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The Future of Sales series presents:

Three trends affecting Manufacturing Sales

By Deloitte Digital Customer's Sales Transformation Team
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Three trends affecting manufacturing sales

We believe that there are three considerable trends that are driving transformation in the manufacturing industry:

1. Servitization
2. Race to net zero production
3. Dynamic and intelligent pricing

Navigating these trends and the challenges they pose effectively is paramount to succeeding in today's competitive world. Thankfully, there are powerful solutions that are proven to help you succeed and to remain competitive, which are ready to be implemented.

Servitization

Manufacturing companies' products are gradually commoditizing. Prices are therefore becoming the main competitive differentiator. This directly impacts and contributes to adverse price erosion and margin pressure. This is why we've seen so many industries transitioning in recent years from a product model ('selling products') to a service model ('selling an experience'), where products are increasingly leased or sold on a pay-per-use basis.

Customers are also choosing to outsource product management and maintenance to manufacturers, resellers or third-party service providers. This can represent a great opportunity for manufacturing companies. For example, vehicle manufacturers have high maintenance and service costs on top of high purchase costs. A smart marketing proposition can then be to incorporate these purchase and maintenance costs into a subscription model.

As well as presenting a clear opportunity to entwine with a customers' processes, a successful service strategy generates more value, higher margins and greater customer loyalty. Peter van Tilburg, Deloitte partner for Energy, Resources & Industrials, asserts that customers are engaged in a whole new way when customer relationship management platforms are combined with effective subscription management systems and tools. Monthly subscription payments impact not only the back-office and after-sales processes and systems, but also dramatically change the overall client engagement and related sales and service processes.

Partnerships as a key differentiator

As well as managing subscriptions effectively, it is vital to select your partners carefully and optimize your strategy so that you can offer customers a more complete package. Rather than seeing services as an extension of a product, you can develop them as a separate business line with differentiated processes and capabilities. Leveraging your partnerships to offer new capabilities means you remain focused on your core business but execute shared sales strategies with your preferred partners. More companies are realizing this today and adapting their existing business models to proliferate resell opportunities across multiple platforms and services from other companies to their clients.

From a platform perspective, Deloitte is partnering with Salesforce for CRM and Zuora for Subscription Management and Billing to help customers monetize new subscription models. We will be elaborating on how we can make the subscription model work for you in a future article.

Race to net zero production

Sustainability is now a top strategic priority across most industries, with a growing focus within manufacturing. So, what are the key challenges driving the race to reduce emissions?

- Firstly, there are inherent challenges of handling increasingly volatile energy prices and the growing pressure from an array of key stakeholders. These include various governments and NGOs, as well as activists and general societal views that are committed to reducing emissions with a target to get to net zero. Manufacturing companies are rapidly integrating sustainability into supply chains to drive costs down and to intensify their sustainability performance reporting to comply with regulatory demands.
- Secondly, there are challenges in finding the most effective way to build on each other's work and learn from and build upon shared ideas. Ruud Schmeink, Deloitte ER&I partner and lead of Deloitte's pricing practice, asserts that manufacturing companies wanting to successfully shift to more sustainable processes have to build strong customer relationships. This could mean fundamentally changing your customer portfolio to build longer-term relationships allowing you to improve margins, collaborate for sustainability and serve clients willing to 'pay for green'.

We at Deloitte are committed to continuously growing our sustainability capability. As well as strategic advice on opportunities for cutting your carbon emissions, we can offer in-depth industry expertise and implement tools for Environmental, Social and Governance (ESG) reporting. ESG information can include a broad range of issues and can assist in understanding the impact your company has on people, planet and the economy. For example, The Net Zero Cloud on the Salesforce platform helps you track your sustainability progress and see what's happening in your supply chain. By harnessing insights into your carbon footprint, you can:

- Develop more effective strategies and policies by identifying gaps and potential for reducing your emissions;
- Ensure effective reporting and compliance, with improved market perception as an added benefit.

Dynamic and intelligent pricing

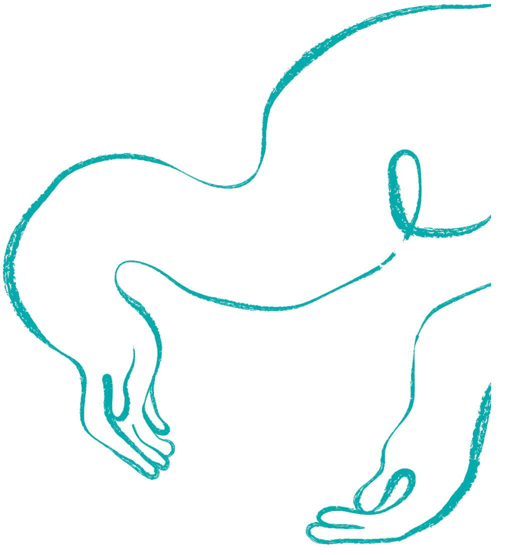
Manufacturing companies can find achieving top and bottom-line growth challenging. Smart pricing strategies - which rely heavily on speed and accuracy, can help you gain and retain a competitive edge, recover value and expand sustainably.

Speed: pricing process automation

Speed is vital in determining whether your customers stay and purchase with you. However, complex products can involve a multitude of specifications and product configurations. This can slow down the Configure, Price, Quote (CPQ) process considerably which ultimately results in having less capacity to address your customer's needs. Automated pricing solutions are an extremely effective way to reduce this complexity, speed up the process and ensure a streamlined and more agile sales organization.

Accuracy: AI-enabled pricing

Seeking, finding and utilizing customers' 'willingness to pay' is important in many industries. This can prove to be particularly challenging for manufacturers who typically produce and maintain a multiplicity of products. Each product design may contain multiple, varying features which means that levels of applicability and value may vary along the value chain. Marketing and selling complex products effectively across a differentiated customer portfolio can then be difficult as final prices may be higher or lower than a customers' willingness to pay.



One way to improve pricing accuracy is through 'dynamic pricing' solutions. As Ruud Schmeink explains, this involves applying data science models to historical data and identifying which customers attach greater value to your products, as well as which features customers value and which they do not. This means that you can confidently go to market to the right customers, with right products and at the right price. This results in faster growth, better margins and capturing potential revenue more effectively. It also helps you decide which products add value to your portfolio, and in turn which products or features you should be investing in.

Deloitte has extensive capabilities in pricing process automation and optimization solutions. We will be explaining how you and your company can benefit from CPQ and AI-enabled pricing in a future article in this series.

Please contact us for solutions to your subscription, sustainability and pricing challenges. We look forward to helping you.

Contact us

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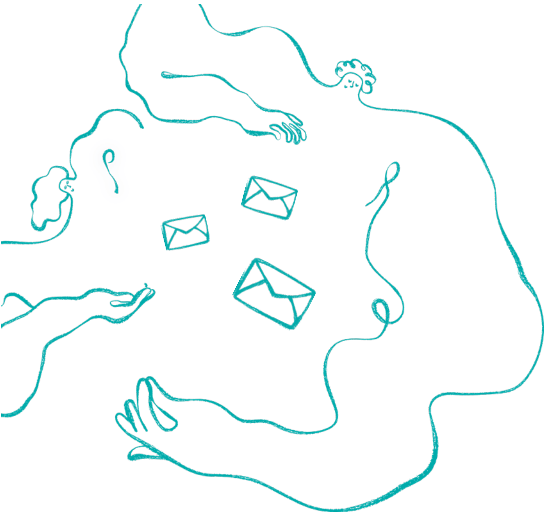

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