

A Custom Technology Adoption Profile Commissioned By Mirakl And SAP Hybris | February 2017

# Manufacturers Reap Benefits From Selling Direct

Mitigate Concerns Over Channel Conflict By Embracing Your Own Marketplace

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# Manufacturers Reap Benefits From Selling Direct

**OVERVIEW****SITUATION****APPROACH****OPPORTUNITY****CONCLUSIONS**

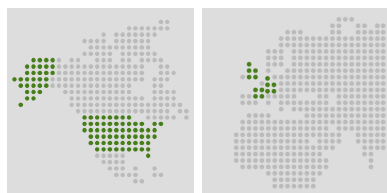
## The Call To Develop Direct Customer Relationships

Business-to-business (B2B) manufacturers today are facing greater demand for frictionless buying experiences. But they face a number of significant challenges to setting up direct customer relationships, including maximizing conversions, taking full advantage of customer data, and dealing with concerns over channel conflict.

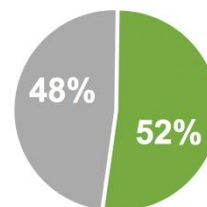
The online marketplace model — where a B2B manufacturer showcases and sells inventory available through third-party channel partners — can help with this challenge. Manufacturers that launch their own online marketplace provide opportunities for customers to interact with them directly. They can also harness and own customer data, while still fulfilling sales through channel partners, avoiding the most significant pitfalls of direct-to-customer channel conflict.

In February 2017, Mirakl and SAP Hybris commissioned Forrester Consulting to evaluate B2B manufacturers' adoption of direct selling models, including the benefits of hosted online marketplaces.

### Respondent profile

**US and Western Europe**

125 eCommerce and marketing decision makers in the US, the UK, France, and Germany

**B2B and B2B2C manufacturing****Medium/large enterprises**

Annual revenue:

- › \$250M to \$999M: 48%
- › \$1B and higher: 52%

**Strategy leaders**

70% are final decision makers in their company's eBusiness strategy; 30% are part of the strategy team.

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## Manufacturers Have Taken Half Steps Toward Direct eCommerce

While a few B2B manufacturers have been selling online for years, most firms are either new to online selling or still deciding how to proceed. Manufacturers must figure out the best way to create these direct relationships with consumers or be in danger of falling behind and losing control of the customer experience altogether. They are working against rising customer expectations set, in part, by exposure to business-to-consumer (B2C) shopping experiences that have been built and refined over several years.

Manufacturers in our study are surely looking to explore online selling opportunities, yet many are stuck behind intermediaries — 53% are selling on third-party marketplaces or through channel partners. Reasons for this may include concerns over lack of experience with eCommerce; costs associated with building the required technology and potentially alienating their distributors; or channel conflict.

*Relying on third-party intermediaries can interfere with manufacturers participating in and owning the customer experience and reaping valuable customer data and insights.*

How do you sell to your clients online today?

*Multiple responses accepted*

**53%**

Use channel partner's eCommerce websites or 3<sup>rd</sup> party marketplaces to sell online

Base: 125 B2B decision-makers in eCommerce and marketing from the manufacturing industry

Source: A commissioned study conducted by Forrester Consulting on behalf of Mirakl and SAP Hybris, February 2017



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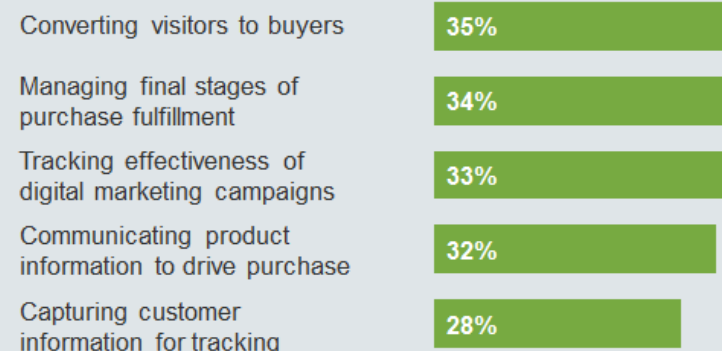
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## Manufacturers Lack Confidence Managing The Buy Flow

Direct selling relationships offer a number of benefits to B2B firms, yet many companies in our study said they are less than fully confident in their ability to take advantage.

- › Only 35% are very confident in their ability to convert site visitors to buyers.
- › Thirty-four percent are very confident that they can properly manage their customers' final purchase stages.
- › Only a third are very confident in their ability to tie sales results to marketing campaigns.
- › Less than a third are very confident in their ability to effectively communicate product information like price and availability to drive purchases.
- › Only 28% are very confident in their ability to capture customer information for tracking from visit to purchase.

How confident are you in your ability to execute each of the following digital capabilities? (showing "very confident")



Base: 125 B2B decision makers in eCommerce and marketing from the manufacturing industry  
Source: A commissioned study conducted by Forrester Consulting on behalf of Mirakl and SAP Hybris, February 2017

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## Manufacturers With Online Marketplaces Gain Confidence Selling Direct Online

Companies that said they were selling online via direct marketplaces reported more confidence than overall firms in their abilities to reap the benefits of direct customer relationships.

- › They are 10 percentage points more confident at converting visitors to buyers.
- › They are nine percentage points more confident at managing the final stages of purchase fulfillment.
- › They are four percentage points more confident in their ability to capture customer information for tracking purposes.

*Direct online marketplaces coincided with a significant lift for site conversions and sellers' ability to manage the final stages of purchase fulfillment.*



How confident are you in your ability to execute each of the following digital capabilities? (Showing "Very Confident")

		Difference
Converting visitors to buyers	45%	+10%
Managing final stages of purchase fulfillment	43%	+9%
Capturing customer information for tracking	32%	+4%

Base: 83 B2B decision-makers in eCommerce and marketing from the manufacturing industry who sell online via direct marketplaces  
Source: A commissioned study conducted by Forrester Consulting on behalf of Mirakl and SAP Hybris, February 2017

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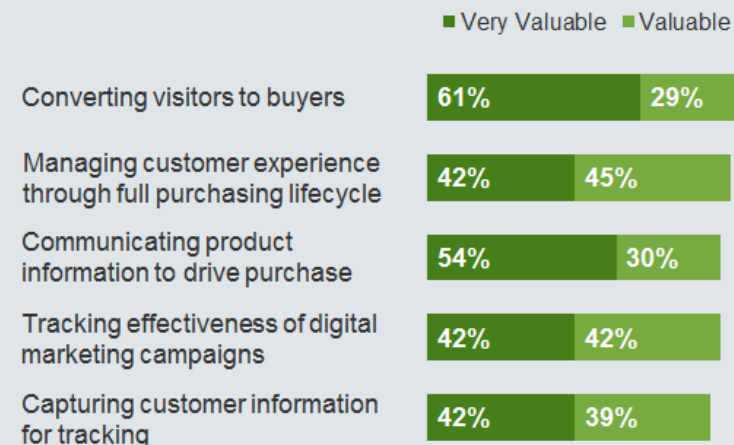
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## Manufacturers See The Benefits Direct Customer Relationships Can Deliver

Companies in our study told us the direct selling capabilities they struggled to master could nonetheless be quite valuable for their business.

- › Nine in 10 told us that converting site visitors to buyers would be a valuable capability.
- › Nearly 90% said the same of managing the customer experience through the full purchasing cycle.
- › Eighty-four percent said they would value the ability to communicate product information like price and availability to drive purchases. This is the same number that would value being able to tie sales results to marketing campaigns.
- › Over 80% said they would value the ability to capture customer information for tracking from visit to purchase.

### How valuable would each of the following online capabilities be for your company?



Base: 125 B2B decision-makers in eCommerce and marketing from the manufacturing industry

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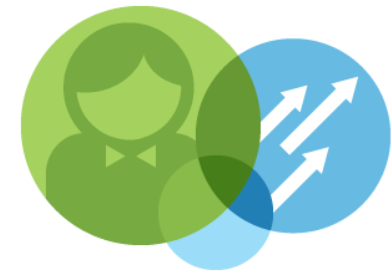
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## Direct Marketplaces Help Mitigate Channel Conflict Concerns

B2B firms have always had to struggle with channel conflict as they play to different stakeholders, including customers, channel partners, and channel owners and sales executives. Channel conflict has typically been associated with the clashing interests of a B2B manufacturer's direct sales and its indirect channel partners, in that the two parties are often found competing with one another for the same business. Direct online marketplaces can help B2B companies strike the right balance by:

- ▶ **Creating a bigger pie.** Direct marketplaces should be viewed by manufacturers and distribution partners as a way to better connect product information and fulfillment options. By enabling partners to offer fulfillment alongside the credible product pages a manufacturer offers, all parties potentially benefit by offering what the customers need, when they need it. First-party marketplaces represent an additional sales channel where all parties can potentially benefit.
- ▶ **Reducing friction for customers.** Enabling purchase and fulfillment on a manufacturer's site means fewer obstacles to completing the purchase. It reduces inconsistencies in messaging product information, as well as reduces the steps required to deliver an easier, better customer experience — one that delivers a consistent experience to the customer in their time and place of need.



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## Embrace Direct Selling Models That Mitigate Channel Conflict

As B2B buyers demand more and more sophisticated shopping experiences, manufacturers must seek new and better ways to meet their customers' expectations — which are rising based on increasing B2B seller sophistication and exposure to B2C shopping sites.

As they enable direct selling, manufacturers must master key capabilities — from communicating product information, to streamlining the purchase cycle, to better understanding how marketing and online sales align.

Direct online marketplaces can help manufacturers approach these critical abilities more effectively. They also enable manufacturers to reduce channel conflict while preserving a partner-centric selling ecosystem.

By including distribution partners in selling efforts, manufacturers can deliver a better customer experience on their sites while providing opportunities for themselves and their distribution partners to benefit from deeper customer engagement.

### ABOUT FORRESTER CONSULTING

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### METHODOLOGY

- › This Technology Adoption Profile was commissioned by Mirakl and SAP Hybris.
- › To create this profile, Forrester Consulting created a custom survey for eCommerce and marketing decision makers at US manufacturers.
- › The survey was completed in December 2016.

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