



[INSIGHT]

# E-COMMERCE

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## Fixing Manufacturers' Broken Traditional Selling Processes

Why is it so hard for manufacturers to go digital? The end answer is always the same: fear. Fear of change, fear of losing revenue, and fear of potentially jeopardizing relationships with dealers and distributors is paralyzing manufacturers.

Or worse, manufacturers blindly follow their counterparts on the Amazon trail known for its razor-thin margins, complete control over competitive positioning, and exposure to counterfeit goods. They place stiff controls and penalties on sellers just for using the Amazon marketplace.

Even worse, Amazon employees use data about independent sellers on its platform to develop competing products, reports *The Wall Street Journal*.

### EMBRACING ONLINE SALES

Manufacturers need to embrace what Amazon has known for years—that buyers prefer to source, vet, and buy online. This process is changing even more because buyers for vendors, dealers, and distributors are now millennials with less brand allegiance. Outside the United States, manufacturers in Asia have also been quickly capitalizing on this change to game the market and drive out American competitors.

Consider the stats. In 2019, U.S.

manufacturers' business-to-business (B2B) e-commerce sales grew by nearly 21% to \$430 billion, according to Digital Commerce 360. That growth rate is nearly 20 times faster than the growth in total U.S. manufacturing sales.

E-commerce is not just for smaller-ticket items. According to a recent study by McKinsey & Company, 70% of B2B decision-makers say they are open to making new, fully self-serve, or remote purchases in excess of \$50,000, and 27% would spend more than \$500,000.

### EXODUS FROM AMAZON

Companies such as Nike and Clorox are leading the way—bypassing Amazon and setting up their own sales channels.

This exodus is not news in the retail world. In 2017, Birkenstock pulled all of its products from Amazon. Vans, Ralph Lauren, Rolex, Louis Vitton, Patagonia, and North Face have also opted out of selling directly on Amazon, according to *Forbes*.

Websites such as Shopify are cropping up to make it easy for companies to set up their own simple e-commerce sites using their platform.

However, companies are finding that selling direct requires a real commitment to the back-end operation to make sure all areas—sales, finance, engineering, production, logistics, marketing, human resources—are collaborating and the infrastructure is thoroughly in place.

### DIGITIZED COMPANIES TAKE THE LEAD

COVID-19 revealed gaping holes in supply chains and caused havoc among manufacturers who have not been able to keep up with demand. The good news is that we're seeing companies with digitized operations take the lead and experience record growth during these hard times.

Yet, still today, 8 out of 10 manufacturers depend primarily on their internal sales force to drive revenue; and fewer than 1 out of 5 offer a digital buying experience. This is shocking considering the lessons Amazon has taught us about buyer demand.

One thing we know: Manufacturing's traditional selling processes are broken. Our next chapter requires a savvy digital approach backed by a deep understanding of buyer expectations. ■