Building a Business Case for Manufacturing E-Commerce

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Introduction

E-commerce has gained significant traction in the last decade across many industries. Now, with COVID-19 causing widespread brick-and-mortar closures, sectors that were lagging behind have shifted substantial resources to meet overwhelming online demand. Many manufacturers are looking to get in on the action with new digital commerce initiatives.

However, for many manufacturing companies, moving forward with e-commerce has been a struggle. And, getting internal buy-in is often the most challenging obstacle to overcome.

In this guide, we'll provide ideas and a checklist to help manufacturing insiders gain support for their e-commerce projects.

Do Manufacturers Even Need E-Commerce?

"We've always done it this way, and it's worked out so far."

That's a common sentiment among many leaders in manufacturing companies. And the thing is…they're partly right. In fact, in 2018, only 5.9% of B2B manufacturing sales came from e-commerce[1]. But times are changing.

Up to this point, your company's network of distributors and authorized dealers may have been all you needed to succeed. But just because your industry hasn't leaned heavily on e-commerce in the past doesn't mean that approach is sustainable. There are a few reasons why it makes sense to start investing in e-commerce infrastructure now.

Revenue Jump –
The statistics don't lie – adding on a digital sales channel, especially one that doesn't require an entirely separate sales staff, is a cost-effective slam dunk.

Customer Data Capture –
E-commerce technology allows companies to capture valuable customer data with unique and often unobtrusive methods. Search data, digital heatmaps, online surveys, etc. – they can

Forrester Research expects B2B e-commerce in the U.S. will account for 17% of sales and reach $1.8 trillion by 2023.[2]

all work together to gather information that helps you know your customers (and what they want to buy).

Competition -
In a 2018 market study, manufacturers ranked e-commerce as the technology most likely to impact their aftermarket parts or services businesses [3]. This means your competitors likely have e-commerce initiatives on their radar. Being an early e-commerce adopter in your industry can set you apart and provide a huge advantage in a world that is consistently moving more business online.

According to the Experts:
Manufacturers that are aggressive in launching or expanding B2B e-commerce stand to gain new customers, generate more sales, and gain market share over competitors.

- Brian Beck, Founder, consulting and research firm Beck Ecommerce [4]

What Challenges Stand in the Way of Digital Transformation?

Forward-thinkers often feel like they're jumping over non-stop hurdles to get approval for changes that seem self-evident. These barricades to progress can come in many forms.

In the 2019 Manufacturer 300 report [5], 54% of manufacturers cited cost concerns as their

most significant challenge to building their B2B e-commerce channel. Other challenges included:

- Lack of support from top executives (23.6%)
- Resistance to change from internal sales departments and representatives (19.1%)
- Anxiety about competing with Amazon (18%)
- Difficulty in recruiting e-commerce personnel (18%)
- Customer reluctance to buying online (13%)

If you've been trying to get your organization on board with digital initiatives and keep running into internal barriers, you're undoubtedly familiar with one or more of these reasons.

Many times, if you can overcome non-cost-related concerns, it becomes easier to convince stakeholders that an e-commerce investment makes fiscal sense, both in the present and the future.
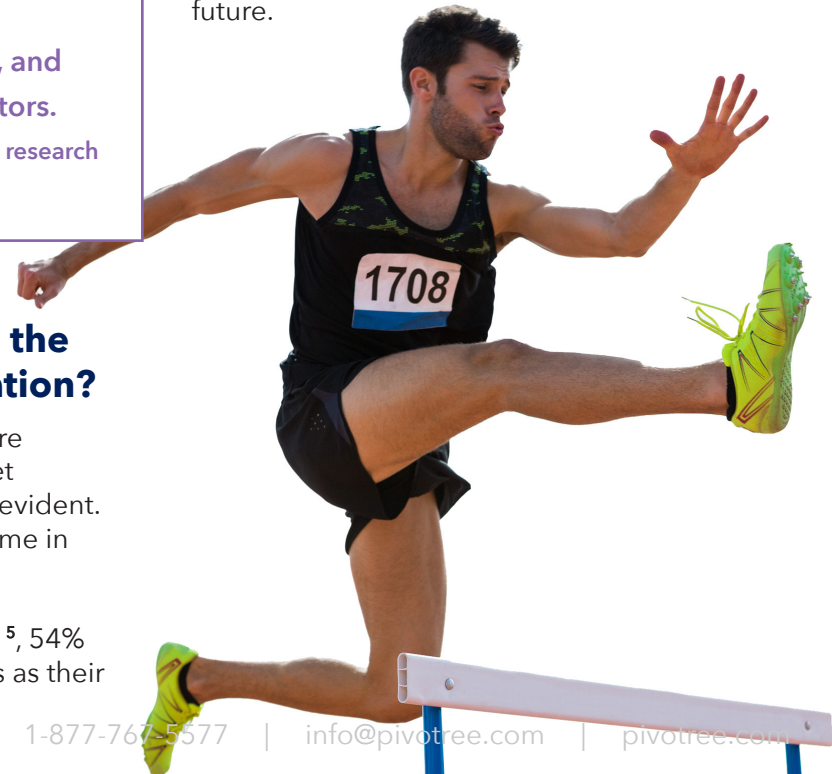
Your Checklist for Building a Business Case for E-Commerce

With the right e-commerce strategy, the challenges you face aren't insurmountable. Making strategic allies, alleviating misguided fears, and starting small can help you sway others to your line of thinking. Check off these crucial steps to along the way:

1. Recruit a C-Level Champion –
Whether it's the CEO, CIO, CFO, or any other C-level stakeholder, you'll likely need someone with this degree of influence on your side to build support for your cause.

When trying to persuade a C-suite executive, determine which key performance indicators (KPI's) are most important to them [6], and make it clear how e-commerce can help drive these numbers. Whether it's online revenue, percentage of market share, customer retention/churn rates, or expansion into new markets, identifying their individual hot buttons will give you a greater chance to enlist them to your side.

2. Show the Benefits to the Sales Team –
Getting salespeople on board with e-commerce can be challenging because they see complexity as a threat to hitting their quotas. This group drives a large percentage of the revenue for enterprises, so it's important to make the benefits clear.

One key area of benefit is automation of administrative work. Salespeople often view admin work as the bane of their collective existence. Gathering basic contact information, entering information into databases, mailing catalogs, and answering questions about part numbers or product compatibility takes up

time that they could use to build relationships and close sales.

According to CEB, in e-commerce, 57% or more of the B2B sales process is already completed by the time the account representative gets involved [7]. Further, 44% of companies say that their average order is larger when purchased online than offline purchases [8]. When online sales are linked to account managers, that means warmer leads, less administrative time, more revenue, and better bonuses for salespeople, which makes adoption a much easier sell.

3. Benchmark Competitors –
The competition isn't usually too open about sharing their marketing strategies. That's where it helps to have partners who can research your market.

Industry specific events such as B2B Live Online and B2B Next give a glimpse into how other companies are integrating technology into their marketing efforts. You can also

Pivotree and our partners are frequent participants at leading annual industry events.

If you can't attend, don't worry – We can share our insights with you and provide the marketplace knowledge you need to compete.

observe how companies outside your market are benefitting from digital tools. Accessing insights from these industry gatherings can help you stay one step ahead of the competition.

4. Prove That Your Buyers are Already Online –

One common fear for manufacturers when adopting digital sales channels is disrupting their current infrastructure of distributors, wholesalers, and authorized dealers. They think the people who buy from them aren't ready to do so online.

A recent study found that Millennial buyers are gaining more influence in their company's buying decisions.

- **56% of respondents hold Director-level or higher roles**
- **44% are primary decision-makers at their company**
- **33% are key influencers and/or recommenders**

In reality, buyers in your industry are already accustomed to shopping online for consumer goods, and the expectation is growing that they should have the same capability and experiences with B2B purchases.

In fact, 89% of B2B researchers use the internet during their research process [9]. These users, many of them Millennials, want sites that provide personalized experiences and cater to their needs. They want the freedom to research parts, comb through customer reviews, and compare products at their own pace.

There's also the opportunity of going **direct-to-consumer**, or DTC. Tapping into DTC opportunities has grown even more critical in a COVID-impacted world, where B2C shoppers are seeking new ways to purchase goods, even directly from manufacturers.

The sooner manufacturers recognize and adapt to the increasing impact of omnichannel buyers, the sooner they'll realize the value of quality e-commerce channels.

5. Incorporate the Digital Team –

In coordination with your C-suite ally, the digital team (sometimes referred to as the MarTech team), comprised of marketing and technology personnel, can identify e-commerce best practices within your organization [10].

Leverage these experts to uncover specific use cases, identify internal pain points, and help you show how technology can solve those problems.

6. Start Small and Build –

You don't have to compete with Amazon from Day One. With agile technology projects, you can leverage a phased approach that gives the business confidence in the investment.

However, figuring out which initiatives will provide the quickest ROI can be a daunting task. You must show that projects can promptly drive growth, add efficiencies, or both. Finding a partner that can guide you through this process is an important step. They can help you by evaluating your current systems and infrastructure to find the most direct path to profit.

Pivotree partners with the most trusted resources in e-commerce and digital solutions, so we can guide you on your journey.

Taking the First Step on Your E-Commerce Journey

For most manufacturers, launching an e-commerce initiative is uncharted territory. Starting this journey can be intimidating, but it doesn't have to cause internal upheaval.

With the right guidance and approach, digital programs can bring quick wins and open your business up to new customers. All you need to do is take the first step.

Pivotree works with leading manufacturing brands to offer end-to-end digital commerce services, and we can help you transform your business into an omnichannel commerce player.

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To start your e-commerce journey, contact us at:
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