

Industry Pain Points

CHALLENGES AND SOLUTIONS

A PUBLICATION OF ITR ECONOMICS



ITR ECONOMICS
First In Forecasts Worldwide

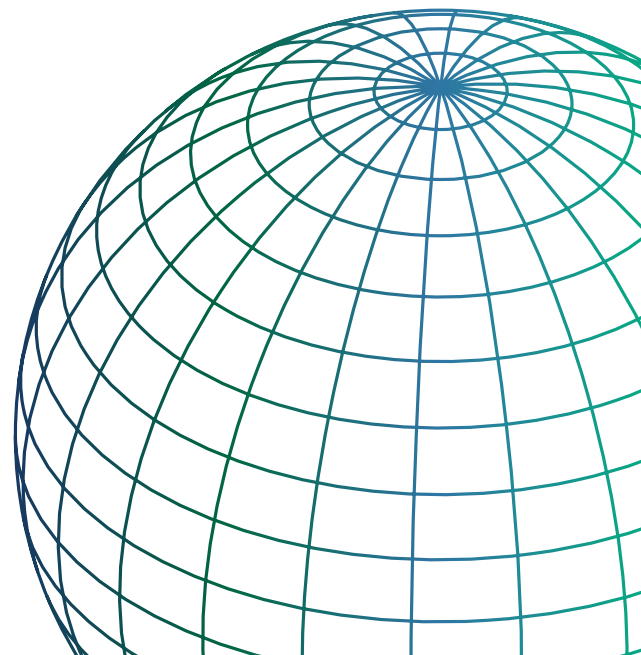
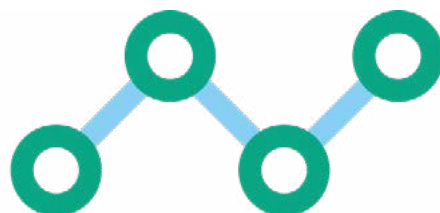
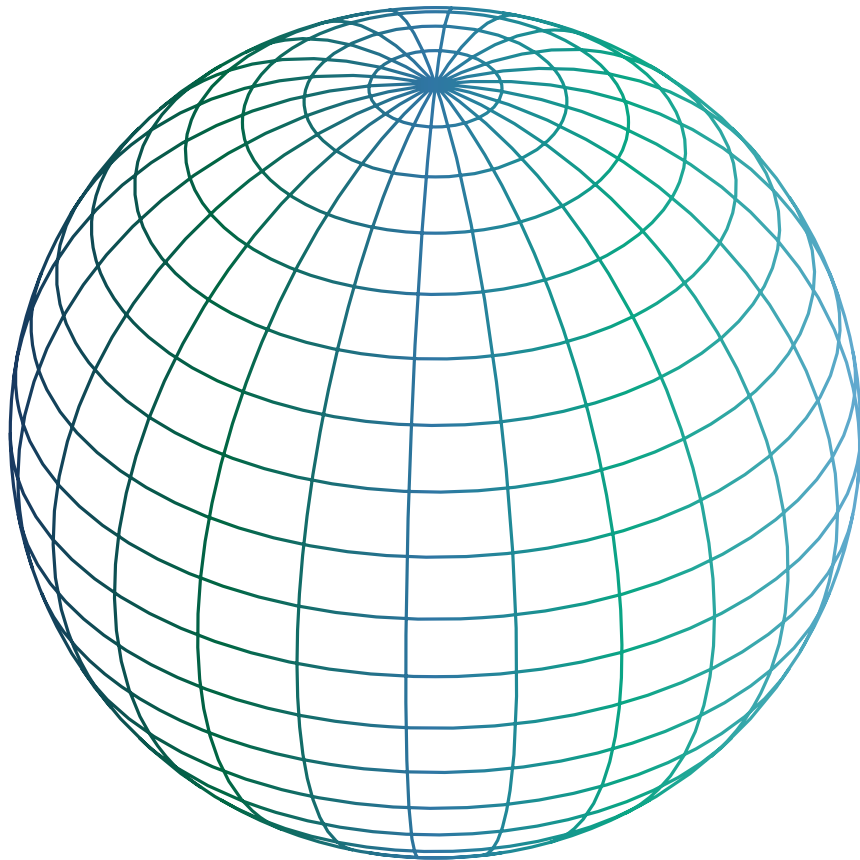


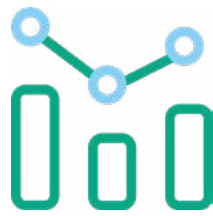
TABLE OF CONTENTS

1)	Introduction
3)	Leadership Pain Points
6)	Construction Pain Points
9)	Distribution Pain Points
12)	Manufacturing Pain Points
16)	Other Industry Pain Points
17)	Aerospace
18)	HVAC
19)	Retail Sales
20)	Service-Related and Consulting
21)	Trade Associations
22)	Transportation



INTRODUCTION





PAIN POINTS

Definition:

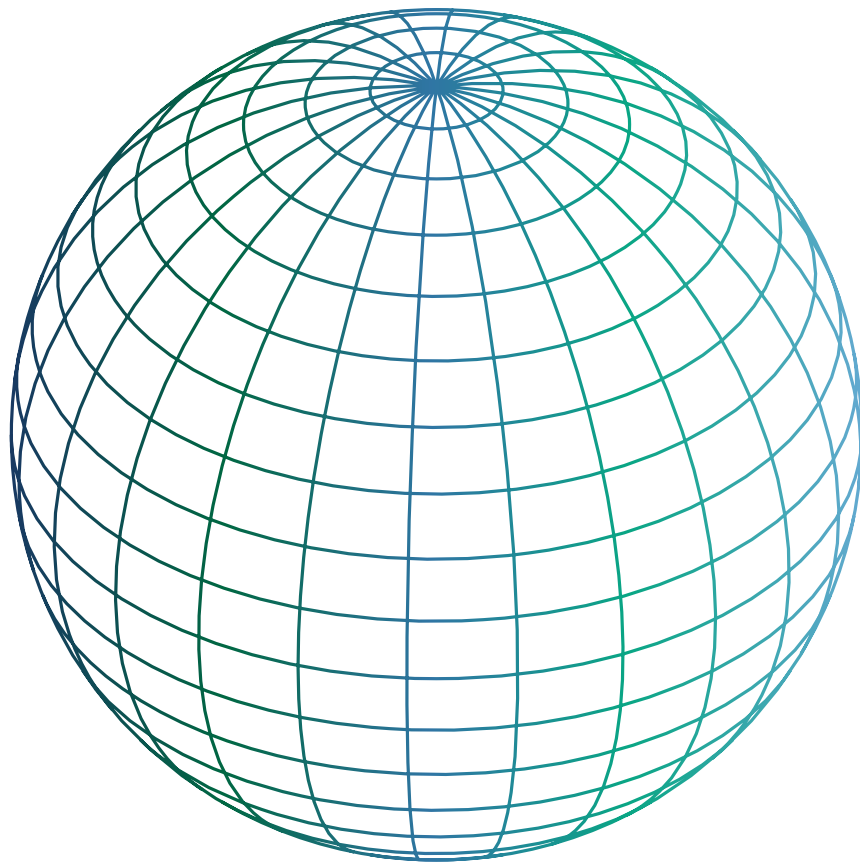
“A persistent or recurring problem (as with a product or service) that frequently inconveniences or annoys.”
(Merriam Webster)

Alternatively: Problem Area, Trouble Spot

No matter your line of work, companies of all shapes and sizes suffer from a myriad of pain points. At ITR Economics, our unique, customizable services can alleviate pain points for businesses across all industries.

Through this eBook, you'll discover the typical issues that must be dealt with regarding technology, labor, capital investment, and more – along with the tools you can use to tackle these problems in an efficient manner.

LEADERSHIP PAIN POINTS



Common Leadership Pain Points:

- **Technology**
 - Many businesses have not come to grips with the fact that they need to invest in technology in order to compete on both price and quality. Making the right IT investments through the 2020s will be paramount to success.
- **Labor (recruiting, training, retention)**
 - Businesses across all industries are constantly asking us for the right time to recruit new hires, increase training programs, and invest in retention programs.
- **Buying and selling businesses**
 - Questions we are asked include: “When will I be able to sell the business for maximum profit?” and “Should I accept an earn-out?”
 - Or, on the purchasing side, “When would be a good time to buy a business?”

ITR Economics’ Solutions

Technology

- While we are not an IT consultancy firm, we help our clients understand when they should invest in IT and when they should hold on to their cash. Being able to identify these “right times” enables clients to protect their bottom line while still investing in their business.
- We can provide this roadmap of investment planning via our **[company forecasting programs](#)**. These 12-quarter outlooks give visibility into when the business will be experiencing growth and when it will be facing contraction, based on its relationship with both the overall economy and its industry.

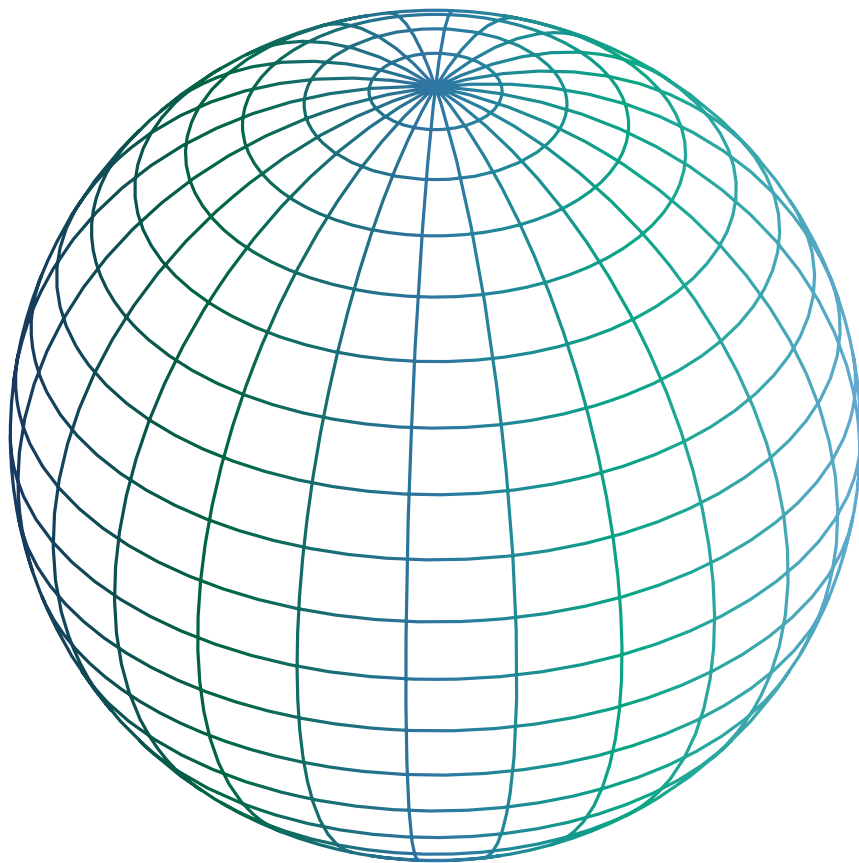
Labor

- Typically, we tell our clients that they will need more labor when the cycle is positive, which makes sense intuitively. However, in today's labor market, the need for workers will be more or less constant until 2022. After 2022, businesses should resume scheduling their labor initiatives around the next positive cycle.
- ITR Economics' [market forecasts](#) provide foresight as to when these positive cycles are expected, so businesses can begin the recruiting process early on and ensure they have sufficient labor ready for the coming growth.

Buying and Selling Businesses

- Buy low to sell high = bigger payday in the end, right? Sure! But how do you know if you are buying low? While there are many firms out there that assist with deep dives into acquisition targets' current state and business "health," we provide clients with a company forecast for the target business. This forecast will not only provide the [12-quarter projection of the business' sales](#), but also the historical trend, to show how the business has performed over time.
- In addition to providing company forecasts to help with this decision, we also provide [market-specific forecasts](#) to help investors identify which markets are headed for decline, indicating when the "low", a prime buying time, will be coming .
- If you are performing due diligence, we can run the target business's numbers through our analysis to see [where it is in the cycle and how it is faring relative to its markets](#). This can result in immediate profit to your bottom line if you go through with the acquisition at the right time.
- Knowing what industries are going to be relatively protected for any given business cycle will help you stabilize corporate profits and labor needs (lower costs in the long run). To a limited extent, we can find those markets. We do not traditionally rank all our market forecasts in terms of growth potential, nor do we forecast growth rates in new markets (IoT for example). If you have ideas regarding several markets that might be of interest to you in the future, we can provide [foresight for those markets](#).

CONSTRUCTION PAIN POINTS



Construction

Most of ITR Economics' clients in the construction industry have similar challenges, regardless of their location, size, or industry segment. These include:

- Input costs
- Type of work to bid
- Managing margins
- Managing or building backlogs
- New technology
- Labor

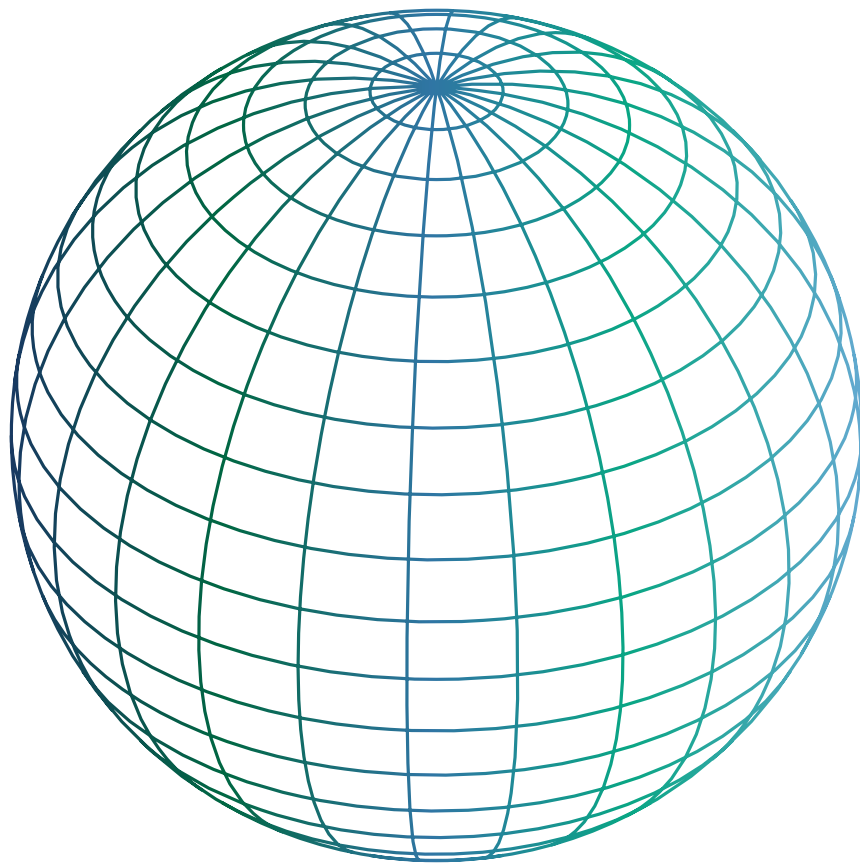
If any of the above challenges apply to your business, keep reading! Our solutions are helping business leaders like yourself manage these situations.



ITR Economics' Solutions:

- Input costs.
 - **Projecting the cost** of lumber, metal, land, etc., for those that hedge or simply want to know how to better estimate a job, can lead to better profits.
- Type of work to bid
 - Knowing when to put time into manufacturing construction (for example) as opposed to bidding a bunch of hotel construction based on current market conditions can make a big difference to both your top line and bottom line. ITR Economics partners with many data providers who track this kind of information, so we can readily provide **market landscape consulting** or detailed **reports**.
- Managing margins
 - Keeping your crews busy and your equipment working whether you are on the upside or the downside of the cycle is on every construction company's to-do list. Firms will accept smaller margins when business conditions are slow, and they need to know when those times will be before they submit a bid. **We can help** even out the workflow, which = better profits.
- Managing or building backlogs
 - **Filling the backlog** so you are busy even during a market downturn is the ideal scenario. It sometimes means taking on business at a slightly lower margin so you can keep your people employed and the cash flowing as you bide your time for the next upturn.
- New technology and labor
 - See page 4 of our "**All Industries**" section.

DISTRIBUTION PAIN POINTS



Distribution

If we were to list of top industry challenges we see for those in distribution, it would look something like this:

- Adjusting inventory levels to meet demand
 - Most distributors serve rather fixed markets, so it is a strategic shift to enter a new market. We can help with that, but the outlook needs to be larger than just one half of the business cycle. This is why our EVP™ programs provide a rolling 12-quarter view.
- Lead times
- Inventory levels
 - **ITR's Management Objectives™** give distributors a roadmap from which they can efficiently manage their inventory levels. These strategies correspond to our **Business Cycle Phases**, giving leaders the confidence to pull the right levers at the right time.
- Efficiency
 - Updating process flow and efficiency gains on their floors.
 - Reducing waste and improving quality at a lower cost.
 - Considering IoT technology.
 - Increased efficiencies in the “pick” systems and in order processing/fulfillment are also extremely important. This requires process change and the adoption of technology.
- Labor



ITR Economics' Solutions:

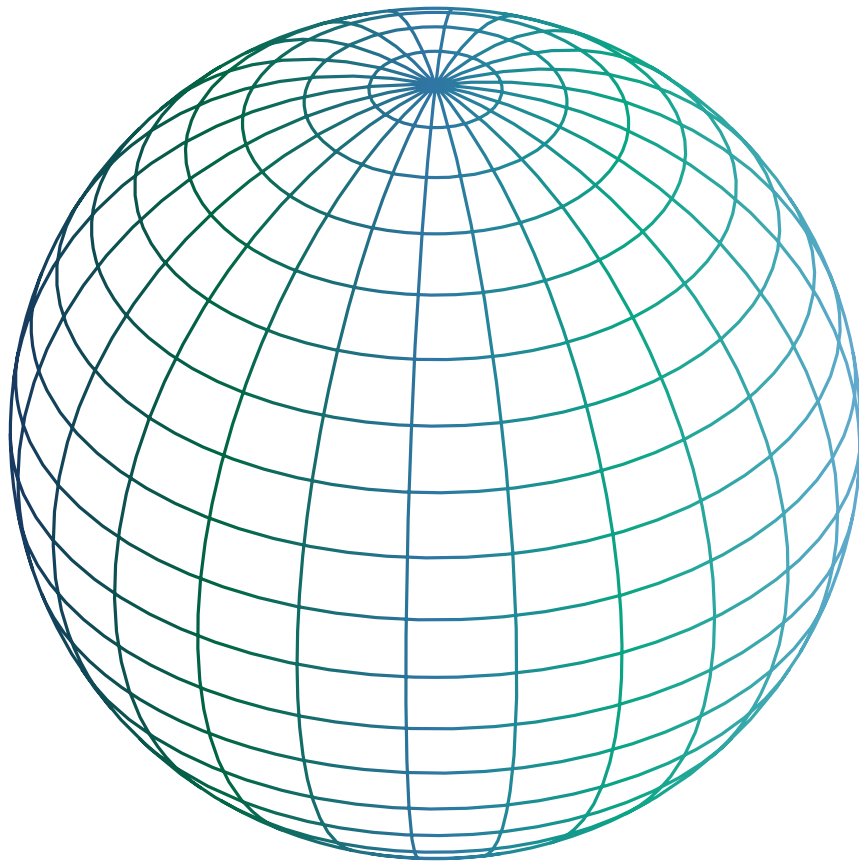
We can always help distributors with budgeting and thus with cash flow expectations. This is huge to these folks, as they work with very slim margins; typically, 3% is a good bottom line result. Cash flow is vital, and tying up cash in inventory is painful. ITR Economics' accurate **company forecasting** gives distributors an advantage by providing them with the foresight to reliably manage these two items.

We can also help with the timing of acquisitions through both our **market forecasts** and **company forecasts**. We see a lot of roll-ups occurring in this industry, and those who utilize these services experience greater results with this type of investment.

And finally, for distributors interested in expanding, knowing the **economic and demographic trends within the US** or North America could be important to maximizing return on capital.



MANUFACTURING PAIN POINTS

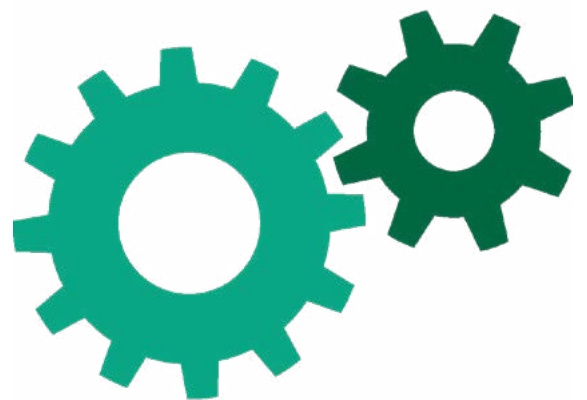


Manufacturing

Many of ITR Economics' clients are in manufacturing. We have decades of experience helping these manufacturing businesses minimize their greatest pain points. Do you have these same concerns?

- Capacity planning
- Automation
 - Updating process flow and efficiency gains on your floors
 - Reducing waste and improving quality at a lower cost
 - Should you look at IoT?
 - Are interest rates going to be more, or less , favorable in a year if you finance this?
- Managing or building backlogs
 - Filling the backlog so you are busy even during a market downturn. It sometimes means taking on business at a slightly lower margin so you can keep your people employed and the cash flowing as you bide your time for the next upturn.

While ITR Economics will not recommend a number of employees you are going to need, or provide guidance on what automation processes you should consider, or recommend the level of backlog you should consider, our forecasting will assist with the timing for all of these decisions and give insight into levels of orders you can expect in the future.



ITR Economics' Solutions:

- Capacity planning and managing backlog
 - Our **company forecasts** use your orders data, shipments data, sales data, and more to provide you with a 12-quarter projection for that given dataset. Having this trusted look at coming demand for your business will assist your leadership team in knowing what levels of labor and backlog will be needed and when.
 - Is this a good time in the cycle to make the investment(s)? (Comes under the umbrella of capacity planning and the labor shortage). Ramping up production at the right time means market share gains and enhanced profitability. “Good timing” applies to both implementation and cost considerations. Phase D is a great time to buy so as to have everything in place for when Phase B comes around.
- Automation
 - When will be the right time to make an investment into automating your facilities? This is where ITR Economics' three-year outlooks for both the **market** and your **business** assist you in looking ahead and developing longer-term investment plans.
 - When can you expect favorable interest rates? As you know, favorable interest rates = lower cost and therefore more ROI.
 - Our team also provides interest rate projections to businesses for this very reason! Having a robust market outlook, company outlook, and interest rate outlook will give your team the roadmap needed to **successfully navigate** all these pain points!



Electrical Manufacturing

Electrical manufacturers experience their own set of challenges due to the nature of their work. We have worked with many in this space for decades, and we find that the top three issues for which we help provide solutions are:

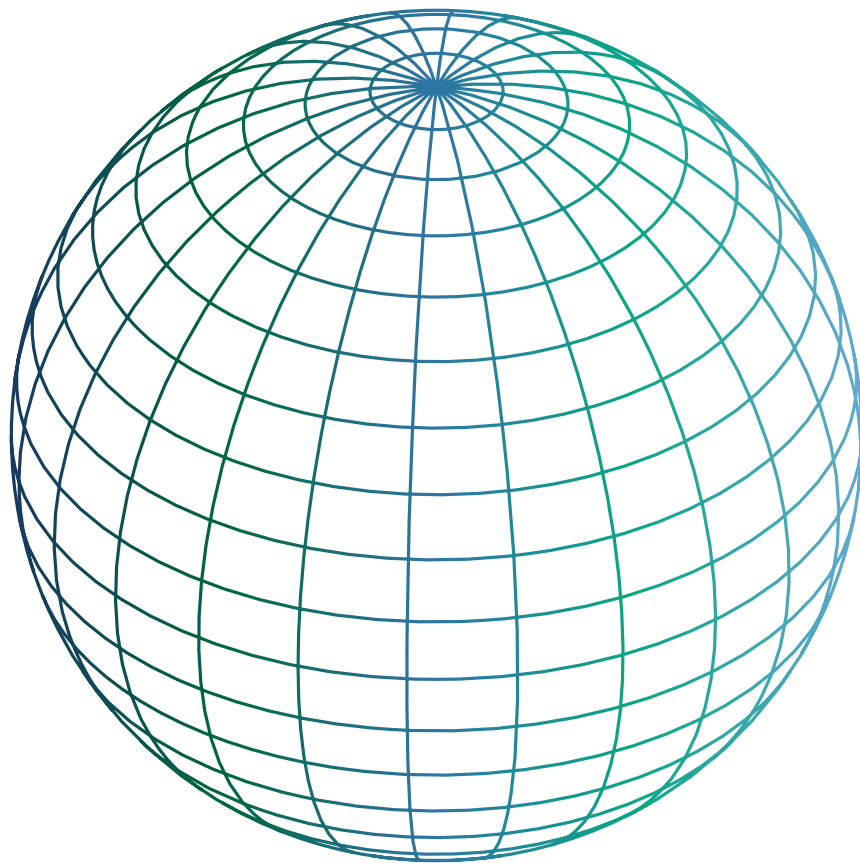
- Input costs
- Complex supply chains
- Labor

We can best service these customers by forecasting the demand pull from the various markets that they serve. Knowing the demand pull on the business provides a baseline from which to establish sales goals that incorporate margin gains, new products, etc. Setting the baseline expectations and layering on sales/marketing initiatives should lead to more timely and realistic expectations and resource management, which leads to improved profits.

ITREconomics' most suitable service for providing both insight and foresight is our **EVP™ program**. It combines market intelligence with a 12-quarter business outlook to provide a well-rounded roadmap from which an executive leadership team may plan.

We can somewhat analyze supply chain costs in that we can look at problems or opportunities in various countries and/or long-distance shipping costs. An **exchange rate forecast** would be very important for companies with supply chains overseas.

OTHER INDUSTRY PAIN POINTS



Aerospace

While the aerospace industry faces challenges – such as labor and supply chain – that also apply to other industries, it also has its own unique obstacles to manage, such as tariffs and fuel costs.

Below are the top four speed bumps for which our aerospace clients seek our guidance:

- Supply chain issues
- Tariffs
- Fuel
- Labor

Working on fuel costs is extremely important to understanding commercial aircraft orders and therefore production. With our [market forecasts](#) or [custom webinars](#) featuring trend analysis, we can help business leaders in this industry see coming changes in fuel costs and plan with confidence.

As you can imagine, aerospace involves a lot of things besides commercial aircraft. During the initial consultation, we need to ask what branch of aerospace the client is involved in. If it is defense, we could provide a general defense spending forecast. If it is aircraft components, we could consider an Aircraft and Parts Production forecast. Perhaps it is satellites; that, too, would require that we consider a different type of forecast during the discovery process with the client.

While the aerospace industry is largely acyclical and therefore more difficult to forecast, we are transparent with our clients and will perform due diligence. We will determine the data's volatility and, based on this data-vetting process, our expected forecast accuracy.

HVAC

Our HVAC clients include manufacturers, distributors, and contractors. Each tends to use a different type of service and apply it slightly differently in managing their business. Regardless of the type of business, we tend to see the three challenges below as the most common within this industry:

- Regulatory changes
- Fuel costs/input costs
- Labor shortages

HVAC contractors tend to be the group of folks that fare best in using our Insider™ or [Trends Report™](#) subscriptions. These services enable them to see the rise and fall in each construction market. Specifically, the Trends Report provides greater foresight and more quantitative data for each construction industry vertical on a regular basis. The Insider provides a higher-level, qualitative overview broken down by residential and nonresidential US construction on a monthly basis, as well as an annual deep-dive presentation of our outlook by vertical.

Our HVAC manufacturing and distribution clients benefit from these subscriptions as well as our [EVP programs](#). They use the EVP programs to help identify when their businesses will be growing or contracting, which allows them to appropriately set revenue and expense budgets attuned to the business cycle and geared for profitability in good times or bad.



Retail Sales

Retail sales/consumer-related challenges typically include:

- Inventory levels
- Strength of consumer
- Labor

ITR Economics' [market forecasts](#), [EconChats™](#), [customized webinars](#), and [EVP programs](#) can help retailers effectively manage these challenges.

Our services may be utilized at the macro level, but also on a state-by-state basis . The state-by-state breakdown is helpful given the different growth prospects for the various states. We would ideally go down to the county level in helping a retailer identify their best opportunities for growth. This granular view is mainly accessible via our EconChats or customized webinars.

Simple to say but important to note – we understand not all retailers are the same. Sporting goods is very different from clothing, which is very different from RV sales. We [forecast at the industry level](#) so the outlook is appropriate to your industry.



Service-Related and Consulting

Companies in service-related and consulting markets often find their business ebbs and flows with the economy's business cycle. Because of this natural ebb and flow, the below tend to be the top challenges companies in this industry face:

- Stabilizing income despite fluctuating economy
- Differentiation from competitors
- Wage inflation (because their employees are the input cost)
- Quality of work can be subjective
- Labor

At ITR Economics, we can help attorneys, banks, investment professionals, sales firms, etc. know when they are going to be busy and when they are going to be not as busy. Very few of these firms are going to find our advice actionable beyond setting proper budgets. But that is exactly where the profit enhancement can spring from – setting the right budgets for the economic conditions over the next one to three years.

It comes down to budgets, cash flow, and perhaps setting the stage for a sale or acquisition. One thing we can do is help compare the client's individual performance to that of the industry as a whole. We can thus provide a management "report card" regarding their effectiveness in the given economic environment.

Regarding firms that wish to differentiate themselves from their competitors, this is an area outside our economic forecasting purview. However, because this is a common pain point for our clients, we have partnered with [Chief Outsiders](#). They are a smart, flexible, friendly group of folks to work with, and they continue to receive very favorable marks on their ability to help businesses improve in this area.

Trade Associations

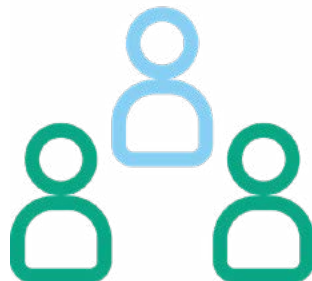
Top challenges for trade associations:

- Driving membership by adding value
- Changes in the industry
- Increasing standards
- Labor

For trade associations, it begins and ends with their need to keep members, to keep them coming to trade shows, and to garner new members through **value-adding programs** and differentiation. We can help with this by enabling members be more profitable, **helping them** understand the opportunities and challenges of the future, and providing them with a level of economic intelligence that they would not be able to obtain as individuals.

We must also remember that we **speak** to a LOT of trade associations; therefore, we must be sure to dig deeper into the markets/industries served by the association, at least as much as we can. It is helpful to incorporate specific member information (in aggregate or through a volunteer Company X) into our presentation, as this helps attendees see what leading indicators and industry trends mean to their individual businesses.

At ITR Economics, our focus is to help the trade association strengthen its relationship with its members. This is achieved via our services, which offer a wide variety of options for ensuring the needs of businesses small and large are met.



Transportation

The transportation industry is very diverse. When someone in this industry reaches out to us for guidance, we must first identify the segment in which they operate and then dive deeper into that specific area.

Regardless of the segment, the challenges are similar:

- Market demand
- Fuel costs/input costs
- Unit product (when trying to sell into the market)

The cost of fuel, including diesel, is something we can certainly forecast. However, companies in this space have historically wanted unit production numbers from us. That seems to be a more logical area on which to focus for those trying to sell into this market.

Transportation includes automobiles, buses, medium-duty trucks, heavy-duty trucks (**usually a leading indicator**), rail, freight companies, shipping, and air freight. This breadth demands we conduct due diligence at the outset of the partnership to ensure we recommend the best foresight to assist the client in their business planning.

The various facets of this very large and complex industry do not move through the business cycle in tandem. Industry participants must know where they are in the business cycle and where their markets are in the business cycle. That knowledge provides for confident planning and profit enhancement.

Our team of experts help clear away the chaos and recommend the best **forecasts to assist the business leaders in their planning processes**.

SO YOU UNDERSTAND YOUR INDUSTRY'S PAIN POINTS – NOW WHAT?

If you have questions about these common challenges or are looking for further guidance, get in touch with us!

We're here to help your business make the best strategic decisions.

• CONTACT US •

itreconomics.com
603.796.2500
ITR@itreconomics.com



ITR ECONOMICS