



MANUFACTURING TREND REPORT:

Making Sense of 2020's
Lasting Impact on
Manufacturing Organizations



ELEMENT
THREE

Introduction

Over the last 18 months trends started to emerge when we looked at the problems we were solving for clients, the questions we were getting from prospective clients, and the challenges being reported on by major firms such as McKinsey and PriceWaterhouse Cooper. We supplemented these three inputs with interviews across 20 manufacturing businesses. Our aim was to maintain relevance to both large, enterprise corporations and smaller, regionally focused firms so the 20 businesses ranged from Fortune 500, multinational corporations to Indiana-focused manufacturers, with roles from VP of Sales or VP of Innovation to Marketing Director.

This report was created to provide you insight into what other leaders in manufacturing are facing, identify opportunities to address these challenges in your business, and give recommendations for you to implement immediately.

Challenges Identified

01

CHANGING BUYER BEHAVIORS

Digital transformation is at the heart of the accelerated change in buying behaviors seen throughout the manufacturing industry. Manufacturers are having to reinvent their go to market strategy in order to generate demand from new buyers.

02

LACK OF EVENT STRATEGY

Events are back on the calendar come the back half of 2021, but everyone is wondering how to use them. Will buyers still be in attendance? Is the networking opportunity worth the investment? Should you attend or sponsor trade shows? There is a long list of unknowns and that's causing indecision and stress among manufacturing leaders.

03

LABOR SHORTAGE

Nothing is hitting manufacturers as hard as the inability to hire enough workforce. A combination of unemployment benefits, government stimulus, new competition, and people choosing to exit the workforce has left manufacturers struggling to meet demand through production.

04

SUPPLY CHAIN DISRUPTIONS

The combination of four massively disruptive events in one year has left manufacturers searching for ways to rebuild the supply chain to better withstand unforeseen future disruptions — and their customers are wondering when they may be able to expect delivery.

OUR CONSULTANTS

Our goal for this report is for it to be actionable, for you and your team. We gathered a few of our leading consultants to provide recommendations for each challenge. Your consultants for this work have spent years working with manufacturing leaders — as well as many other industries — to help them navigate business challenges in real time.



Ashley Booth

STRATEGY LEAD

Ashley is the lead consultant for her clients at Element Three, and works with multiple manufacturing businesses. She is an experienced strategist and has experience working with brands of all sizes, from regional manufacturers to some of the largest organizations in the world, including Microsoft and NBC Universal.



Dustin Clark

STRATEGY LEAD

Dustin Clark has grown up in the content and digital side of marketing, spending the majority of his early career working on e-commerce and content marketing. He is the lead consultant from the Element Three team with multiple manufacturing partners and has worked with brands such as Lumenis, the world's leading medical laser manufacturer.



Kyler Mason

VP OF DIGITAL & STRATEGY

Kyler Mason leads the consultant team at Element Three, and is often designing the first engagement between Element Three and a new client. He brings with him experience on brands such as Lippert Components, Airstream, and Newmar.

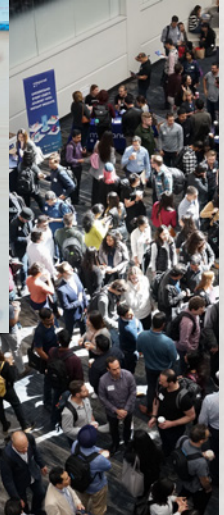
CHALLENGE 01

Changing buyer behavior has revolutionized demand generation activities — and manufacturers are playing catch up.

DIGITAL TRANSFORMATION

While COVID caused rampant change throughout many industries, in manufacturing it accelerated changes that were already happening in their businesses. Digital transformation is getting major attention due to the need to expand lead generation beyond trade shows, conferences, and old-school techniques such as cold calling and knocking on doors.

Historically, many buyers were connecting at the same trade shows each year, and relationships were built through traditional sales tactics. However, McKinsey & Co. has shown through multiple studies that buyers now want to connect through digital channels so they control the pace of the buying process, and will purchase more through those channels. Buyers don't want to talk to a sales team until they make the choice to engage.





Due to this shift, the manufacturing leaders we interviewed spoke about their sales team being stretched to learn new techniques, channels, and technologies in order to bring in the new business needed to hit growth goals.

Moving forward, this skillset expansion will serve sales teams across the board — the McKinsey report shows that 85% of all sales professionals will be operating in a hybrid environment of in-person and digital selling. Surprising many leaders, 80% of sales people also are reporting as much or greater success within this new environment than with the old (McKinsey). Alongside this trend, manufacturing leaders are

shifting their investment focus into digital transformation initiatives. According to the **Manufacturing Pulse Survey** from PricewaterhouseCoopers (PwC), over 50% of manufacturing leaders are investing greater amounts in digital channels. PwC encourages this, as their data indicates that an increasing demand for digital channels is going to be the most impactful shift for manufacturing leaders. This new focus on digital includes a number of initiatives housed under marketing. Many leaders we interviewed focused on website updates, virtual product demonstrations, and greater buyer access through all digital assets.



Recommendations

CHANGING BUYER BEHAVIORS

Digital Transformation

There are two sides to this initiative:

- 01/ Creating operational efficiency and business scalability internally
- 02/ Developing a modern customer experience

Both of these are important to address as you tackle the digital transformation in your own business. Creating a marketing technology stack that allows you to have a central source of truth for your internal team is an essential part of this plan.

One word of wisdom: keep your marketing technology simple from the start. It is much easier to start small, creating an environment in which your sales and marketing team actually uses the tools, then figuring out what capabilities you're lacking. One of the most common situations we encounter is an overly-complex technology setup that is costing the business a lot and getting very little use — because it's too hard for the team to find value in the platforms. Try your best to not fall into this trap.





In order to create a modern customer experience, we recommend you map your ideal customer experience, and then create a version that converts in-person activities to digital. From this work you'll be able to understand the infrastructure updates you need to make to execute on this vision. In the past, for example, your sales team may have been giving physical demos of your product. How can you re-create this with a digital rendition? At the same time, customers are accustomed to asking questions and getting real time answers. This means you need to have a very clear way for them to get those questions

answered without waiting for a response from your sales team. This can be accomplished with digital chat tools or a great FAQ section of your website.

Finally, as you build out your digital experience, remember that you're going to be collecting customer data and you have a responsibility to their privacy. Be clear about what you do with the information you collect, and think twice before gating your content. The appetite to fill out a form on a website is rapidly decreasing and it needs to be a very good offer for someone to give away their contact information.

CHALLENGE 02

Events are coming back to life —
but is anyone going?

EVENTS

Of the four challenges highlighted in this report, events are the least agreed-upon of them all. While multiple manufacturing leaders indicated similar expectations and initiatives around events, there was not enough broad agreement on what to do for a consistent statement about how leaders are handling events. In fact, the general feeling is one giant shrug of “I don’t know.” It feels similar to the way buying decisions were being made at the height of the pandemic. With a lack of access to information, no one truly knows what to do.



“We don’t even know who is going to be there..that makes it hard for us to *justify the expense* this year and maybe in the following years. It’s just hard to know”

- VP OF SALES



In fact, while some sectors of the manufacturing industry are already seeing events in person, others are still in the dark about the opportunities that will exist the rest of this year. Even for those with set dates for in-person events, they're not certain about the attendance levels — or if the people they want to meet with will be there. When factoring in the cost of attending the conference — flights, hotels, food, and car service — things add up very quickly. Moving forward, manufacturers will have to learn how to measure the value of events in a whole new way.

Regardless of the uncertainty of events, many leaders still see them as valuable, if unmeasurable, aspects of their go to market strategies.

“We *skipped* the last two years and it *didn't hurt* our overall performance, but we're still going back because the *networking matters*. We won't have a booth this time, though.”

- MARKETING DIRECTOR

“A lot of our demand came from *tradeshows* - and with a *long sales cycle*, we would work those deals throughout the year. We believe shows are coming back soon, but we still have a focus on finding *new channels* for continued *growth*.”

- VP OF MARKETING & INNOVATION

Research from Forbes supports the lack of impact on performance, “...many companies’ sales were unaffected by their absence from trade shows. The companies saved the money that previously had been spent on sponsorships, booths, collateral material, travel and hotels.” However, the research highlights a great point on the true effect of leaving trade shows as uncertain at this time. There is potential that you will not notice the impact of not attending for years down the line.

For companies with a strong brand and presence in their marketplace, it’s likely that taking some time away from events will not hurt overall performance — buyers know who they are. But, as buyers change roles and new people move into those important procurement positions, what will happen? It is impossible to predict at this moment, but the likelihood of establishing strong relationships through a purely digital experience is unlikely.





The other element at play here is unique to manufacturers who sell through dealership models. Much of the relationship between the OEM and their dealers has been centered around dealer meetings. These are hugely important events that serve to launch new model years, build relationships directly with buyers at dealers, and arm dealers with sales enablement tools to move the units through to the end customers. For businesses that rely on a

dealership network for sales, it is imperative that the event strategy is solidified and executed well in a post-COVID environment. One of Element Three's partners, Newmar, was able to effectively execute a virtual dealer meeting in March of 2020, and moved back to an in-person event for 2021. While both were successful, the consensus is that in-person is the best option for extremely important touch points with your highest value customers.



Recommendations

LACK OF EVENTS STRATEGY

Events

Everyone has been guessing on events, but that doesn't mean there isn't an answer here. The reality is that your event strategy needs to be overhauled. Here's the sequence we would recommend going through with your team:

01 Create realistic expectations for what you're going to get from events

- a Virtual events are not going to give you the same networking opportunities that in-person events do
- b You will not fill your pipeline as fully with events in the way you have in the past because the attendee list is smaller (we've seen as much as 80% attrition)

02 Right size your events budget to mirror the reward from event efforts





03 Evaluate your experience level if you hosting an event, rather than attending

- a If you've never hosted an event before, don't dive in with a large scale, multiple-day virtual event. Rather, try a webinar, or another short, consumable content play and see what interest you can gather.

04 Explore creative ways to use your typical event investment

- a Account Based Marketing (ABM) could replace your normal sales activities at large trade shows
- b Try sponsoring a happy hour at an event (virtual or in-person) and send one or two sales people instead of sending an entire team with a huge booth

The reality remains that events may bounce back huge in 2022 - or they may be forever changed. Don't let the muscle of event sales and marketing atrophy, but also don't just keep doing what you've always done out of habit. This is a great opportunity to reevaluate your strategy and to reinvent it for the modern buying cycle.

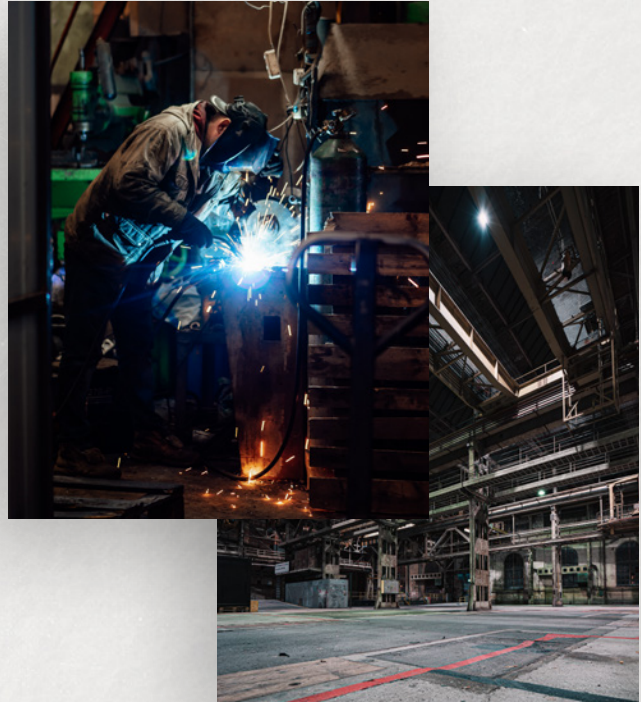
CHALLENGE 03

Employees are impossible to find.

EMPLOYMENT

In December of 2020, Indiana hit 3.4% unemployment — effectively full employment — and that statistic was reported before the service industry truly brought their workforce back. At the time of this report's writing, there are 100,000 open manufacturing jobs in Indiana alone. Suffice it to say, employers are struggling to fill roles.

There are a few reasons for this identified through our research and highlighted by manufacturing leaders.



“Every time we get a new *unemployment stimulus* — checks and benefits — our applications drop for about *2 weeks*. That check gets spent, and they bounce back up”

- MARKETING DIRECTOR

“We have *new competitors*, frankly. Amazon and Walmart are household names that have fulfillment centers next to us. We actually *pay more*, and *offer a better* EVP (401K, benefits, etc) but they don't know who we are - and frankly the *work is tougher*.”

- DIRECTOR OF
TALENT ACQUISITION

“Many people *exited the workforce* as a result of COVID, and they *aren't coming back*. Jobs that used to be fillable with a \$15 or \$17/hour offer — which was considered prime pay for the position — are being left open at \$20-\$23/hour.”

- CEO



Macro-studies do not support the position of unemployment benefits causing a decrease in employment opportunities. Yale University conducted an extensive study which clearly states no positive correlation between unemployment benefits or stimulus checks and job searching. Another leading voice on the matter, Ball State University Professor of Economics Michael Hicks, supports this stance as well. He points out that COVID studies are not nearly extensive enough to prove a cause-effect relationship at this time, and that the reality is that no one truly knows. Such a massive shift in the way people simply live their lives (remote school and work, less travel, lack

of geographical constraints) has created a chasm in the employment market and it will take time to rectify.

It's likely that both the people who can clearly see a dip in applications, and potential labor in correlation with extended unemployment and stimulus checks as well as studies by major universities, are correct. The macro statistic can be true at the same time that individuals are experiencing a different reality. However, national studies do not individualize their reports to specific regions or industries. The manufacturing industry may be feeling the effects significantly more than other sectors.

Recommendations

LABOR SHORTAGE

Employment

The employment challenge is very prevalent in manufacturing currently, but from a high level the solution isn't different from solving a demand problem during less active markets. You should attract your potential employees with the same amount of intention you attract potential customers.

At the highest level, the way you position your business, brand, and culture really matters for attracting the right employees. This also means you need to be offering them a competitive package complete with benefits that can stand up against the large, national competition like Walmart and Amazon.





Additionally, think about the experience you are giving a potential employee during the application process. Don't just send them to a landing page and expect them to read and be impressed. Give them an experience that educates them on who you and your business are looking for in the process and clearly articulates the benefit of being part of your organization.

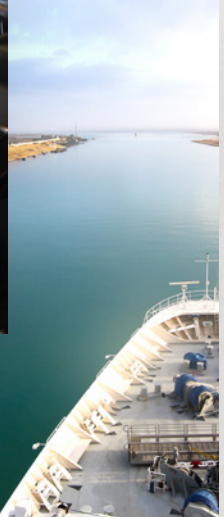
We have seen success running lead generation campaigns targeting new employees. Not only can running an employment campaign fill your pipeline with candidates, it can also provide you with important data that you can incorporate into your traditional recruiting efforts and make those more effective as well.

CHALLENGE 04

The supply chain has been disrupted by multiple high-impact events: COVID, the Texas deep freeze, the Suez Canal blocking, and a semiconductor chip shortage. It was built to handle one of these at a time - not four.

SUPPLY CHAIN

As you're surely well aware of, the supply chain has been hit with four major disruptions, among others: COVID-19, the Texas deep freeze, the Suez Canal blocking, and semiconductor chip shortage from China. The combination of these challenges has manufacturers across the country struggling to capitalize on an abundance of demand. It has also introduced a real question about sales and marketing activity and the importance of prioritizing a focus on growth when the ability to deliver in a timely manner is basically gone.





The biggest trend identified during our interviews was on nearshoring - the practice of bringing a business operation to a nearby country. Manufacturing leaders indicated that this was starting to happen before the disruption of the last 18 months, but it picked up steam significantly following COVID's disruption and will continue. Near-shoring isn't necessarily bringing manufacturing back to the United States where labor is difficult to find. Mexico is a common location for

near-shoring, and as far back as the start of the COVID pandemic multiple manufacturing organization were opening new plants in Mexico with an increase of over 1,000 jobs across the country.

Our research did not find a solution in consensus and the leaders we spoke with were taking many different approaches; we will share how we are handling this with our clients in the recommendations section to follow.



Recommendations

SUPPLY CHAIN DISRUPTIONS

Supply Chain

We don't have a solution to actually getting all of your components to arrive on time. Rather, this recommendation section is meant to help guide your decision making around sales and marketing activities during supply chain hiccups - because that is the area we have experience in with our clients and have seen the results first hand.

The most common mistake we see companies make is deciding to stop marketing when supply is being exceeded by demand. You're leaving potential customers on the table and they will go to your competitors. Remember that the buying process for many of your customers may well extend past the point at which you cannot fulfill anyway - so making a bold claim about not taking on new orders, or about having a huge delay in orders, will not pay off for you.





Recognize that this is a major advantage for you to differentiate from your competition. Giving your customer, whether they are consumers or other businesses, an excellent experience during their buying process will do wonders for customer loyalty down the line and repeat business. Remember that if you're dealing with supply chain issues, it is very likely that your competition has the exact same roadblock. The way you take care of your customers and prospects during this time will pay off -- if it is done well.

As far as doing this well, it really comes down to messaging and consistent communication. You

need to communicate internally with your teams regarding what expectations to set with prospects, and you need to have a plan in place to communicate with the external market about what your supply chain situation is. Everyone recognizes that there are many things outside of any one company's control — don't try to hide. Be open and honest about when products can be manufactured and orders fulfilled. Our experience has shown us that customers don't mind being on a waitlist when they have clear communication about when they can expect orders and get regular updates on how things are progressing.

Finally,

- 01/ Don't treat your communication like a press release. A big banner at the top of your website with your supply chain status as an update isn't a good customer experience, and
- 02 Think about how you can switch around your normal sales process to better fit today's market. A great example of this is the furniture company **Joybird**. They are having people pay to reserve their sofa, and then go through the process of choosing a fabric, color, size, and layout. It's actually a reversal of the normal buying process, but it is getting their customers on the list so they know they'll get their couch, and then giving them the fun experience of choosing all the details while they wait. It's a great example of a positive buying experience in a tough time.

CONCLUSION

We would like to extend a huge thank you to every company and individual who took valuable time to contribute to the research done in compiling this report. These conversations shone light onto what manufacturing leaders are working on solving, and just how complex the business challenges truly are. There were many topics which came up in conversation that did not get attention in this report; future work will go into

exploring which of those are trends, and which are individual experiences.

If you are interested in contributing to future reports or have a particular topic that you would like to gather insight from the community on solving, please reach out to Joe Mills directly at joe.mills@elementthree.com and he will reach out to you to schedule time for a conversation.

THANK YOU

The information in this report was made possible by the businesses who spent valuable time in conversation with our team - a few of which are shown below. Additionally, we are forever grateful to our manufacturing clients who continue to invest in our mutual learning and growth year after year.



barrywehmler
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