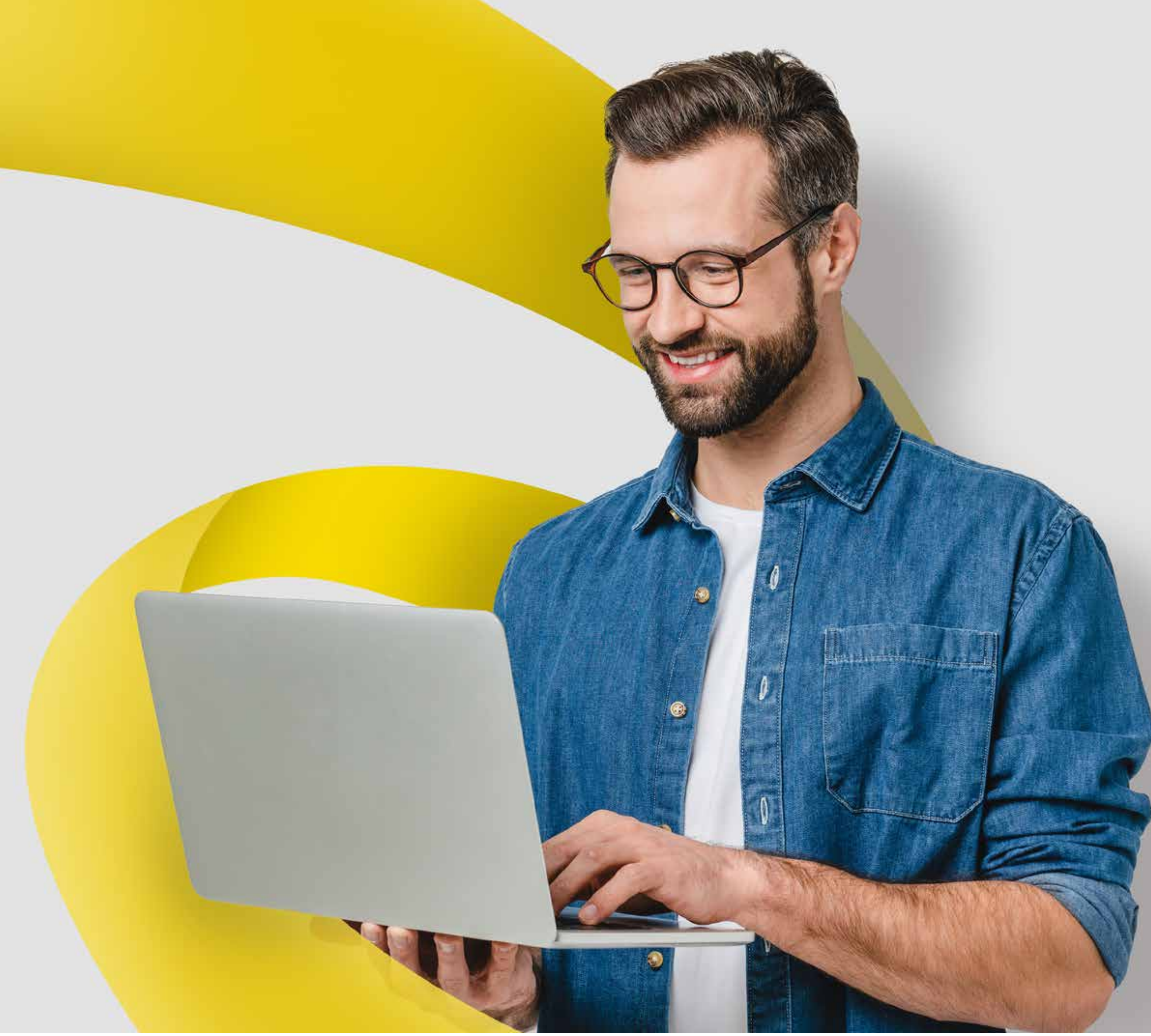


Be the boss of manufacturing expenditure

How 80% of UK manufacturers could stay competitive by cutting red-flag spending

allstar

Overview

With an annual output of £183 billion, the UK remains the ninth largest manufacturing nation in the world[1]

Yet four fifths (80%) of UK manufacturers are looking to increase their prices to cope with rising inflation, energy and material costs[2] - which could leave them less competitive in local and global markets.

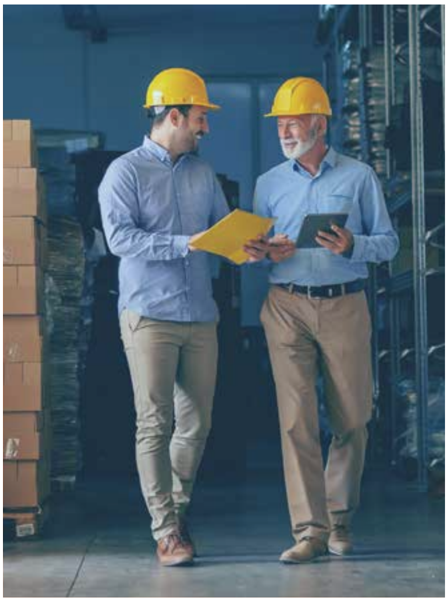
Many are missing out on the cost savings and efficiency that can be gained by tightening up expenditure authorisation and control.

Facing rising costs, material shortages and increased global competition, UK manufacturers are accelerating investment in shop-floor automation.

Meanwhile other support functions - such as how they process, pay and manage expenses - are stuck in the slow lane, this places an unnecessarily heavy burden on productivity and cashflow just when they need to be smarter, leaner and more price competitive.

CBI

With the CBI predicting the largest industry-wide price hike in almost 50 years[3]**,** positive action is needed to ensure lean expenditure.



Key takeaways.

This report helps owners, factory managers, finance and procurement departments to take back control of their expenditure by:

1. **Increasing financial visibility** and payment flexibility.
2. **Recognising the three hidden profit killers** that can derail their efforts to control costs.
3. **Revealing how failure to act contributes to excessive factory burden**, cashflow crisis, unnecessary errors and friction points.
4. **Providing a six-point improvement plan** from taking a consolidated payment and reporting approach

1. Why overlooking expenses can be a project killer

Every manufacturer knows that constant monitoring of materials, production and delivery overheads is vital to prevent profit being derailed.

The Ukraine crisis, Covid-19, Brexit, escalating global shortages and demand for core materials, components and staff, has put unprecedented pressure on every type of manufacturer. This has resulted in increasing manufacturing costs (direct) and production costs (direct and indirect).

Fuel and skills shortages also leading to an escalation of costs associated with transporting materials in, and finished products out, which can account for 10% of the total cost of a product.[4]

Alongside of all this are the escalating factory burden costs. These are the hidden expenses (either people or inventory related) that can drive up the cost of manufacturing a product.

With costs and delays on the rise, manufacturers can't afford to waste money, people and effort through inefficiency and bad expense monitoring and control.

In the day to day running of busy factory floors and delivery fleets - with multiple suppliers, teams and contractors - it's easy to overlook small issues like whether you're paying expenses by card, invoice, mobile app, payments, how the paperwork is being handled, and who's involved.

However, if expense processing and payment are neglected, they can quickly snowball into major problems. If left unchecked, they can contribute to a cashflow crisis.

This can upset relationships with suppliers and stakeholders, lead to production delays and impact cost of goods. In turn this can erode profit margins or lead to inflated prices once they hit the market - killing their financial performance and reducing their competitive edge.

2. How do you know if your manufacturing business is at risk?

COST AVALANCHE

Are you faced with unexpected costs after they've been incurred?

The mountain of costs facing manufacturing is higher than ever.

Unforseen items like rising fuel costs, transaction fees or interest on deferred payments can add to an avalanche of hidden costs that can decimate profit margins, lead to price hikes and impacting your bottom line.

With costs rising, manufacturers are facing declines in profit margins in 2022[5].

PAYMENTS MAZE

Do your buyers and staff have multiple ways to pay but aren't quite sure when to use what and why?

Only a quarter of companies have a system that automatically flags out-of-policy expenses.[6]

Greater complexity, multiple payment methods and poor reporting is making it harder to achieve a clear view/direction of production costs.

If you don't know which payment method gives you the best deal or the longest settlement time, then your loses may be higher than you think.

RESOURCE SWAMP

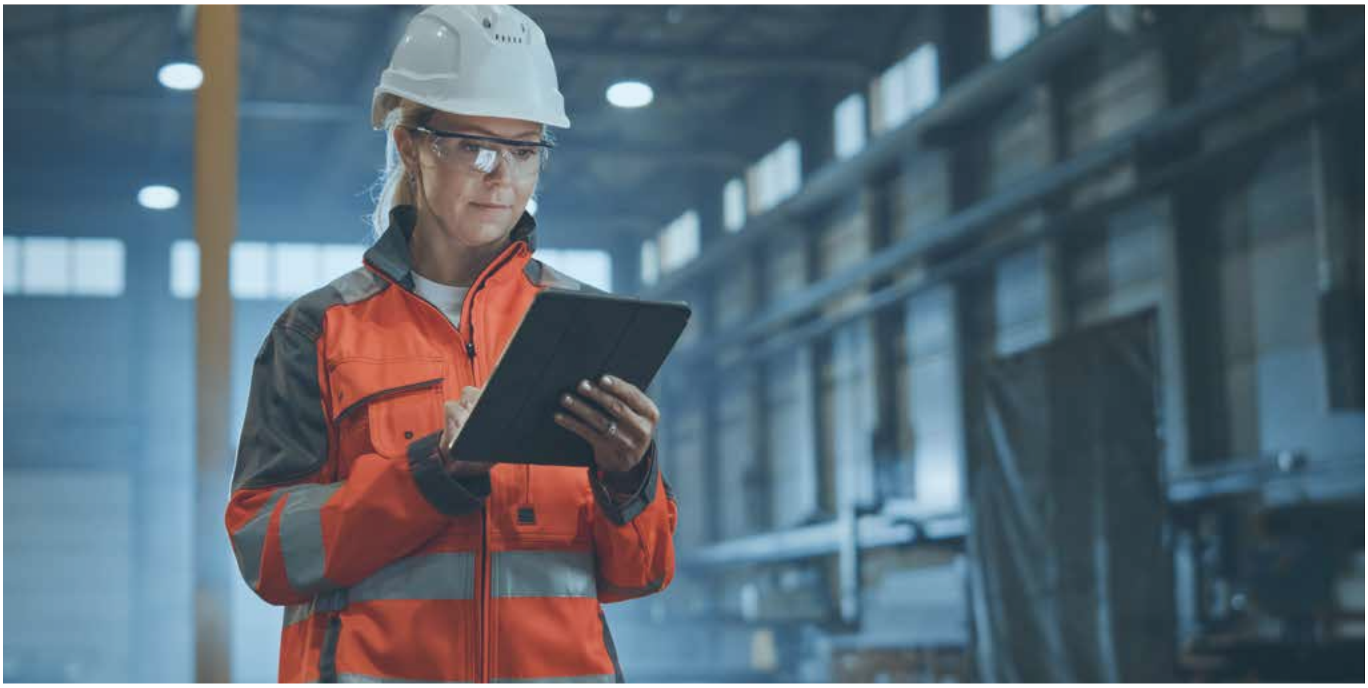
Are you or your team regularly stressed about indirect expense paperwork, errors or approvals?

Did you know that 89%[7] of finance departments say they regularly face challenges with their expense process?

Manual processes and inefficiency can bog manufacturers down, sapping back office and shop floor resources and making them inefficient and slow.

The cost avalanche, the payments maze and the resource swamp can kill factory productivity and product profitability

These are the red flag warning signs that your spending could be out of control. Left unchecked, they can kill your ability to meet bottom line KPIs, lead to price rises in finished goods and put them at a market disadvantage.



3. What happens if you ignore the warning signs?

Failing to keep a handle on expenses can freeze cashflow and leave finance teams stressed

Doing nothing leaves manufacturers exposed to a range of issues that could affect their financial and operational performance and productivity.

An inability to budget accurately and provide transparency and accountability could drive up indirect costs. This could also reduce financial flexibility and the ability to accommodate production spikes in line with demand (e.g. at peak buying seasons) and can leave stakeholders frustrated with reduced returns. Chasing paperwork and receipts and dealing with complaints can also contribute to staff feeling stressed, overworked and demotivated.

The following pages outline three ways poor expenses undermine your competitive edge

1. Increased factory burden

Poor authorisation and payment processes around suppliers, contractors and expenditure is like having an inefficient production line that haemorrhages money. It also weakens financial returns and impacts stability through:

Blown budgets

Firms continue to face the same challenges while dealing with these new financial pressures. To cope some SMEs have had to reduce employee numbers (30%), scale back business travel (30%) and limit expense allowances (18%).[8]

Misuse and fraud

Many firms have multiple teams on multiple sites, and staff on the road. With so many variables, it's next to impossible to keep a close eye on what everyone is spending – and every so often, fraudulent payments slip through. One in 10 UK employees admit to submitting erroneous claims 'all the time', while a further one in five do so 'irregularly'.[9]

Interest and charges

Expensive credit is another drain on cash and a headache for the finance team. High interest is a cost nobody wants and finding sources of free credit should be a priority.

Errors, friction and effort

Manual processes can be excruciatingly slow and can lead to mistakes. This is particularly true for expenses and payments – money is flying in and out across the business, and processing this manually is slow and time-consuming. And, as any manufacturer knows, time is money: cumbersome expense processes can delay purchases, which in turn delays the job getting done.

2. Cashflow crisis

Steady cash flow is the foundation of manufacturing and the lifeblood that keeps new products, production and deliveries flowing. But it can be easily drained by:

A conveyor belt of continuous leaks

Even when they're completely above board, indirect production costs can soon add up and spiral out of control. From fuel and extra materials to staff subsistence and travel, when combined these purchases can turn into a noticeable drain on cashflow.

Fluctuations in demand

To keep pace, teams might need to buy more materials than expected, or there might be unforeseen extra work required, leading to higher labour costs. Paying cash for these extra costs can quickly drain bank accounts, potentially leading to short-term issues with cashflow.

3. Stress and friction points

Over half (53%) of SMEs say that their biggest expense pain point is employees losing paper receipts.[10] Poor expense control and visibility and excessive administrative effort have a knock-on effect for everyone involved in manufacturing.

Finance teams are over worked and stressed

Lack of control and insights means cost savings are missed and raises potential issues of non- compliance. Managing multiple payment methods (cash advances, pay & reclaim, fuel and business cards) is a massive headache and manual processes often leaves them working overtime.

Factory and admin managers are hassled and distracted

Often in the frontline between workers, clients and stakeholders, managers face complaints, constant Issues and a mountain of admin which impacts their productivity. Out of pocket staff lack motivation and lead to a high staff turnover (30% are actively looking for new employment as they are unhappy with pay and reclaim).[11]

Procurement functions are in the dark and powerless

Fragmented expense processes make it difficult to consolidate payment suppliers and save money. Pay and reclaim processes means there's no pre-spend or booking control. And lack of expense data makes it difficult to drive discounts in the supply chain.

Employees and contractors become resentful and walk

Manual processes create stress and can leave workers out of pocket and looking for other jobs. 42% admit that concerns about managing business expenses keeps them up at night.[12] Two in five (39%) work on admin-related tasks like expenses outside of working hours.[13]

How to take control
and be the boss of costs

You don’t need an elaborate digital transformation to achieve spend visibility and control

A flexible payment offering with simple to use dashboard technology can give manufacturing firms data at-a-glance without having to spend big. It also helps identify any costs and inefficiencies that can be cut or reduced.

By improving the flexibility of short-term cashflow, you can seize opportunities when they come along – whether that’s adding another production line, over-purchasing on stock in short supply or making an important equipment upgrade.

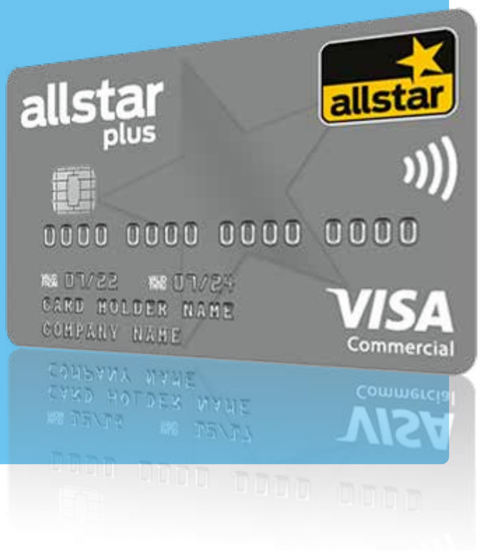
The first step in the process is Allstar Plus

Allstar Plus is a 2-in-1 expense and fuel card that gives manufacturers the freedom to buy what they need when they need it, while allowing finance teams to place limits and controls on each card in use.

Its online platform allows a bird’s eye view of spending, highlighting where savings can be made and ensuring better cashflow management.

Allstar helps you take control of factory expenses by:

- **Automating process** to save time and effort
- **Increasing company-wide visibility** and control of spending
- **Boosting financial flexibility** with terms that suit your business



With a single payment and reporting option you can achieve seven-point improvements that keep production expenses lean and efficient

1. Consolidate

With a single payment method that simplifies and automates processes and makes life easy for staff

2. Prevent downtime

With an all-inclusive expense card that gives teams the freedom to buy what they need whenever they need it, while keeping you in control

3. Be predictive

Use online tools and dashboards to ensure full visibility of spending, highlighting where savings can be made and spot warning signs before they escalate.

4. Oil the wheels

With instant access to capital with longer flexible terms and interest-free credit

5. Prevent leaks

Plug gaps in approval funtions with customisable controls and limits on each card to prevent overspend and fraud

6. Increase output

Ensure scalable finance that gives more flexibility to buy in bulk, hire and grow

7. Attract talent

Finding and keeping skilled people is a big issue for manufacturers. Automated, fast and easy expense processing removes painpoints and keeps finance and operational teams happy.

Key takeaways

Few manufacturing firms have had an easy 18 months and need all the help they can get. 2020's lockdowns created financial pressure, and 2021's supply chain issues ramped it up. Firms face a range of challenges and maintaining flexibility for production teams while increasing control of finances is more important than ever.

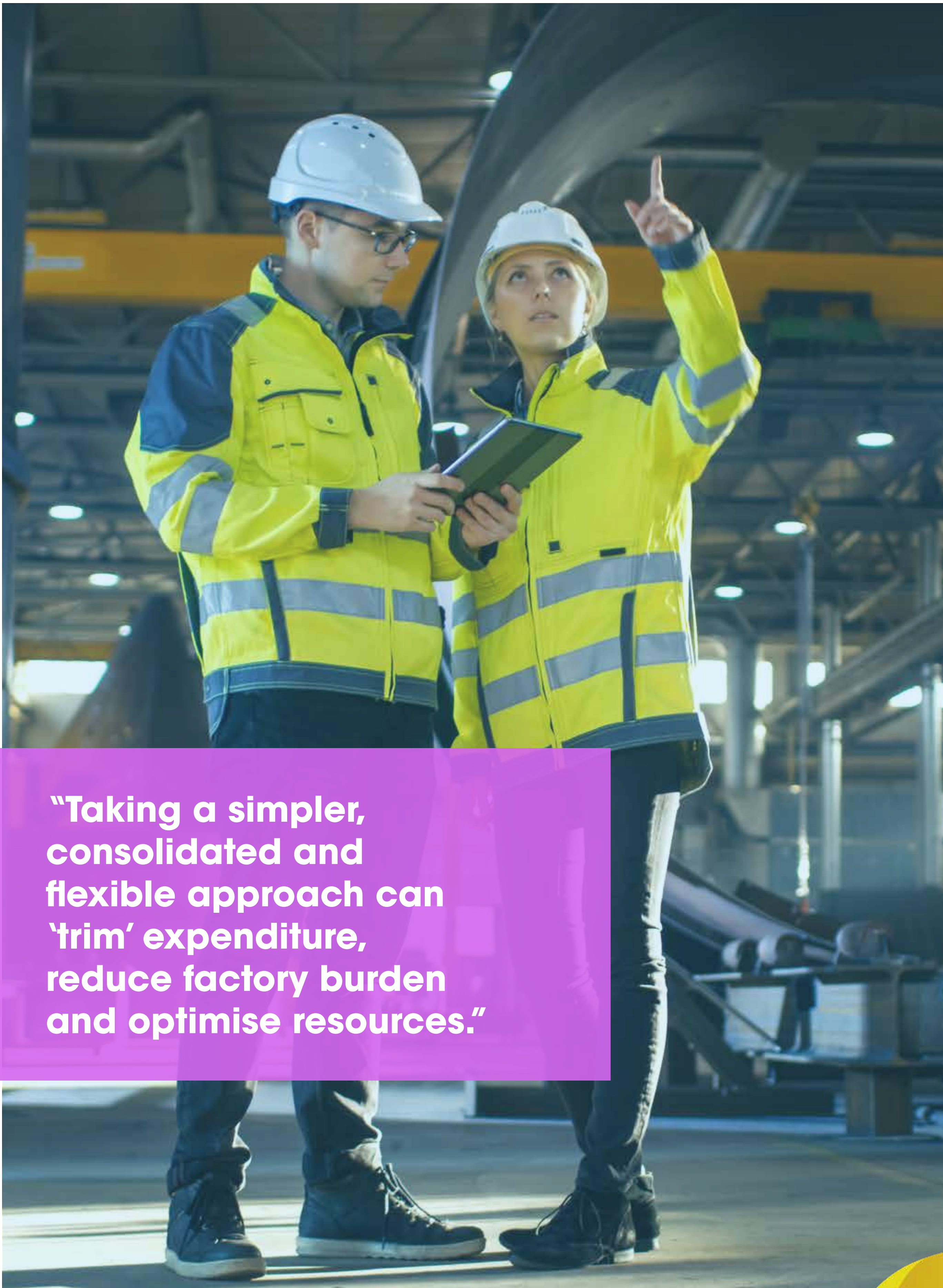
Lean approaches have helped to minimise work activities that don't add value to the manufacturing process. The same principle can be applied to expenses too. Taking a simpler, consolidated and flexible approach can 'trim' expenditure, reduce factory burden and optimise resources.

Using a 2-in-1 expense and fuel card means no out-of-pocket purchases, and streamlines payments into one card, one supplier and one invoice, saving further time:

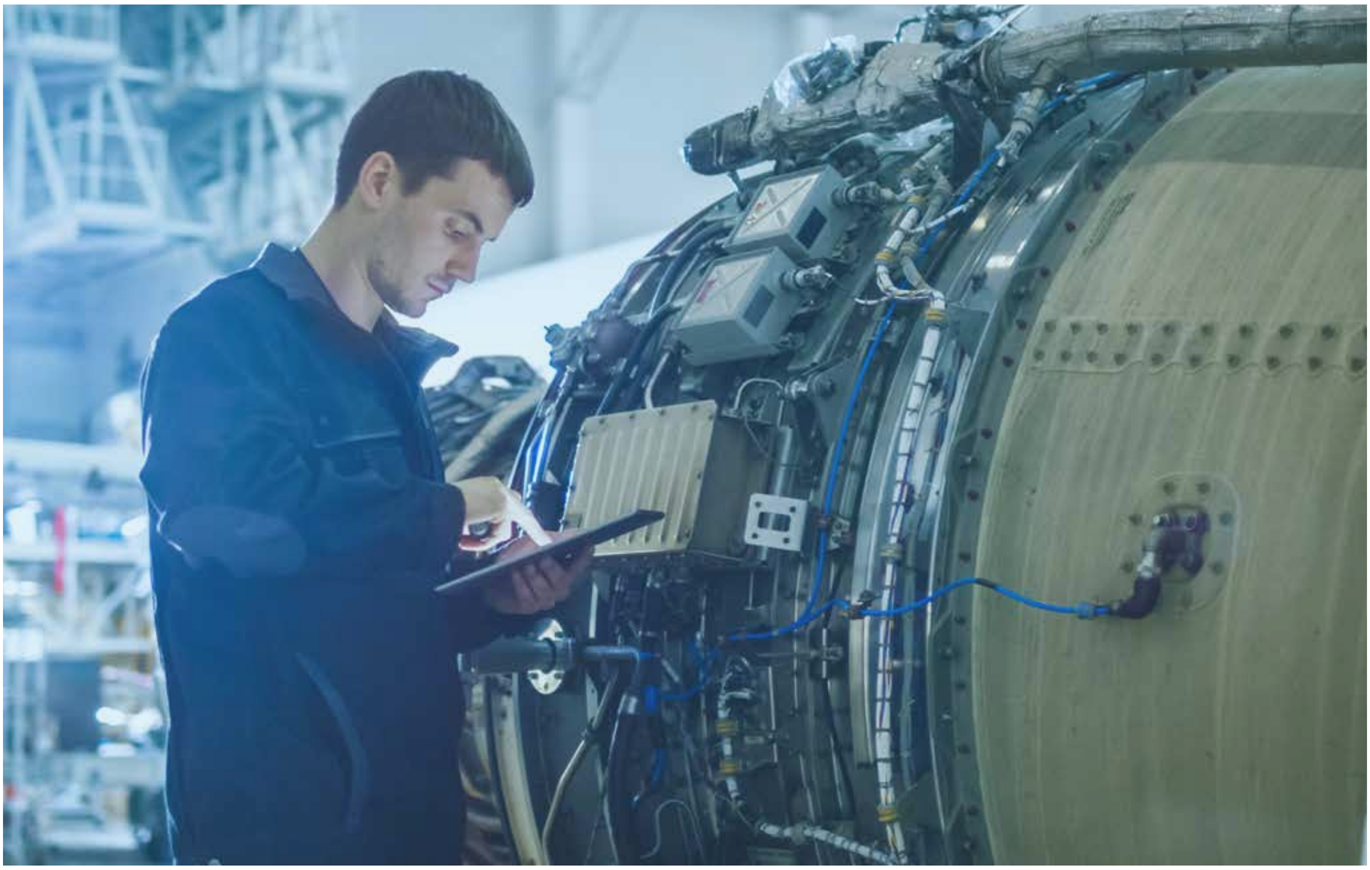
- ✓ Tight spending controls and faster, easier expense management means fewer cash leaks, well managed cashflow and better planning.
- ✓ With extended interest-free credit, firms can keep capital on hand for when it's needed and make managing cashflow much easier.
- ✓ More flexible financing allows firms to buy in bulk, hire the contractors they need – and achieve growth when the opportunity presents itself.

Manufacturing requires flexibility; site workers often need to buy materials themselves or risk causing production, delivery or service delays

- ✓ Unexpected costs mean unaccounted-for cash outlay. A flexible credit line allows businesses to meet surprise costs without needing the cash on hand, meaning out-of-the-blue bills are nothing to worry about.
- ✓ Worried about giving workers free reign? With the flexibility to create authorisation rules and limits for each card you can dictate preferred spend categories and amounts. This'll reduce overspending and give the finance team better control of who's spending what – no messing about.



"Taking a simpler, consolidated and flexible approach can 'trim' expenditure, reduce factory burden and optimise resources."



Allstar in action

Allstar Plus has enabled Filtermist to put in place an all-in-one payment solution enabling its engineers to pay without using their own credit card, whilst having control and visibility of where the cards are used with a single view of every transaction and the added benefit of flexible payment terms.

"We employ several service and installation engineers who travel throughout the UK, so as well as fuel costs, we also frequently need to book hotels and pay for other travel expenses. The Allstar Plus card gives our engineers the ability to pay without using their own card and allows us to control where and when the cards are used."

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About Allstar Business Solutions

Allstar Business Solutions is a leading UK business and fuel expenses card provider with over 40 years of industry experience. Allstar provides its customers with access to the UK's largest fuel card network. The Allstar fuel cards are accepted at most UK fuel sites, including at all major oil brands and low-cost supermarket sites.

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