

REPORT

The Manufacturing & E-Commerce Benchmark Report

Introduction:

An accelerating digital transition

Beyond the day-to-day struggles of operating a business, manufacturers are presented with the issue of being in a state of flux. For many, their digital transformation has already begun. But it is far from complete.

With the recent COVID-19 disruption, there are now additional incentives to digitize manufacturing businesses with an e-commerce engine.

However, **making B2B e-commerce work comes with its own set of challenges that can often make or break a business' relationship with customers.**

For a better understanding of how manufacturers are tackling the challenges presented by a more digitized world, we commissioned Sapio Research to survey a diverse group of 800+ decision makers within manufacturing companies in the U.S.

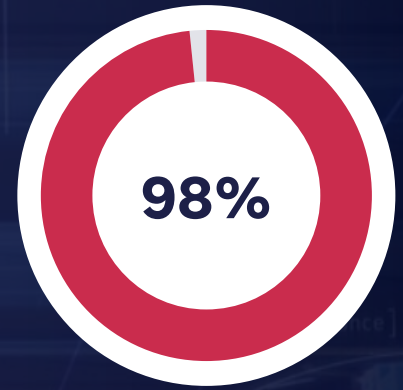
This is an unbiased, in-depth look into what the digital transformation journey looks like for manufacturers: one that can serve as a benchmark to help businesses understand how they compare.

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Key Stats

98% have, are implementing, or are planning to implement an online sales channel



Overall revenue generated via online channels	50%
Manufacturers are already selling direct to consumers (D2C)	67%



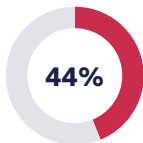
The top two key factors that drove businesses to invest in digital strategies were:

1. **48%** Advancements in digital technologies
2. **44%** Evolving customer preferences

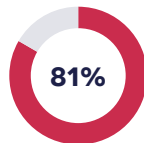


More than 1/3 of manufacturers indicated that their biggest challenges include:

- Handling complex and lengthy order-to-cash (O2C) processes
- Driving traffic to online channels
- Slow customer adoption



44% of manufacturers recognize that customers are at the center of their success

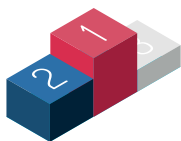


81% of manufacturers face challenges with their current e-commerce experience



The main driver for manufacturers to invest in e-commerce as part of a new market strategy is improving customer experience (**38%**)

The top 3 challenges with current e-commerce experiences are:



1. **32%** Limited product data
2. **30%** Inaccurate product information
3. **30%** Checkout process is too long or complicated

To solve this challenge of poor customer experience

Manufacturers invested in a new platform	36%
Manufacturers invested in more personnel	35%

Buyers expect more from their online buying experience.

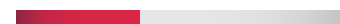
Ease and speed are key:

1/4 of buyers want easier and faster checkout, easier repeat reordering, quicker delivery and improved tracking as a priority.



Top e-commerce challenges are putting manufacturers' customer relationships at risk, resulting in:

1. **56%** Increased customer service enquiries
2. **46%** Customers being less likely to return and reorder
3. **44%** Increased cost of sales



36% of manufacturing businesses invested in a brand-new e-commerce solution, to solve their challenges with current e-commerce experiences

Manufacturing going digital is the new standard

Once viewed as a perk or bonus, digitization has now become a standard necessity for B2B manufacturers. The latest data shows that **98% have, are implementing, or are planning to implement an online sales channel**. This is up 14% percent from our 2017 data.



While most manufacturers are firmly embracing digital, businesses' perspectives, motivations, and initiatives do vary across sectors.

The Construction industry relies on online channels more than any other at 64%, with Electronics a close second (62%).

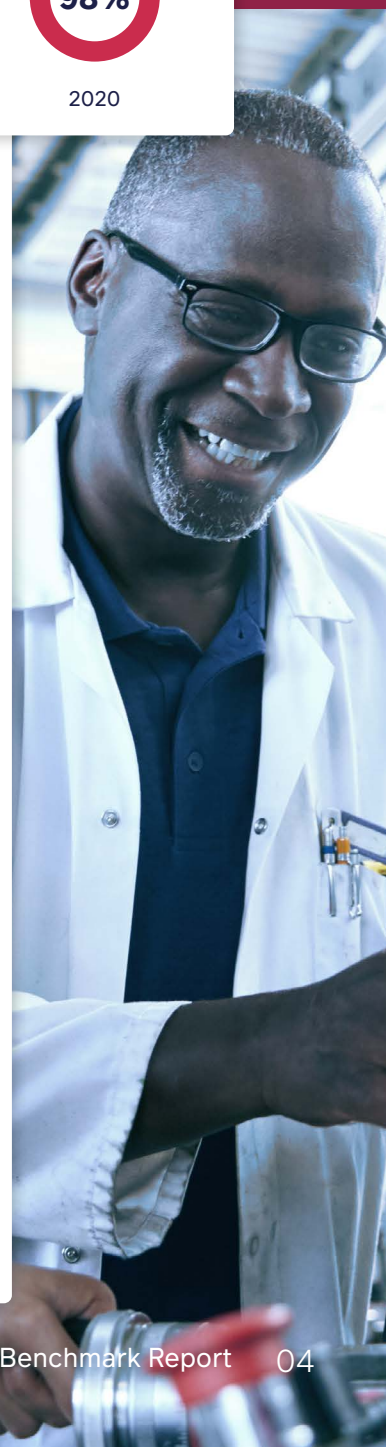
71% of manufacturers within the Construction and Industrial Materials sector are using online marketplaces: 8% more than the average.

Food & Beverage are the least reliant on online marketplaces (53%).

Electronic Data Interchange (EDI) models remain popular in the Automotive industry with 43% reporting they employ one.

In terms of those who still have a heavy reliance on field sales, Medical Devices (31%) and Automotive (27%) sectors lead the pack.

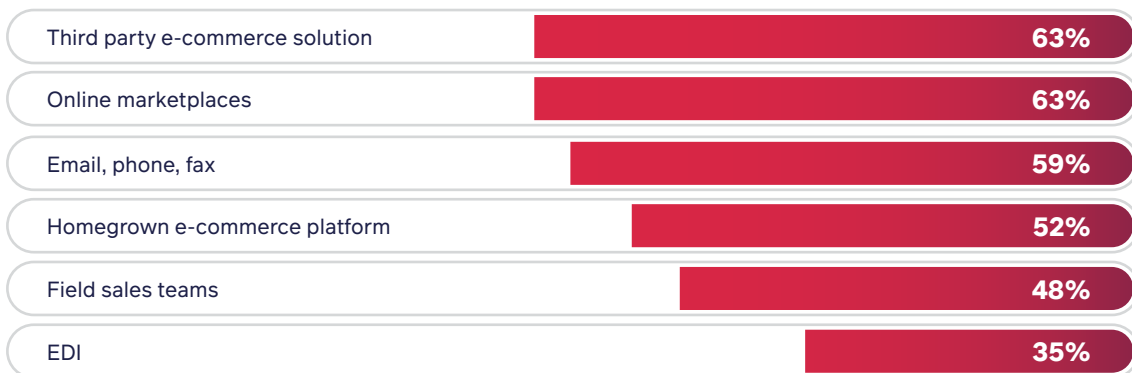
The sector often determines how online channels are leveraged and what their success looks like, with Home Goods and Furnishings generating as much as 60% of revenue through a bespoke platform.



↳ New sales strategies supplement e-commerce

In addition to e-commerce, manufacturers are turning to various channels to facilitate their sales strategies. Data shows they're embracing a wide distribution of new or unfamiliar sales models to supplement and support their e-commerce efforts.

Figure B. Offered sales models across surveyed organizations. Multiple Choice (N=802)



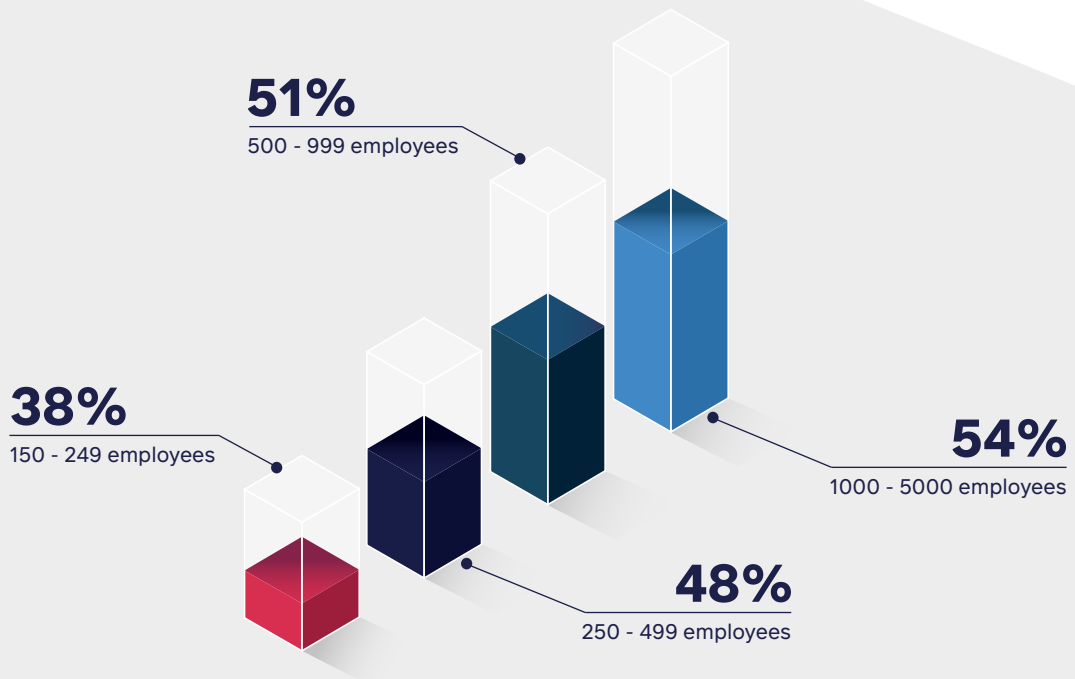
↳ Manufacturers know that e-commerce generates revenue and are prioritizing adoption

Around **50% of overall revenue for manufacturers is generated via online channels**. This is particularly true for larger companies with more than 1,000 employees (54%). More streamlined companies with fewer than 250 employees are currently experiencing 38% of their overall revenue coming from online channels. These manufacturers can bridge this gap by looking to peers who have implemented impactful online channel strategies.



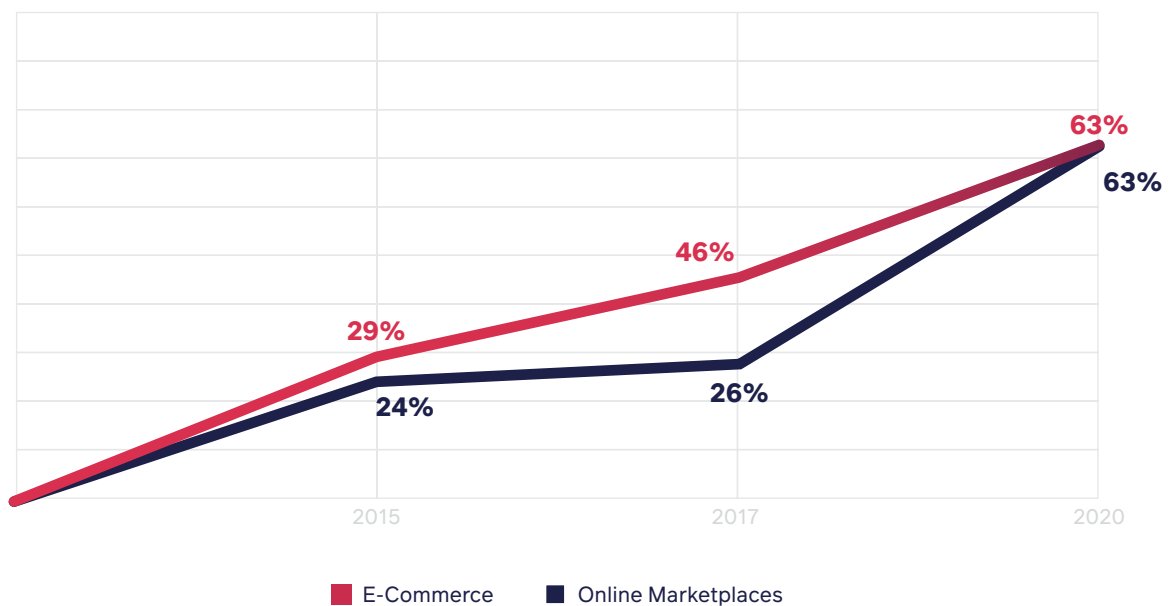
50% of overall revenue is generated via online sales channels.

Figure C. Percentage of revenue generated from online sales channels by number of employees. Multiple Choice (N=802)



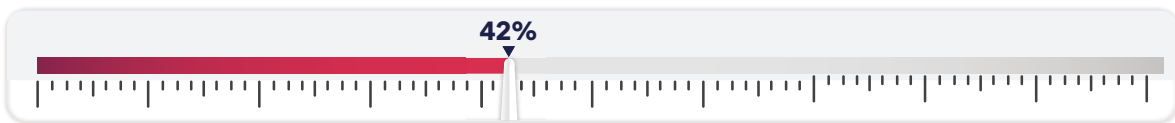
As a result of e-commerce's impact, web store adoption has also become a priority among manufacturers. Web store growth has seen a larger spike lately, especially when compared to data from the [digital transformation research](#) we conducted in recent years. **Nearly 2/3 of manufacturers are operating a web store for sales**, up 17% from 2017 and up 29% over 2015. Today, more manufacturers are using online marketplaces as a sales model: 37% more than in 2017.

Figure D. Growth of most common sales models since 2015 (N=802)



↳ Returns from increased digital and e-commerce investments go beyond sales growth

Despite industry differences, manufacturers do have a lot in common when it comes to the advantages they're gaining from digitizing and embracing e-commerce. Across all industries, an average of 45% of manufacturers see increased sales as a result of investing in digital strategies. Within this group, digital investments are also providing advantages that span much further: **42% also noticed improved customer relationships**.



42% of manufacturers are seeing improved customer relationships as a result of investing in digital strategies.

Figure E. Benefits of investing in digital strategies. Multiple Choice (N=802)

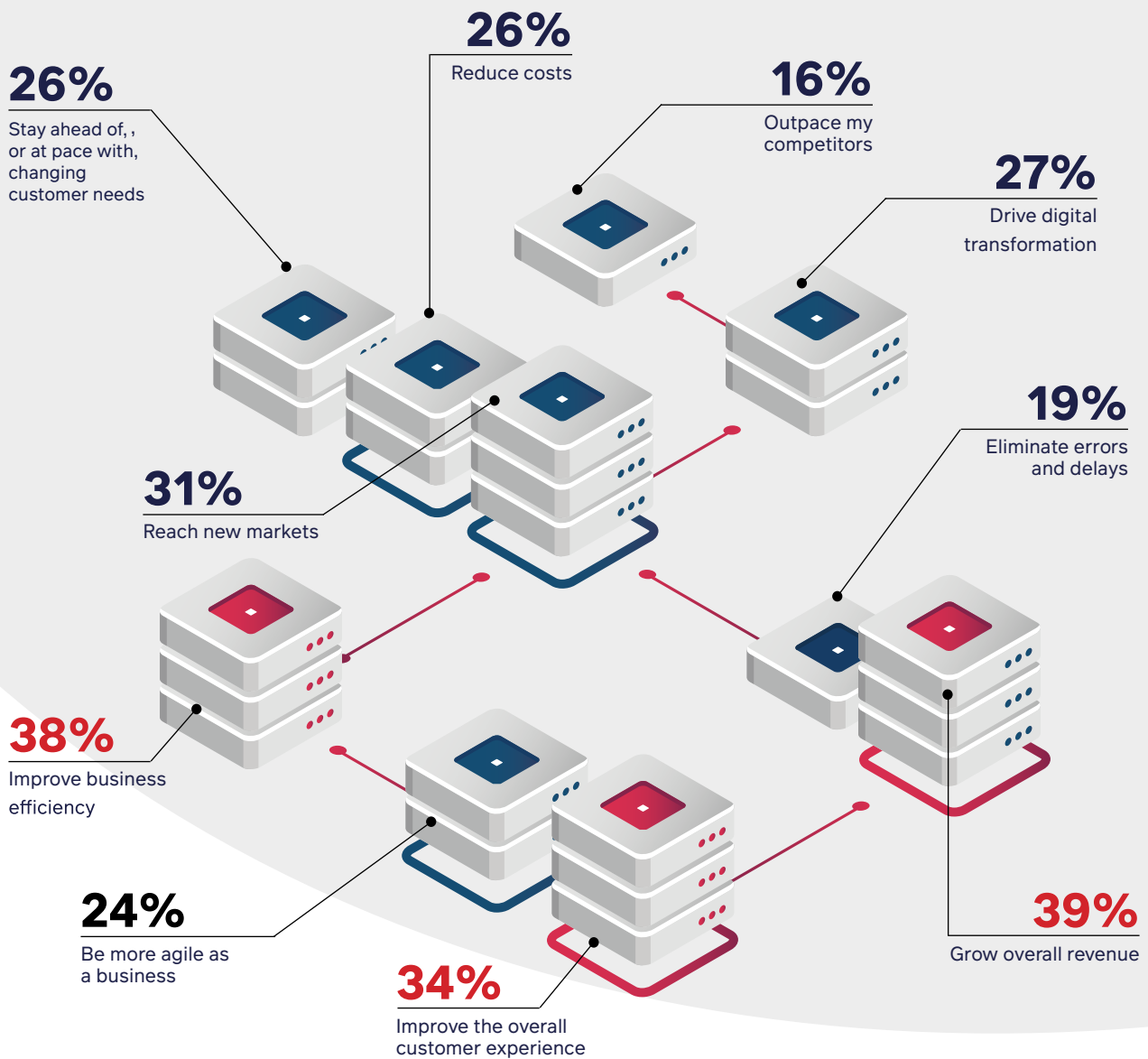
Increased sales	45%
Improved customer relationships	42%
Increased profit margins	41%
Improved brand/product awareness	38%
Improved agility as a business	37%
Boost in sales for channel partners	37%
Better data-driven insights into customer behavior	36%
Faster go-to-market	35%
Better-maintained/stronger channel relationships	35%

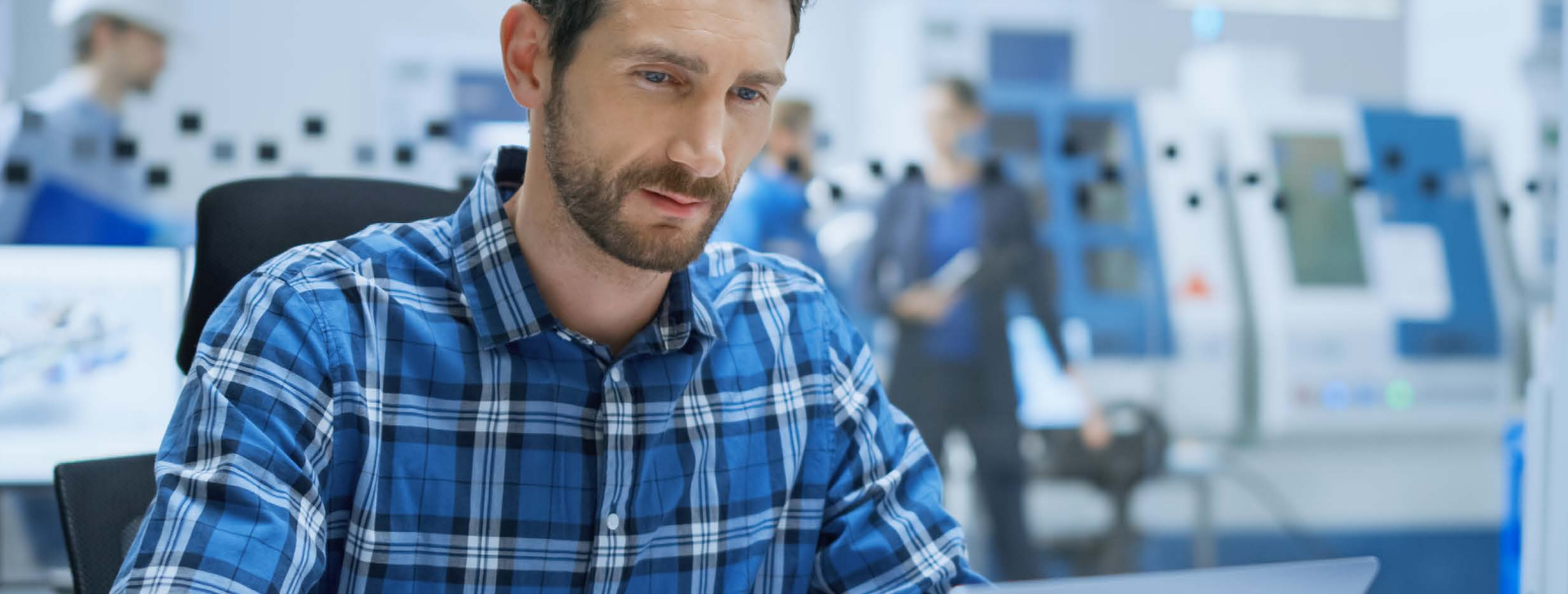
42% of manufacturers

highlight improved customer relationships as a benefit of investing in digital strategies

Additionally, as part of these digital strategies, e-commerce provides its own advantages as well. After revenue growth, **improving business efficiency** (38%) and **improving customer experience** (34%) top the list of positive returns manufacturers say they see when they invest in e-commerce.

Figure F. Business benefits of investing in e-commerce. Multiple Choice (N=802)

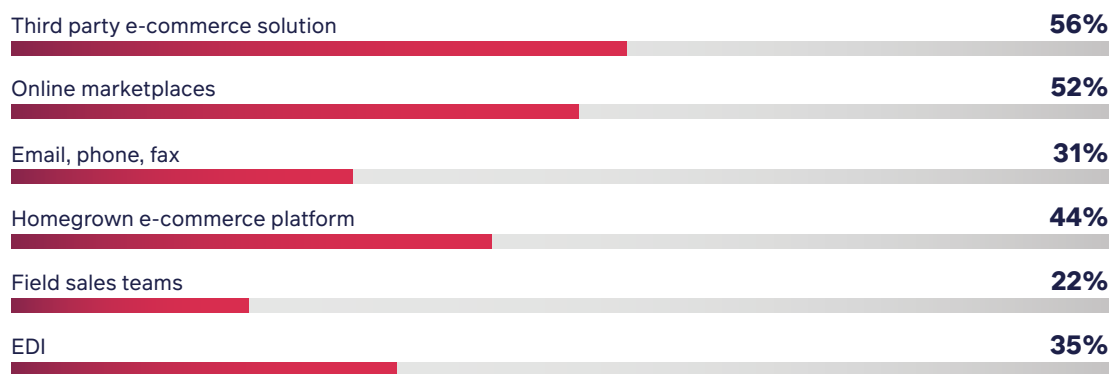




↳ The benefits of investing in digital and e-commerce are here to stay

When it comes to the perks of e-commerce and digital, there's no sign these returns on investment will slow down any time soon. Half of manufacturers across all industries believe that **third-party and/or homegrown e-commerce solutions are their main driver of revenue** today and will continue to be in the next three years, as well as in the next five.

Figure G. Sales platform(s) expected to generate most revenue in the near future (1 to 5 years)



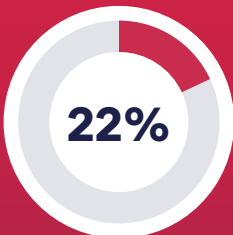
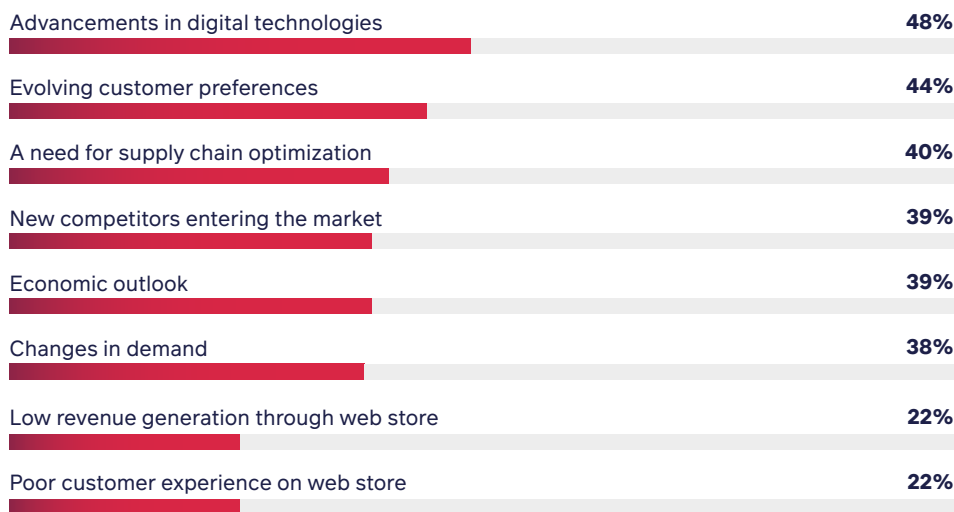
Some industries will see more acceleration sooner. In the next three to five years, the Automotive (61%) and Machinery (60%) industries are anticipating the biggest percentage of their revenue to come from e-commerce.

A digitized world and evolving customer preferences carve manufacturers' path to transformation

Several factors, including the obvious revenue and efficiency benefits, have led manufacturers to invest in online sales channels, digitization, and for many — brand-new market strategies.

The top two key factors that drove businesses to invest in digital strategies were advancements in digital technologies (48%) and evolving customer preferences (44%).

Figure H. Driving factors to invest in digital strategies. Multiple Choice (N=802)



Additionally, 22% cite poor customer experience online and low online revenue generation, which may speak to a disconnect between these evolving customer preferences and the e-commerce experiences manufacturers are currently offering.

The unmet demand for better B2B online sales

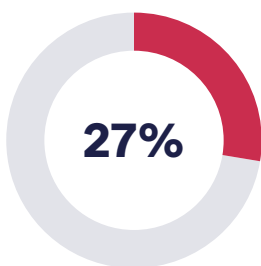
In order to get a better understanding of the whole supply chain ecosystem, we surveyed B2B buyers on their purchasing behaviors and preferences in 2019. We found that buyers are using online channels less than they would like to: indicating a misalignment of e-commerce expectations and e-commerce experiences.



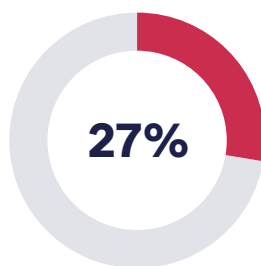
While 30% of our respondents would prefer to buy at least 90% of products online, only 19% are currently doing so. This demand for e-commerce was also evident in our previous research into B2B e-commerce, which found that, among the B2B businesses who don't currently have a web store, as many as 75% have had customers ask for an online sales channel.

Respondents indicated that **ease and speed are key**: more than a quarter want easier and faster checkout, easy repeat ordering, and quicker delivery as well as improved tracking from their B2B buying experience.

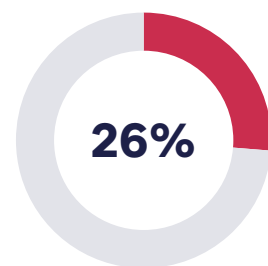
Top 3 aspects of the B2C online experience buyers would like to see in their B2B buying experience:



Easier and faster checkout



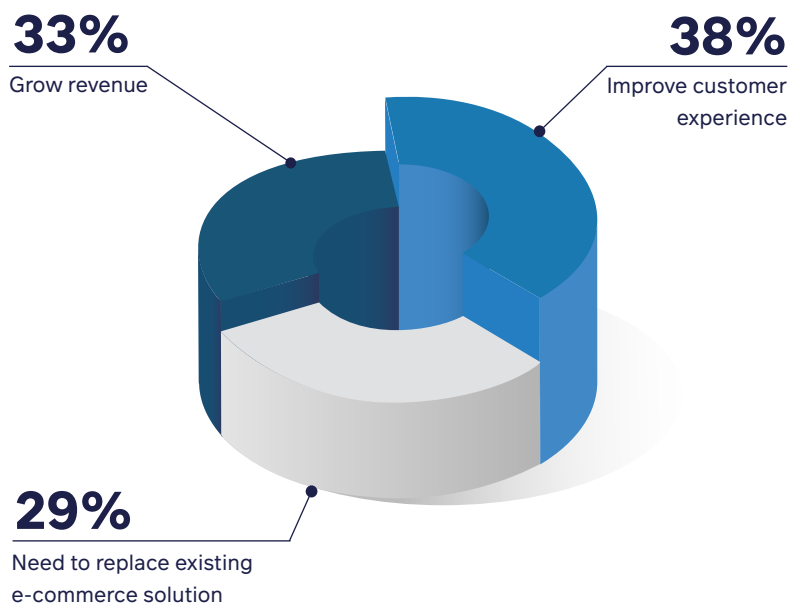
Easy repeat ordering



Quicker delivery and improved tracking

This year, many manufacturers are investing even more into e-commerce. When asked why they are choosing to do so, most manufacturers pointed to the same motivation leading their investments in digital overall: a customer experience focus (38%). Even when they cited revenue growth as a priority (33%), the focus there was on doing so by improving customer adoption, self-service, ease of repeat purchases, etc.

Figure I. Main driver to further invest in e-commerce. (N=802)

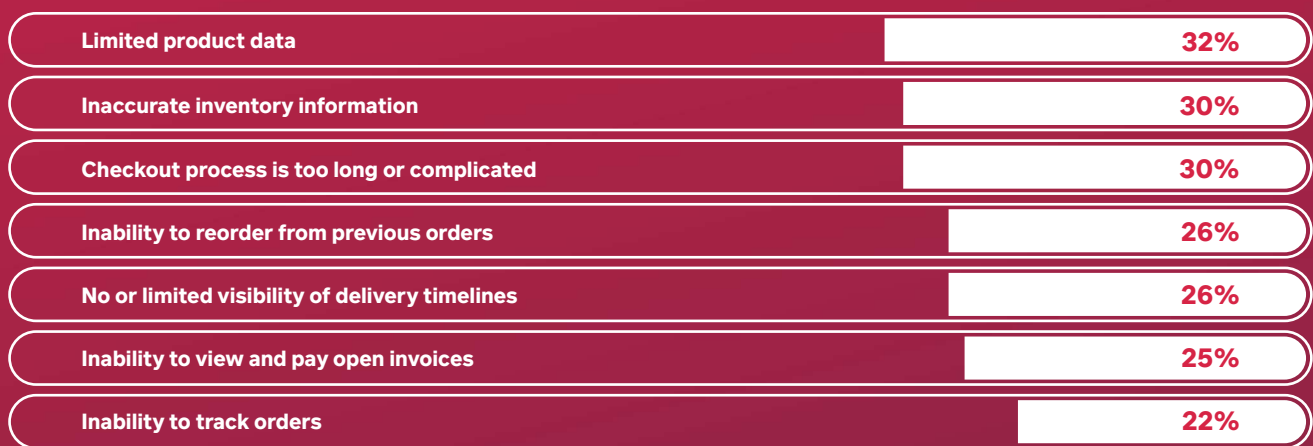


The driver for manufacturers to invest in e-commerce as part of a new market strategy is thought to be improving customer experience (38%).

Top e-commerce challenges are costing manufacturers more than just revenue

Manufacturers' top e-commerce challenges center around issues customers face while using a manufacturer's web store. In fact, manufacturers say that **limited product data** (32%), **inaccurate inventory information** (30%), and a **long or complicated checkout process** (30%) are their main challenges with their current e-commerce experience.

Figure J. Manufacturers' top e-commerce challenges with current e-commerce experiences. Multiple Choice (N=652)



But even before customers reach the point where they are ready to make use of an e-commerce solution, manufacturers already face challenges with adopting online processes. When asked why, top responses such as handling complex and lengthy order-to-cash (O2C) processes (36%) and driving traffic to online channels (35%) were cited.

Figure K. Manufacturers' biggest challenges moving toward online sales channels. Multiple Choice (N=802)

Handling a complex and lengthy O2C process	36%
Driving traffic to online channels	35%
Slow customer adoption for online channels	34%
Difficulty with web store data management	34%
Internal resistance toward an e-commerce platform	33%
Poor customer experience online compared to offline	24%
Too many order errors	24%
Lack of budget	16%

As with any of the findings, this differs per sector. Each industry answered differently when asked about their particular pain points in moving toward online sales channels.

Figure L. Top three challenges moving toward online sales channels by manufacturer type. Multiple Choice (N=802)

Home Goods and Furnishings

- **38%** Internal resistance toward an e-commerce platform
- **36%** Difficulty with web store data management / Driving traffic to online channels

Construction and Industrial Materials

- **39%** Internal resistance toward an e-commerce platform
- **37%** Handling a complex and lengthy order-to-cash (O2C) process
- **35%** Difficulty with web store data management

Electronics

- **44%** Slow customer adoption for online channels
- **39%** Driving traffic to online channels
- **38%** Internal resistance toward an e-commerce platform

Food and Beverage

- **42%** Difficulty with web store data management
- **38%** Handling a complex and lengthy order-to-cash (O2C) process / Slow customer adoption for online channels

Machinery and Supplies

- **37%** Difficulty with web store data management
- **36%** Slow customer adoption for online channels / Driving traffic to online channels

Medical Devices

- **41%** Slow customer adoption for online channels
- **36%** Internal resistance toward an e-commerce platform
- **34%** Driving traffic to online channels / Handling a complex and lengthy order-to-cash (O2C) process

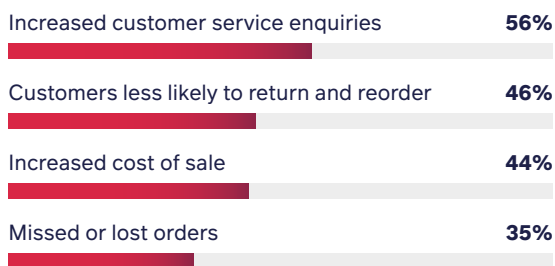
Automotive

- **41%** Handling a complex and lengthy order-to-cash (O2C) process
- **35%** Driving traffic to online channels / Internal resistance toward an e-commerce platform / Difficulty with web store data management



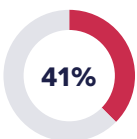
How CX challenges impact customer relationships

Figure M. Impact of challenges with customer experience on customer relationships. Multiple Choice (N=652)



These challenges vary by company size. The **largest manufacturing organizations with 1,000-5,000 employees list increased customer service enquiries as their top challenge (65%)** in a disproportionately large amount compared to companies of a smaller size.

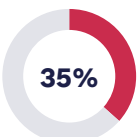
Other key findings include:



Smaller manufacturers with fewer than 250 employees don't cite customers less likely to return and reorder (**41%**) as a large concern when compared to mid-size companies.



It is **mid-sized companies with between 500 and 999 employees that worry most about customers not returning (50%) as a result of e-commerce challenges.**

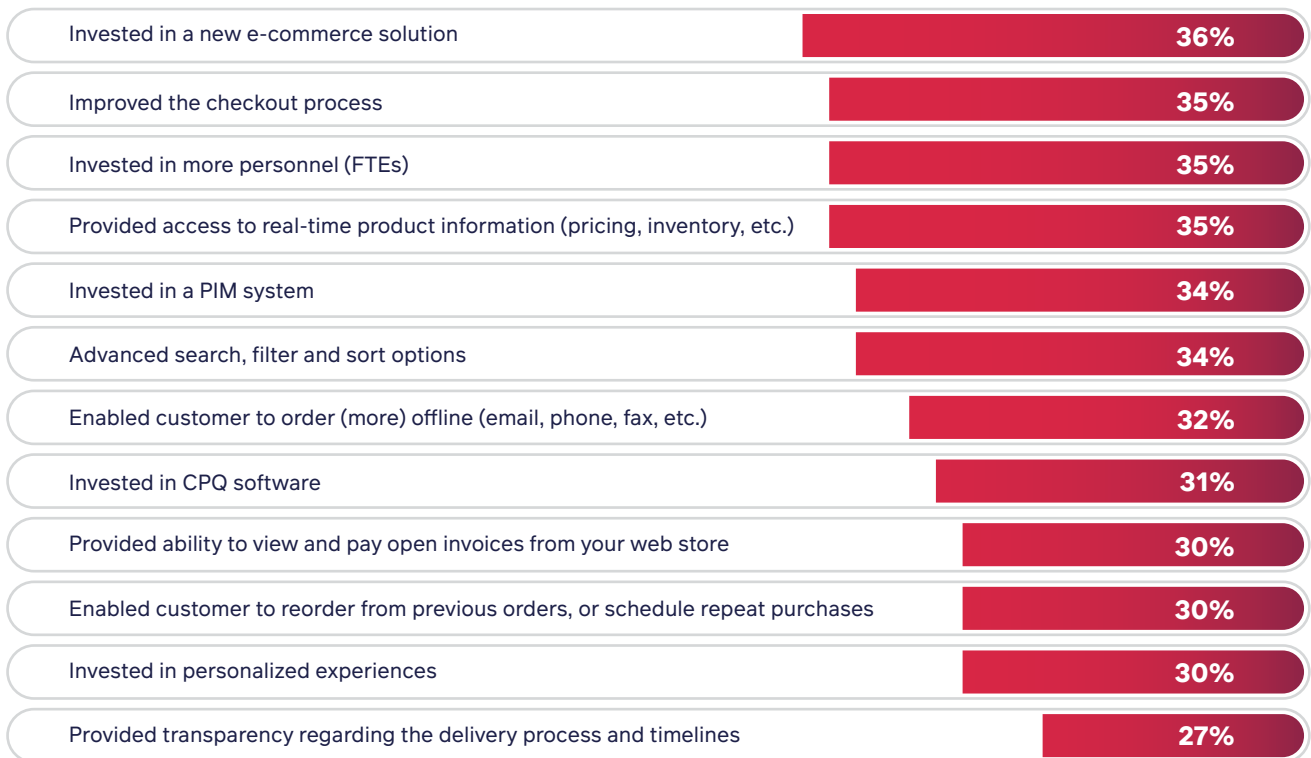


Companies of all sizes agree that missed or lost orders is their lowest-priority concern when it comes to the impact of e-commerce challenges on customer relationships; however, **one-third of respondents across the board indicated it was still a major issue.**

What manufacturers have done (so far) to address top e-commerce challenges

Manufacturers have tried multiple ways to mitigate or solve e-commerce challenges, particularly those relating to customer experience. This is apparent in the relatively even distribution (~30%) of manufacturers reporting that they've tried any of the dozen tactics reportedly being used to fix online customer experience issues.

Figure N. Chosen solution to solve poor customer experience. Multiple Choice (N=191)



To address online experience challenges, **nearly half of large manufacturing businesses have invested in a brand-new e-commerce solution**, while only one-quarter of mid-sized manufacturers did so. Just behind re-investing in e-commerce, the second most common way **manufacturers are addressing online customer experience challenges is by investing in more resources and personnel (35%)** to supplement and support the online experience.

To address customer experience issues, 47% of large manufacturers have invested in a new e-commerce solution, along with only one-quarter of their mid-sized counterparts.

Conclusion

Looking at manufacturers' priorities, business drivers, investments, and strategic business changes, one thing becomes clear: manufacturers are on the right path toward digitization.

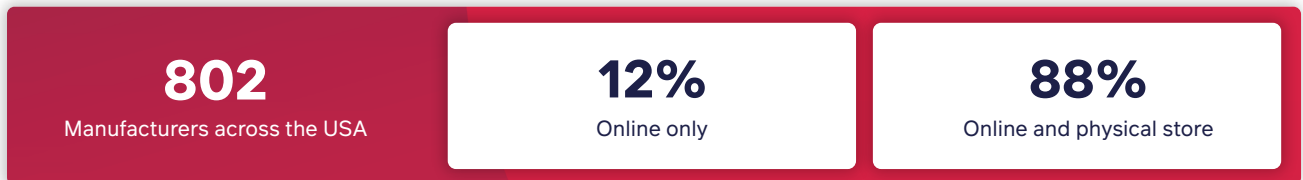
The data highlights a clear focus from manufacturers on their customers, as well as on adopting the right technologies and strategies to keep them happy. But it also highlights key challenges along that journey, which manufacturers will need to be prepared to tackle moving forward. In particular, major issues that threaten to harm their relationships with customers.

A continued focus on digitization and customer-centricity could prove beneficial, especially as manufacturers recognize how big the payoff on their investments is. But it will require continued dedication as well as manufacturers constantly looking to go beyond their own comfort zones.



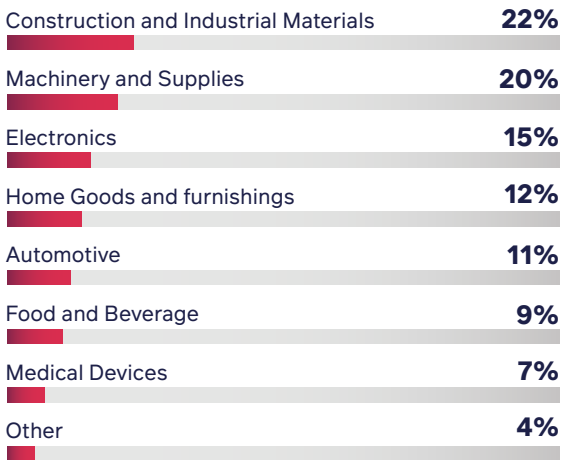
Demographic data

This report is based on research conducted in Q4 of 2020 by Sapio Research on behalf of Sana Commerce. A group of 802 manufacturers across the United States who already had an online presence in the market were selected to participate based on the factors listed below.

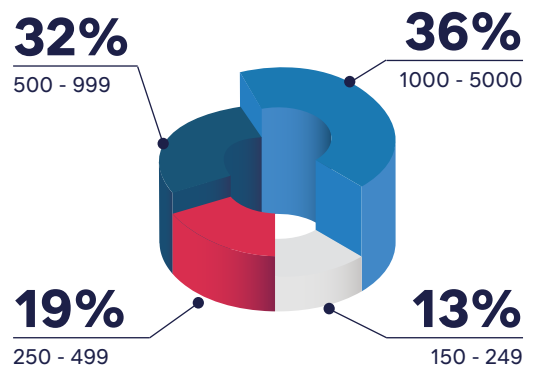


We chose manufacturers who represented various industries, with a particular focus on those who operate within the Construction and Industrial Materials industry, as well as those in the Machinery and Supplies, Electronics and Home Goods and Furnishings industries.

Industries



Company size measured by number of employees



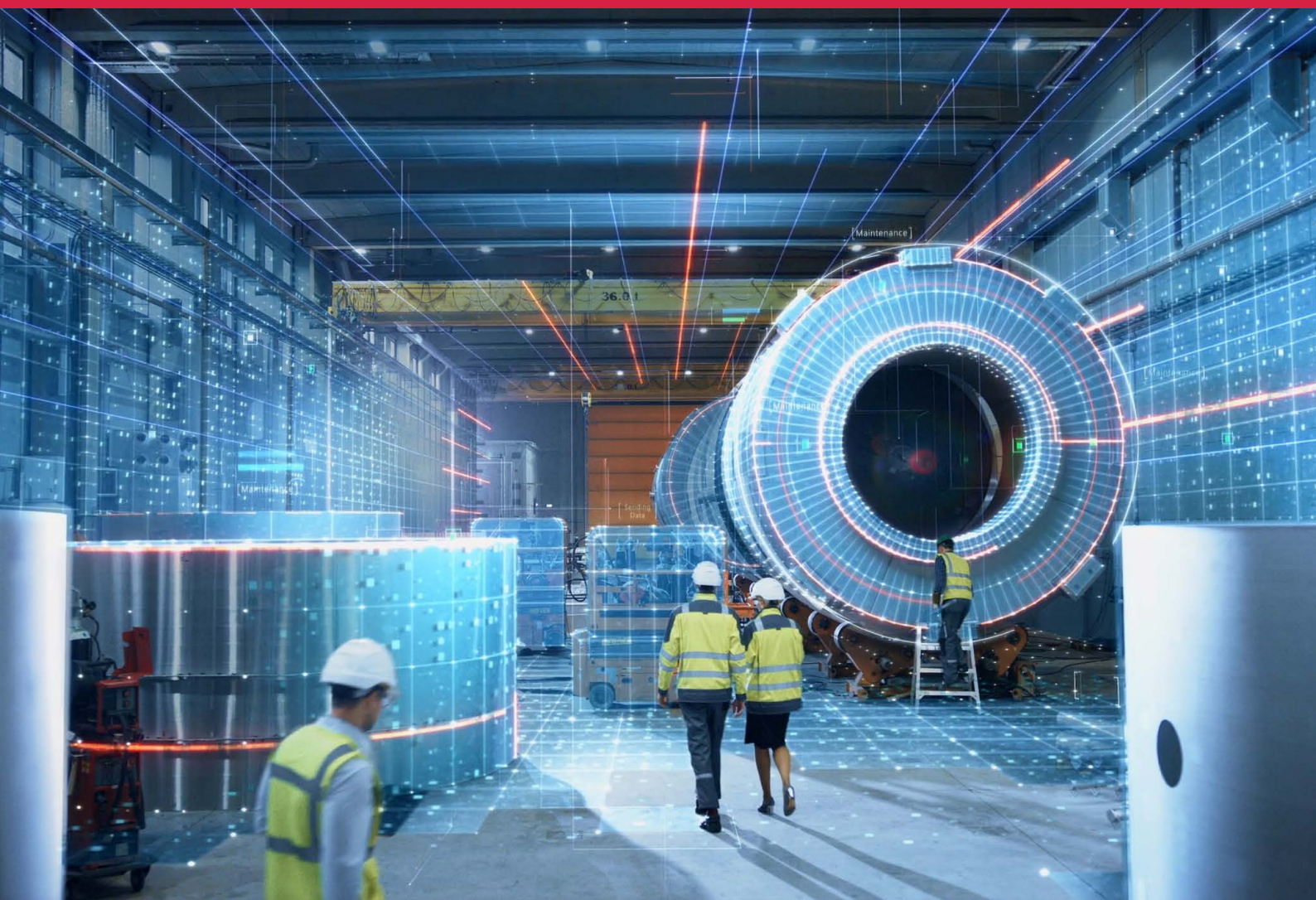
The manufacturer respondent group was made up of a majority (68%) of companies with more than 500 employees. Within these companies, we surveyed the decision makers within the organization, such as owners, C-level executives and others in senior management positions.

Decision Makers

- 19% - President/CEO/Owner
- 27% - C-Level Executive
- 29% - Senior Management
- 19% - Middle Management
- 6% - Junior Management



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