

salesforce

# TRENDS *in* MANUFACTURING

Insights from 750 leaders on  
future-proofing their business



# What You'll Find in This Report

For the Trends in Manufacturing report, Salesforce Industry Insights surveyed 750 manufacturers worldwide to discover how:

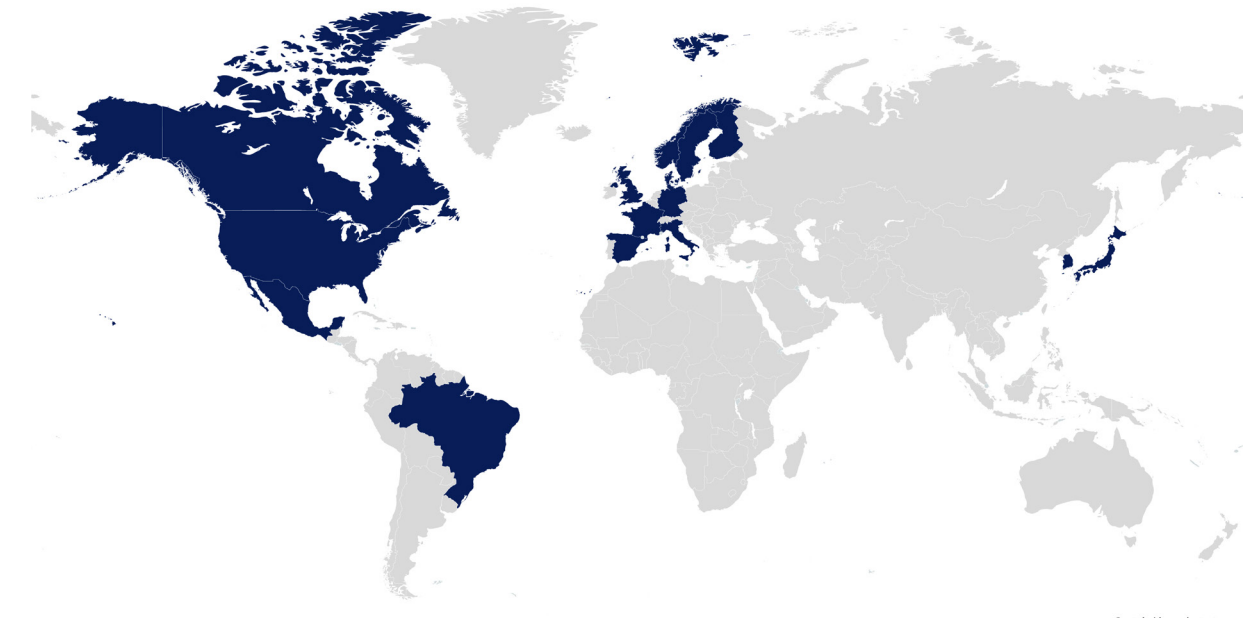
- The uncertainty initiated by the COVID-19 pandemic revealed an urgent need for business agility – as well as an opportunity to reimagine sales and operations planning (S&OP)
- Customer-adjacent roles have been permanently altered by the pandemic
- New business models like servitization are an important part of a Future-Ready manufacturer's strategy

Data in this report is from a double-blind survey conducted from August 29 through September 15, 2020, that generated 750 responses from manufacturing decision makers. Respondents are from North America, Latin America, Asia-Pacific, and Europe. All respondents are third-party panelists (not limited to Salesforce customers). For further survey demographics, see [page 23](#).

Due to rounding, not all percentage totals in this report equal 100%. All comparison calculations are made from total numbers (not rounded numbers).

## Respondent Demographics

Respondents are from North America (250), Latin America (100), Asia-Pacific (100), and Europe (300).



# Respondent Profile

## Categories

### Discrete

#### Original Equipment

**Manufacturer:** Sells complex products, equipment, and assets either direct or through a dealer network

**Distribution:** Sells specification or industry-standard parts through distributors

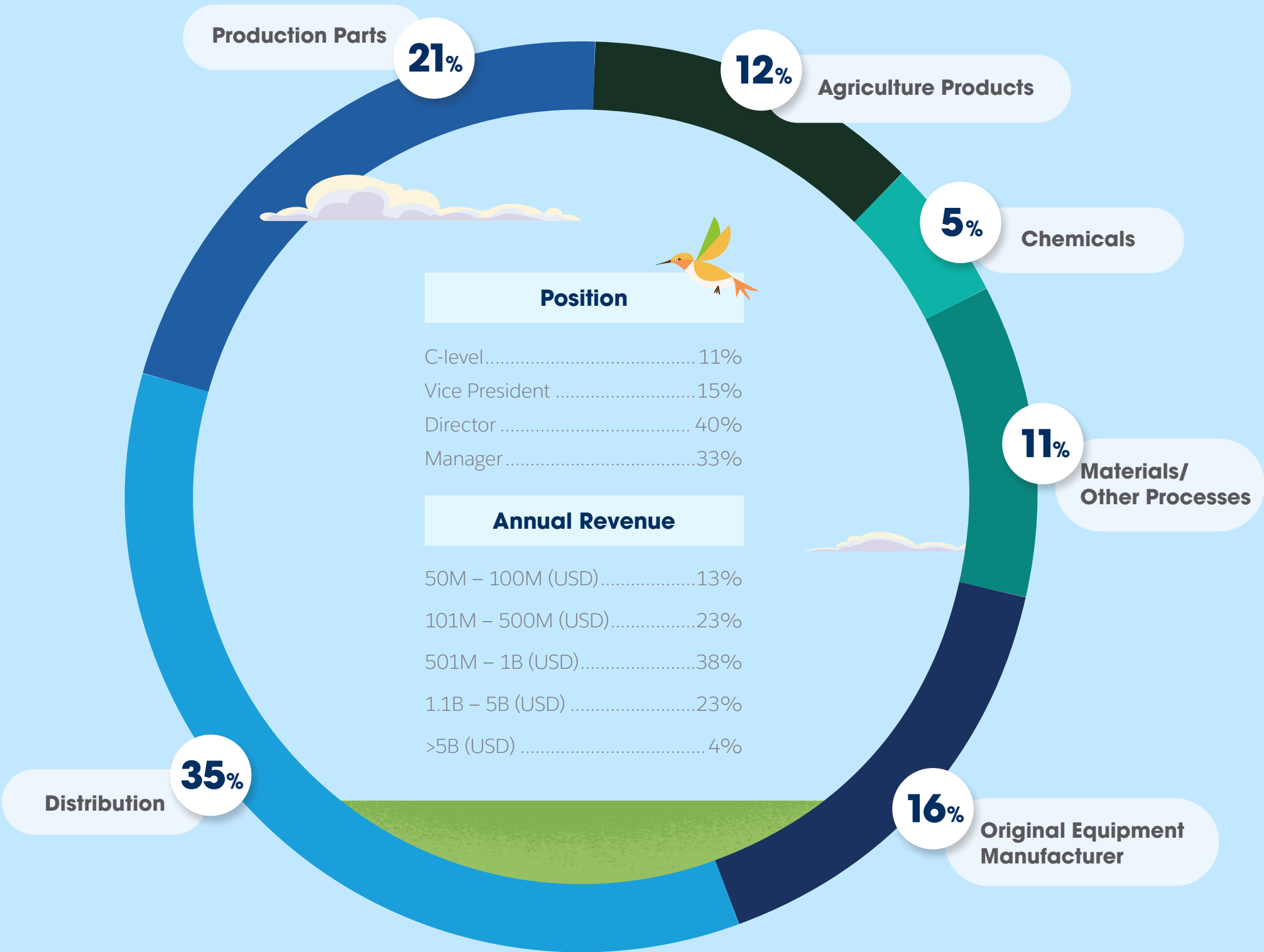
**Production Parts:** Sells engineered parts bespoke to customer use case

### Process

**Agriculture Products:** Sells fertilizer, seed, and other products to growers/producers through distributors

**Chemicals:** Sells industrial chemicals in volume direct or through distribution

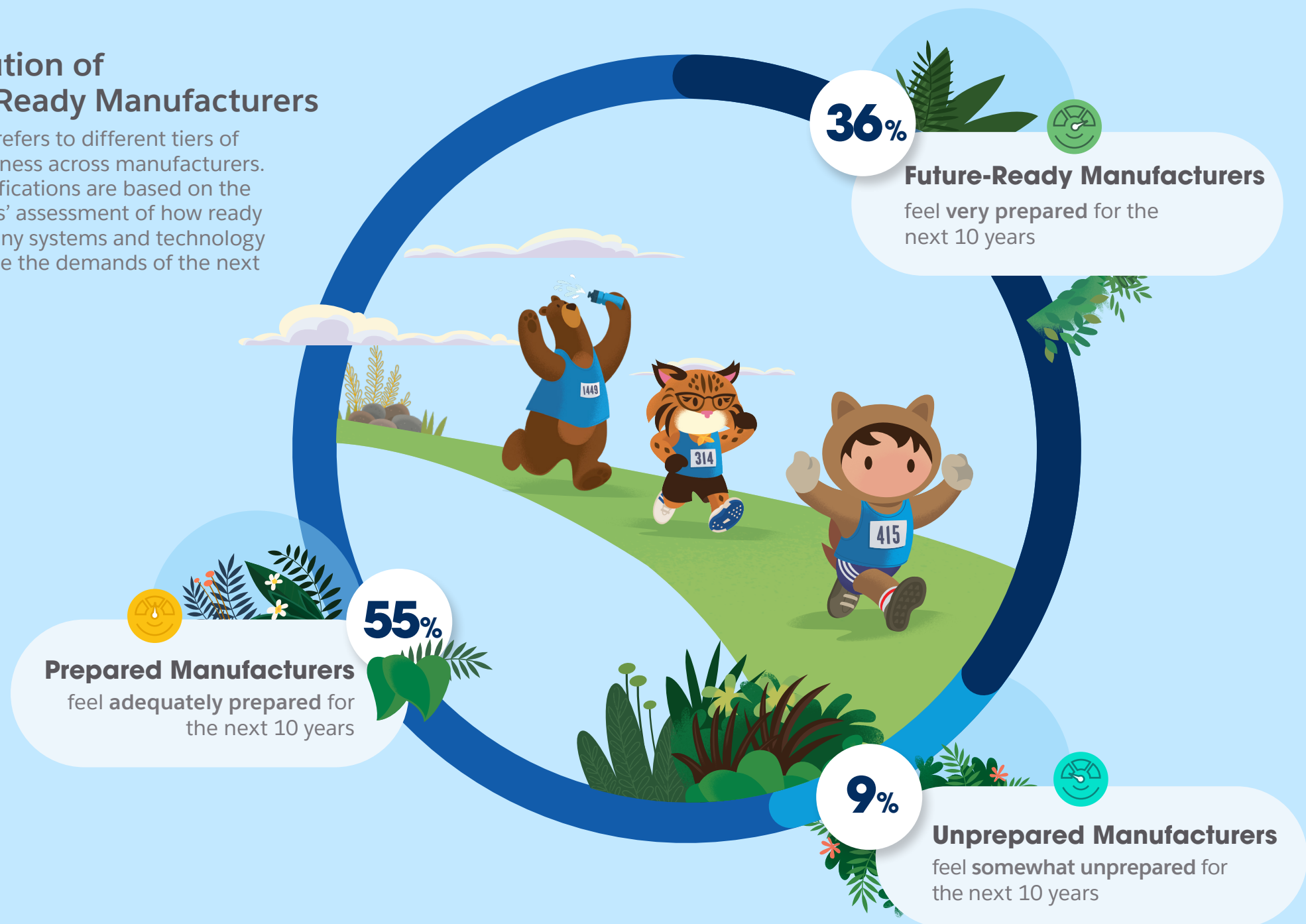
**Materials/Other Processes:** Sells metals, minerals, clays, and other materials



# Future-Readiness

## Distribution of Future-Ready Manufacturers

This report refers to different tiers of future-readiness across manufacturers. These classifications are based on the respondents' assessment of how ready their company systems and technology are to handle the demands of the next 10 years.





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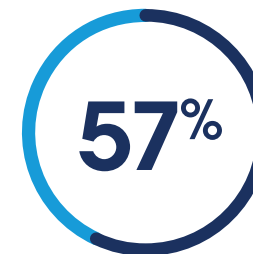
# Executive Summary

Despite manufacturers' best forecasts, no one could have predicted what 2020 had in store. For many manufacturers, the destabilizing force of the pandemic exposed weaknesses along the value chain. It also highlighted opportunities to justify larger-scale change.

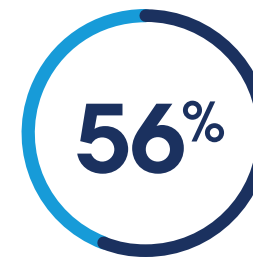
Manufacturers learned that modern-day demand planning requires more sensitivity to what customers are going through, encouraging sales and operations planning processes to evolve in response. These changes are in keeping with the new standard of conducting business: **Over half of respondents believe the changes to customer-facing roles are here to stay.**

To understand the best path forward, we analyzed two groups: manufacturers who felt prepared for the decade ahead (Future-Ready) and those who did not (Unprepared). Although Future-Ready manufacturers weren't immune to COVID-19's disruptions, they were more resilient. What helped? Future-Ready manufacturers made marked progress in making their business operations more agile, including digitizing sales and operations, establishing strong channel partner relationships, and adopting a "service as a revenue center" mindset.

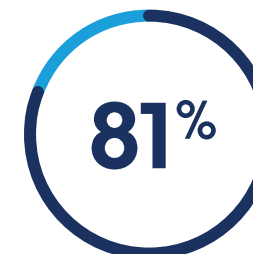
## Key Statistics



of manufacturers say the **changes to sales capabilities are permanent**



of manufacturers say the **changes to customer service capabilities are permanent**



of manufacturers say they need both **new approaches and new tools** for accurate forecasting

**3.5x**

as many Future-Ready manufacturers are able to **react rapidly to market changes** compared to Unprepared manufacturers



# Part I: Manufacturers Adapt to a *New* Landscape



01

## COVID-19 Becomes a Catalyst for Change

The volatility sparked by COVID-19 exposed cracks in many manufacturers' processes, data, and systems across the value chain. Virtually all manufacturers felt the downstream effects from the crisis, and for most, some of these changes will endure.

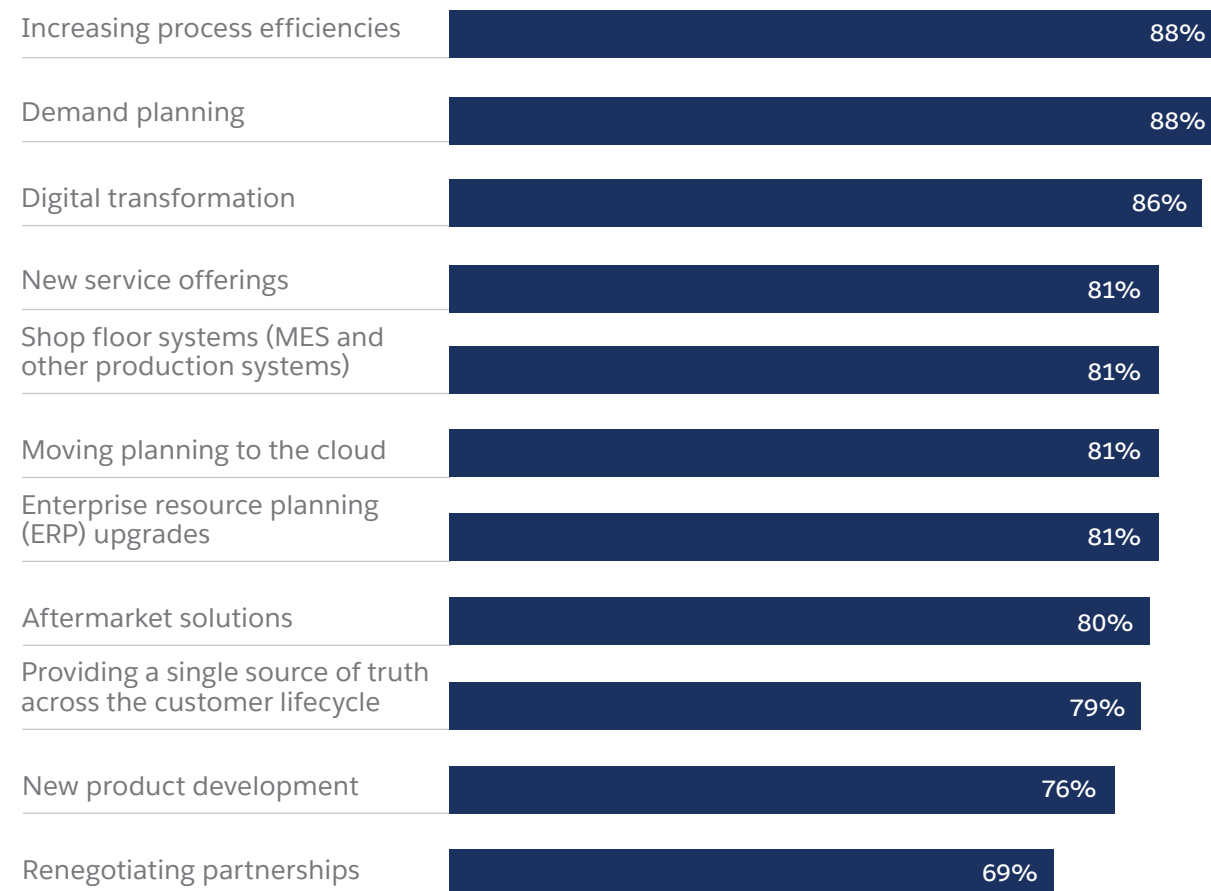
**95%** of manufacturers expect some changes to be permanent.

The persistent nature of this disruption highlights a need, and an opportunity, to rethink business operations in response.

Looking beyond the pandemic, manufacturers seek to refine operations to be more adaptable to market dynamics. C-level executives envision improving demand planning and optimizing processes as top priorities over the next two years, and they see digital transformation as a way to help.

## Manufacturers Prioritize Improving Operations Amid an Evolving Landscape

C-suite executives say the following is critical or high priority over the next 24 months:



“The sustained quarterly changes to our customers’ balance sheets provides an opportunity for more ambitious, fundamental changes beyond quick fixes and incremental improvements.”

**Cindy Bolt**, SVP, Manufacturing, Automotive & Energy Industries, Salesforce



01

## COVID-19 Becomes a Catalyst for Change

While the pandemic affected manufacturers' entire supply chains, supplier and production capacities bore the brunt of the initial impact. Regional supply chain shut-downs created significant disruptions for manufacturers worldwide.

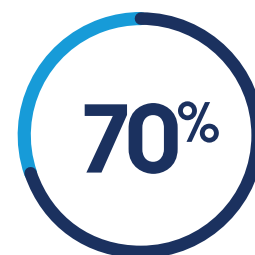
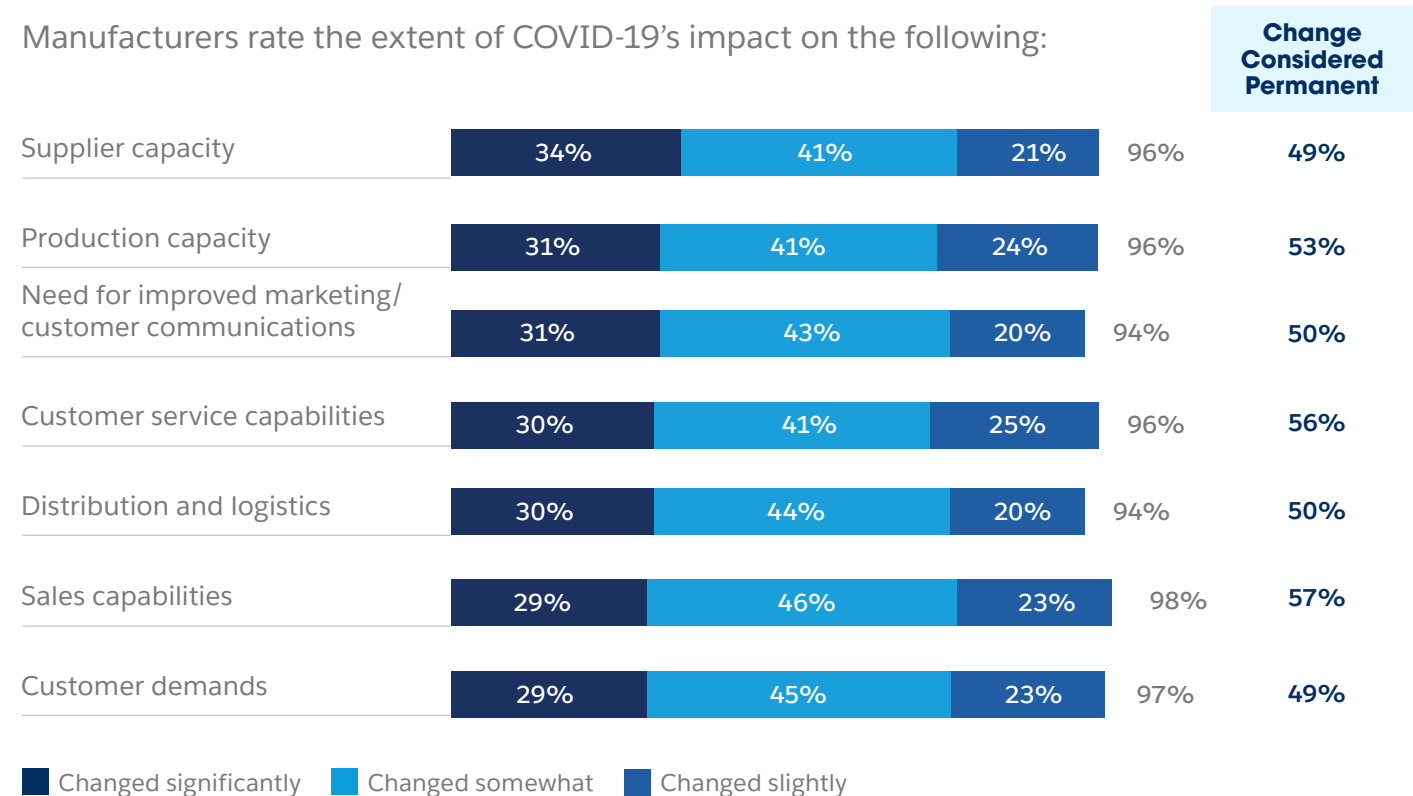
However, the most long-lasting changes are expected in customer-facing roles. **Over half of manufacturers anticipate permanent changes in sales capabilities and customer service as remote selling, ecommerce, self-service, and other ways of doing business take hold.**

A recent survey of sales teams within manufacturing found that the majority of salespeople have had to adapt to brand-new ways of selling – with new responsibilities and metrics for success.\* Quotas based on in-person meetings have given way to video calls and touchless product inquiries. Forecasts created across multiple iterations of locally saved spreadsheets are being replaced by smarter quoting systems. For most manufacturers, the way they sell to and support their customers has shifted for good.

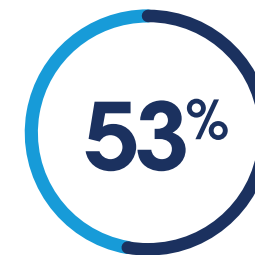
\* "State of Sales, 4th Edition," Salesforce Research, September 2020.

### Customer-Facing Roles Have Changed for the Long Run

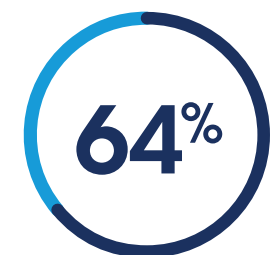
Manufacturers rate the extent of COVID-19's impact on the following:



say their **success metrics** have changed\*



expect their **role** to be permanently changed\*



say they've taken on **new responsibilities** at work\*

## 02

## Changing Customer Demands Challenge Traditional Methods

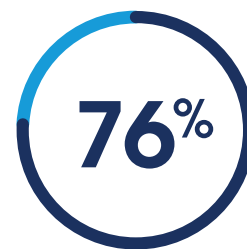
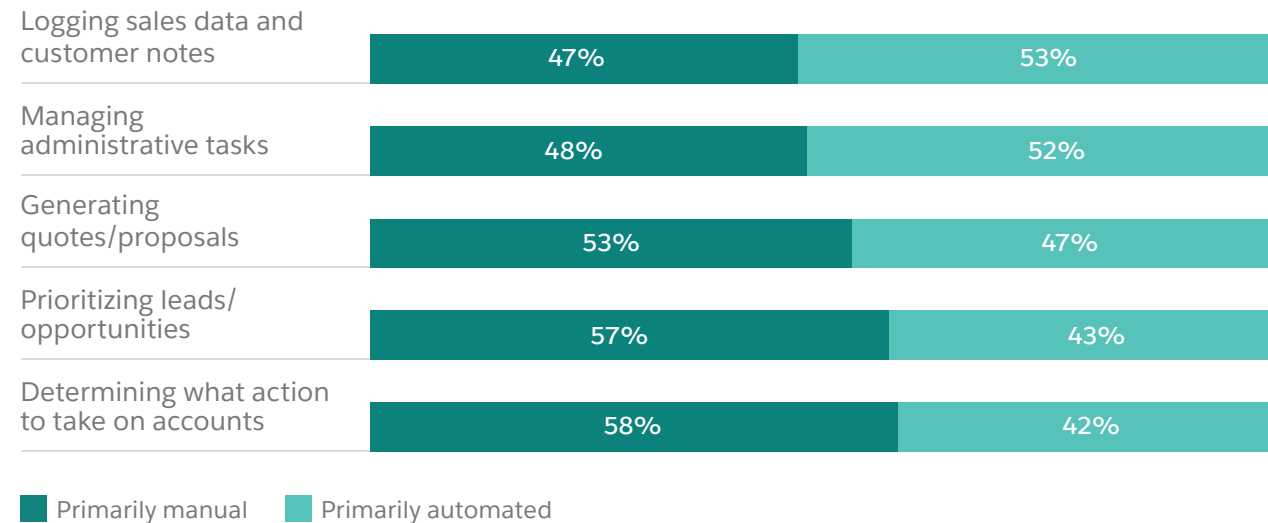
Today's manufacturers face a daunting challenge: improve customer and channel transparency along with forecast precision amid turbulent, uncharted waters. Yet adapting to rapidly changing conditions can be especially challenging without the right tools or processes. **Only 57% of manufacturing salespeople feel confident in their company's ability to quickly adjust to the changing market.\***

Conventional approaches – like using last year's data to predict the future or collaborating on spreadsheets – aren't cutting it. Manufacturers' overly manual approaches to selling are slowing them down. For many manufacturers, yesterday's playbook no longer suffices: 76% of manufacturers agree that traditional forecasting has gone out the window.

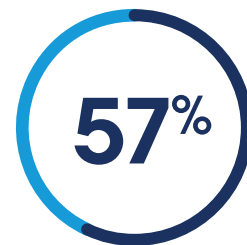
\* "State of Sales, 4th Edition," Salesforce Research, September 2020.

### Parts of the Sales Process Are Still Primarily Manual

Manufacturing salespeople say processes are:



of manufacturers agree “traditional forecasting has gone out the window”



of salespeople feel confident in their company's agility\*



## 02

## Changing Customer Demands Challenge Traditional Methods

Modern-day planning demands greater sensitivity and responsiveness to market dynamics. Quality input from sources close to the customer – like intel from sales reps and service technicians – can help accelerate responses to market conditions.

However, responding quickly can be challenging: 95% of manufacturers apply manual approaches to their forecasting, with less than half of manufacturers using mostly automated tools. Yet the tides are already turning. Only 17% of manufacturers still use primarily manual approaches to forecasting.

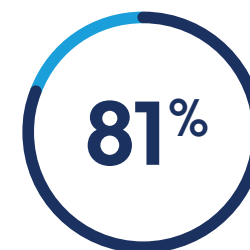
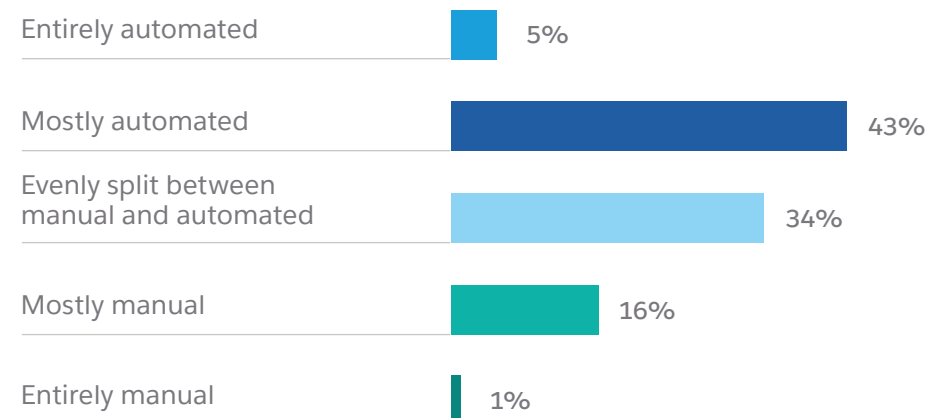
For those still collaborating across various spreadsheet iterations, time collaborating with internal teammates and external partners adds up quickly. About eight in 10 consider moving planning to the cloud an important piece of the puzzle.

The solution according to manufacturers is clear: New approaches and tools are necessary to thrive in the current landscape.

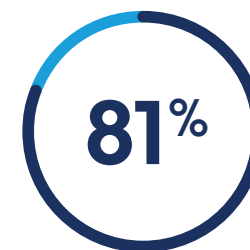
\* “State of Sales, 4th Edition,” Salesforce Research, September 2020.

### Manual Forecasting Approaches Are Unpopular

Manufacturers who say their current forecasting approaches are:



of manufacturers say **they need both new approaches and new tools for accurate forecasting**



say **moving their planning process to the cloud is a critical or high priority**



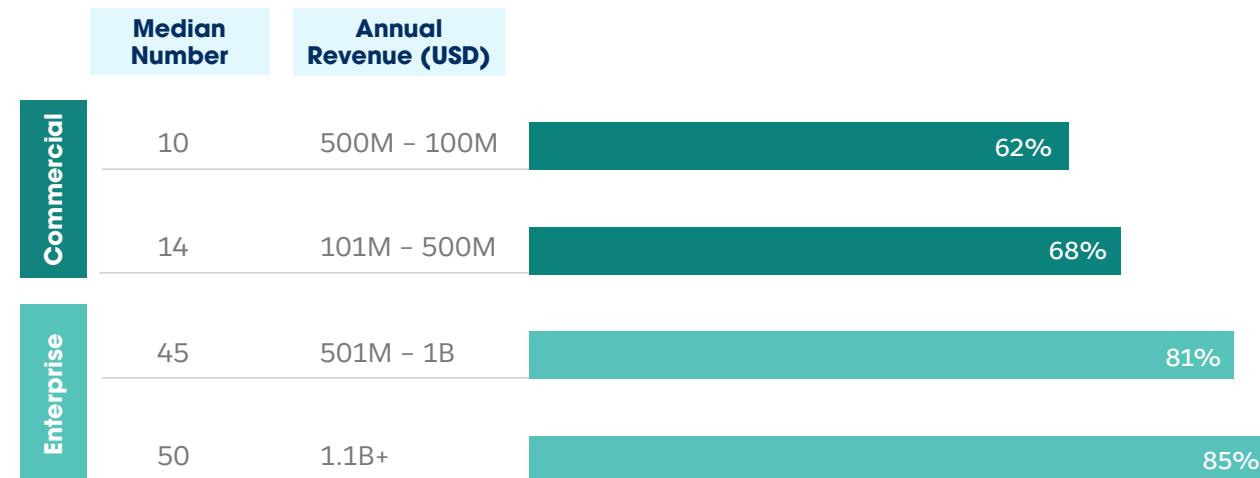
## Spotlight: Enterprises Are Let Down by Traditional Forecasting

Frustrations with traditional forecasting approaches are felt most acutely among larger manufacturers – likely due to the increased complexity associated with enterprise-scale businesses. Draw back the curtain on most large manufacturers and you’re likely to find a tangle of disparate software, broader brand portfolios, larger ecosystems, greater channel arrangements, and deeper silos. Indeed, enterprise manufacturers report using over three times as many systems for sales and operations planning – including ERPs, computerized maintenance management systems (CMMS), accounting software, and spreadsheets – than their commercial-size peers.

The maze of internal systems and teams often found in enterprise businesses can threaten to separate forecasting functions from those in closest touch with customers.

### Traditional Forecasting No Longer Suffices, Especially for Enterprises

Manufacturers who agree or strongly agree that “traditional forecasting has gone out the window,” by annual revenue:



“There’s never been a better time to bring together manufacturing, marketing, sales, and IT teams. Why? Because they’ve already been removed by 2020’s disruptions. The ability to get all teams virtually in the same room, collaborating in the cloud, and creatively solving for unprecedented disruption has presented a massive opportunity for enterprises plagued by silos. Successful enterprises will leverage this to narrow the gap between internal teams and their customers rather than maintain an antiquated status quo.”

**Stephen Driggs**, Director, IT – Sales, Service, HR,  
Stanley Black & Decker



## 02

## Changing Customer Demands Challenge Traditional Methods

The biggest foil to traditional forecast accuracy is a lack of data transparency and accessibility across the value chain. A recent study found that 63% of manufacturing customer/prospect teams cannot access actionable insights in real time.\*

Over **8 in 10** manufacturers admit inaccessible data, legacy tools, and cloistered teams impede their forecasting process.

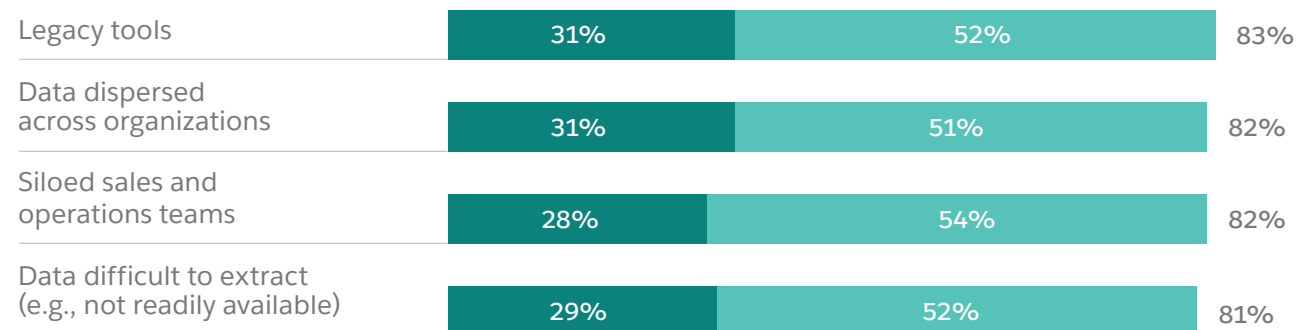
Depending on the department, manufacturers have widely divergent views on their own operational efficiency, exposing an inconsistent perception of the business. **Case in point: Operations teams are two times less likely to feel their organizations react rapidly to market changes than their marketing or sales counterparts.\*\***

\* Forrester Consulting, Manufacturing Spotlight, 2020.

\*\* See Appendix for chart.

## Lack of Data Transparency and Siloed Teams Are Significant Barriers to Accurate Forecasting

Manufacturers rate the following impediments to creating sales forecasts and production schedules:



■ Serious challenge ■ Moderate challenge



03

## Digitized S&OP Is Key to Agile Business Operations

In response, manufacturers have doubled down on digitizing their sales and operations planning to combat silos. The inherent scalability, security, and collaboration capabilities associated with cloud applications have major appeal, particularly when it comes to creating efficiencies. Manufacturers were quick to point out how digitized operations improve product applications (for example, matching product capabilities to customer needs) and time-to-revenue timelines. In times of such rapid change, reaction speed is paramount.

In fact, 77% of those who have moved to the cloud report mostly or entirely automated forecasting processes, enabling them to adapt forecasts quickly to market changes.\* Furthermore, adoption of cloud technologies correlates to future preparedness.

Manufacturers who feel very prepared for the coming decade are 3.5 times more likely than adequately prepared manufacturers to have completely moved sales and operations planning to the cloud.

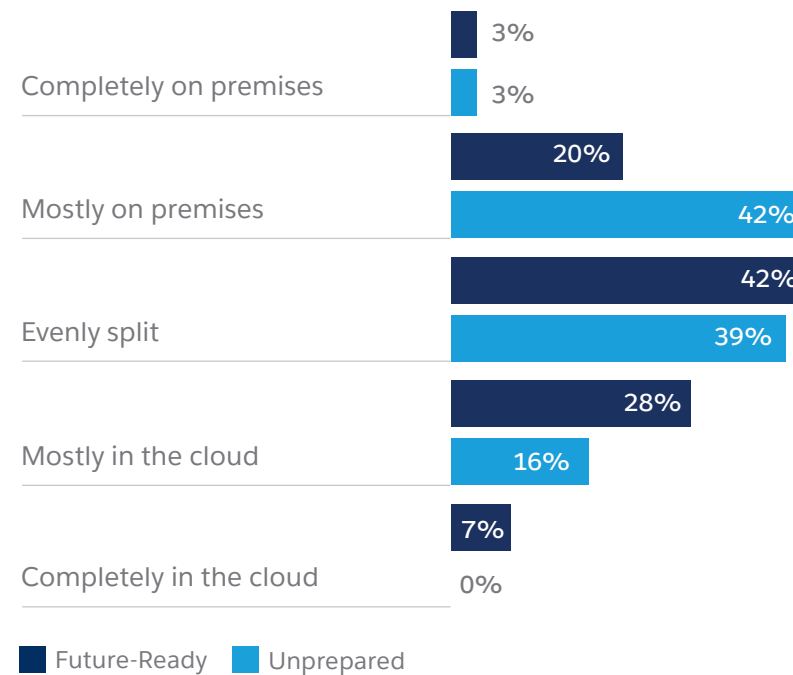
\*See Appendix for chart.

### Digitizing S&OP Improves Responsiveness and Future-Readiness

The top three benefits to digitally transforming sales and operations:

- 1 Respond quickly with new product applications
- 2 Optimize overall inventory
- 3 Reduce time to revenue from launch date

### Location of Sales and Operation Systems, by Future Preparedness



“We were in the midst of our digital journey when the pandemic accelerated everything, including the need to do everything a lot faster.”

**Anthony McCullough**, Director, Global Salesforce CRM & Marketing Automation, AGCO



## Resilience in the Face of Crisis

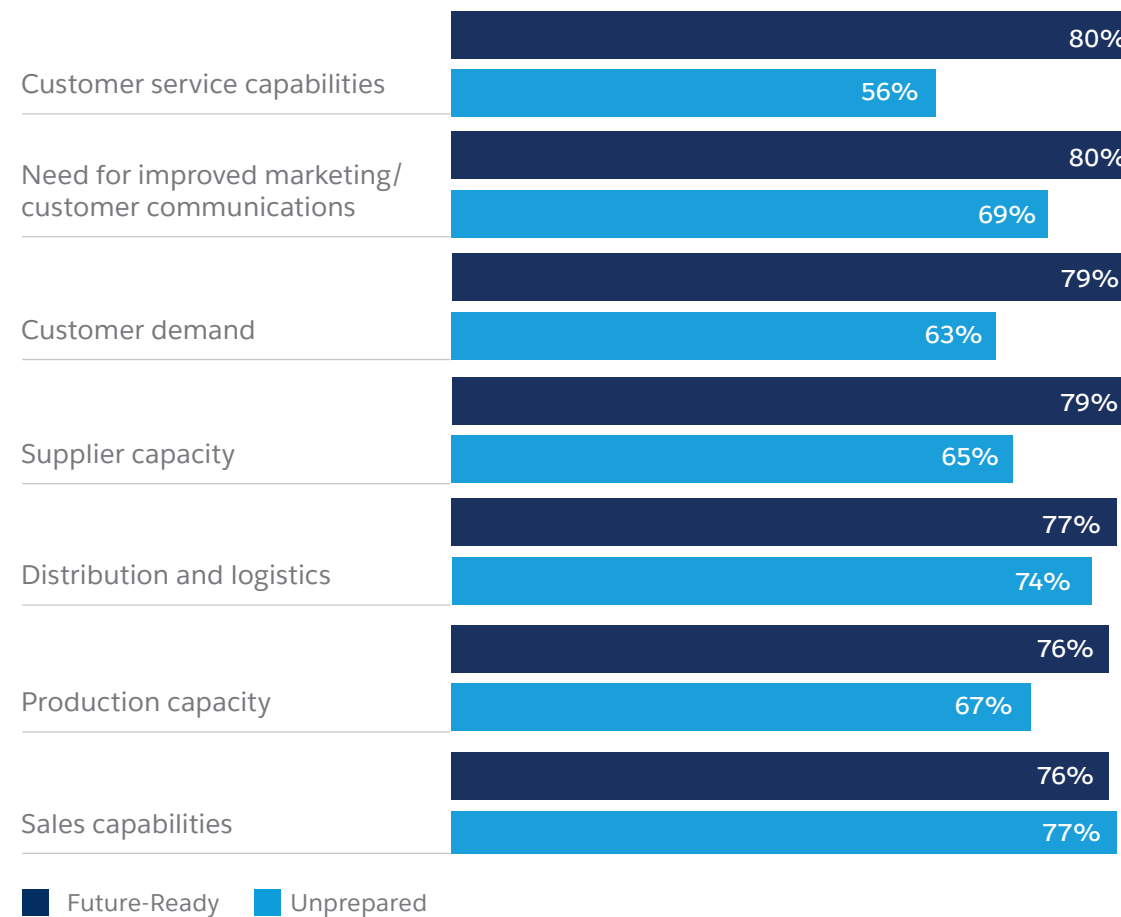
In this new normal, what makes a manufacturer feel more future-ready?

For one, Future-Ready manufacturers reported more changes to their value chain as a result of the pandemic when compared to Unprepared manufacturers. Future-Ready manufacturers contend that the pandemic affected several elements of their business – and more than half believe those changes are permanent. Unprepared manufacturers felt differently: They were at least 20% less likely to cite impacts to their customer demand, supplier capacity, and customer service.

Despite feeling COVID-19's reverberations more intensely, Future-Ready manufacturers are better equipped to rebound. They are nearly three times more likely to react rapidly to market changes than Unprepared manufacturers, indicating more resilience in the face of change. One potential explanation is that Future-Ready manufacturers have a greater ability to sense change in the market and are able to respond faster.

### Future-Ready Manufacturers Are More Likely to Have Adapted Their Business in Light of COVID-19

Elements of the business that have “changed significantly” or “changed somewhat” due to COVID-19:



**84%** of **Future-Ready** manufacturers are able to react rapidly to market changes compared to the rest of the industry. Only **29%** of **Unprepared** manufacturers feel the same way.



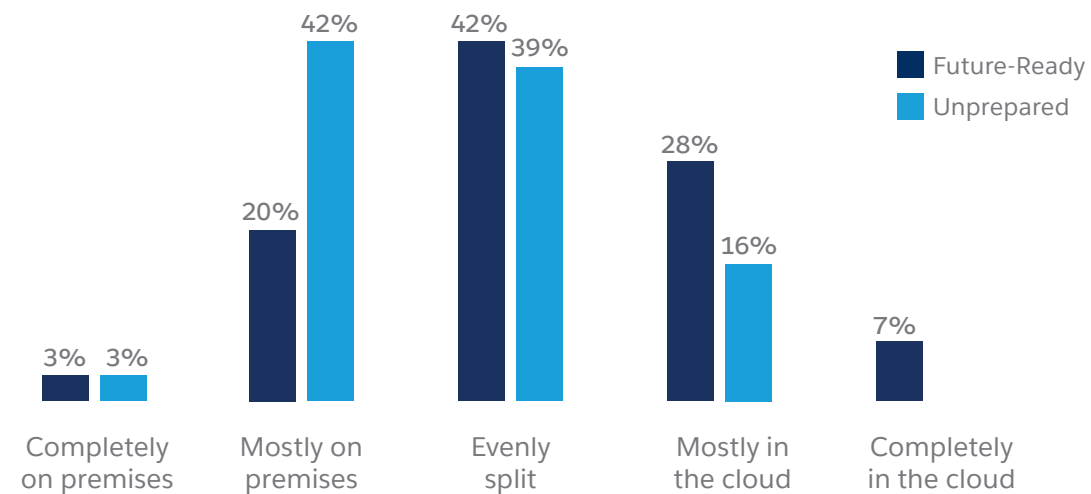
## 05 The Cloud Becomes a Key Ally

Future-Ready manufacturers' resilience may in part be due to their higher cloud use than those who feel unprepared. Future-Ready manufacturers are 2.2 times more likely to have moved their sales and operations systems to the cloud. When we take an even closer look, Future-Ready manufacturers are as much as 2.5 times more likely to have fully migrated specific business-critical systems – like financial planning or demand planning systems – to the cloud. This isn't due to lack of interest. Roughly two-thirds of Unprepared manufacturers expressed a desire to migrate sales and operations to the cloud – they just aren't as far along.\*

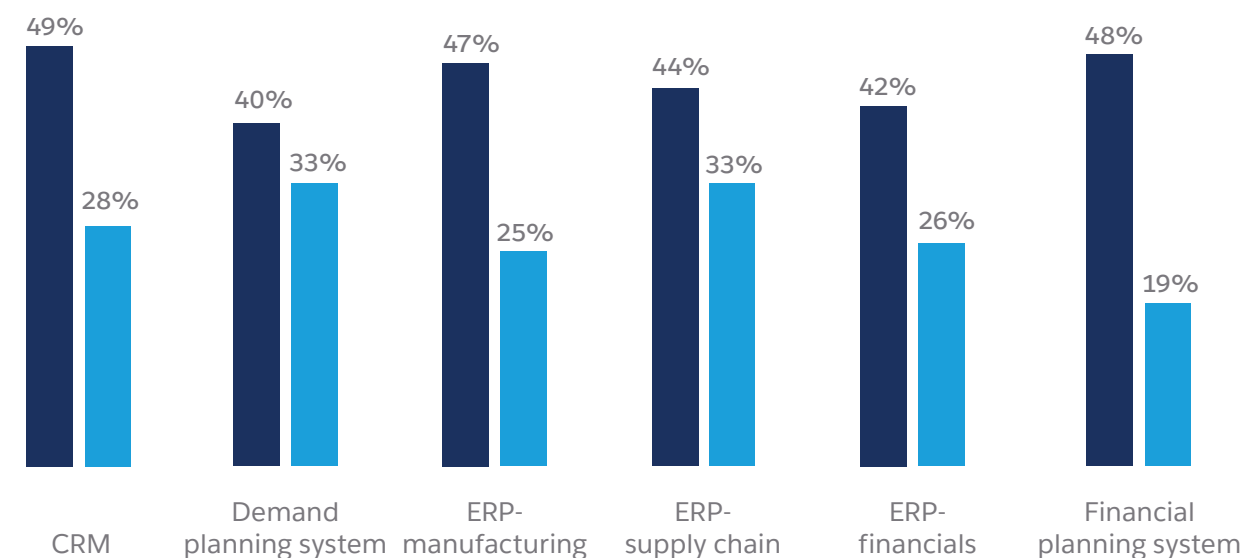
\* "The future of cloud-enabled work infrastructure," Deloitte, September 2020.

### Manufacturers Who Feel “Very Prepared” for the Next Decade Are Already Mostly in the Cloud

Sales and operations systems location:



Sales and operations systems fully migrated to the cloud:



## Channel Partnerships and Collaboration

Channel partners can be a valuable means for expanding into new countries or customer segments.\* At the same time, recent research finds that the ease of doing business is the number one indicator of partner success.\*\* This bodes well for Future-Ready manufacturers, 94% of whom are satisfied or very satisfied with their channel partners.

Future-Ready respondents have invested in the infrastructure to collaborate effectively with channel partners and build a stronger, more collaborative relationship centered around data transparency, co-selling, and co-marketing.

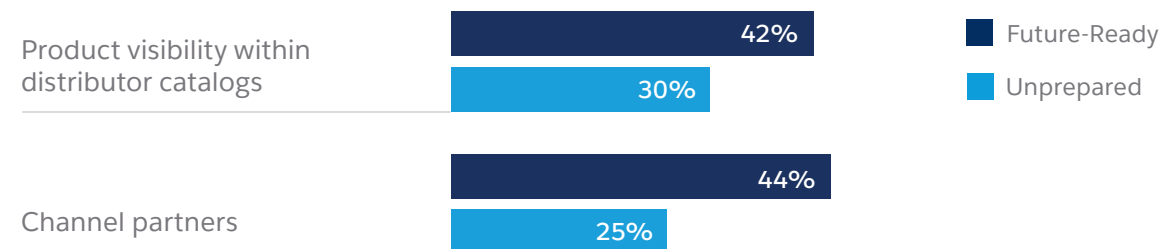
Moving forward, successful channel partnerships will also include sharing insights securely across ecosystems, from manufacturers to dealers to end customers.

\* "Industrial Channel Partners: Whom to Embrace, Who Should Depart?" Bain, 2020.

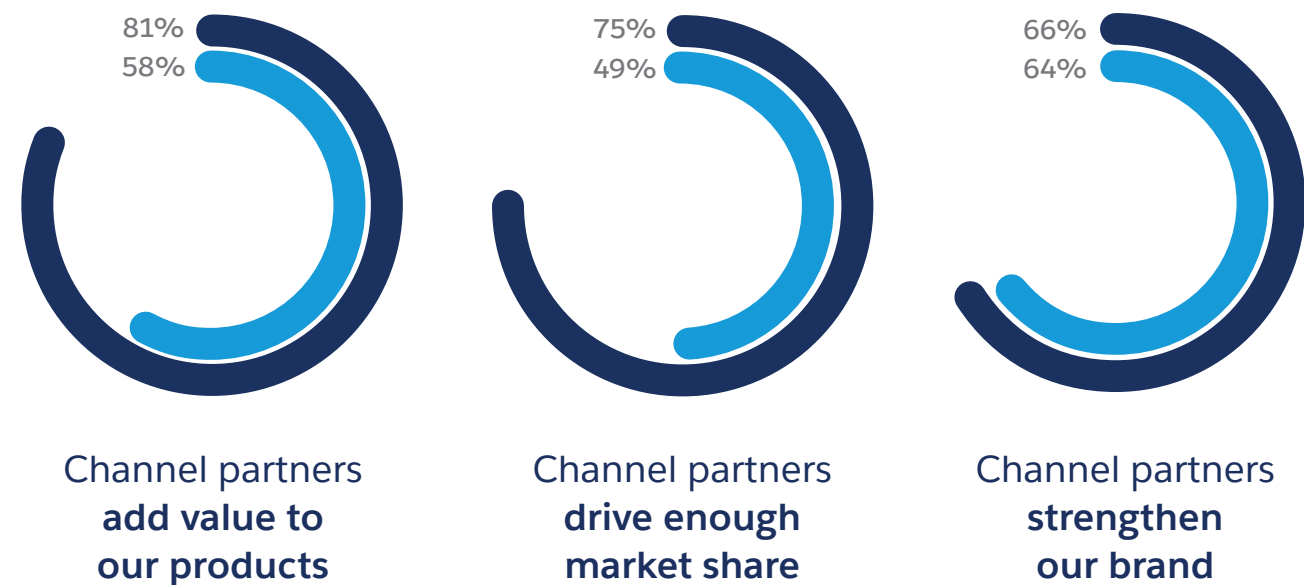
\*\* "Leverage the Channel Management Technology Spectrum," Forrester Research, 2014.

### Future-Ready Manufacturers Cite More Channel Partner Collaboration and Mutual Benefits

Manufacturers rate their channel strategy satisfaction:



Manufacturers share attitudes toward channel partners:



## The “Services as a Revenue Center” Mindset

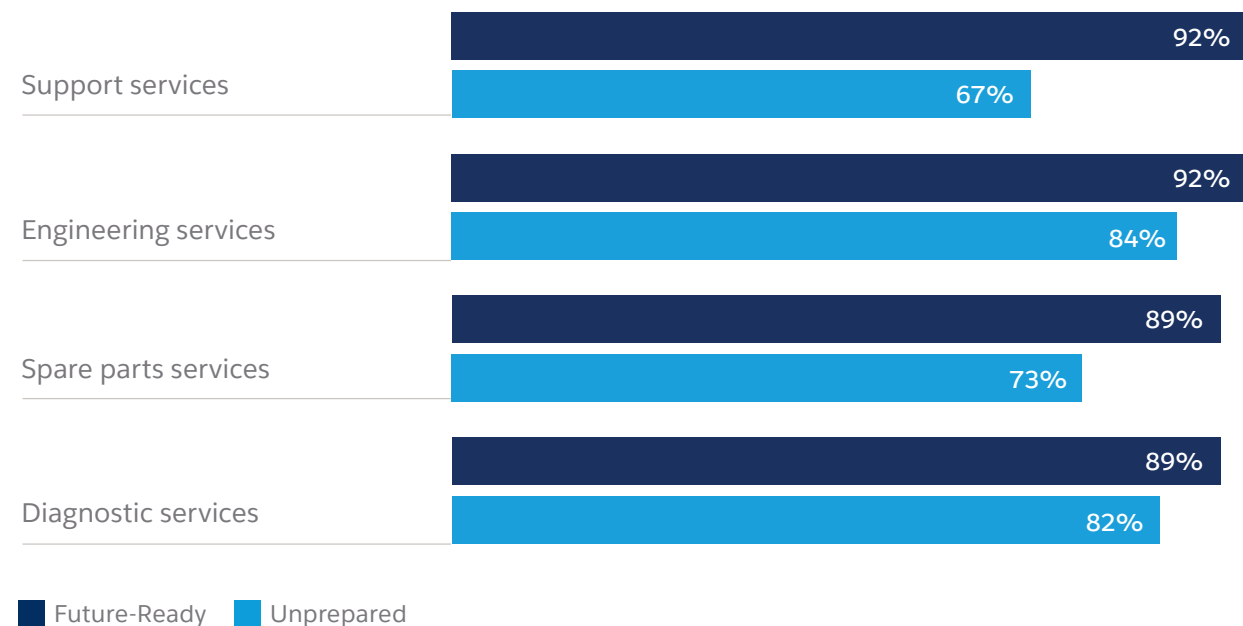
Of course, the sales process doesn’t end at product purchase. Manufacturers have expanded their focus to products’ total lifecycle value, factoring in the cost of the machine itself as well as the number of years of aftermarket parts, tech services, and monitoring services. Aftermarket services like spare parts, diagnostics, and support are all considered important to manufacturers’ value proposition, indicating a “services as a revenue center” mindset.

Future-Ready manufacturers are especially likely to consider aftermarket services an important piece of their value proposition. Twice as many focused on services in their offerings, and upward of 89% of Future-Ready manufacturers consider services very important or absolutely essential to their value proposition.

Unprepared manufacturers are less convinced. Only two-thirds find support services critical to their offerings, suggesting they view services as a cost center rather than a revenue generator.

### Services Are an Important Component of Future-Ready Manufacturers’ Value Proposition

Manufacturers who rate the following services as “absolutely essential” or “very important” to their value proposition:



“When a customer invests a lot of money on industrial tools, they will need to know usage and maintenance history. We’re absolutely going down the path of trying to add digital fingerprints to those products to be able to track and trace those products using smart technology.”

**Jim McTaggart**, President, Enerpac Americas

## 07

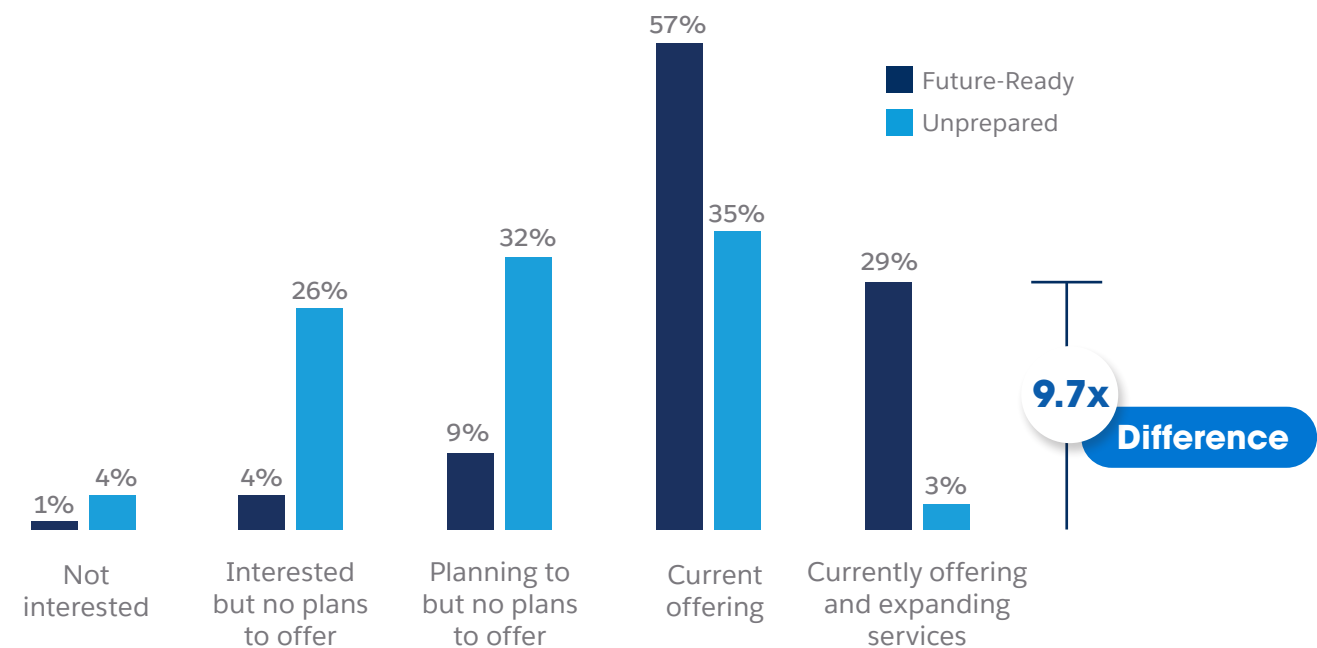
## The “Services as a Revenue Center” Mindset

Future-Ready manufacturers are also more bullish on bundling product, support, software, and other services in a single revenue model – also called servitization.

Nearly 10 times as many in this group are expanding their servitization efforts compared to Unprepared manufacturers. Overall, 86% of Future-Ready manufacturers currently provide servitization options. These new business models, coupled with their progress migrating service systems to the cloud, have positioned Future-Ready manufacturers ahead of their peers.

### Future-Ready Manufacturers Are Already Delivering on Servitization

Manufacturers describe servitization as part of their company strategy:



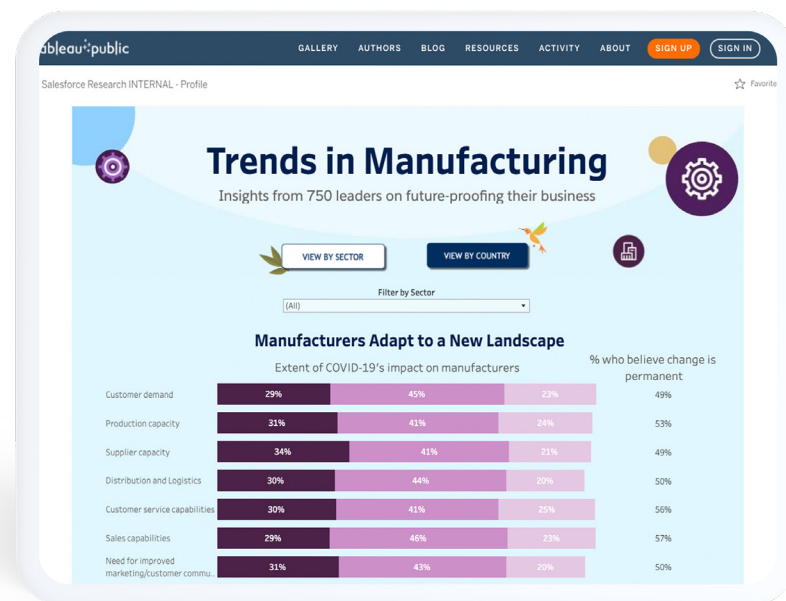
“Selling services effectively requires an adaptable, flexible, and agile infrastructure already in place. Future-Ready companies have already made those investments by moving their service systems to the cloud, consolidating data, and reducing complexity. They are now in a position to really **build a portfolio of services that deliver on customer expectations regardless of market disruption or industry variability.** These are the players advanced enough to fully benefit from servitization (product as a service).”

**Stephen Driggs**, Director, IT – Sales, Service, HR, Stanley Black & Decker



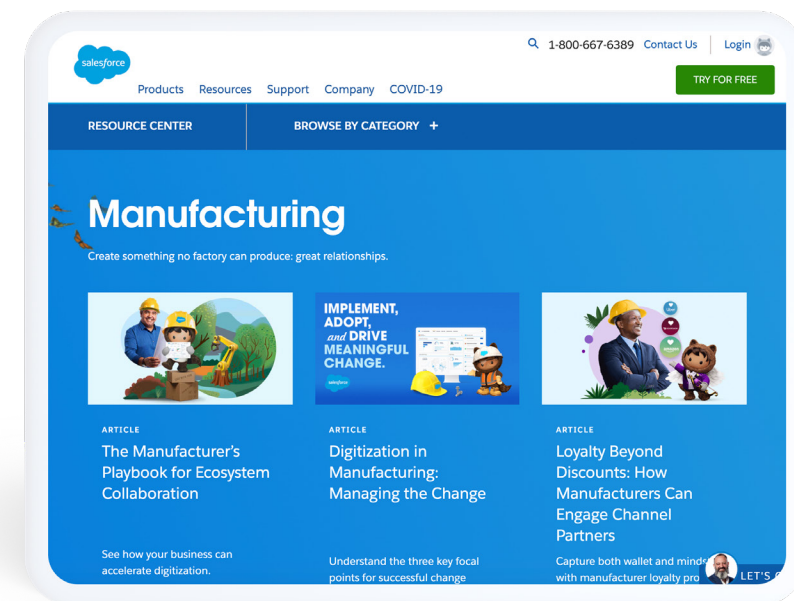
# Want More Manufacturing Insights?

## Segment by Country or Industry



Discover [Trends in Manufacturing](#) with data segmented by country and industry.

## Manufacturing Resource Center



[Learn more](#) about industry trends and Trailblazers in manufacturing.

# Appendix



# Survey Demographics

Go-to-Market Strategy	
Discrete	<b>Original Equipment Manufacturer:</b> Sells complex products, equipment, and assets either direct or through dealer networks..... 16%
	<b>Distribution:</b> Sells specification or industry-standard parts through distributors..... 35%
	<b>Production Parts:</b> Sells engineered parts bespoke to customer use case ..... 21%
Process	<b>Agriculture Products:</b> Sells fertilizer, seed, other products to growers/producers through distributors ..... 12%
	<b>Chemicals:</b> Sells industrial chemicals in volume direct or through distribution ..... 5%
	<b>Materials/Other Processes:</b> Sells metals, minerals, clays, and other materials ..... 11%

Position	
C-level.....	11%
Vice President.....	15%
Director.....	40%
Manager.....	33%

Department	
Operations .....	44%
IT/Technology.....	3%
Sales .....	26%
Marketing.....	9%
Service.....	19%

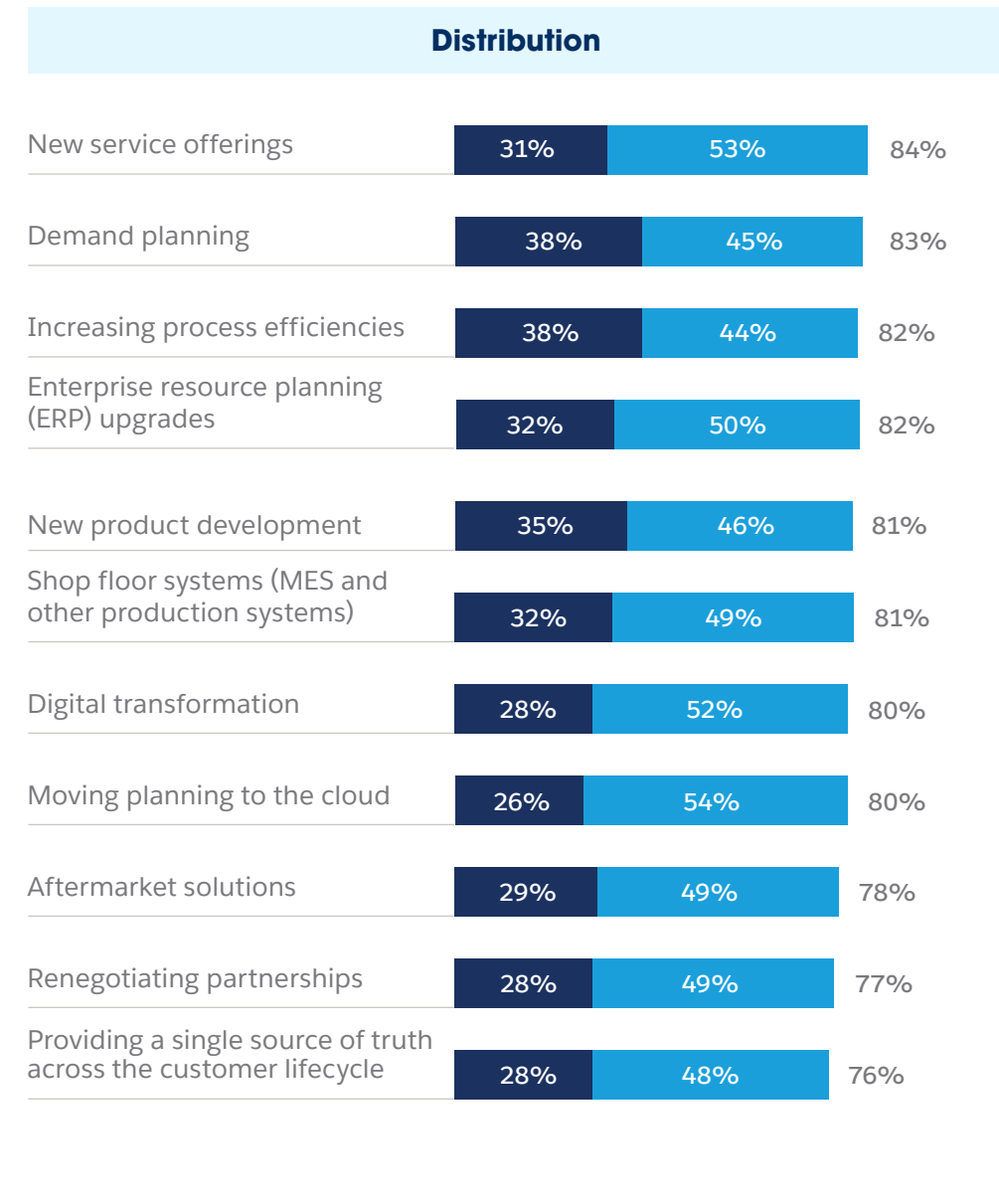
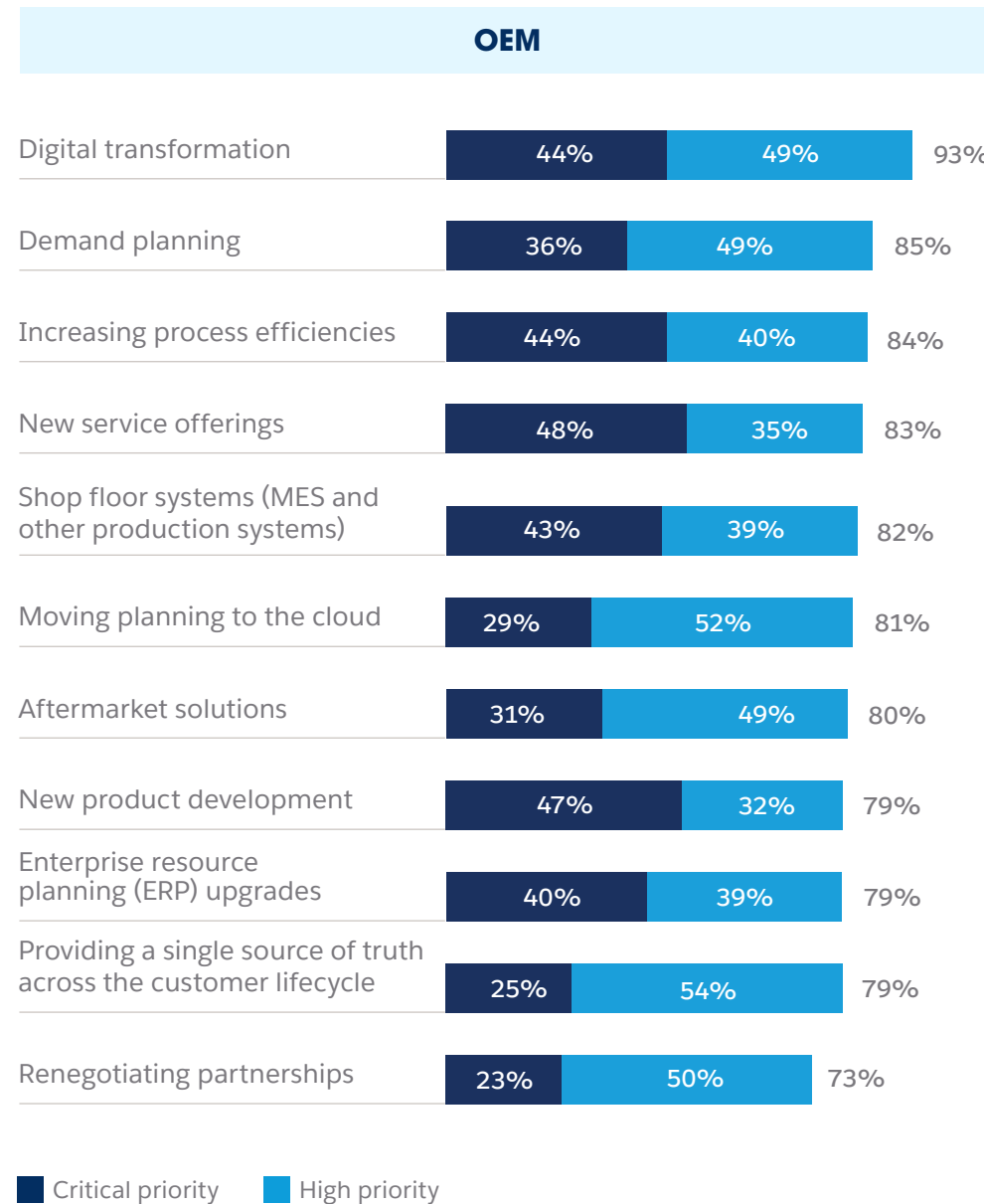
Annual Revenue	
50M – 100M (USD) .....	13%
101M – 500M (USD) .....	23%
501M – 1B (USD) .....	38%
1.1B – 5B (USD) .....	23%
>5B (USD) .....	4%

Channel Sales	
Entirely via distributors.....	1%
Mostly via distributors .....	76%
Evenly split between distributors and end customers.....	3%
Mostly direct to end customers.....	20%
Entirely direct to end customers.....	0%

Region	
NAMER (U.S., Canada) .....	33%
LATAM (Mexico, Brazil).....	14%
Europe.....	41%
JAPAC (Japan, South Korea).....	14%

Country	
Brazil .....	7%
Canada.....	7%
Denmark.....	3%
Finland .....	1%
France .....	7%
Germany .....	7%
Italy .....	7%
Japan.....	7%
Mexico .....	7%
Norway.....	1%
Spain.....	7%
South Korea.....	7%
Sweden .....	1%
United Kingdom .....	7%
United States.....	27%

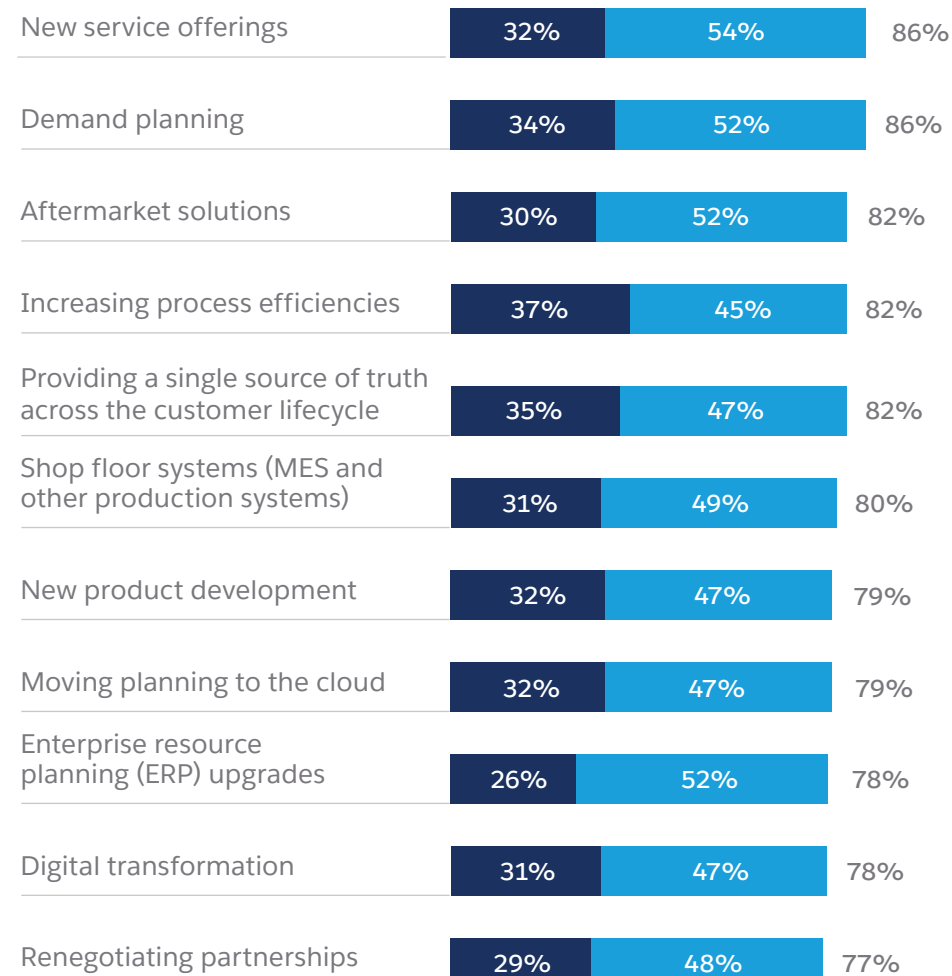
## What are your company's top priorities over the next 24 months?



# Industry Profiles

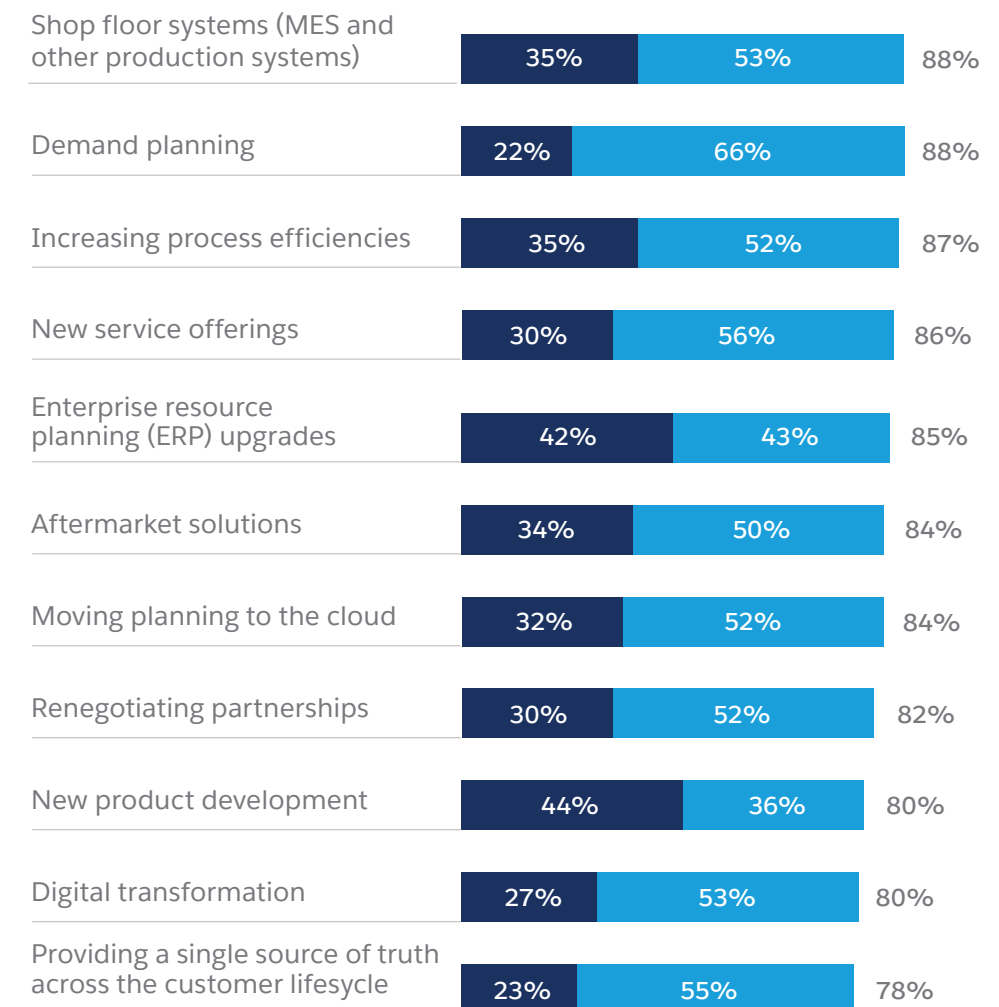
What are your company's top priorities over the next 24 months?

## Production Parts



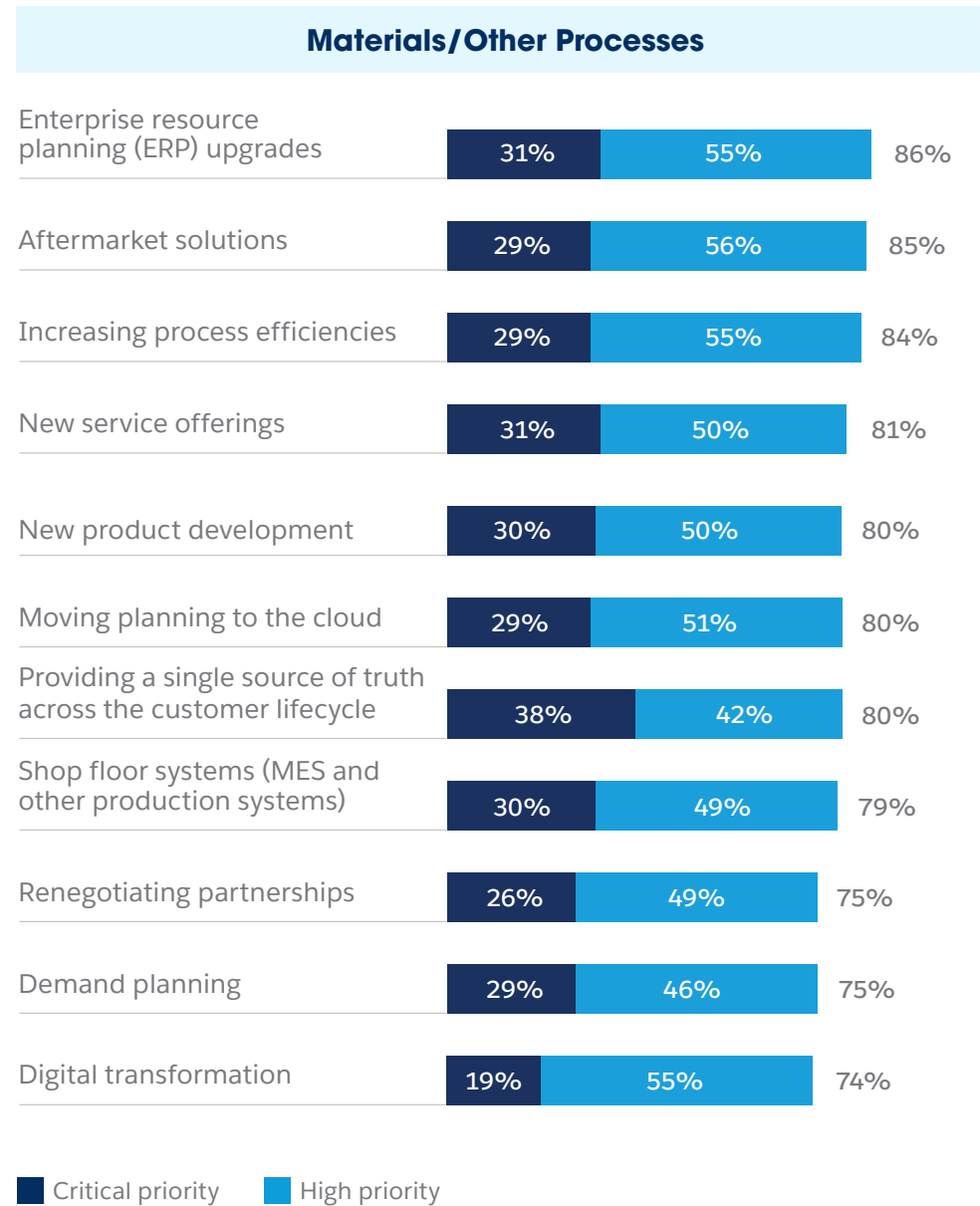
■ Critical priority ■ High priority

## Agriculture Products

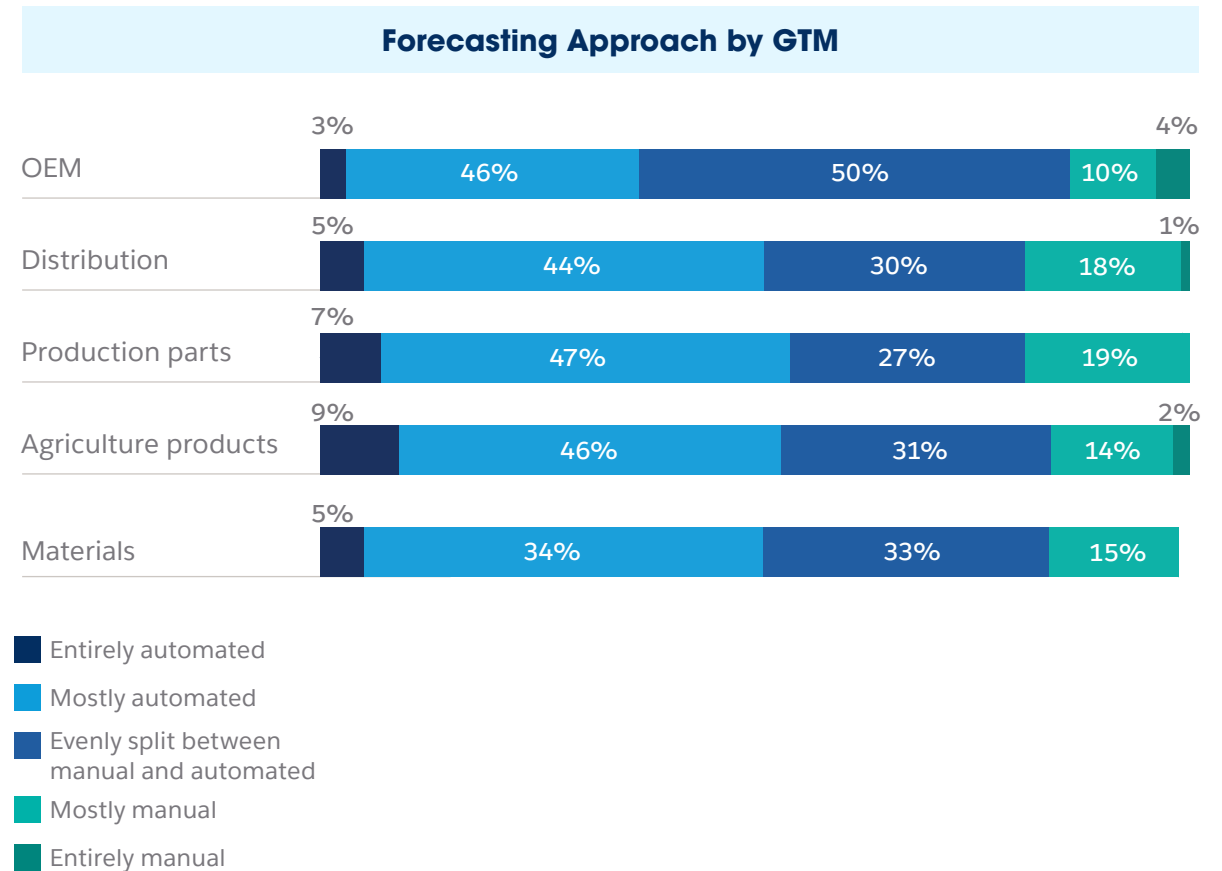


## Industry Profiles

What are your company's top priorities over the next 24 months?



How would you describe your forecasting approach?





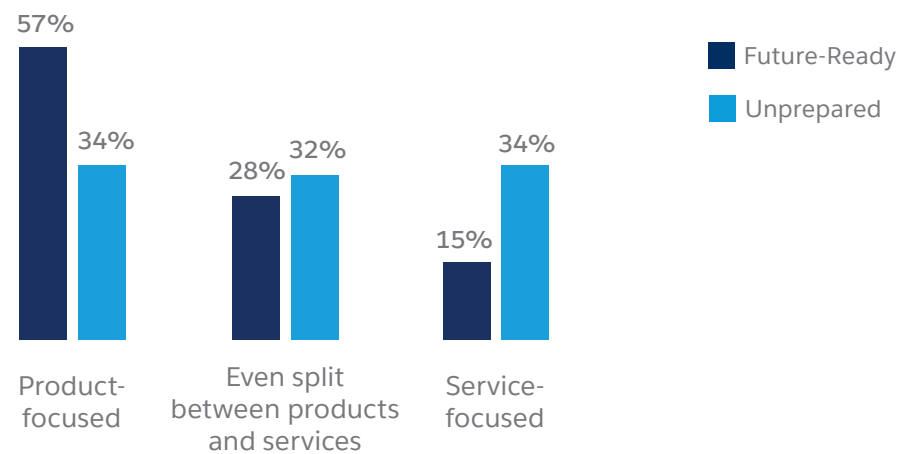
# Industry Profiles

## Manufacturers who feel they react faster than the rest of the industry to market, product, or customer changes



Operations **2.4x** less likely to agree their organization moves faster than anyone else

## Current offering mix



## Cloud-based manufacturers 3.1x more likely to have automated forecasting than those on premises

How would you describe your forecasting approach?

