objectedge

WHITE PAPER

Five Problems Tech Leaders in Manufacturing Face (and How to Solve Them)

Digital transformation has evolved in the past decades, from an operational, IT initiative to a revenue-focused, user experience-driven program. As digital transformation expands its scope, tech leaders have a new opportunity (and obligation) to create experiences that set their business up to grow and compete.

Problem 1: We Need to Migrate Our Legacy Platform

In the past decade, legacy platforms–which were once quite straightforward–have become unwieldy and clunky. They may no longer meet business or customer needs, but many manufacturers are still reluctant to upgrade legacy eCommerce platforms.

The reality is that most companies only use about 30% of their legacy eCommerce architecture. The most-used sections generally include: the catalog, shopping cart, checkout, and associated integrations. As business needs and customer expectations changed, you've likely made additional, custom changes and purchased more and more specialty services to make anthe "out-of-the-box" solution work for your company. This process depreciates the platform and makes improvements, upgrades, and new features harder and harder to launch.

"Increasing competition in the manufacturing industry puts pressure on organizations to reduce costs, improve customer/distributor experience and increase profitability. Organizations armed with digital forces are disrupting business models with new value propositions. This disruption causes a challenge for manufacturing organizations but is also a chance to adopt digital themselves. "

Gartner

In this white paper, we look at five complex problems tech leaders face, and break down:

- These key problems, and why they occur.
- How to solve these problems.
- Why your team (or boss, or other departments) may tell you not to solve them.
- Creating a path for change, and how to track if it's working for your business.

We Need to Migrate Our Legacy Platform: Assessing the Need

Risks

If the platform is no longer supported, making upgrades could be expensive and time-consuming. If the site is slow or underperforming, you could be losing business to competitors armed with a more robust eCommerce experience.

Challenges for Change

Replatforming is expensive, time-consuming, and will require reorganization and reskilling of your existing tech team.

Opportunities

Rebuild and re-architect to a modern set of tools that is easier to staff, faster to update, and either more flexible (like composable commerce) or more out-of-the-box (like enterprise platforms). Redesign an experience that better serves your users.

Considerations

- What business needs must the new platform meet?
- What channels does the new platform need to service (B2B, B2C, D2C)?
- What are the digital experiences you want to design for your partners, customers, and associates who will be using the site frequently?
- How will you build the best tech stack to meet your business goals and digital experience needs?

Key Performance Indicators (KPIs)

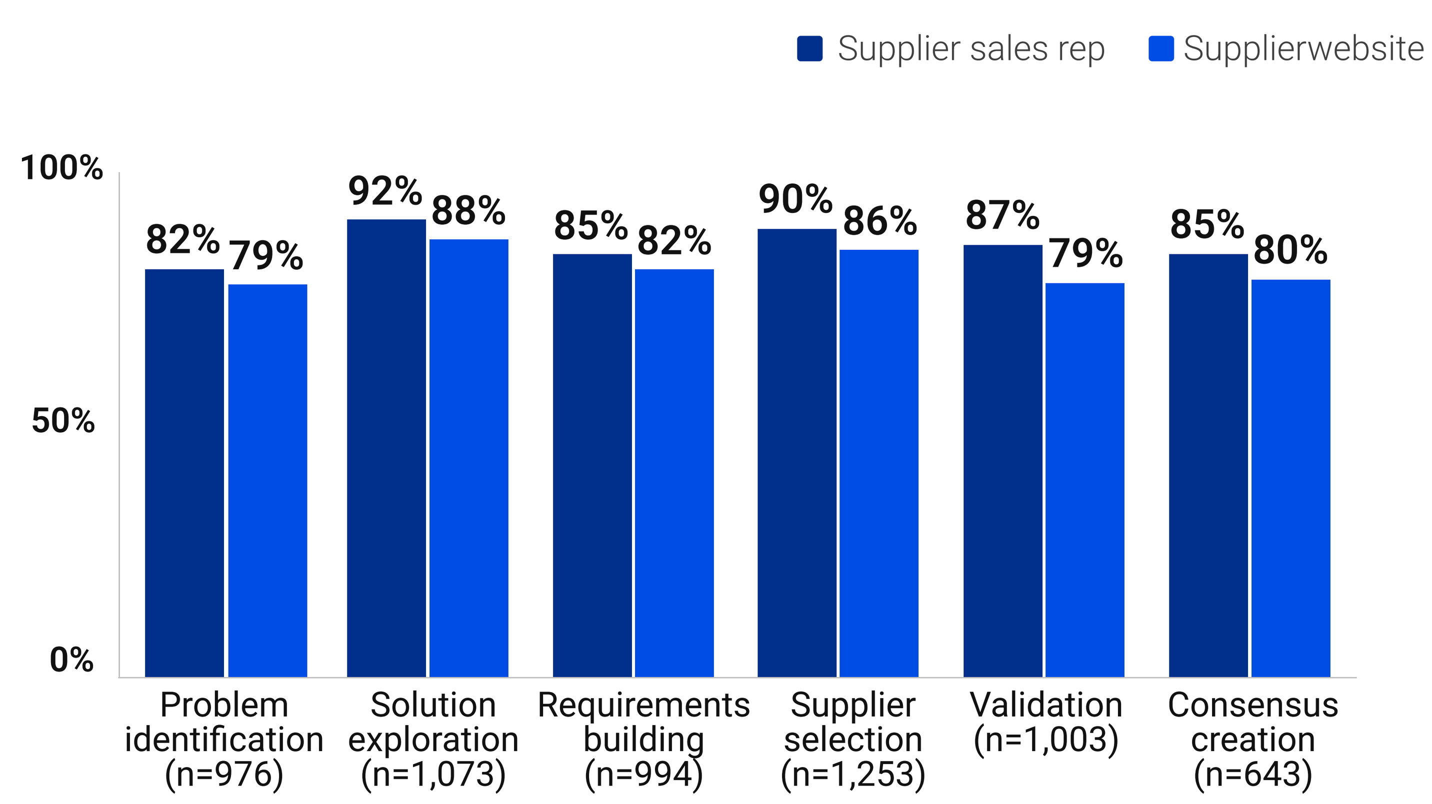
- **Partners and Customers:** adoption rate, conversion rate, average order value (AOV), lifetime value, retention rate, and acquisition rate
- **Associates:** time to launch (new products, features, solutions, marketing campaigns), and retention rate

Problem 2: Our B2B Buyers Are Taking Up Too Much of Our Associates' Time

If your partners are taking up too much of your associates' time, it's time to take a look at–and solve–the real problem. Your associates are annoyed with repetitive, unnecessary, and dull customer service tasks they know could be better done by a machine. Your buyers are probably also frustrated by the slow-down, encouraging them to look at your competitors (or Amazon) for a quicker way to get the job done.

A 2019 survey from Gartner found that for most steps in the B2B buying process, in-person and digital channels were neck-in-neck. The trend towards self-service has only increased since the start of the pandemic in 2020.

Figure 1. Proportion of Business Customers Using Sales Rep or Website Channels to Complete a Buying Job



Q: Which information channels did you use to accomplish this activity set?
Source: 2019 Gartner B2B Buying Survey

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Three Key Audiences

As a tech leader, your role means serving different audiences. We break down these audiences below.

Partners: your B2B customers.

These business partners (distributors, resellers, retailers, etc.) are made up of a mix of people: researchers, buyers, influencers, budget-holders, decision-makers, supporters, and detractors. As you are building your strategy, keep the different users in mind. They want to be able to work with you easily, use self-service easily, get in touch with you easily, research, build a cart, create a quote, and purchase easily. They want to work from their desks, on their phones, and on their tablets. You'll know your strategy is working when you are making it easier for them to do their jobs.

Customers: your end buyers and the individuals (not businesses) seeking out and purchasing your products and services.

They want to be able to browse, research, shop, and buy directly from you. They probably don't want to talk to a person, unless something went wrong–and in that case, they would like to speak to a human as quickly as possible. They want a shopping experience that feels as easy and familiar as ordering on Amazon–with no required login before browsing, the ability to search quickly, and a home screen displaying all their favorite products.

Associates: your employees

This involves another mix of people, including sales reps, customer service associates, developers, designers, and marketers. They want to be able to do their jobs well, efficiently, and effectively. They want to be freed up from tedious, automatable tasks so their jobs can be more strategic and impactful–resulting in more innovative work, and higher employee satisfaction and retention rates.

You'll know you've reached your goals for these three groups when their work becomes easier and more productive. That's a solid North Star!

A 2019 survey from Gartner found that for most steps in the B2B buying process, in-person and digital channels were neck-in-neck. The trend towards self-service has only increased since the start of the pandemic in 2020.

Building for self-service, whether through a specific portal, a section of your website, or an app, means reducing the friction and resourcing for customers to do business with you online. It's an evolving process, based on understanding your buyers' pain points and, needs, and balancing what can be digitized and what should be kept in-person.

Digital Self-Service Checklist

How complete are your digital self-service offerings? You can assess this by looking at the list below and asking whether your partners can perform the following tasks independently, online, and without associate intervention:

- ☐ Research, build a cart, and place their order online
- ☐ Find detailed product information (e.g. specs, product and price comparisons, CAD drawings, PDFs)
- ☐ Save a cart, and send a cart for approval
- ☐ Manage billing, shipping, and invoicing
- ☐ Return, refund, or re-order past orders
- ☐ Create users and manage different user groups, access, and purchasing capabilities
- ☐ Build a quote, send it for approval, view submitted quotes, and approve quotes
- ☐ Interact with online chat and chatbots
- ☐ See inventory, availability, and time to ship
- ☐ See order history, quick reorder, and view invoices
- ☐ Create and manage subscriptions and payments
- ☐ Manage returns, refunds, and replacements
- ☐ Buy physical and virtual products
- ☐ Schedule, reschedule, and cancel services

This trend moves further and further towards digital channels and self-service. According to a 2022 McKinsey report, the future of B2B selling is a hybrid model:

"Today's B2B customers are very clear about what they want from suppliers: more channels, more convenience, and a more personalized experience. They want the right mix of in-person interactions, remote contact via phone or video, and eCommerce self-service across the purchasing journey. Adjusting to this new dynamic requires B2B organizations to shift from 'traditional' and 'inside' sales to 'hybrid' in order to move with the customer."

McKinsey & Company

Our Buyers Are Taking Up Too Much of Our Time: Assessing the Need

Risks

Partners are doing more business elsewhere, and associate retention is at risk.

Challenges for Change

Self-service is a broad term for a highly complex, intertwined system of digital interactions that will be both challenging to map and untangle. Since self-service includes systems as complex as commerce, CPQ, billing, and managing subscriptions, defining and building your own self-service structure will require a multi-departmental approach, requiring extensive buy-in, complex organizational dynamics, and competing priorities.

Opportunities

Optimizing for self-service will require journey mapping to reveal how people are currently trying to work with your company online, uncover roadblocks, and discover chances to make your business as easy and fast to work with as possible. This can lead to new digital revenue, cost-cutting and resource optimization, and new channels for growth.

Considerations

- What do self-service and hybrid services look like for your business? What does a win look like?
- What is your roadmap for building out the self-services that are right for your business?
- What is the digital experience that will make interacting with your brand as seamless as possible? What design elements reinforce your brand, and guide and train your customers?
- How will you train your existing users to use the new site, and how will you onboard new and existing customers?
- How will you train your associates for the next phase of customer service if more solutions are digitized? Where can they focus their activities and prioritize their efforts?
- What does “white glove” self service look like online? Where will you need to plan for offline touchpoints?

Key Performance Indicators (KPIs)

- **Partners:** adoption rate, self-service rate (e.g. what percent of partners use online quoting, subscription management, user management, etc.), engagement rate, retention rate
- **Associates:** time on digitizable-tasks, time on key, critical, or at-risk accounts, retention rates, resourcing cost per account

Problem 3: Our CPQ is Killing Us

Implementing a robust Configure, Pricing, and Quoting (CPQ) tool enables your sales team and partners to create and send quotes quickly and accurately. However, if you're an enterprise, you likely have complex business rules, multiple systems and processes, and a lot of historical complexity. When your CPQ system is taxed with doing everything correctly, it slows down, leading to slow actions, pages timing out, and frustrated users.

There are three common factors contributing to CPQ performance issues.

Business complexity

While your CPQ system is complex, so are your CRM, backoffice, and commerce processes–requiring you to write complex rules to meet specific business requirements. Over time, these rules add layers of complexity, impacting CPQ performance.

System acquisitions

As your business acquires new companies, you need to integrate separate systems into your existing system. These systems may be older, more complex, or simply different from the processes you have in place. Having multiple systems and exceptions creates additional complexity that also slows down the CPQ system.

API calls

Because of your CPQ setup, there may be a high volume of API calls happening within your system. Misuse of APIs or improper API calls that request too much information can cause system delays. If your CPQ is SaaS-based, those regular API calls to update rules will slow down your CPQ system.

These complexities degrade your CPQ performance and your user experience. It can make running CPQ more resource-intensive, more frustrating, and less efficient. It becomes a people problem: making it harder to train and retain your partners and associates. And it becomes a revenue problem: slowing down your revenue.

Measuring Revenue in Quote Cycle Time

The key metric "Quote Cycle Time" reveals the revenue impact of underperforming CPQ tools. According to Louis Columbus, writing in Forbes: "It's been my experience that manufacturers who are the first to produce an accurate, complete quote win the deal at least 60% of the time or more. Reducing Quote Cycle Times increases close rates quickly."

Sales leaders care about long quote times because it reduces their team's efficiency and impacts quote-to-close ratios as slower quotes are less likely to close. By improving performance and improving efficiency for your associates, you can reduce-time-to-quote and capture more online revenue. This includes: enabling robust and performant CPQ, integrating it with your backend systems, and designing it for fast adoption and usability. These actions free your sales team to focus on upselling, cross-selling, and providing white-glove service to key accounts, at-risk accounts, and target prospects.

"Organizations at the lowest level of tech maturity can gain significant benefits from implementing basic pricing and performance-management tools and processes, and embedding them in their customer performance-management processes. Companies with institutionalized customer performance-management processes, however, could improve the execution of their pricing strategy by integrating deal CPQ capabilities into their CRM tools. Updated discounting analytics, approval workflows, enhanced-deal desks (cross-functional teams that can help streamline deal processes and coordinate nonstandard or strategic deals), pricing committees, and robust performance management can help accomplish this work."

McKinsey & Company

Our CPQ is Killing Us: Assessing the Need

Risks

Poorly performing CPQ reduces your digital revenue flow, and a lack of digitized, modernized CPQ means a reliance on manual systems with lots of room for error.

Challenges for Change

CPQ is complex and important, and uncovering the challenges requires looking at multiple systems to find out where slowdowns happen (whether in the ERP, the API calls, or the commerce platform).

Opportunities

So much manufacturing digital revenue lives (or can live) in your CPQ. Solving for CPQ unlocks massive revenue potential–recuperating revenue from lost deals, delayed quote cycles, and recuperating resource costs for wasted associate time.

Considerations

- How can you map out the systems and the inflections points that impact CPQ, and find the right solutions to solve your performance problems?
- Who is using CPQ and how? Is it available for your associates only? Do you expose some of it to your partners?
- You can design your CPQ to improve usability and efficiency. What is the experience that you want to create? How do you make it as intuitive and easy as possible for your CPQ users to utilize the tool?

Key Performance Indicators (KPIs)

- **Partners:** adoption, self-service, quote cycle time, retention, revenue per account
- **Associates:** adoption, quote cycle time, error rate, retention

Problem 4: Our Partners Need eProcurement and Punchout

eProcurement is an umbrella term for digital buying that lives in the ERP or EPI systems. Punchout is a tool that connects your catalog with your partners' procurement tools. Your partners' employees can research and buy your products from within their ERP or procurement system. Often this looks like a button within their system that takes them to a "Punchout Catalog" (or similar term). Once there, they can view and select the products they want to purchase, add them to the cart, and submit an order for review and approval through the procurement system.

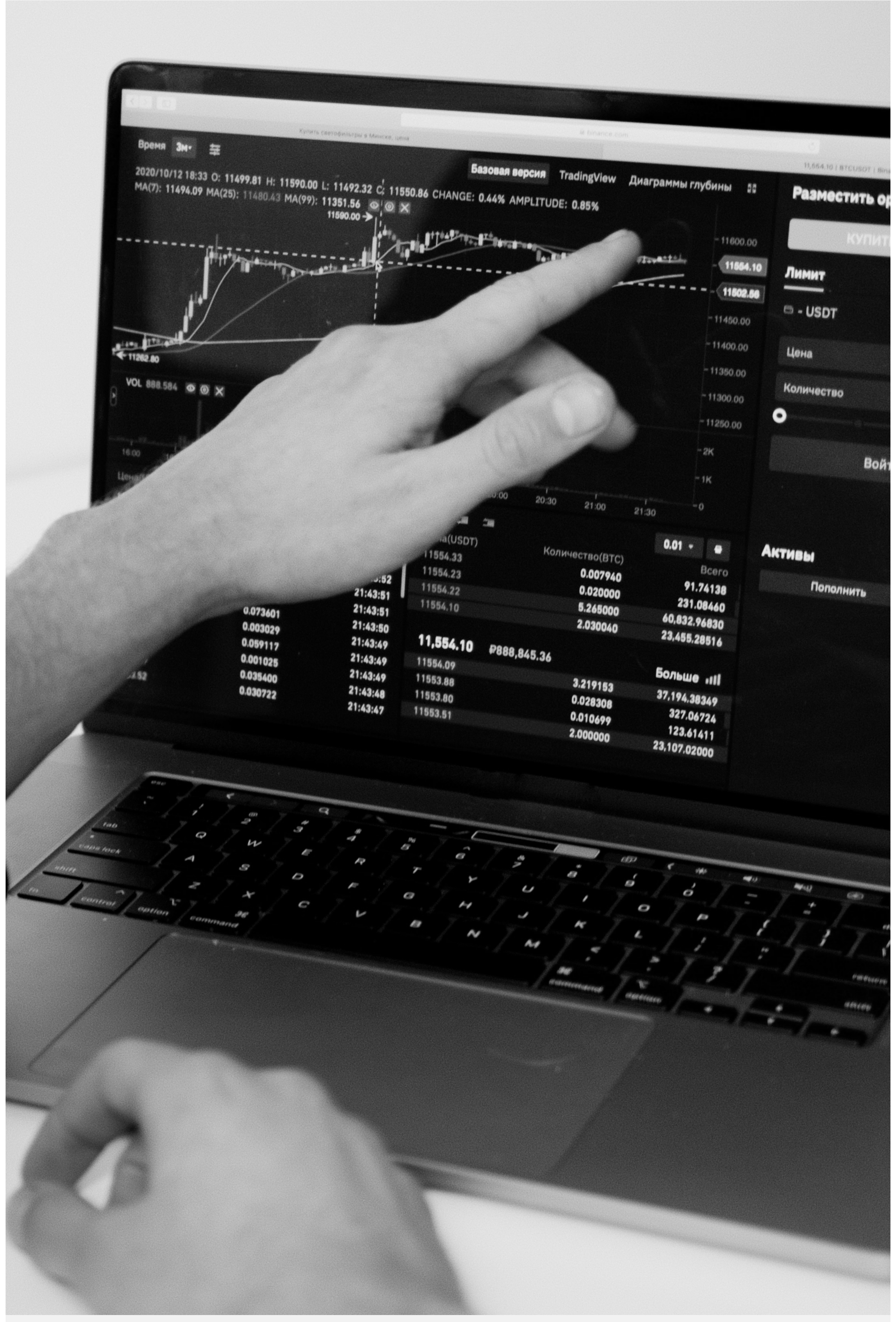
Many very large organizations require eProcurement and Punchout. Even if your current customers don't require it, it can present a huge opportunity for capturing revenue online. Implemented well, eProcurement and Punchout reduces the friction and roadblocks from purchasing your product.

What does good Punchout look like? Punchout is an opportunity to build a digital experience that is customized for your users. Help your customers' buyers order more quickly and easily by managing catalog and pricing:

- Show only approved products.
- Display custom pricing, bulk discounts, and any customer-specific pricing rules.
- Show inventory and availability.

This is an opportunity to design the digital experience with the customer experience in mind, seeing how your site will appear in their ERP/procurement system and designing for those parameters. Other considerations include:

- Accessible design to expand access (and avoid lawsuits)
- Clean, clear user design that makes your site easy and intuitive
- Robust search with detailed filtering and facets pulled from your product data
- Research capabilities
  - Detailed product information
  - Additional content/information, like product PDFs, detailed product specifications, videos
  - Product comparisons



A January 2022 report from digitalcommerce360.com reports that eProcurement sales continue to grow:

"[In 2021], e-procurement sales volume grew to $934.2 billion, up 17% from $798.4 billion in 2020. And one channel they are using much more of these days is e-procurement and punchout, which enables businesses to purchase supplies directly from a supplier's ecommerce website or B2B marketplace without leaving their own e-procurement application. In 2021, e-procurement once more emerged as among the fastest growing digital commerce sales channels. In fact, in 2022 e-procurement for the first time will top $1 trillion in annual sales, based on a projection from Digital Commerce 360."

Our Partners Need eProcurement and Punchout: Assessing the Need

Risks

Customers may require Punchout or competitors are offering a robust Punchout experience.

Challenges for Change

Understanding and enabling a new experience, managing and keeping product data clean, delivering custom catalogs and pricing at scale.

Opportunities

Ability to capture digital revenue faster and easier, and create competitive purchasing experiences.

Considerations

- How will you create custom Punchout Catalogs for customers?
- Where do you start in terms of the key customers, the at-risk customers, and the high-need customers?
- How can you design and optimize the Punchout digital experience for easy adoption, usage, and to drive revenue?

Key Performance Indicators (KPIs)

- **Partners:** Punchout adoption rate, usage rate, conversion rate, average order value (AOV), customer lifetime value (CLV), time on site, and retention rate.

Problem 5: We Need a Direct-to-Consumer Channel

From supply chain disruptions to customer servicing, manufacturers are seeing resellers and distributors dropping out. There's also a new opportunity and a move for manufacturers to create and own direct-to-consumer channels.

Traditionally in manufacturing, the old guard has held on to the existing supply chain structures. The global pandemic and economic fallout have forced manufacturers to rethink how they do business. Nevertheless, some old myths still persist.

Myth One: Channel Conflict Will Kill Our Business

With disruptions in distributions, now is the time to rethink how and why you manage a manufacturer D2C channel conflict. Think strategically about how you can support your resellers, your existing sales infrastructure, while building a sustainable direct-to-consumer channel. Consider pricing structures for B2B customers, incentive programs for sales, and product mix across channels. Get alignment on serving your customer, get your channel on board, and build initiatives to keep the players motivated and engaged.

Myth Two: We Can't Expose our Pricing (It Will Kill Our Business)

It likely won't. In fact, hiding your pricing can make you look less trustworthy. In the age of Amazon and eCommerce, your pricing will come at no surprise to anyone doing the research. Instead, show your retail pricing upfront, and offer discounting behind a verified login. You can offer tiered pricing and volume pricing. You can build your business on brand, loyalty, and customer experience.

Myth Three: Our Customers Don't Shop Online

We bring this up for posterity. Spring 2020 revealed new weaknesses and opportunities. Now, customers have grown accustomed to shopping online due to convenience, better prices, lack of in-store inventory, and a multitude of store closures. Owning your channel makes managing a still-unstable supply chain easier; for example, by pricing high-demand, low-inventory products higher, or promoting high-volume products more prominently.

We Need a Direct-to-Consumer Channel: Assessing the Need

Risks

Competitors are gaining market share with their own D2C channels, losing resellers and distributors, and the supply chain makes distributed selling more expensive and difficult.

Challenges for Change

Channel conflict may occur between existing partners, with organizational hesitance to expand the business model.

Opportunities

Consider new, high-margin revenue channels, ownership of the customer journey, marketing, and the ability to capture first-party product insights and data.

Considerations

- What is your business strategy for D2C? Who is your target market? Where are they? How are they currently being served (or not) by your existing channels?
- How can you make a strategic plan for resellers/distributors (e.g. pricing, specific promotions, owned product categories) to protect the relationship?
- What are the digital experiences you want to create for customers? How will you personalize, customize, and tailor the experience to their needs?
- How will you build your best tech stack, meeting business goals and digital experience needs?

Key Performance Indicators (KPIs)

- **Customers:** conversion rates, average order values (AOV), customer lifetime values (CLV), time on site, retention rates, and product margins.

Getting Started

Established in 1994, Object Edge is an award-winning, MACH-certified, digital consultancy working with leading global businesses. In a challenging digital landscape, we help businesses differentiate and compete by serving their customers, partners, and associates through effortless digital experiences. We design, implement, and support digital commerce experiences with a data-driven, highly collaborative, best-in-class team.

Featured Clients

American Apparel, AT&T, ZENNI, BEACHBODY, Calix, Nuts.com, Chico's FAS, Conn's HomePlus, GREENBALL, HYSTER-YALE, MOTOROLA SOLUTIONS, PRINCESS AUTO, ROGERS, SPECIALIZED, WHITE HOUSE BLACK MARKET

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