and added benefits
- Being too lenient in price negotiations with suppliers

Some of the areas where the damage from lenient negotiations has become most evident are:

47%

Finance leaders have reported a 20% spike in cashflow risks; with 32% citing late payments as the largest contributor to rising costs.

6 in 10

Supply chain leaders have flagged that up to 30% of their supply chains have been compromised due to escalating expenses.

38%

Sales and marketing leaders reported customer price sensitivity as the biggest contributor to slowed growth with many seeing a rise in demand for discounts to close off deals.

Bringing data to the bargaining table

Irish manufacturers are walking a tightrope, balancing revenue growth with cost control at a time when rising costs are stacking the odds against them. A market rife with price sensitive clients and demanding suppliers makes manufacturers a sore target for price squeezes during negotiations. So, what is their way out?

Nearly **5 in 10 Irish manufacturers** report that measures such as stricter credit checks, offering discounts for early payments, and implementing cash or on-the-spot payments have been 'very effective' in managing rising costs and maintaining stable cashflow. These strategies show the importance of gaining visibility into financial risks early on to avoid being lenient on credit terms, helping to minimise late payments and cashflow disruptions. With stronger data and insights, both up and downstream, manufacturers can make more informed decisions and shift the dynamics of negotiations in their favour.

How to make informed negotiations

Geraint Coombes, Sales Director of Creditsafe Ireland, takes a closer look at how improving visibility into customers and suppliers with the use of data and insights from business credit reports sets the tone for successful negotiation strategies:

1. Emphasise the need for reliability using your customer payment history:

Refer to trade payment history data to go beyond just the financials and to understand your customers' payment patterns. Keep an eye out for customers who may have strong financials on paper but have left a trail of legal judgements for missed or late payments. Metrics like credit scores, probability of default percentages, or even records of legal judgements can help manufacturers set the right payment terms without damaging customer relationships.

Manufacturers can use these insights during negotiations to show they're making informed decisions and that the proposed terms are based on the customer's payment track record. For example:

- **For customers with a history of slow payments:** Minimise your risk exposure by requesting tighter payment terms, setting up automatic payment plans or adding a backup credit card requirement so even if the customer pays you late, you can still charge back their credit.
- **For customers with medium risk credit scores (30-50):** Consider offering shorter payment terms to protect your cashflow. If extended terms are non-negotiable, offer incentives like early payment discounts or added benefits for on-the-spot payments.

2. Explore your supplier's liquidity metrics before signing off on early payment terms:

Collecting refunds or recovering deliveries is often difficult if your supplier goes insolvent after you've paid them in full. Keeping an eye on your supplier's financial standing and their cashflow by assessing their liquid assets or their business' probability of default will help you counter requests for early payments and justify your own requests for extended payment terms or payment-upon-delivery. Mention insights from their business reports and emphasise that the terms you're requesting are based on the supplier's financial health.

Strategic Oversight: Why Cost-Cutting Tactics are Backfiring for Manufacturers

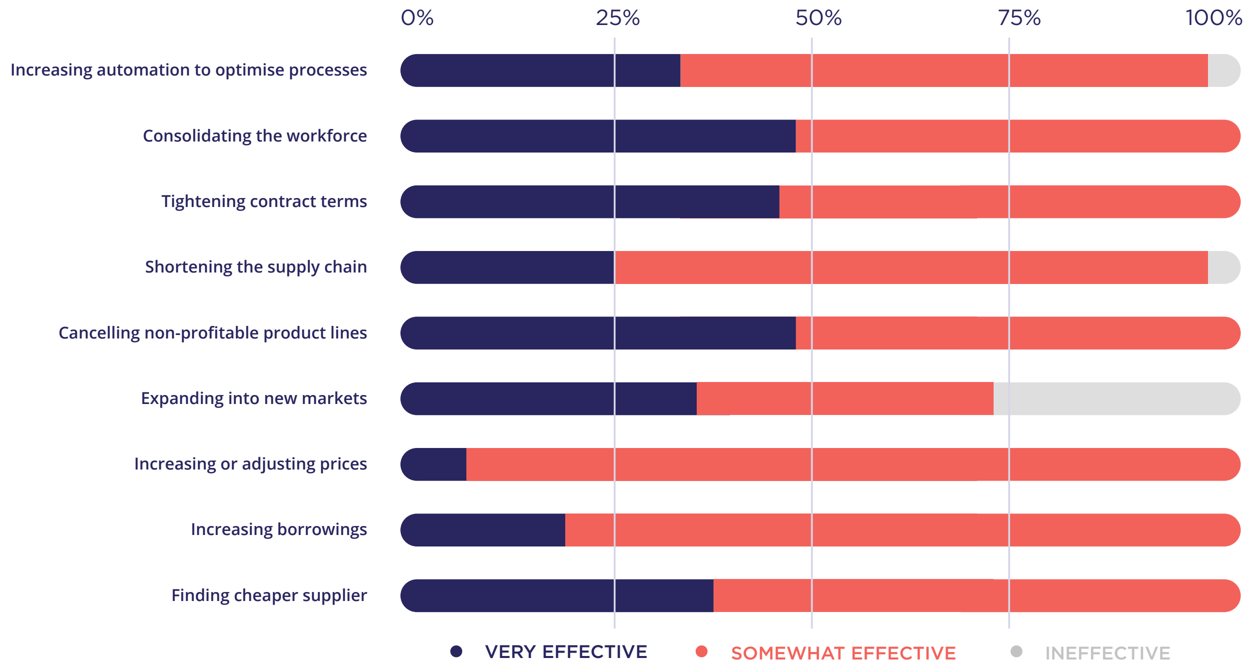
When costs are rising from every angle, it can feel like death from a thousand cuts. Manufacturers, like most businesses, are reacting to these towering expenses with some quick fixes and some tried-and-true cost-cutting tactics – but are costs really going down?

Savings first, Strategy later

The pressure is on, and manufacturers are scrambling for solutions to cut back on costs. Some are uprooting their entire supply chains and bringing them closer to home (20%). Some are branching off to new markets (19%). And for the rest, the way forward seems shrouded in uncertainty, as they apply every cost-cutting tactic in the playbook to restore their margins and bring back the glory days of profit-rich growth.

Our findings show that 'increasing or adjusting prices' was one of the most commonly used tactics among Irish manufacturers to tackle rising costs (28%) over the past year. However, only 10% of those who increased or adjusted their prices reported it as very effective in impacting their bottom line.

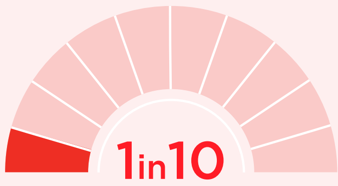
Effectiveness of cost-cutting tactics



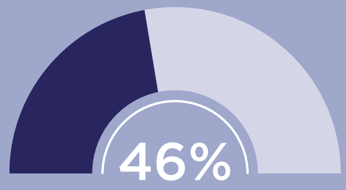
Adjusting prices is one of the oldest strategies used by manufacturers to protect working capital during crises. It's easy to deploy, quantifiable and has been successful historically. However, the ineffectiveness of the price adjustments shows that traditional measures no longer apply to cost-sensitive times like these.

On the flip side, it appears manufacturers, under panic, are increasingly neglecting more strategic approaches to cost savings and margin protection. Only about 1 in 10 Irish manufacturers (13%) resorted to cancelling unprofitable product lines, despite those that did seeing clear improvements in their margins (46%).

> “The moment you make a mistake in pricing, you’re eating into your reputation or your profits.”
>
> Katharine Paine.
> **Founder and CEO of KDPaine & Partners**



manufacturers cancelled unprofitable product lines.

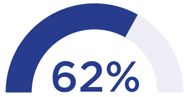


found cancelling unprofitable product lines very effective in improving profit margins.

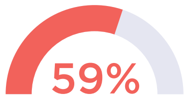
A strategic oversight like this could perhaps be traced back to the lack of insights into areas such as product profitability, possibly due to the added administrative work involved. But inevitably, product lines with prices that don’t outweigh the costs are a leaky bucket for many manufacturers’ finances. They may also hold off on cancelling unprofitable products from the sheer fear of losing clients who still rely on the product or service.

Cascading costs of making the wrong decisions

Our research also revealed how counterproductive cost-cutting tactics in one department had a direct impact on increasing cost pressures across others. One striking example is the ongoing cycle of cost pressures bouncing between sales and finance teams within manufacturing firms:



Under pressure to meet sales targets, **62% of sales and marketing leaders admitted to focusing too much on the quantity of leads over the quality** of them, and processing sales without running prior affordability checks on their prospects.



On the other hand, **59% of finance leaders had to allocate more resources to reassessing credit policies** for new customers and double down on the frequency of financial checks on existing ones.

By focusing on short-term smash-and-grab sales opportunities, front-line sales and marketing teams inadvertently create more pressure on the resources of credit and finance teams. In a bid to protect the business, these finance and credit teams deploy additional resources to prevent them from onboarding financially unreliable customers – some of whom may be prone to late payments, missed payments or even dealing with impending insolvencies.

This underscores how focusing too heavily on quantity can backfire. It may also lead to significant hidden costs for sales and marketing functions. By targeting uncreditworthy prospects, manufacturers ultimately risk a higher rate of rejected sales. This means both valuable time and effort, which could’ve been used to pursue financially suitable prospects, are wasted on pursuing opportunities that were unlikely to be approved for lines of credit from the start.

The resulting frustration on both sides, from sales and marketing as well as credit and finance, only increases the historic tensions between these camps, amid a backdrop of rising costs that they initially sought to address.

Are siloed approaches rendering cost-cutting tactics ineffective?

The strategic oversight on cutting unprofitable products and the vicious cycle of cost pressures within core manufacturing functions raise some important questions: Are manufacturers struggling to turn limited insights into effective strategies, or is the problem a lack of collaboration and shared insights across business functions?

For instance, when assessing the impact of cancelling non-profitable product lines, our findings indicated signs of a lack of communication and data-sharing among key functions within manufacturing:

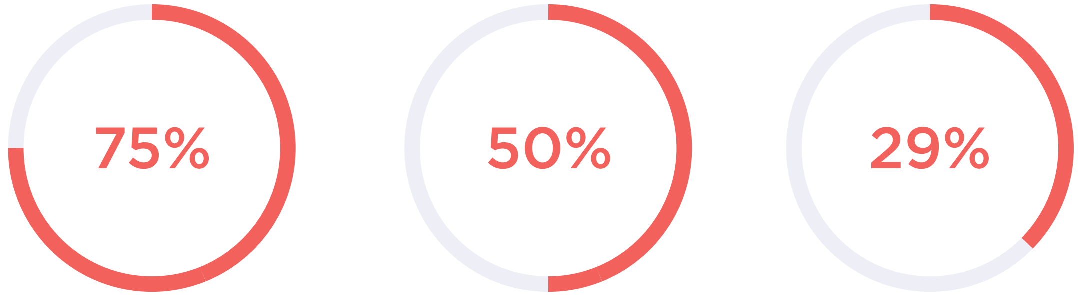
- **75% of finance professionals deemed it highly effective for cost reduction**
- **This perception dropped to 50% among supply chain teams**
- **Only 29% of sales and marketing deemed it high effective**

Given the finance team's access to profitability data, could the issue be that these critical insights aren't being effectively communicated to other stakeholders?

The lack of shared insights may also have contributed to the disconnect between efforts to generate more leads and the need to tighten credit checks. Credit and finance teams possess valuable information about a prospect's financial standing, creditworthiness, and payment behaviour, but this data is rarely shared with sales and marketing. Without access to these insights, sales and marketing are unable to pre-screen leads effectively.

At Creditsafe, we strongly advocate for data sharing across departments. After all, isn't it more cost-effective for marketing, sales, and credit teams to avoid wasting time on prospects that don't meet their criteria?

Efficacy of cutting non-profitable product lines



Finance teams deemed it highly effective for cost reduction

Supply chain teams shared this perception when surveyed

Sales and marketing deemed it highly effective

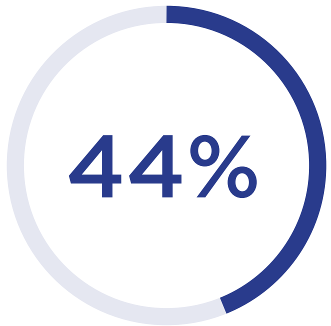
Ethical Manufacturing Amid Rising Costs: Will the ESG Bet Payout?

How times change. A few years ago, manufacturers were trumpeting the benefits of adhering to environmental, social and governance (ESG) metrics. However, Brexit, followed by a margin-stripping pandemic and rising inflation, may have left manufacturers second-guessing their intentions toward ESG and 'being good'. The meteoric increase of costs in the industry has given rise to a new wave of scepticism, sparking the question of whether purpose and profit ever go hand-in-hand for manufacturers.

Cost vs. ESG: Are the benefits of ESG being overstated?

The business case for sustainability in manufacturing is undeniable: companies cannot thrive on a planet grappling with cascading crises and escalating risks. While the moral and business imperatives for embracing ESG initiatives are strong, our research reveals that implementing ESG practices might present significant opportunities but also comes at a cost for manufacturers.

'Being good' comes at a cost



Irish manufacturers admitted that ESG initiatives have **added to the problem of rising costs in their business** over the last 12 months. This comes at a time when Irish manufacturing is under heavy scrutiny to adopt ESG measures.

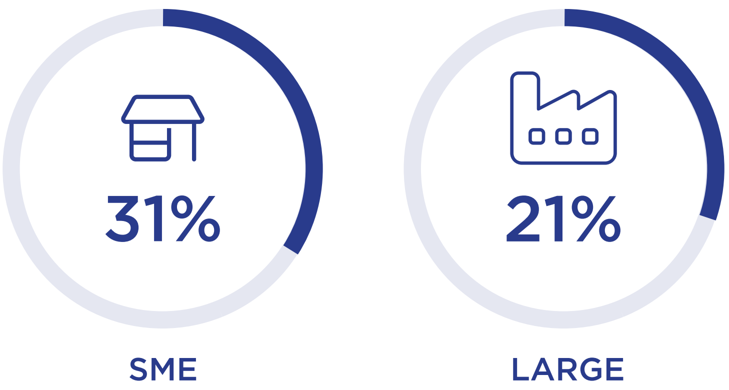
Looking back at the slew of mandates from the Irish government over the last couple of years, such as the 2021 Circular Economy Bill, Irish businesses, including manufacturers, have been under heavy pressure to adopt ESG measures – with **81% increasing their sustainability efforts** in 2024, according to EY Ireland. But most of them belong to the enterprise and large business sector, with **41% of SME businesses in Ireland still struggling to jump on the ESG bandwagon.**

The ESG divide in Irish manufacturing

Based on the disparity in the uptake of ESG practices between SMEs and large businesses, we investigated why this gap exists within the manufacturing sector.

Our findings revealed that while almost **one-third of the SME manufacturers (31%) raised concerns over increased costs** and the probability of increasing costs from ESG, only **21% of the large manufacturers raised the same concerns**. This showed how SME manufacturers faced significantly greater impact from rising costs due to the growing ESG directives compared to their larger counterparts.

Manufacturers



It's clear that ESG is driving up costs, while government and stakeholder demands for ethical sourcing and sustainable manufacturing continue to soar. The million-dollar question remains: despite the costs, is ESG delivering returns for manufacturers by facilitating deal closures, attracting high-value customers, or encouraging greater willingness from consumers who share the same environmental and ethical beliefs to pay more?

Becoming a sustainable manufacturer rests on consumer buy-in

Most people now recognise the positives of living a more sustainable life and they're increasingly willing to do their bit for the planet – but only when it doesn't break the bank.

Almost half of all manufacturers (46%) surveyed believed that customers will not pay higher prices, even when they're made aware that a business follows ESG practices, and their inputs are sourced ethically.

46%

Irish manufacturers believe that customers will not pay higher prices for products with high ESG standards

It's clear that while Irish manufacturers are under pressure from government bodies and consumers to adopt ESG initiatives and bear the costs for it; the reluctance of consumers to pay extra for goods produced by ESG-abiding companies means there are still barriers to driving sales and profit.

ESG as a sales tactic: aligning ambitions with viability

The belief that "being good is good for business" isn't just a misconception among consumers - it's deeply ingrained within some key functions of manufacturing firms.

Nearly two-thirds of sales and marketing leaders believe that ESG claims can encourage customers to pay a premium for ESG-compliant goods. However, this optimism is contrasted by the views of just over half **(53%) of finance and supply chain leaders**, who are sceptical about ESG's potential to drive higher sales or profits by attracting more willingness from customers to pay. The dichotomy in their viewpoints can be traced back to our findings about the tactical measures that backfired for manufacturers.

Here's a breakdown of how this misalignment might unfold:

Sales teams

might use ESG claims to forge emotional connections with customers when closing a deal, by tapping into customer values and appealing to the emotional needs of customers to make a positive impact. However, the deep-embedded reluctance of some buyers to bear the higher costs in the long-term creates ripple effects down the line.

Finance teams

who aren't usually on the customer-facing front lines may be oblivious to these hidden benefits of ESG in dealmaking. In addition to this, they may also be left grappling with contract cancellations during cooling-off periods or managing late and missed payments in the aftermath of the deal closures– with many customers not being able to keep up with the high prices.

Finance teams sit at a unique intersection of the business, where they have access to data, figures and numbers to understand the immediate impact of initiatives like ESG on the bottom line – their visibility only extends to the internal workings of the business. However, without exposure to customers or current market demands and trends towards ESG, it is difficult for them to fully understand the positive impact this can have on a business. Just over half (53%) of finance and supply chain professionals believe that customers aren't willing to pay more for products that adhere to higher ESG standards. While 68% of sales and marketing leaders claimed the opposite.

This disconnect highlights the need for a more aligned approach to ESG adoption by increasing communication among sales and finance functions. Facilitating regular cross-functional meetings or deploying tools like integrated dashboards can help sales' goals and ambitions for winning ESG proponent clients with the financial prudence required to ensure sustainable profitability in the long term.

How to use ESG for sustainable dealmaking

Using ESG as a sales tactic may not be the only approach for manufacturers; but with **81% Irish businesses** now increasing investment into ESG measures, does 'being good' yield any benefits to the bottom line at all?

Kim Vaessen, Chief Executive Officer at Climatrix, a leading manufacturer and distributor of eco-friendly HVAC systems across Belgium and Western Europe is offering some top recommendations to marry environmental responsibility with commercial incentives, and strategically position ESG as a competitive edge in dealmaking:

1. Competitive advantage:

Irish manufacturers need to shift their perspective on ESG, from viewing it solely as an additional cost to recognising it as a strategic advantage in the face of competition. Some of the greatest strategic benefits of ESG adherence include building customer trust and loyalty, strengthening market positioning, and reducing investor risk – all of which are critical growth drivers that often require years of investment to achieve.

2. Positioning ESG better:

Last year, EY reported that despite good intentions, only 20% of Irish consumers deem sustainability as an important influencer in making purchase decisions. One of the biggest deterrents holding back Irish consumers and customers up the supply chain apart from high costs (77%) is scepticism around dubious product claims (65%).

While costs can be addressed with strategic measures, manufacturers can enhance the credibility of their ESG claims through stronger messaging and effective packaging. More importantly, this must be done in a way that avoids appearing as greenwashing or merely paying lip service. Consistent, compelling messaging and promotion, showcasing ESG impact with data and ratings, can significantly influence purchase decisions among customers and end-consumers.

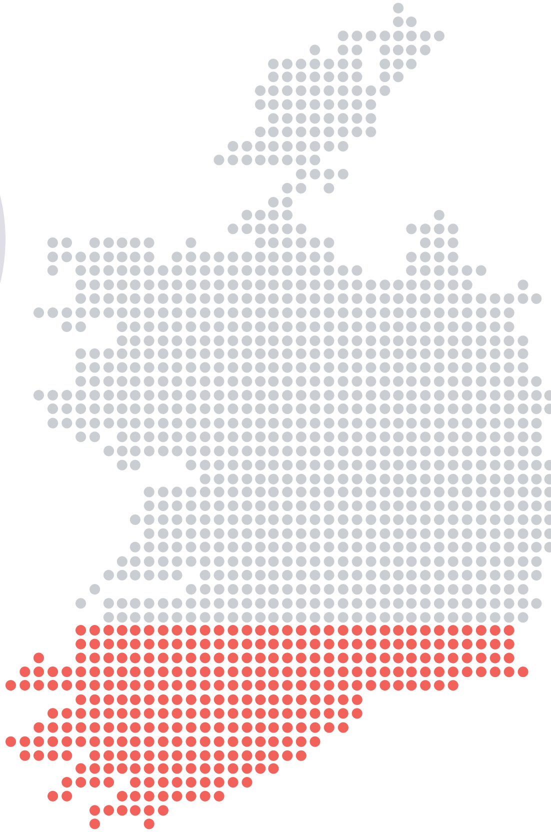
What's holding Irish consumers back from making sustainable purchases?

80%

consumers won't pay more for sustainably manufactured products fearing high costs (77%) and dubious product claims (65%)

20%

Consumers will pay more for sustainably manufactured products



Some Manufacturers are Beating Rising Costs with the Right Tools: Here's how They're Doing it

Cost-cutting doesn't have to mean tough trade-offs. Our research points to some key pivots in cost-management strategies that do not involve diminishing returns or operational sacrifices for manufacturers. Instead they include gaining access to the right data and increasing visibility into clients and suppliers, as well as facilitating stronger data and insight-sharing among departments like finance and sales.

However, data alone may also not be the solution. When you take apart an average Irish manufacturing firm's architecture, you will likely find a patchwork of poorly integrated technologies and a couple of sprawling, uncoordinated data feeds. What manufacturers may need is a highly efficient tech stack paired with streamlined data pipeline management and end-to-end process automation. A commitment to transforming their tech stack will deliver new efficiencies and insights, support stronger visibility into both internal and external risks and in turn improve cost-management. At least, that's what our research uncovered.

Using automation to cut costs, not heads

One-third of all the manufacturers (33%), who deployed automation to optimise processes and tackle rising costs in their business, found it 'very effective.'

33%

'Using automation to optimise processes' was ranked as the most-effective measure deployed by Irish manufacturers in 2024

Deploying automation in manufacturing processes can often be met with concerns around redundancies and complications surrounding compliance and regulations, but our findings revealed that deploying automation proved even more effective when compared to singularly reducing headcount (25%) or placing bets on short-term price cuts.

Using tech to forecast cost-related risk

When surveyed on the most commonly deployed tools to tackle rising costs and cost-induced risks over the past year, we spotted a common thread: a sharp uptick in the use of tools that enhance visibility for all key functions of Irish manufacturing firms.

For example:

- About 9 in 10 supply chain leaders (88%) used supply chain visibility platforms, predictive analytics or supplier auditing tools – a set of tools commonly used to increase visibility into the financial standing of suppliers, their ownership and present real-time location of assets moving through the supply chain.
- 76% of finance leaders used forecasting, cashflow analysis or credit checking tools to prevent any foreseeable risks in cashflow, calculate internal financial projections and view financial histories of customers.
- 44% of sales and marketing leaders utilise customer verification and credit checking tools, prospecting solutions, and interestingly, prospecting data enhancement tools.

3 most-used tech tools by key manufacturing functions to help forecast cost-related risks

88% of supply chain leaders used:	76% of finance leaders used:	44% of sales & marketing leaders used:
1 Supply chain forecasting and predictive analytics tools	1 Financial forecasting tools	1 Customer verification and credit checking tools
2 Supply chain visibility platforms	2 Predictive cashflow analytics tools	2 Prospecting tools
3 Supplier auditing and compliance tools	3 Credit checking tools	3 Prospecting data enrichment and management tools

Their effectiveness in reducing cost-related risks became evident as we delved deeper into the future plans of the manufacturers using these tools:

Manufacturers who used visibility tools are gearing up for maintaining, and even increasing investments into these

54%

Maintain investments

14%

Increase investments

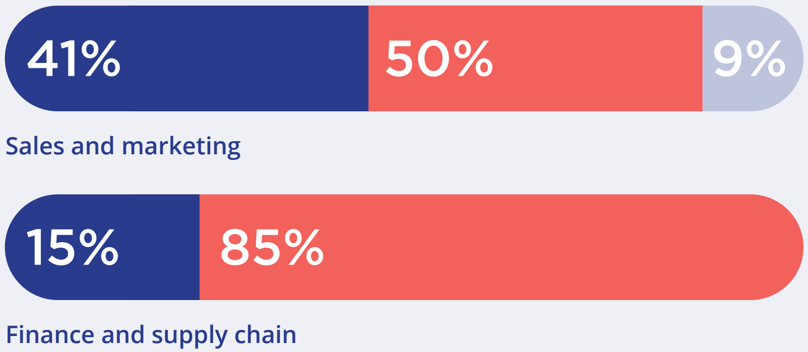
Brian Morgan, Senior Director, Strategy, Blackline Systems, a leading invoice-to-cash automation tool, further explains why it's significant for manufacturers to evaluate their tech stack so it delivers visibility and automation where it matters most. "Gathering the right data will help manufacturers but pairing it with the right processes and tools will ensure better decision-making," said Brian. "A tech stack that provides visibility into the financial wellbeing of customers, suppliers and prospects increases the chances of averting cost-related risks while also increasing communication and insight-sharing among key functions of manufacturing firms."

The tech tug-of-war: why finance and supply chain teams are holding back

One of the main barriers to successful digital transformation is a lack of buy-in across the entire organisation. Despite witnessing the obvious benefits of optimising processes with automation and visibility tools, finance and supply chain teams are reluctant to invest more in these cost-cutting measures. Some insights from the survey show that while 41% of sales and marketing leaders wanted to push more investments toward technology tools in their manufacturing firms, only 16% of finance and supply chain teams showed eagerness in increasing investments.

Legend:

- We will increase investments
- We will maintain investments
- We plan to reduce investment



Scott McConnell, Chief Sales and Marketing Officer at Creditsafe, has over 25 years of experience in understanding and mitigating cost-related misalignments within Irish businesses. Here, he provides an insightful breakdown on why companies often have varied opinions internally when it comes to strategic investments.

Why do opinions vary internally when it comes to strategic investments?

1. Uncertain return-on-investment: Nearly 2 in 5 finance leaders in manufacturing have cited 'allowing too much spend on non-capital expenditures' as one of their biggest mistakes last year. Revenue leaders, under the pressure of rising costs, have become increasingly sceptical about the long-term return on tech investments, particularly if the technology's benefits aren't immediately visible.

2. Competing objectives: Finance and procurement teams often get tasked with immediate cost cutting by either securing the most economical deals or cutting back on non-capital expenditures. Investing in technology, despite its obvious benefits, may not align with their immediate goals.

3. Risk aversion: Costs aren't finance and procurement's only headache. With the increase of automation and technology tools to streamline processes for manufacturers, these teams may also fear redundancies, operational disruptions or complications arising from regulatory or data compliance issues over integrating new technology.

To inspire company-wide confidence in strategic tech investments, sales and marketing leaders need to develop allies within the management team or with C-Level leaders – particularly in departments outside of their own. These allies should also be convinced about the benefits of automation and visibility tools to optimise costs across their manufacturing operations.

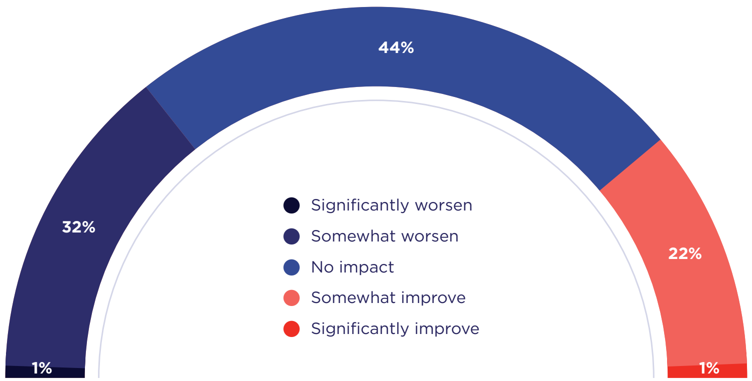
2025 Outlook for Irish Manufacturers: Are the Clouds Beginning to Part?

There can be no doubt that recent years have been challenging for the manufacturing sector. The playing field has been tilted against them when it comes to higher costs, mounting pressure for ESG goods and increasingly cost-sensitive consumers.

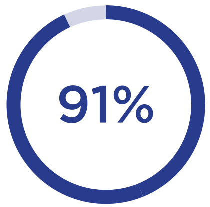
Manufacturers may be forgiven for scratching their heads as they grapple with scaling or maintaining steady operations, while the world around them buckles under the weight of rising costs. However, even with all these challenges, manufacturers still appear optimistic for the year ahead.

Irish Manufacturing's optimistic outlook on managing costs in 2025

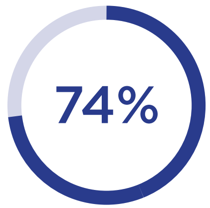
Regardless of cost pressures, the majority of Irish manufacturers maintain a positive outlook on either costs going down or having no impact at all on their businesses.



Even with recent cutbacks, reduced budgets, and limited access to resources, this optimism remains strong across all key functions in manufacturing. Finance, supply chain, and sales and marketing teams unanimously report no immediate threat from cost-induced crises in cashflow, supply chains, or growth opportunities over the next 6-12 months.



Cashflow is healthy enough to pay all suppliers in the next 6-12 months



Rising costs will not dry up sales pipeline in the next 6-12 months

Rising costs will not snowball into a cashflow crisis in the next 6-12 months

Despite the overall optimism for the future, the current reality for manufacturers is hard to ignore. Challenges like cash flow crunches, strained supplier relationships, and customer price sensitivity won't resolve themselves through optimism alone.

A word of caution for manufacturers: balancing optimism with reality

We surveyed finance, supply chain, and sales and marketing functions to uncover areas where their perspectives on rising costs align and diverge the most. Remarkably, 88% of respondents believe that these teams align to a 'moderate to significant' degree within their organisations when it comes to cost-reduction strategies.

Irish Manufacturers believe that their finance, supply chain and sales and marketing teams are aligned in their cost-reduction strategies

However, this contrasts sharply with our findings, which reveal significant disconnects leading to missed opportunities and counterproductive approaches. In some instances, departments have unintentionally undermined each other's efforts due to conflicting priorities and objectives:

Cutting unprofitable product lines:

Only 13% of manufacturers had cut unprofitable product lines - despite the clear cost-reduction benefits. It may have been due to limited insights into product profitability or poor communication between data-rich finance teams and other key departments that left many manufacturers unaware of the potential effectiveness of such a measure.

Customer willingness to pay more for ESG-compliant products:

While 68% of sales leaders believe customers are willing to pay a premium for sustainably manufactured products, 53% of finance leaders disagree. This divergence in views likely stems from finance's limited exposure to customers, compounded by poor communication, lack of integrated dashboards, and insufficient cross-functional collaboration.

Strategic investments in technology tools:

While 41% of sales leaders see long-term cost reduction benefits in tech investments, only 15% of finance and supply chain teams agree. This highlights how misaligned cost-cutting priorities and short-term pressures can cause revenue leaders to deprioritise essential tech investments, often driven by fears of redundancy, delayed ROI, and immediate budget constraints, overlooking the increase in growth and efficiency that would ultimately drive costs down over time.

These examples underscore the counterproductive effects of siloed decision-making and emphasise the need for a more unified approach to cost management in 2025.

Cross-functional unity: the best approach to overcoming rising costs

Siloes are great for storing corn but terrible for a manufacturer's cost-cutting initiatives. Our findings shed light on how cost-cutting, when done in isolation, only exacerbates operational difficulties and cost-related pressures in manufacturing firms.

Conversely, when finance, supply chain, and sales and marketing, displayed cross-functional unity with their alignment on strategic investments like automation and tools for enhanced visibility, they have proved effective in cost-cutting. This demonstrates how a collaborative, unified approach toward cost management is often the key to tackling rising costs.

Two strategic recommendations present themselves as clear outcomes of this research report. In the current environment, manufacturers must deploy data in the right way to navigate their decision-making and internal alignment:

Let data guide cost-cutting strategies and decisions:

Data-driven decisions are essential for effective outcomes, yet the availability and visibility of this data across all functions can be a key factor that prevents success. For instance, data relating to product performance and profitability can help to identify product lines that no longer add to the bottom line. With this insight, teams can collaborate more effectively, align on strategic decisions, and implement cost-management strategies that deliver the best results.

Enhance communications with objectivity:

Data enables clear communication by grounding discussions in evidence rather than instinct or opinion. Whether in internal conversations among colleagues or external interactions with clients and suppliers, data-driven decisions help reduce ambiguity, conflict, and misalignment. As mentioned earlier in the report, leveraging insights such as payment data and credit scores during client negotiations fosters objective discussions, helping to protect and strengthen relationships.

The rising costs faced by manufacturers in recent years may be strongly influenced by a myriad of external factors; however, there is an opportunity to address at least some of these costs by examining the inner workings of these organisations themselves. By resolving core internal challenges and strategic misalignments with a data-driven unified approach, manufacturers can build a stronger foundation for cost-management and sustainable growth in 2025, even amid the ongoing volatile market conditions.

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