

2018

MANUFACTURING & DISTRIBUTION SALES AND TECHNOLOGY SURVEY REPORT

A look at the wholesale distribution industry's latest trends, benchmarks, and technology investments.

About	2
Executive Summary	3
Sales Reps Key in Omnichannel Strategy	4
Empowering Reps with Technology: Critical but Undervalued	7
B2B eCommerce Continues to Gain Momentum	10
B2B eCommerce Making Greater Impacts	13
B2B eCommerce Driving Customer Expansion	14
Suppliers Moving Away from Custom-Built B2B eCommerce	15
SaaS B2B eCommerce Most Modern & Comprehensive	16
B2B eCommerce Adoption Challenges Due to User Experience Gaps	18
Mobile Web eCommerce Remains Dominant in B2B	21
Native Mobile Apps Drive Greater B2B eCommerce Customer Adoption	23
Conclusion & Key Recommendations	24
About Handshake	26

ABOUT THIS STUDY

Welcome to the 2018 Manufacturing & Distribution Sales and Technology Survey Report. This survey is sent to manufacturers and distributors around the world to gain a deeper understanding of how the industry is changing in the wake of new challenges, disruptive technologies, and shifting customer expectations.

This year, survey respondents were asked about their operational challenges, sales and fulfillment processes, and technology investments, with a particular focus on the areas of B2B eCommerce and mobile technology. We received over 500 responses from companies self-designated as manufacturers and/or distributors across more than a dozen industries. 61% of respondents manufacture and distribute products, 37% distribute products only, and 2% manufacture only. Organizations ranged in size from SMB (75%) to Mid-Market and Enterprise (25%).

Among individual respondents, 43% identified themselves as high-level leaders within their respective organizations (with C-level executives at 16%, VP-level leaders at 10%, and Director-level leaders at 17%). The remaining respondents included managers (34%) and individual contributors (23%) across departments including Sales, Marketing, Customer Service, General Management, Operations, IT, and Finance. Industries represented included: Food & Beverage, Apparel & Accessories, Hardware & Industrial, Electronics, Gift, Automotive, Home & Garden, Medical, Beauty & Cosmetics, Toys, Baby & Kids, Outdoor & Sporting Goods, Footwear, Chemicals, Pets, Music, and Agricultural Products.

This report includes a detailed look at this year's most significant trends in sales and technology among manufacturers and distributors and a list of recommendations for organizations to take action on over the next 12 months and beyond.

EXECUTIVE SUMMARY

The digital transition is in full swing for manufacturers and distributors, as B2B suppliers continue to invest in technology across both in-person and online sales channels.

To eliminate manual order writing methods and data entry, roughly one-third of the market has already adopted mobile order writing technology for sales reps. Even more significant, the realm of B2B eCommerce has grown rapidly in recent years, and offering online ordering on both web and mobile today is more industry norm than innovation. Many suppliers are seeing impressive results, from increased average order values to better product discoverability and reductions in cost-to-serve.

But as B2B eCommerce continues to make a meaningful impact for many suppliers, others are struggling with buyer adoption. One key challenge here is that the custom-built B2B eCommerce solutions of years past have been unable to keep pace with buyer expectations, with major gaps in user experience and a lack of mobile functionality. As a result, suppliers have begun to turn to out of the box Software-as-a-Service (SaaS) and ERP add-on solutions to either implement B2B eCommerce for the first time or to replace legacy early-Internet ordering tools.

Completed in April 2018, this report explores how manufacturers and distributors sell to their customers today, the challenges and results they are seeing from B2B eCommerce, and the impact that user experience and mobile access both have on adoption. Respondents from over a dozen industries shared information about their current processes and future plans.

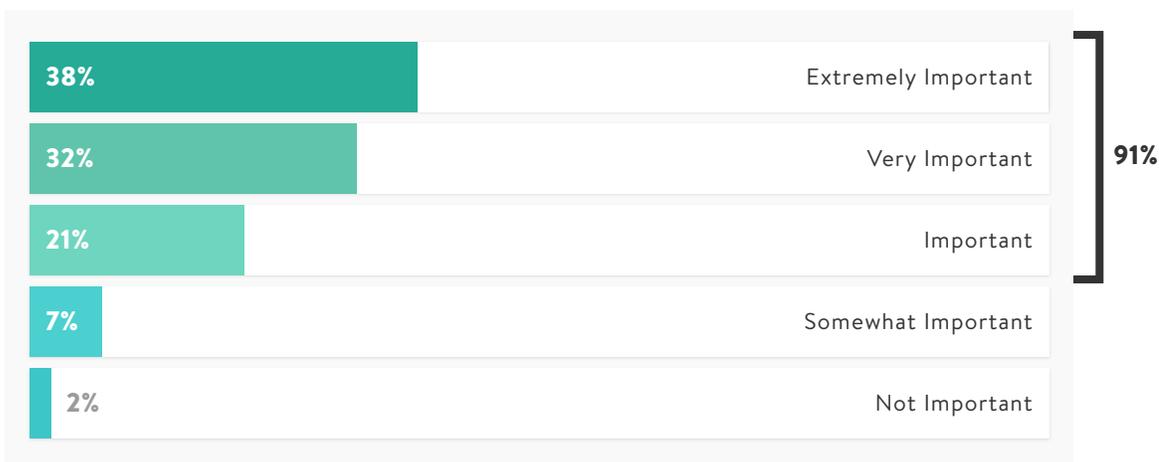
SALES REPS REMAIN A KEY PILLAR IN THE OMNICHANNEL STRATEGY.

The field sales rep, historically the main touchpoint between suppliers and buyers, maintains an important role in today's omnichannel sales strategy, despite the advancement of B2B eCommerce.

93% of survey respondents have an active in-person field sales operation. 42% reported that the majority of their total B2B revenue is coming from rep appointments at store visits and trade shows.

Furthermore, when asked how important the in-person sales channel is to their business, 91% of manufacturers and distributors expressed that their sales reps are critical in today's wholesale environment.

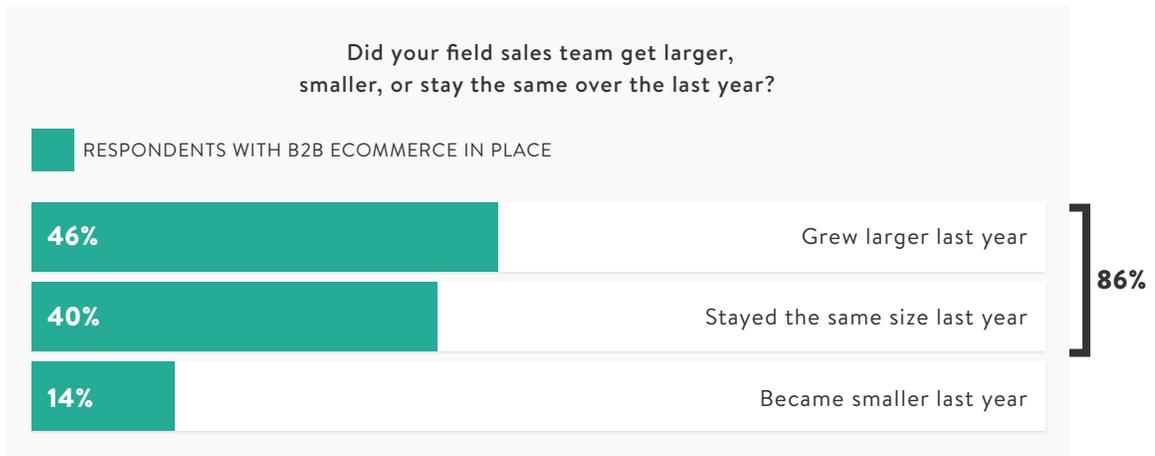
FIGURE A. Perceived Value of the In-person Sales Channel



Taking into account the growth of B2B eCommerce over the last several years, the importance of the sales rep channel has remained consistent, and in some cases, the emphasis on in-person sales has even grown.

86% of respondents with a field sales team and B2B eCommerce in place say that their sales team has either stayed the same size or grown larger over the past year.

FIGURE B. Continued Importance of Sales Reps Despite Growth of B2B eCommerce



This compares to 75% of respondents who were asked the same question in 2016, an interesting finding given the common assumption that the advent of online ordering would reduce the primacy of in-person sales over time.

Yet another point demonstrating the continued importance of interpersonal sales relationships in B2B, the majority of survey respondents reported that their B2B buyers prefer a multi-channel selling strategy that gives them the choice between full-service and self-service ordering. Specifically, 55% of respondents said that their customers prefer placing orders online, but still occasionally want to place orders through a sales rep.

FIGURE C. Do your customers prefer placing orders online?



Finally, when asked about the key impact sales reps have on their businesses, manufacturers and distributors reported that new customer acquisition was a key function, proving that the initiation and nurturing of B2B relationships remains an in-person rather than online activity.

FIGURE D. *What Sales Rep Functions Are Most Important To Your Business?*

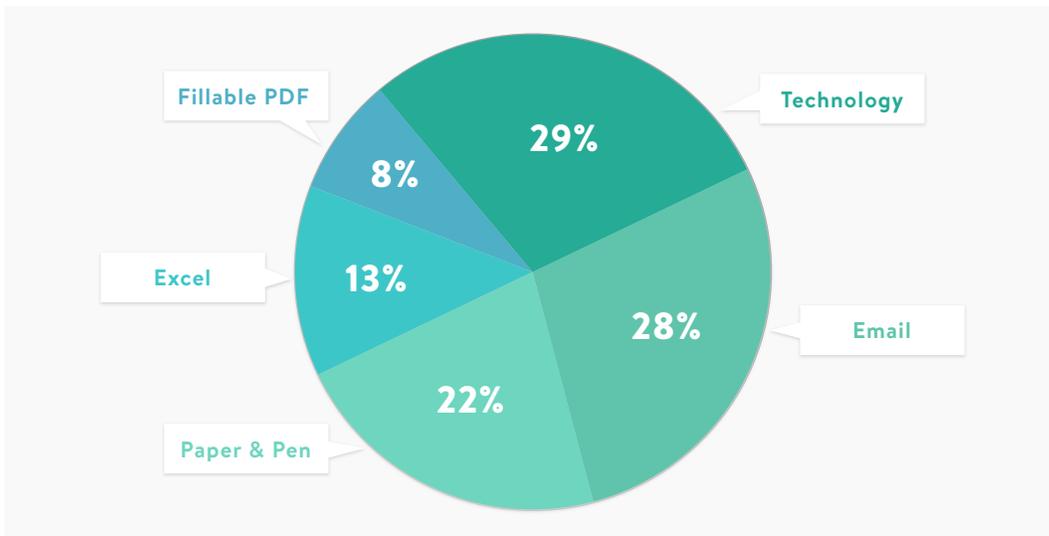


In general, as sales rep technology becomes more commonplace and de-emphasizes transactional order writing and submission tasks, the role of the sales rep is becoming more strategic, with a greater focus on initiatives like customer acquisition and expansion.

EMPOWERING SALES REPS WITH DIGITAL TECHNOLOGY IS A CRITICAL, BUT UNDERVALUED OPPORTUNITY.

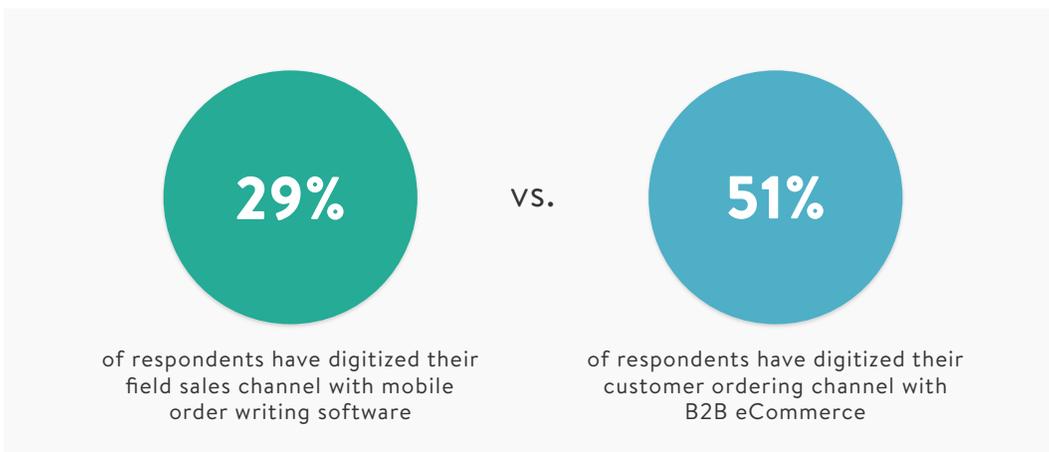
While the adoption of B2B eCommerce technology is becoming commonplace, manufacturers and distributors are slower to make the transition from manual to digital in their field sales channels. Among respondents who have a sales team writing B2B orders in the field, roughly one-third (29%) are using some kind of digital order writing technology. The remaining 71% of businesses are using Paper & Pen (22%), Excel (13%), Fillable PDFs (8%), Email (28%).

FIGURE E. What is the primary method your sales team uses to write B2B orders in the field?



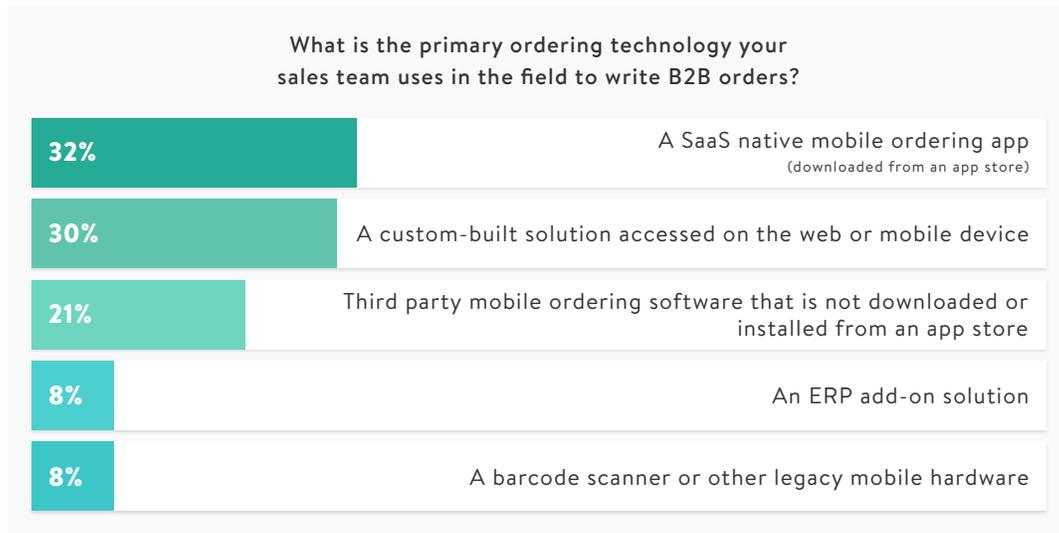
Compare that 29% technology adoption in field sales to the [51% of businesses that have already implemented B2B eCommerce](#).

FIGURE F. Mobile Order Writing Software vs. B2B eCommerce: Market Penetration



Within the segment of respondents with sales reps using order writing technology, a mix of solution types have been implemented.

FIGURE G. Distribution of B2B Ordering Technologies Used by Sales Team

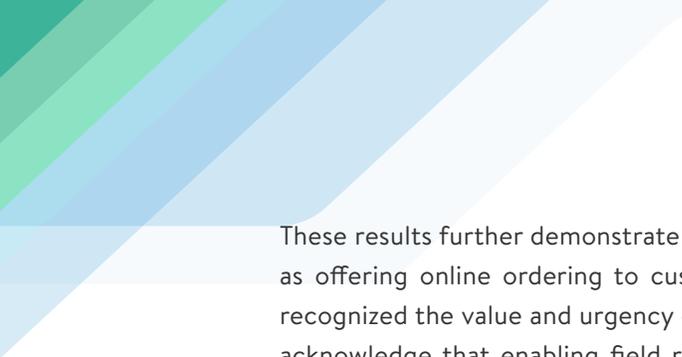


SaaS native mobile ordering apps and custom-built solutions are most commonly used, followed by third-party, on-premise mobile ordering software that is not downloaded from an app store. Trailing far behind are ERP add-on solutions and outdated technologies like barcode scanners and non-consumer mobile hardware.

These findings are indicative of the market's frustration with older, less-user friendly technologies and the continued shift towards consumer-like solutions like SaaS mobile order writing apps. As B2B buyer expectations increase due to the growing ease and on-demand nature of consumer eCommerce experiences, this shift is not only expected, it will undoubtedly move faster in the upcoming years as the disparity between analog mobile hardware and consumer smartphones and tablets grows larger.

On average, respondents with sales reps using technology for B2B order writing are experiencing dramatic results. Of this segment:

- 67%** say sales reps are writing orders more quickly.
- 66%** say sales reps have better access to information in the field.
- 42%** are able to ship orders faster than before.
- 42%** believe their sales reps are more strategic partners to their customers.
- 39%** have reduced their cost to serve customers by eliminating data entry man-hours, reducing order errors, and better managing backorders.



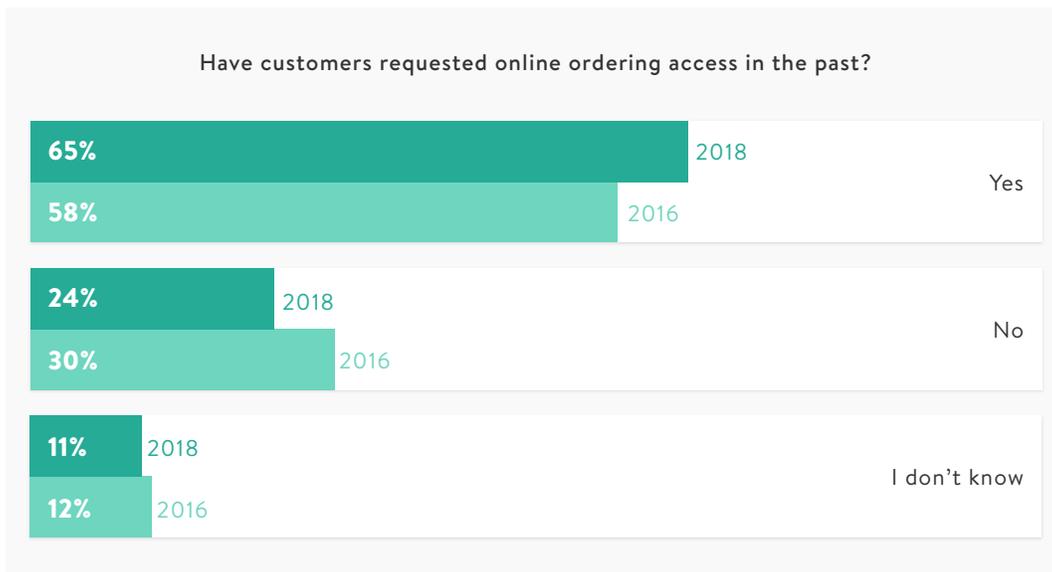
These results further demonstrate that digitizing the field sales process is just as important as offering online ordering to customers. While a much wider swath of the market has recognized the value and urgency of B2B eCommerce implementation, suppliers must also acknowledge that enabling field reps with technology will also yield key efficiencies and stronger customer relationships.

B2B ECOMMERCE CONTINUES TO GAIN MOMENTUM.

B2B eCommerce is undoubtedly one of the most disruptive technologies to hit manufacturing and distribution in the last decade, and it has continued to gain momentum.

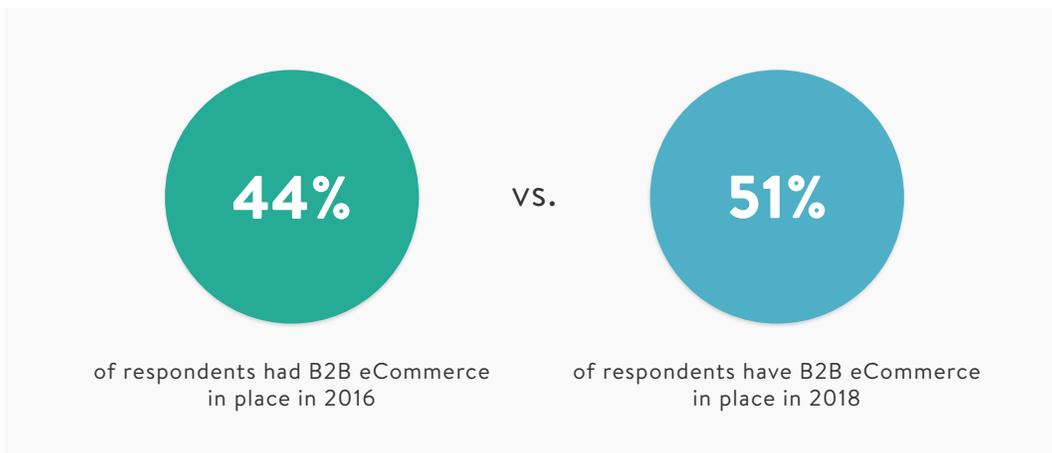
65% of respondents said that their customers have requested online ordering in the past year, up from 58% from the 2016 version of this survey.

FIGURE H. Customer Demand for B2B eCommerce



Looking at market penetration, just over half (51%) of manufacturers and distributors now have online ordering in place for their B2B customers, up from 44% in 2016.

FIGURE I. Do you currently have B2B eCommerce in place?



When looking at the **distributor-only segment**, adoption is even higher, with 59% of these respondents having B2B eCommerce in place. Given the complexities and SKU volume associated with distributing multiple brands, it is not a surprise that the distributor-only market has prioritized B2B eCommerce investments.

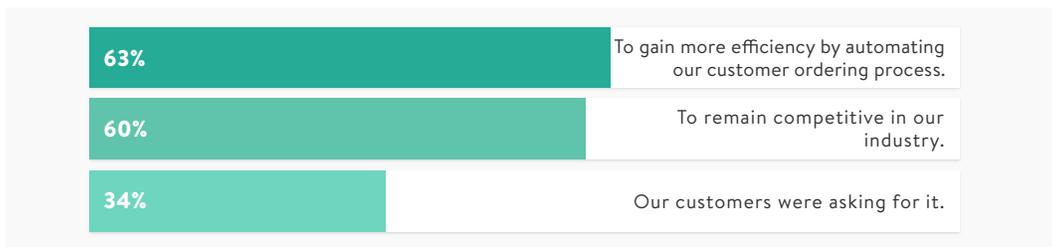
Modern, B2B-specific eCommerce offerings are able to accommodate multi-brand catalog browsing, customer-specific pricing and promotions, and other ordering workflows common in B2B distribution.

The Appeal of B2B eCommerce: Increased Efficiency & Staying Competitive

When asked why they implemented B2B eCommerce, 63% of respondents reported that they were looking for efficiency gains associated with increased automation of the customer ordering process. The other main rationale for investing in B2B eCommerce software was to remain competitive in one's industry—60% of respondents reported that this was a key factor.

Additionally, 34% of respondents reported that they implemented B2B eCommerce because their customers were specifically requesting the ability to place orders online. These data points indicate that B2B eCommerce is increasingly considered to be table stakes to doing business in manufacturing and distribution today.

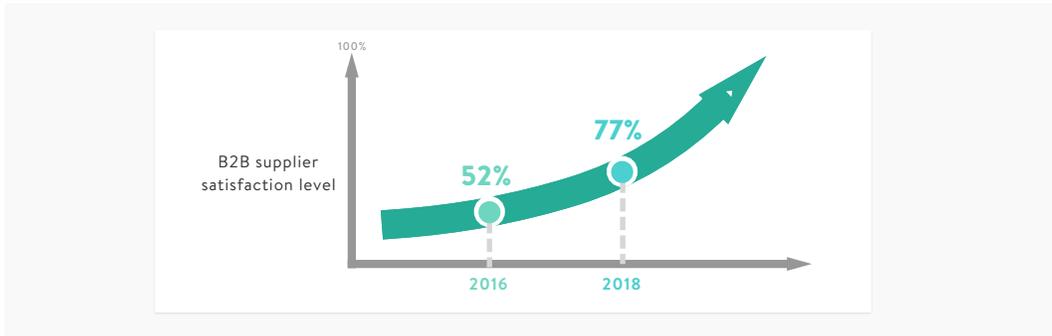
FIGURE J. Reasons Suppliers Decided to Implement B2B eCommerce



Satisfaction with B2B eCommerce Solutions Growing

Data from this year's survey also seems to indicate that as the B2B eCommerce market evolves, overall satisfaction with current solutions is also improving. 77% of this year's survey's respondents have expressed satisfaction with their B2B eCommerce solution, compared to only 52% from 2016.

FIGURE K. Supplier Satisfaction with B2B eCommerce Solutions: 2016 vs. 2018



Satisfaction levels are expected to increase as B2B eCommerce vendors continue to improve their offerings, closing the gap between eCommerce experiences in B2C and B2B.

B2B ECOMMERCE IS MAKING GREATER IMPACTS ON BUSINESSES ACROSS INDUSTRIES.

Manufacturers and distributors across industries are seeing measurable results from their B2B eCommerce investments, including larger, more frequent orders, upsells, cost reduction, and customer reactivation. What's more, these results have grown in impact over the last several years due to buyers' increased comfort with placing orders online and improvements in B2B eCommerce features and functionality.

With respect to average order size, 60% of respondents say that after rolling out online ordering, customers are placing larger orders. 73% also report that their customers are placing orders at a higher frequency, while in 2016, this number was reported at only 45%. Given the dominance of online ordering in B2C, it is not surprising that the B2B buyer is more comfortable with more frequent online purchasing in the workplace as well.

Due to growing internal competencies in B2B email marketing and increasing sophistication in the ability of today's B2B eCommerce platforms to drive upsell and cross-sell, online ordering is also improving product discoverability. 76% of respondents state that they have noticed customers discovering new products and/or new product categories when they browse online, compared to only 50% in 2016.

75% of respondents state that they now have a segment of customers that places orders online only, reducing the overall costs associated with serving them. Finally, 53% of respondents noticed previously inactive customers coming back to place orders again after launching their B2B eCommerce offering. In 2016, this number was only 38%. Given the prevalence of consumer eCommerce over the last decade, manufacturers and distributors are not only losing customers if they don't provide online ordering, they're also seeing those customers return when they do finally implement B2B eCommerce technology.

FIGURE L. *The Growing Impact of B2B eCommerce*



B2B ECOMMERCE IS DRIVING CUSTOMER EXPANSION.

Driving new business remains a top strategic priority for manufacturers and distributors. In fact, when asked about the sales rep functions that are most important to their business, [suppliers ranked new customer acquisition on top.](#)

In addition to a strategic focus by sales reps on customer expansion, survey findings indicate that B2B eCommerce is also a major force in driving new business, with 73% of respondents with online ordering in place reporting that their customer base has grown since implementation.

FIGURE M. *The Impact of B2B eCommerce on Customer Expansion*



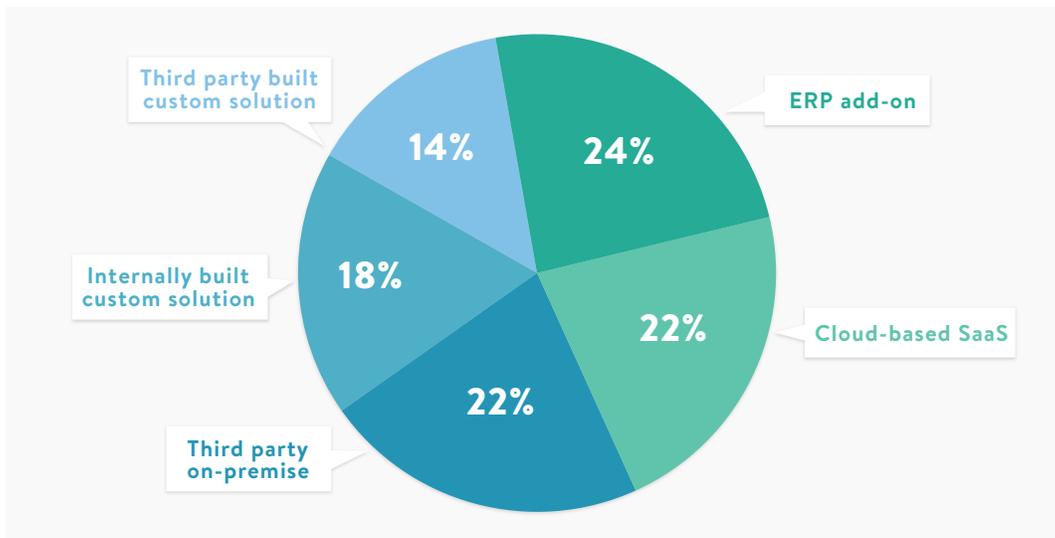
There is a unique opportunity for manufacturers and distributors **with** field sales reps to leverage B2B eCommerce for replenishment orders, re-focusing sales reps away from routine order writing and toward strategic tasks like customer expansion and product education. B2B eCommerce also allows suppliers to reach customers outside of the territories that are currently being served in-person by reps.

For manufacturers and distributors **without** field sales reps, the need for B2B eCommerce as a function of customer expansion is particularly significant, as there is often no in-person, on-the-ground effort directed towards opening new accounts. If these suppliers are successful in driving new traffic to their B2B eCommerce portals, they will be able to expand their customer base accordingly.

THE B2B ECOMMERCE MARKET IS FRAGMENTED, WITH MANUFACTURERS AND DISTRIBUTORS MOVING AWAY FROM CUSTOM-BUILT SOLUTIONS.

Upon closer examination of the 51% of manufacturers and distributors who currently have B2B eCommerce in place, it's clear that today's B2B eCommerce solutions marketplace is fragmented. 24% of respondents are using an ERP add-on solution, 22% invested in cloud-based, Software-as-a-Service solutions, and 22% have implemented an on-premise solution that is deployed and managed internally.

FIGURE N. Market Penetration of B2B eCommerce by Solution Type



Trailing behind are custom solutions--systems built both internally and by third parties. The B2B eCommerce market is in a state of transition, as new technologies emerge and improve, pushing suppliers away from the custom-built solutions that were once their only option.

Given the advancement of B2B eCommerce software features and performance, manufacturers and distributors are looking to leverage the expertise of third-party, off-the-shelf B2B eCommerce providers.

The biggest opportunity lies within the SaaS segment. These out-of-the-box solutions are providing modern B2B eCommerce experiences with low barriers to entry for not only larger Mid-Market and Enterprise businesses, but small businesses as well. With easier implementation processes and a lower total cost of ownership than on-premise and ERP add-on solutions, SaaS B2B eCommerce offerings will continue to proliferate over the next several years.

SAAS B2B ECOMMERCE PROVIDES THE MOST MODERN, COMPREHENSIVE BUYING EXPERIENCE.

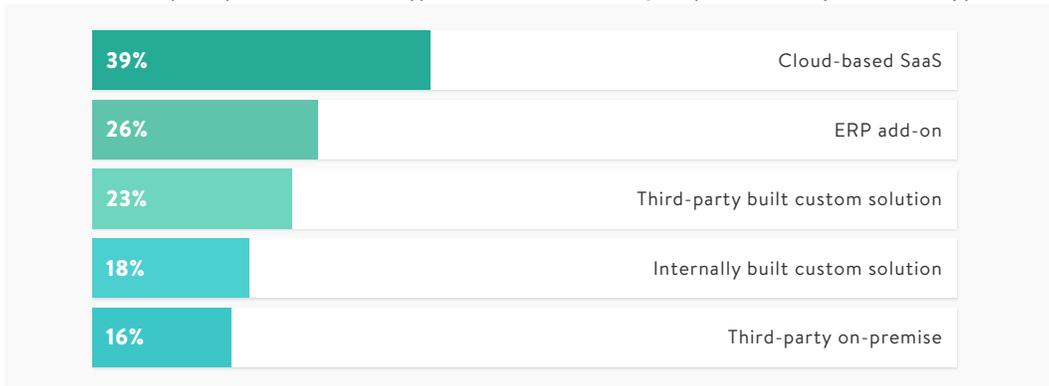
On the topic of SaaS B2B eCommerce solutions, survey findings indicate that this category is currently offering the most modern and B2B-specific online ordering experiences.

80% of respondents using SaaS B2B eCommerce solutions report that their customers perceive their online ordering technology as modern, compared to a 73% average when factoring in all solution types.

With respect to mobile buying, SaaS also offers the strongest B2B user experience when compared to their on-premise, custom-built or ERP add-on counterparts. SaaS solutions are among the few solution types that more commonly offer native mobile applications, technologies optimized for the device operating system, allow for use of the device camera and contact list, and function offline. Placing orders even without data connectivity is especially important in B2B, where buyers may not have reliable Internet access.

39% of respondents with a cloud-based SaaS B2B eCommerce solution reported that customers can place orders from a mobile device offline. This compares to 16% of people using a third-party on-premise solution, 18% of people using solutions built internally, 23% using solutions built by third party developers, and 26% using ERP add-ons.

FIGURE O. % of Respondents with Offline Mobile Ordering Capabilities, by Solution Type



SaaS solutions are also more tailored to the needs of B2B-specific ordering workflows. 79% of respondents using SaaS B2B eCommerce report that their solution can accommodate customer-specific pricing. 85% of these respondents also reported that their solution can display inventory levels, and 82% agree that their solution can represent their buyer workflows overall.

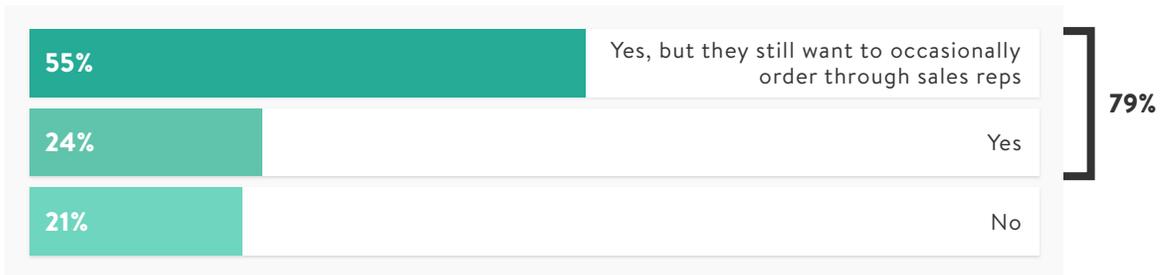
FIGURE P. B2B-Specific Workflow Accommodation of SaaS B2B eCommerce



B2B ECOMMERCE ADOPTION CHALLENGES ARE LIKELY DUE TO USER EXPERIENCE GAPS.

79% of survey respondents stated that the B2B buyer has a clear preference for placing orders online.

FIGURE Q. Do your customers prefer placing orders online?



Despite this obvious preference, however, suppliers are still struggling with buyer adoption of their B2B portals, pointing to user experience gaps that discourage buyers from ordering online.

When asked directly about the challenges they've faced with their B2B eCommerce solution, adoption came out on top, with 45% of respondents stating that not enough customers are placing orders through their portal.

Respondents also expressed concerns that point to key deficiencies in their B2B eCommerce solutions. 24% of respondents stated that their portal lacks required customizations, and a combined 46% said that their buyers either don't think that their B2B eCommerce experience is user-friendly or complain about the performance of their portal.

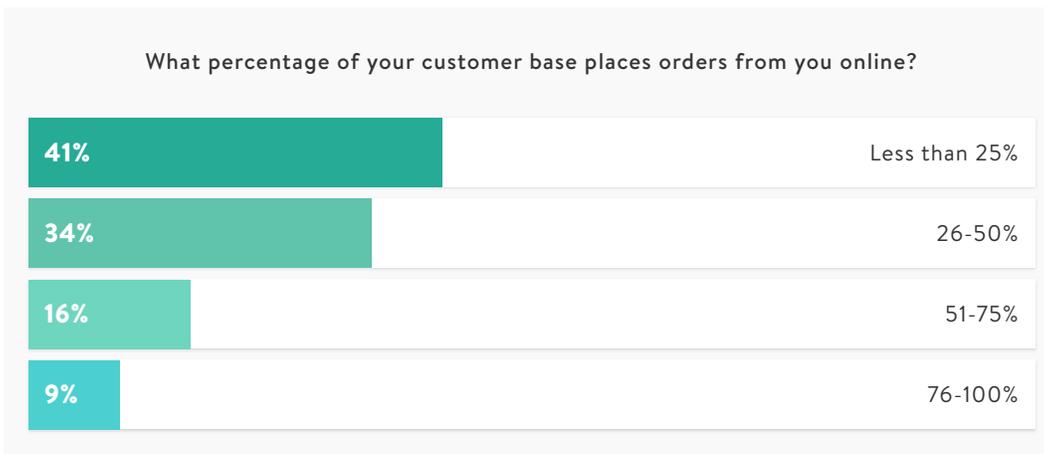
It's clear that these reported user experience issues directly fuel B2B buyers' ability and willingness to place orders online.

FIGURE R. Challenges Suppliers are Experiencing with B2B eCommerce



When looking at the raw adoption percentages, the story remains consistent—41% of respondents have less than 25% of their customer base placing orders online, and only 25% of respondents could say that more than half of their customers are placing orders online. Only 9% of respondents have very strong adoption, with more than 75% of their customers placing orders via B2B eCommerce portals.

FIGURE S. B2B eCommerce Buyer Adoption



Suppliers out of touch with B2B buyer expectations

Furthermore, suppliers are reporting levels of satisfaction with their B2B eCommerce solutions that may indicate that they are unaware of—or simply not taking action on—user experience gaps in their current offering.

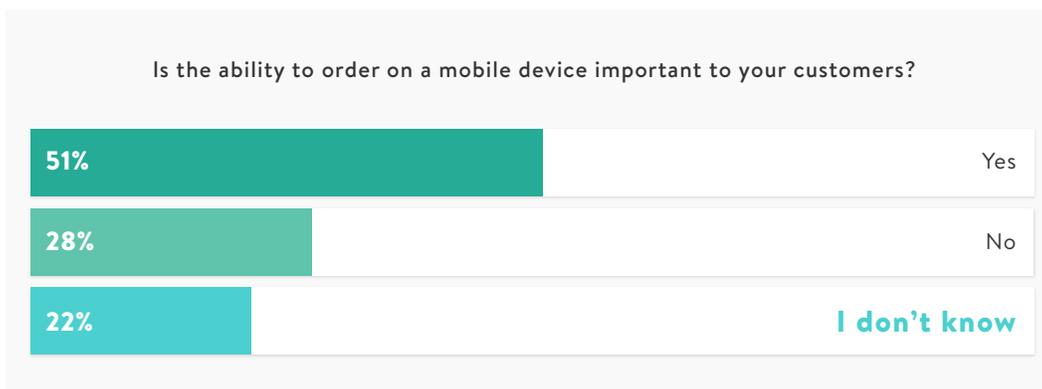
Despite the low adoption and feature gaps reported above, 77% of respondents still say they are satisfied with their B2B eCommerce solution, and 73% believe their solution is up-to-date.

This lack of alignment is not surprising, as many manufacturers and distributors are entrenched in legacy B2B eCommerce systems that are difficult to walk away from after years of investment. However, suppliers must audit and update these systems if they expect adoption to improve.

Suppliers unaware of customers' mobile buying preferences

Another likely contributor to suffering adoption rates is the general lack of awareness of some suppliers regarding their customers' ordering preferences. 22% of survey respondents did not know if ordering from a mobile device is important to their customers.

FIGURE T. Supplier Perception of B2B Buyer Mobile Ordering Preference

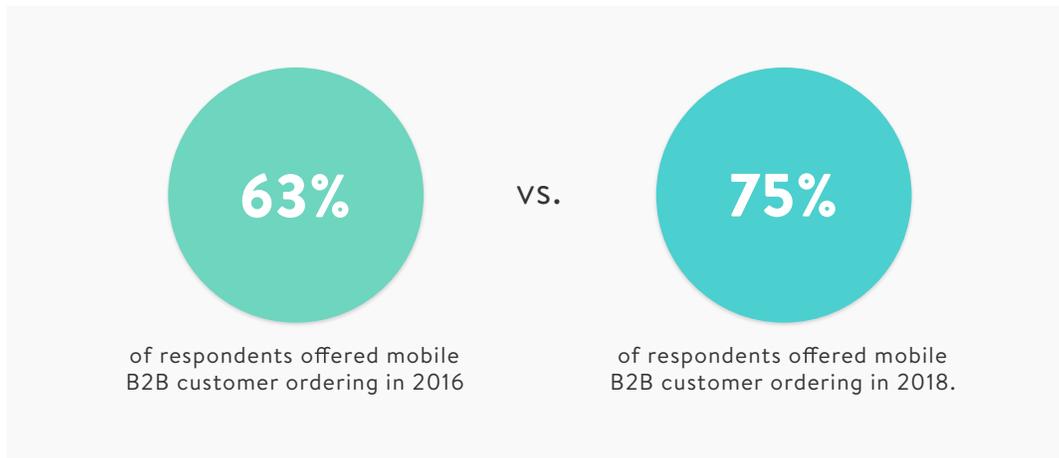


Consumer mobile technology is entrenched in modern life, and for suppliers in this segment who do not currently offer a mobile ordering option to their buyers, adoption will continue to be a challenge.

MOBILE WEB BROWSING REMAINS THE DOMINANT MOBILE ECOMMERCE EXPERIENCE IN B2B.

Mobile commerce in B2B is on the rise, with 75% of respondents stating that customers can place online orders from a mobile device, up from 63% of respondents in the 2016 survey.

FIGURE U. Market Penetration of Mobile Customer Ordering: 2016 vs. 2018



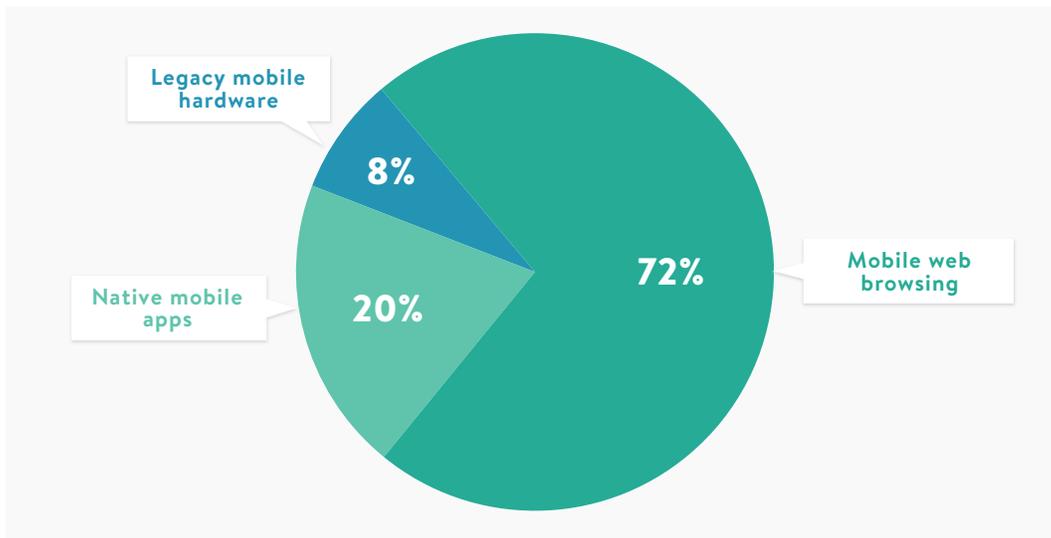
Looking more closely at the types of mobile experiences manufacturers and distributors are providing to their B2B buyers, however, it's clear that easy-to-use native mobile experiences are rare. Only 20% offer native mobile applications for their buyers to place orders, while 72% require customers to access their portal from a mobile web browser.

To clarify the distinction between these mobile experiences, a native mobile application is an app developed specifically for use on a mobile device, usually downloaded via app stores online or app marketplaces.

A mobile web experience, on the other hand, involves simply accessing a B2B eCommerce portal from a mobile device's web browser, even though it was originally designed for a desktop computer. Unlike native mobile apps that function offline, these mobile web experiences are subject to interruptions in Internet connectivity.

In addition, 8% of respondents do not even have a way for buyers to place orders on consumer mobile devices. Instead, they are still using legacy mobile hardware devices rather than smartphones and tablets.

FIGURE V. Market Distribution of Mobile B2B Buying Experiences



These numbers only differ slightly from the 2016 survey, where 75% of respondents were offering mobile web browsing, 17% were offering native mobile applications, and 8% had legacy mobile hardware, **showing that mobile remains a critical opportunity for differentiation.**

The dominance of mobile web browsing isn't surprising given the complexities of native mobile development, as very few entrenched B2B eCommerce vendors currently have a native mobile offering on the market.

With the emergence of SaaS B2B eCommerce solutions, however, manufacturers and distributors that choose not to implement native mobile ordering applications are leaving a significant opportunity on the table. Buyers continue to express a preference for native mobile experiences, and as detailed in the next section of this report, **suppliers that provide a superior mobile offering are seeing higher adoption rates than their peers.**

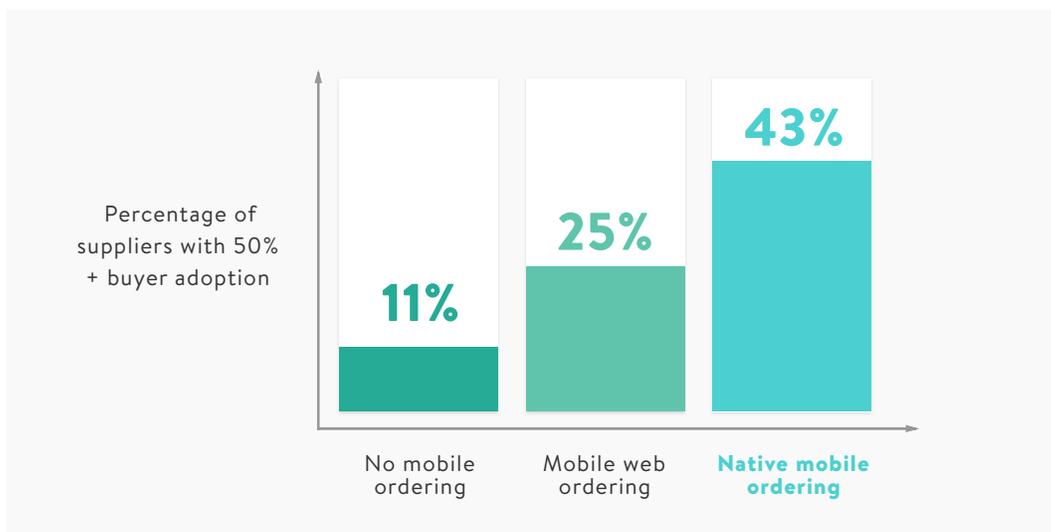
NATIVE MOBILE OFFERINGS DRIVE GREATER CUSTOMER ADOPTION OF ONLINE ORDERING.

Survey results indicate that a B2B eCommerce offering that includes a mobile option can positively impact adoption rates, particularly when the offering includes a native mobile application.

For respondents who currently have a B2B eCommerce solution that allows their buyers to place orders through a mobile web browser, 25% are seeing adoption rates of over 50%. For suppliers who offer no mobile option, the adoption rate drops significantly—to only 11%.

Most notable, however, is the impact of a native mobile ordering app on adoption. 43% of suppliers who offer a native mobile app as their mobile option are seeing more than half of their customers placing orders online.

FIGURE W. Impact of Mobile Buying Experience on B2B eCommerce Adoption Rates



With better performance, reliability, and offline access, native mobile apps provide a superior mobile buying experience than mobile web. Given the clear connection between user experience and B2B eCommerce adoption, it is no surprise that suppliers with a native app are seeing higher adoption rates than their peers.

CONCLUSION & KEY RECOMMENDATIONS

Amidst growing B2B buyer expectations for a faster, easier ordering experience, manufacturers and distributors are investing in technology to improve both their in-person and online sales channels. This digital transition is not without its challenges, as suppliers are slow to implement solutions for their reps and struggle with customer adoption of their online ordering portals.

With this in mind, here are the three key recommendations that manufacturers and distributors must commit to in order to stay competitive in 2018 and beyond.

1. Enable sales reps with mobile order writing technology for maximum results in the field.

Among the 93% of manufacturers and distributors with field sales operations, there is a huge opportunity to gain efficiency and drive more results from the full-service sales channel.

While only one third of the market has implemented order writing technology for their sales reps, this segment has seen dramatic results, including better information access, faster order writing and fulfillment, and reduced cost-to-serve.

With respect to type of software, the market is fragmented, but survey data shows that manufacturers and distributors are moving away from antiquated, less user-friendly technologies and moving towards consumer-like solutions like SaaS native mobile apps.

2. Face the buyer adoption problem.

Manufacturers and distributors across all industries complain that not enough buyers are using their B2B eCommerce solutions to place orders online, while at the same time expressing satisfaction with their existing technologies. It is time for suppliers to do a deeper audit of their current solutions to identify the feature gaps and user experience challenges hampering buyer adoption. Survey results indicate that existing solutions are lacking most when it comes to the mobile buying experience.

Until manufacturers and distributors offer a modern buying experience that mimics the powerful eCommerce experiences in B2C, the B2B buyer will continue to avoid placing orders online.

3. Make sure your B2B eCommerce offering includes mobile—specifically, a native mobile app.

Survey findings have demonstrated the power of mobile commerce—specifically, native mobile apps—to positively impact buyer adoption.

While most mobile commerce offerings are only accessed through a mobile browser, suppliers who provide their B2B buyers with a native mobile app are seeing higher adoption rates. 43% are seeing the majority of their orders placed online, versus 25% with mobile optimized web, and only 11% with no mobile offering at all.

Native mobile applications provide a superior experience when compared to their mobile web counterparts, with better performance and speed. They can also leverage key device functionality like the camera and contacts, and can often function offline. If your current B2B eCommerce offering to your customers does not include mobile commerce, you must consider mobile a key opportunity to encourage buyers to place orders online.

ABOUT HANDSHAKE

Founded in 2010, Handshake provides the B2B Commerce platform that helps manufacturers and distributors get closer to their customers with seamless ordering both in-person and online. Handshake Rep is a mobile app for sales reps to write orders and access a digital catalog, inventory, and order history on the go, while Handshake Direct allows your customers to place orders 24/7 on both web and mobile.

If you are interested in learning more about Handshake, please [request a demo](#) from our sales team or contact us using our info below.

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