Salmon
SHAPING FUTURE COMMERCE

MAKING THE MOST OF DIGITAL SALES CHANNELS

DIGITAL READINESS IN THE MANUFACTURING SECTOR

What did 150 ecommerce decision-makers in large organisations tell us about the current and future role of digital commerce in their industry and business?

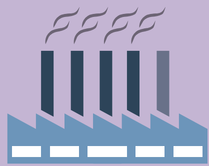
DIGITAL COMMERCE:
The use of the Internet, mobile networks and commerce infrastructure to execute transactions with consumers or businesses (Gartner)

Investment in digital as a sales channel has moved up the agenda in manufacturing in recent years. The majority has embraced desktop ecommerce and is now taking advantage of newer digital channels to reach customers and drive sales. However, this has not been without its challenges and as society becomes 'digital first' and technologies such as the Internet of Things (IoT) and wearables become more common, we ask: what does the future hold for digital technology in manufacturing?

The manufacturing industry is, by its nature, a physical world where business has historically been done face-to-face. As such, adoption of digital commerce channels by manufacturers has, by and large, been slow. There are many reasons for this, often specific to the individual manufacturer but common issues include challenges such as the need to customise products which require direct, detailed communication with customers, and the need to execute multiple bulk orders quickly.

However, this is changing. There is no doubt that, when implemented well, digital commerce delivers an engaging online experience while allowing manufacturers to reduce admin costs, increase sales

KEY STATS AT A GLANCE



4 in 5
manufacturers agree that the **digital boom** has had a positive impact on their organisation

10-20%
of revenue over the next five years is expected to come from digital channels according to 45% of the manufacturers surveyed

86%
of manufacturers have faced **challenges in developing** digital commerce

75%
of sales will still be attributed to traditional channels (face-to-face, phone and distribution) in 2020.

and improve brand loyalty. For example, manufacturers who have embraced digital have been able to deliver tailored, targeted promotions, recommendations and messages to existing and potential customers. They are also able to expand into new markets without the previously required physical investment in those regions.

The findings of our study support this view of a sector using digital technology to improve customer service, boost engagement and increase sales. For example, 90% of manufacturing businesses are currently embracing digital channels. However manufacturing is unlikely to move away from physical business completely - traditional channels (face-to-face, phone and distribution) will continue to be the biggest driver for sales (averaging 75%) over the next five years.

86% of manufacturers said they had faced challenges in developing digital commerce. When asked to choose the main issues, most respondents pointed to: the process of integrating ecommerce with traditional sales (44%) and lack of board/senior management buy-in (32%).

However despite the challenges, digital commerce is paying dividends in the sector. Over three-quarters (79%) of manufacturers surveyed agreed that digital technology had a positive impact on their organisation. The main benefits highlighted were that digital sales channels have helped to grow their business internationally (26%), improved the customer experience (22%), and allowed them to expand their product portfolio (17%) whilst helping to increase brand awareness (17%).

Perhaps indicative of the huge number of manufacturers to have felt the benefits of digital commerce, 97% of those surveyed said they have a team or individual within the business who is responsible for digital commerce, with a third (33%) having a dedicated digital or ecommerce team in place.

Looking to the future, close to half the respondents (45%) consider that over the next five years, the revenue coming from digital channels (ecommerce, mcommerce and social commerce) will represent between 10% and 20%, a significant increase on the current average annual revenue driven by these channels (5%).

The future remains uncertain – who knows what the next digital innovative may bring and what market shift it may cause. But right now, the future appears to be truly multifaceted; a mix of mobile, desktop, IoT and other digital technologies sitting alongside traditional channels.

Martin Girdlestone, Head of Consultancy, Salmon

Salmon is a global digital commerce consultancy that defines and delivers market-changing solutions and customer journeys for the world's leading brands.

Established in 1989, with operations in London, New York, Sydney and Beijing, Salmon clients include AkzoNobel, Argos, Audi UK, DFS, Halfords, GAME, Premier Farnell, Sainsbury's and Selfridges.

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